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# ANNOUNCEMENT TO ASX

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**Date:** 27 July 2006

**To:** Australian Stock Exchange Limited  
Companies Announcement Office  
Electronic Lodgment System

Dear Sir

**INNAMINCKA PETROLEUM LIMITED - MARKET UPDATE**

With the completion of the testing of Flax 1 in April 2006, Innamincka Petroleum Limited (INP) has now completed its 2005/06 drilling and testing programme. The company considers that, in PEL103, it has discovered a significant oil and gas province in the context of the Australian onshore industry.

The discoveries are, however, geologically complex and further evaluation is required in order to determine the extent of the discoveries, the best means of producing them from a petroleum engineering perspective and the expected economic outcome.

Such evaluation work has been the focus of Innamincka's activities for the past few months. This work has also been combined with considering options for the future structure of the joint venture.

Vernon E Faulconer Australia, Inc ("VFI"), Innamincka's joint venturer, has advised that its business preference is to concentrate on its US operations as a result of the recent increase in US natural gas prices and changes in their management. VFI is thus considering realizing its investment in the tenements and has indicated that it is prepared to sell these interests to Innamincka.

As advised in the Quarterly Report for March 2006, confidential discussions to bring new farminees into the joint venture have occurred over the past few months. These discussions are continuing.

In the interim, the Company is developing a staged programme to specifically appraise the Flax (and potentially adjacent) discoveries. This is anticipated to require further drilling of the field.

Innamincka is also currently evaluating its funding needs, both to pursue the appraisal of Flax and also potentially a restructuring of the joint venture. The funds obtained in our last capital raising during 2004 were substantially utilized as anticipated in the 2004/05 and 2005/06 drilling and seismic programmes.

Innamincka will advise shareholders of a new capital raising plan as evaluations and negotiations proceed.

Yours sincerely  
**Innamincka Petroleum Limited**



**Adam Johnson**  
Chairman