
ANNOUNCEMENT TO ASX

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

Innamincka set to increase equity in Cooper Basin

Innamincka Petroleum Limited (INP) has exercised its rights of pre-emption relating to the proposed sale by Vernon Faulconer Australia Incorporated (VFI) of its 65% interest in PEL 103 to Santos Ltd. The pre-emption cost is US\$8 million (approximately A\$10.2 million) plus stamp duty costs of approximately \$0.6million.

Concurrently, Innamincka has entered into a farmin agreement with Seoul City Gas Co., Ltd (SCG) under which SCG will acquire a 25% interest in PEL 103 for an upfront payment of A\$7 million and its share of ongoing project costs. Seoul City Gas is a substantial energy company in South Korea. Innamincka is pleased to welcome SCG as a strong joint venture partner.

With respect to ATP 543P South, Innamincka has decided not to pre-empt the bid submitted by Santos Ltd to acquire the 50% interest held by VFI for US\$9 million. Innamincka, which already holds a 50% interest in the permit, looks forward to working with Santos Ltd on evaluating the potential of this permit.

The exercise of the pre-emptive right has been funded by a A\$12 million credit facility provided by Macquarie Bank Limited. Repayment of this loan will be effected through the payment of A\$7 million by SCG for its interest in PEL103, once necessary government approvals have been received, and by an anticipated equity capital raising early in 2007. Details of the capital raising will be advised following agreement on further development plans.

The credit facility requires Innamincka to issue 21 million share options to Macquarie Bank with an exercise price of 32.5c per option. Shareholder approval to issue options in excess of 15% of the company's capital will also be sought early in 2007.

These developments are both exciting and satisfying as it signals the company can move forward in its main oil and gas permit PEL 103 with a 75% working interest, and SCG as a new supportive joint venturer. On the ATP 543P South permit, increased activity is anticipated with the introduction of Santos Ltd as a joint venturer.

Yours sincerely

Innamincka Petroleum Limited



Ross Wecker
Managing Director