
ANNOUNCEMENT TO ASX

Date: 27 February 2008

To: Australian Securities Exchange
Companies Announcement Office
Electronic Lodgment System

Dear Sir

Flax Project Update

Following the successful drilling of our latest appraisal well, Flax 6, it is appropriate to provide a general update on Innamincka's development plans.

The infield drilling program on the Flax Field commenced in mid January. Two wells (Flax 5 and 6) have been drilled, cased and suspended for future production. Both wells met or exceeded pre-drill expectations of reservoir development in the target basal Patchawarra Formation - Tirrawarra Sandstone interval. In addition, the latest well (Flax 6) suggests the possibility of a greater oil column in the Flax field than established by the Flax East 1 well.

On facility aspects, orders for most production equipment have been placed. All compressor parts have now been received and are being assembled in the supplier's Brisbane plant. Assembly and "bench testing" is anticipated to be completed in March.

After some initial delays, activity documentation and the approval process with the regulatory authorities appears now to be progressing well.

The central Queensland floodwaters from the late January-early February period have entered Cooper Creek and are now approaching the Innamincka area. Based on analysis of past flood events, it is expected this flood will severely impact access to Innamincka's permits on the northern side of Cooper Creek for six to eight weeks. Essentially, this disruption to access will encompass the months of March and April. Local rainfall, or additional central or southwest Queensland rainfall, during this period could exacerbate the situation.

All practical steps and preparations have been taken to continue the drilling operations throughout this period. Innamincka expects the spudding and setting of surface casing in the next well, Yarrow North 1, will be completed before the Innamincka causeway is cut. By the time Yarrow North 1 has drilled to the target interval and additional outside equipment (eg. wireline logging unit) is required, long distance access from the Queensland side may be available.

To assist early production and to increase the 2P recoverable reserves for the Flax field, it is planned to drill an additional Flax 7 well, to the north of the Flax 3-5 area, substituting for one of the budgeted Juniper wells. The well would be drilled immediately after the Yarrow North 1 well.

Well completion and fracture stimulation of the recent Flax wells, possibly including Flax East 1, is scheduled for May upon restoration of access.

For the surface facility, the main item requiring transport is the compressor. This will not be transported to site until the Innamincka causeway is available, expected in May. Thereafter, installation and facility housing will proceed before commissioning in June. Provided all equipment performance testing is satisfactory, gas injection is scheduled to commence in late June/July.

With the denial of the short product transport route to Moomba, initial production of the Flax wells will also commence in May. This production will be prior to gas reinjection and will progressively decline until pressure support from gas reinjection starts to take effect.

The consequence of the above forward program is that the previously forecast ramp up in production by mid year will be put back to later this year. The Company's longer term expectations for the success of the Flax development remain unchanged.

Participants in the project are:

Innamincka (operator)	75%
SCGAU	25%

Yours sincerely

Innamincka Petroleum Limited



Leni Stanley
Company Secretary
