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ANNOUNCEMENT TO ASX

Date: 23 July 2007

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

Dear Sir

Operation Report - Flax Oilfield

Innamincka Petroleum advises that as of 06:00 hours 23 July, the Flax 3 well was at a depth of 2760 m and preparing to drill ahead having completed a bit change overnight. The well will now be deepened to the proposed total depth of 2810 m in preparation for acquiring the wireline logs.

Mudlog descriptions indicated the well penetrated several sandstones in the basal Patchawarra Formation with a total sandstone thickness of approximately 8 m. The Tirrawarra Sandstone was well developed and estimated to be 13 m thick. Good oil fluorescence and associated elevated gas readings were recorded through the basal Patchawarra-Tirrawarra Sandstone interval. These hydrocarbon shows were comparable with those encountered in the successful Flax 1 and Flax 2 wells.

Further details will be released later this week following evaluation of the wireline logs.

Flax 3 spudded on 9 July and is located approximately 600 metres north of Flax 1. The Flax 4 development well and Flax East 1 exploration well will continue the drilling program.

The Flax Oilfield has been independently assessed to contain mean recoverable reserves of more than 4 mmstb. To date, testing of the discovery Flax 1 well has produced over 45,000 barrels of 52^o API oil and provided engineering data for the design of the first well pattern of the EOR (Enhanced Oil Recovery) project. The initial project target is 1000 bopd by mid 2008.

Participants in the project are:

Innamincka (operator)	75%
SCGAU	25%

Yours sincerely

Innamincka Petroleum Limited

Leni Stanley
Company Secretary
