



**INNAMINCKA**  
PETROLEUM  
ACN 101 313 777

Office 1 - Ground Floor  
924 Gympie Road  
CHERMSIDE QLD 4032

PO Box 2378  
CHERMSIDE QLD 4032  
Telephone: (07) 3359 8988  
Facsimile: (07) 3359 8985  
[www.innapet.com.au](http://www.innapet.com.au)

29 April 2010

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

## **Report for Quarter Ended 31 March 2010**

### **Key Activities and Highlights**

- Origin Energy Limited (Operator) announced that drilling of Rockhopper 1 in T/18P in the Bass Basin delivers a new field oil and gas discovery
- Success of the Trefoil and Rockhopper drilling program has upgraded the oil and gas prospectivity of T/18P
- Termination of the agreement for Innamincka to purchase a 7.5% interest in the BassGas Project, with subsequent refund of the initial \$4m deposit
- Production at Flax Oil Field continues at 140 bopd with production of 6067 bbls during the quarter (INP share 2275 bbls)
- ATP543P joint venture agrees to undertake a 2D seismic program in second half of 2010
- Strong financial position maintained with \$14.5m cash, no debt, and a remaining carry commitment by AGL Energy Limited of \$4.4m.

## **Operational Activity**

### **Bass Basin**

#### **T/18P (5% Innamincka)**

The planned two well drilling program which commenced in October 2009 was completed during the period.

Following a successful result on the Trefoil-2 appraisal well, Origin Energy Limited, the operator of the drilling program, confirmed the results from the second well, Rockhopper 1 as a new field oil and gas discovery in the Bass Basin on 4 January 2010. Drilled to a total depth of 3,522m the well discovered oil and gas within the Lower Eastern View Coal Measures.

Wireline log and pressure data recorded in the Rockhopper 1 well confirmed the presence of multiple hydrocarbon columns with selective wireline sampling recovering 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 expand the program to drill a side track well, Rockhopper 1 Sidetrack, downdip on the structure from Rockhopper 1 to establish hydrocarbon column heights and assist in assessing the volume of oil and gas in this new field discovery. The initial well was plugged back and side track operations commenced on 19 January 2010.

The Rockhopper 1 Sidetrack was drilled approximately 1.3 kilometres south of the Rockhopper 1 exploration well and confirmed the presence of hydrocarbons within the reservoir sequence which was intersected between 40 to 60 metres downdip from Rockhopper 1.

An extensive wireline pressure and sampling program was completed. The testing confirmed that several of the sands are of low permeability and it was not possible to obtain formation fluids from them. However, reliable pressures were obtained from other sands and a mixture of filtrate and formation water was recovered from two. All data gathered in the two wells will now be analysed and integrated with seismic mapping to derive volumes of oil and gas in the Rockhopper structure. This process is expected to take some months.

Results of this assessment and the ongoing Trefoil volumetric assessment will be used to determine any future appraisal program and potential development concepts for the fields.

Although it remains too early to speculate on the commercial significance, it is INP's view that the success of the Trefoil and Rockhopper drilling program has upgraded the oil and

gas prospectivity of T/18P. In particular the adjacent Gentoo structure is highgraded due to similar observed seismic anomalies proven to be hydrocarbons in Rockhopper.

Whilst the results are still being assessed, Innamincka believes that they support a variety of potential permit commercialisation options, including:

- The Rockhopper discovery could potentially form part of an oil development based around the Rockhopper reservoir, the Gentoo prospect and a number of nearby leads that have yet to be prioritised. The JV is currently considering undertaking additional 3D seismic survey activity to identify the best drilling prospects for this approach.
- The recent Trefoil 2 appraisal well, which confirmed the southern extension of the field, has identified additional gas and gas condensate resources for which it appears the most likely route to commercialisation would be through the nearby Yolla infrastructure.

## **Cooper Basin**

Within the Cooper Basin, the major objectives during the quarter have been to:

- Progress 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)**

Centred on the Innamincka Dome area in both PEL 103 and PEL 103A, a three core hole drilling program, operated by AGL Energy Limited (“AGL”), was concluded in late 2009. Core samples were successfully collected and desorption testing of the coal quality has been undertaken in early 2010.

