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Dear Shareholder

MOVING FORWARD IN 2007

I am pleased to announce positive progress on a number of fronts, with significant activity planned for this year.

The sale of the interests of our former joint venturer, Vernon E Faulconer Australia inc. ("VFI"), has been successfully completed and this has opened the way for progress to be made.

Innamincka Petroleum Limited has bought the VFI interests in PEL 103, which contains the Flax and Juniper Oilfields and the Yarrow Gasfield. At the same time, Santos Ltd has bought the 50% of ATP 543P (South) that was owned by VFI.

To help us fund our acquisition we have agreed to farm-out 25% of PEL 103 to Seoul City Gas Company Ltd.

Discussions with Santos have begun regarding exploration and management of ATP 543P(South) while discussion with Seoul City Gas Company Ltd regarding an agreed programme for PEL 103 took place late in 2006. We welcome both Santos and Seoul City Gas Company Ltd as partners.

We can now move ahead swiftly on the development of the Flax Oilfield and our plans are well advanced. It is our priority to bring this oilfield into production and to begin earning income from it. Over the next few months I anticipate that we will communicate with you about the development at Flax and there will be announcements made to the ASX as each step is put into place.

To finance the initial development at Flax we intend raising funds in the first part of this year (2007). It is your company's intention that the first phase of the Flax Development be equity financed. Upon being satisfied with technical issues, your company would then look at financing the balance of the development with project financing.

During the year ahead we hope to address the tantalizing possibility that the Flax Oilfield and the Juniper Oilfield are connected and form a much larger field. We will also be exploring with Santos in ATP 543P (South).

As you can see, this is an extremely positive time for your company, reflecting the hard work and effort put in over the last 18 months.

Shortly, we will be in contact regarding the capital raising. In the meantime, I would like to thank you for your support. I am sure you will agree that 2007 is shaping up as a positive and exciting year for all.

Yours faithfully
Innamincka Petroleum Limited

Adam Johnson
Chairman
11 January 2007