



29 January 2010

The Manager
Companies Announcements Office
Australian Stock Exchange Limited
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Sydney NSW 2000

Report for Quarter Ended 31 December 2009

Key Activities

- Drilling of the Bass Basin Trefoil 2 well in T/18P confirms gas condensate field and proves the southern extension of the field.
- Agreement reached for Innamincka to purchase a 7.5% interest in the BassGas Project, with immediate cash flow from the Yolla gas and condensate field.
- Drilling of Rockhopper 1 in T/18P delivers a new field oil and gas discovery.
- Field activity completed on the Coal Seam Gas (CSG) 3 well core hole drilling program on the Innamincka Dome.
- Production recommenced at Flax Oil Field.

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

- Commencement of the Rockhopper 1 Side Track 1 well in T/18P in the Bass Basin to appraise and assess the reservoir intersected in Rockhopper 1 (in progress).

Core Operations

During this period, Innamincka Petroleum (“INP”) continued its strategy of expansion into the Bass Basin by reaching agreement with AWE Limited to purchase a 7.5% interest in the BassGas Project which includes the producing Yolla gas and condensate field, associated pipeline and processing infrastructure and an interest in T/L1 and T/RL1. The company sees the acquisition as complementing the recent 5% farm in to the T/18P permit and consistent with objectives of securing assets that will deliver long term stable earnings and cash flow streams to underpin the growth of the business.

Bass Basin

T/18P (5% Innamincka)

In the previous quarter INP completed an acquisition of a 5% interest in the Bass Strait permit T/18P by way of a farm down of interest by CalEnergy Gas (Australia) Limited.

This quality permit contains the existing White Ibis and Trefoil gas condensate discoveries and is adjacent to the producing Yolla gas field.

INP was strongly attracted to the promising drilling program planned for late 2009.

The two well drilling program commenced on 6 October using the Kan Tan IV semi-submersible drilling rig. The program commenced with the spudding of appraisal well Trefoil 2 which was drilled to a total depth of 3,235m and intersected gas bearing sands in the targeted Eastern View Coal Measures at a location 2.6 km south of the discovery well, Trefoil 1. The well was successful in confirming the existence of gas hydrocarbons and associated liquids, and delineated the southern extent of the gas field. The well was plugged and abandoned as planned on 26 November. The operator, Origin Energy, is currently reviewing the well data (cores, wireline logs, reservoir pressures and samples) to confirm the field volumetrics and establish the potential for development of the Trefoil field.

The second well of the program, Rockhopper 1 commenced drilling 3 December and had encountered hydrocarbons by month end. The well was drilled to a total depth of 3,522m and discovered oil and gas within the Lower Eastern View Coal Measures.

Origin Energy Limited, the operator of the drilling program, confirmed the results as a new field oil and gas discovery in the Bass Basin.

Wireline pressure data recorded in the Rockhopper well confirmed the presence of multiple hydrocarbon columns in a sequence of interbedded sands and shales in the Lower Eastern View Coal Measures. Selective wireline sampling has recovered oil from some sands and liquids rich gas from others. No definitive water bearing sands were encountered in the target section. Thickness of individual sand beds varies from 1 metre to around 5 metres with variable reservoir quality.

Based on the success of the Rockhopper 1 well in identifying hydrocarbons, the joint venture agreed to proceed with the drilling of a side track well, Rockhopper ST1 to appraise the discovery. The initial well was plugged back and side track operations commenced on 19 January 2010.

Rockhopper ST1 is designed to intersect the main reservoir section 1.3km south and downdip on the structure from Rockhopper 1 in order to establish hydrocarbon column heights. This will assist in assessing the volume of oil and gas in this new field discovery.

While it remains too early to comment on the commercial significance of this new field discovery, the joint venture is encouraged by results to date, particularly by the recovery of crude oil from some sands.

BassGas Project, T/L1, T/RL1 (7.5% Innamincka)

In November INP announced that it had entered into an arrangement to purchase a 7.5% interest in the BassGas Project which includes the producing Yolla gas and condensate field along with associated infrastructure.

Apart from providing the company with a long-term earnings and cashflow stream, ownership of the BassGas infrastructure will provide synergies with the T/18P asset, mitigating potential tolling issues and offering options for development of the T/18P discoveries.

INP has continued towards completion of this transaction with funding arrangements for the \$40M purchase anticipated to be announced in early 2010.

