
ANNOUNCEMENT TO ASX

Date: 26 November 2008

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

Chairman's Address to the Annual General Meeting

There are two major tasks which are ahead of us. They are:

1. Firstly, we need to finish our work at Flax, and
2. Secondly, we need to maximise the opportunity created by the significant coal seam gas prospect we have identified in the 103 block.

In August 2008 your company achieved "producer status" when oil production commenced from the Flax field. This was a significant achievement and our staff worked very hard to bring about this milestone. I congratulate them for their efforts. However, since I last wrote to you in the Annual Report, the world economy has deteriorated. Having just joined the ranks of the producers we have seen the value of our production halved .

Currently we are focused upon producing the Flax field as efficiently and economically as possible. As we indicated through earlier ASX announcements the results we encountered at Flax were different from what we expected and these variations have consumed time and money. The issue we had with deliveries to Moomba has been addressed by developing a regime under which deliveries can and now have been made and we will continue to work with Santos. However there is additional work to be done at Flax. More storage tanks are required. Currently production is being constrained by a combination of limited field storage, restricted truck availability and bad weather. Additionally, after compression has been installed into the field we will need to drill Flax 8 and 9 and bring them into production and the additional drilling will need to be funded. Assuming these steps can be achieved we should be able to economically produce even with oil at currently depressed prices provided we progressively minimise costs to targeted levels.

So, I repeat, the first of our tasks is to finish the work we started at Flax.

I now move on to draw your attention to the potentially significant coal seam gas opportunity we have identified in the 103 block. Ross Wecker, our Managing Director will give you a detailed presentation in a minute or two. The point I want to make is that, so far, according to the experts, the discovery "ticks all the boxes". Firstly, it appears to be large enough to be strategically important to a number of the participants in the east coast gas market. Secondly, it is close to the Epic pipeline which is only some 25-30 kms away. The pipeline provides access to the Sydney, Melbourne and Queensland markets. Thirdly, the coal depth, rank and thickness appear favourable compared to other economically attractive developments. While these are early days the coal seam gas opportunity which your company has identified has attracted the attention of some of the majors in this industry. We have commissioned a review by independent experts. Although the review is still in progress the experts provided us with their initial view which is of an encouraging nature.

Those of you familiar with the prices paid for coal seam assets will realise that, potentially, we have a large resource with reasonable prospects of success. We will continue to evaluate the potential of each of our blocks. It should be remembered that we have the Juniper oil field as well as the Yarrow, Crocus and Ginko Gas Fields. These provide opportunities, although they need to be evaluated and managed as resources permit. The reduced cash flow due to lower oil prices and production will force us to make choices such as less aggressive oil development and more focus on our natural and coal seam gas opportunities. While every care will be taken to maximise revenue and control costs the additional wells at Flax designed to maximise production together with anticipated work on the coal seam opportunity will require funding and your company is assessing the best way of achieving this in the interests of shareholders. The job of completing our work at Flax and, in the short term, maximising the coal seam gas opportunity is of high priority.

It is easy to see that we are entering a period where the demand for oil and its price is likely to be depressed. But we should remember that although there appears to be a particularly tough period ahead, that cycles end and prices recover. Your company has no debt. We have good assets and it is within our capacity to manage costs. We have good people with good skills. We should remember that, while we need to manage our resources through this cycle there are substantial rewards to be had as we emerge from it.

Corporate Governance

Your Board is committed to ensuring that the systems by which the Company is directed and managed reflect the principles of good corporate governance. A good deal of time and effort has been taken to ensure that your Company is in compliance with the Australian Stock Exchange Corporate Governance Councils' 'Principles of Good Corporate Governance and Best Practice Recommendations'. The policies are available on our website and are summarised in the 2008 Annual Report.

Yours sincerely
Innamincka Petroleum Limited



Adam Johnson
Chairman