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Announcement to ASX

**Kiana -1, Cooper Basin SA
Extended Production Test Commences**

Magellan Petroleum Australia Limited advises that a 6 month Extended Production Test commenced on Kiana-1 oil well on 14 December and that the well is currently free-flowing at 450 barrels of oil per day with no water. It is planned to continue production at approximately 450 barrels of oil per day. The Extended Production Test follows a successful 10 day well test conducted in November which confirmed the oil producing Patchawarra sandstone over the interval 1941-1946 metres is of good reservoir quality and laterally continuous.

In late January-early February a lower sand in the Patchawarra will be perforated over the interval 1964.5-1967.5 metres, and is expected to initially add a further 200-400 barrels of oil per day to the production rate.

The Kiana-1 participants have applied for a Petroleum Production Licence over the Kiana oil discovery, which is expected to be granted in the first quarter of 2006. Kiana-1 is located in PEL 107, approximately 2 kilometres to the southwest of the Muteroo oil field, 2 kilometres northeast of the Spencer oil field and 35 kilometres west of Moomba.

Participants in Kiana-1 well are:

Magellan Petroleum (Southern) Pty Ltd (a wholly-owned subsidiary of Magellan Petroleum Australia Limited)	30%
Great Artesian Oil and Gas Limited	30%
Beach Petroleum Ltd (Operator)	40%

For further information, please contact Mr Mervyn Cowie on (61-7) 3224 1600.