Cooper Basin

Within the Cooper Basin, major objectives have been to:

- Facilitate evaluation of the coal seam gas prospect on the Innamincka Dome.
- Optimise the oil production from the Flax field.

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 has been targeted for three coal seam gas core holes to provide information on extent of the coal resource, coal thickness, gas content and productivity.

The drilling program, operated by AGL Energy Limited (“AGL”) commenced on 15 October 2009 with Merninie 2, was followed by Merninie’s 3 and 1, concluding at the end of November. Core samples were successfully collected and desorption testing of the coal quality has been a subsequent activity.

INP is awaiting the final results of the testing from the program operator though preliminary results indicate that a standalone CSG development is unlikely with current commercial parameters. A renewed focus on a broader gas aggregation strategy across PEL103 and PEL 101 will be pursued to create development potential for the already identified resources and prospects.

Under the terms of the farmin agreement with AGL, INP is fully carried for this activity and the subsequent CSG activities up to a limit of \$5m.

PEL 103 (37.5% Innamincka)

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. The Merninie 1 core hole was drilled during the quarter in the Innamincka Dome CSG area as part of the 3 well CSG program.

PEL 103A Aspen Block (37.5% Innamincka)

Field activity for the period included drilling two core holes on the Innamincka Dome, as part of the 3 well CSG program. The activity was operated by AGL who are responsible for the reporting and forward planning.

PRL 14 (37.5% Innamincka)

PRL 14 encompasses the Flax field.

The field recommenced production on 30 November 2009 after a period of shut in which enabled minor facilities modification and upgrade, along with the opportunity to undertake a thorough review of the future strategy for field exploitation. The review determined that the most appropriate strategy is to continue production whilst it remains commercially viable. At current oil prices no further significant investment in field development is anticipated.

Since reopening, the field has produced 4900 barrels of oil at an average rate of 150 bopd up to 31 December 2009. The field remains on line.

PRL's 17 & 18 (37.5% Innamincka)

PRL's 17 and 18 cover the Juniper and Yarrow discoveries.

PIRSA have approved a request to vary the timing of work commitments for these PRL's. The commitment to drill one well in each of these PRL's during permit year 2 (~2010) has been deferred to permit year 3 (~2012). The acquisition of seismic data in permit year 3 (~2011) remains unchanged. The joint venture partners unanimously approved the revised work programme as it facilitates better planning to site the seismic, with drilling to follow on

targets selected by best technical studies. In the current permit year INP will revise the mapping and geological model to best site seismic acquisition.

There has been no field activity in these permits during the quarter.

PEL 101 (25% Innamincka)

Supporting the JV strategy of a minimal expenditure in the immediate future an appropriate program and relinquishment plan was submitted to PIRSA. Approval has been received from PIRSA to renew a reduced license area for a second term, commencing 23 January 2010 and expiring 22 January 2015. The activity requirement is G&G studies for permit years 1 to 4 inclusive, followed by drilling of an exploration well in permit year 5.

No field activity was conducted during the reporting period.

ATP 543P South (50% Innamincka)

JV meetings during the quarter continued to evaluate a forward exploration program. INP continues to be Operator of the permit.

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 1 February 2010 with work commitments to be completed by 31 January 2013.

No field activity was conducted during the reporting period.

South Australian Gazettals

INP participated in the recent round of PIRSA gazettals for additional Cooper Basin acreage as part of a consortium of companies. A bid was placed but was unsuccessful in securing any of the new permits.

Corporate

The company held its Annual General meeting on 25 November 2009 and since has embarked on a program of briefing INP developments to the broker and investment community throughout December and subsequent to the reporting period.

The objective of growth through acquisition will continue to be a focus of INP's activities in the near future, particularly the immediate need to complete the acquisition of the 7.5% interest in the BassGas Project.

Forward Program

Planned activities for the next quarter are:

- to complete the Rockhopper Side Track 1 and conclude the current phase of drilling in T/18P.
- to commence investigation into potential development options for the T/18P discoveries
- to finalise funding requirements and complete the acquisition of a 7.5% interest in the BassGas project.
- to work with AGL to further evaluate gas aggregation opportunities in the Cooper Basin.

A handwritten signature in black ink, appearing to read 'David Kinsman', with a long horizontal flourish extending to the right.

David Kinsman
Chief Executive Officer