INP is awaiting the final results of the testing from the program operator though preliminary results indicate that whilst the coals appear sufficiently mature, coal thickness and gas content are below commercial thresholds within current commercial parameters.

From these results the JV partners recognise that a standalone CSG development is unlikely. 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 conventional resources and prospects.

Under the terms of the farmin agreement with AGL, INP is fully carried for this activity and the subsequent CSG and conventional exploration activities up to a limit of \$5m. At this time \$4.4m of this carry still remains.

**PRL 14 (37.5% Innamincka)**

PRL 14 encompasses the Flax field.

Production continued into 2010, with total production for the quarter of 6067 bbls. Like much of the Cooper Basin, production at the Flax field was shut-in for a period of 5 weeks in Feb/Mar due to major flooding in the region.

Production recommenced in late March and has been averaging around 140 bopd when producing. Given current oil prices, continued production at these levels is expected to provide reasonable operating margins to the joint venture. Operating and transportation cost management will, however, remain a constant focus of attention.

**PEL 103 (37.5% Innamincka)**

**PEL 103A Aspen Block (37.5% Innamincka)**

**PRL's 17 & 18 (37.5% Innamincka)**

**PEL 101 (25% Innamincka)**

Apart from the coal seam gas activity, no significant technical activity was conducted on these permits during the reporting period.

It remains the key focus of INP in 2010 to explore the options to unlock the value in these Cooper permits. Currently, INP has committed to a program of 3D seismic acquisition and drilling in the next 2 years. In satisfaction of this, INP is now undertaking detailed technical studies to optimise location of seismic and drilling. Where appropriate, INP will also consider alternative strategies.

Given the significant acreage holding of INP, the recent emergence of additional technologies in the region relating to exploitation of shale gas and deep tight oil and gas will also be considered for relevance and applicability.

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

JV meetings were held during the quarter to evaluate a forward exploration program. INP continues to be Operator of the permit and is in the process of establishing a 2D seismic program to be undertaken in the second half of 2010.

No field activity was conducted during the reporting period.

## **Corporate**

### **Acquisitions - BassGas Project**

In November 2009, 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.

The company subsequently, on 1 March 2010, announced that it had ceased its pursuit of the acquisition of this interest. Despite substantial investor support, Innamincka was, at that time, unable to reach the funding level required, compromising the ability to complete the transaction in the required timeframe.

Withdrawal from the transaction saw the return of the full amount of the initial \$4m deposit previously paid to AWE Limited.

Looking forward, the recent success at Rockhopper, which resulted in a new oil and gas discovery in the T/18P block, will require follow-up. With the Trefoil drilling campaign having confirmed the southern extension of the Trefoil gas and condensate field, the company will focus on maximising the value of these key assets while continuing to progress its activities in the Cooper Basin.

Despite the withdrawal from the BassGas acquisition, the company will continue to seek opportunities for growth through acquisition. The fundamentals of strong production and operating cashflow delivering the funding for future growth activity remain paramount in the company's strategy.

### **Financial Position**

Following the successful capital raising in the second half of 2009, and the return of the deposit from AWE Limited, INP retains a healthy cash balance of \$14.5m at the end of the quarter.

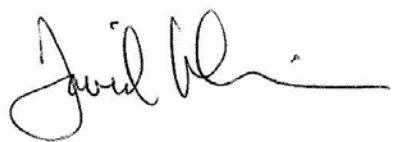
In addition, AGL still retains an obligation to fund a further \$4.4m of INP's expenditure on appraisal or exploration activity in the Cooper Basin permits. (This equates to a total program of between \$11.7m and \$17.6m depending on which permits the money is spent).

These amounts, when combined with a balance sheet with no debt, continue to place INP on a strong financial footing.

## **Forward Program**

Planned activities for the next quarter are:

- to work with the T/18P joint venture to understand potential development paths with a view to maximizing value to INP from the T/18P asset;
- to work with AGL to further evaluate gas aggregation opportunities in the Cooper Basin;
- to review existing assets to prioritise value-adding activity to utilise the remaining AGL carry, and identify non-critical assets for divestment; and
- to continue to actively seek acquisition opportunities that provide production and operating cashflow along with exploration upside

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