
ANNOUNCEMENT TO ASX

Date: 10 May 2007

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

Dear Sir

Program Update

The **Flax Project** is progressing well with Ensign's drilling rig 30 being contracted to undertake the three well program. Ensign has advised the rig will commence drilling in the next 3-5 weeks upon completion of rig modifications, safety checks and favourable weather conditions. Contract personnel and ancillary services have been organised. Preparation of access roads and drill sites will commence next week.

The three wells are anticipated to take approximately 2 months to drill and contract costs are in line with budget forecast costs.

Planning for well completion and subsequent fracture stimulation programs is nearing finalisation. More details on these aspects of the project will be reported upon as firm arrangements are put in place. The compressor for gas injection for the enhanced oil recovery operation is scheduled to be commissioned in late September.

Within PEL 103 and beyond the Flax Project, Innamincka as operator for the INP-SCG joint venture is pursuing several other project opportunities.

Specifically, well completion, fracture stimulation and production testing of Juniper 1 is being examined as the next step in the appraisal/development of the **Juniper Oilfield**. By its sheer size, the field is an attractive project. The Flax East 1 exploration well will test the connection of the Juniper and Flax accumulations.

A proposal for the Yarrow North 1 well to test for an oil column structurally below the **Yarrow Gasfield** is being compiled for regulatory approval and for site preparation. In addition, design of fracture stimulation and completion of Yarrow 1 has been undertaken. Yarrow 1 may be required as a future supply for gas injection into the Flax Oilfield. The pipe for connection of the Yarrow and Flax fields has been purchased. An independent assessment of the Yarrow gas accumulation reported estimated mean recoverable reserves of 22.8 bcf with no gas-fluid contact yet established for the field.

Discussions have been held with potential gas customers, pipeline operators and other nearby explorers as part of a plan to advance the establishment of a **Gas Project** which would include gas supply from both PEL 103 and PEL 101. The increased use of gas and hence likely improvement in price together with the possible installation of a third party-accessible Moomba-Ballera gas pipeline passing close (approx. 40 km) to PEL 103 are positive factors for an Innamincka gas project.

Weekly updates will be issued hereon as the 2007 program gathers momentum.

Yours sincerely

Innamincka Petroleum Limited

A handwritten signature in cursive script that reads "Leni Stanley". The signature is written in dark ink and is positioned above the printed name and title.

Leni Stanley
Company Secretary