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ANNOUNCEMENT TO ASX

Date: 1 October 2007

To: Australian Securities Exchange
Companies Announcement Office
Electronic Lodgment System

Dear Sir

Outstanding Flax East Result **Major new onshore oilfield anticipated**

Innamincka Petroleum is pleased to advise the success of the Flax East 1 well confirmed that the Flax and Juniper oil discoveries made by the PEL 103 Joint Venture are connected and underlines a substantial increase in the assessed inplace oil resource. There is now a reasonable basis for concluding the Flax and Juniper discoveries will prove to be one of the largest onshore oilfields in Australia.

Flax East 1

Following preliminary analysis of the wireline log data, a number of key points are evident:

- The target Patchawarra Formation and Tirrawarra Sandstone are hydrocarbon (oil) saturated
- No evidence of water saturated sandstones in the target Permian section
- Total pay thickness of 14.8 metres estimated in the full Patchawarra Formation-Tirrawarra Sandstone section
- The bulk of the sandstone net pay (10.2 m) is in the primary zone of interest of the basal Patchawarra Formation-Tirrawarra Sandstone interval
- Sandstone development for the primary zone of interest in Flax East 1 was better than in most wells drilled to date in this region

Based on the above, Flax East 1 was cased and suspended for future production.

Implications of the Flax East well

The Flax East 1 well result is a tremendous result for the potential of the region and for the PEL 103 Joint Venture.

The well confirms the presence of oil through the structural saddle between the Flax and Juniper oilfields at the same time lowering the lowest known oil (LKO) level by some 24 metres to -2653 metres subsea. From the seismic mapping of the Tirrawarra Sandstone, the field area above this new LKO is measured as approximately 120 km².

By comparison, the independent assessment of the Flax and Juniper fields in early 2006 attributed a combined area of 33 km².

Eight wells have now been drilled by the PEL 103 Joint Venture within this field area. All wells have encountered oil-saturated sandstones in the primary target interval. The average net pay thickness for the basal Patchawarra-Tirrawarra interval is approximately 7 m. Using this average pay sand thickness, the inplace resource for the combined field above the new LKO is about 120 million barrels of oil.

Substantial additional upside is provided both downstructure from the new LKO and by other stratigraphically higher intervals in the Patchawarra and Toolachee Formations.

Progress on Flax field development

Well completion and fracture stimulation activity commenced on the Flax field in early August. Since then, four fracture stimulation operations have been conducted.

- In Flax 2, as previously reported, the fracture stimulation of the Tirrawarra Sandstone has provided limited flowback at this time and fracture stimulation of the higher basal Patchawarra sandstone has since been undertaken. Initial flowback from this interval is 200 bbls fluid per day (150 bopd, 50 bpd frac fluid) with the well continuing to clean up.
- In Flax 3, following fracture stimulation of the basal Patchawarra-Tirrawarra Sandstone interval, a flowrate of 700 bbls fluid per day (580 bopd, 120 bpd frac fluid) was measured during the cleanup process.
- In Flax 4, following fracture stimulation of the basal Patchawarra-Tirrawarra Sandstone interval, the well is flowing 200 bbls fluid per day (160 bopd, 40 bpd frac fluid) as it continues to clean up. It is anticipated the well will support a 150-200 bopd flowrate during field production.
- In Flax 1, following earlier fracture stimulation, a flowrate capability of 300-350 bopd was determined for the well.

Current field production is restricted to the individual wells on clean up flow and by the limited field infrastructure. By mid October, temporary flowlines connecting all four wells are expected to be installed and consistent production will begin. Installation of the compressor unit is scheduled for late October after which injection of produced gas via the Flax 1 well will commence.

Innamincka Petroleum is pleased with the progressive development of the Flax field and the post frac performance of most wells. These flowrate capabilities demonstrated by all four wells well exceed the criteria required for commercial production.

The exciting Flax East 1 result and the post-fracture stimulation performance of the Flax wells certainly encourage Innamincka Petroleum to accelerate evaluation and development activities.

Participants in the project are:

Innamincka (operator)	75%
SCGAU	25%

Yours sincerely

Innamincka Petroleum Limited



Leni Stanley

Company Secretary
