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ANNOUNCEMENT TO ASX

NT Gas Market Development

Magellan Petroleum Australia Limited (MPAL) notes the announcement by the Northern Territory Government dated 22 December 2005, entitled 'First Step to Secure Future Gas Supply', which announced the signing of a Heads of Agreement between the Northern Territory's Power and Water Corporation and Eni Australia for a six-month exclusive negotiation period in relation to long-term gas supply arrangements in the Northern Territory from 2009 onwards. A copy of that announcement is attached.

The Mereenie gas field (MPAL 35% owned) currently supplies gas to Power and Water Corporation under three long term supply agreements which expire between June 2008 and June 2009.

If a final gas sales agreement is reached between Power and Water Corporation and Eni Australia, it will impede MPAL's ability to secure immediate contracts for its uncontracted gas resources from the Mereenie gas field beyond 2009.

However, the Heads of Agreement with Eni Australia only contemplates exclusive negotiations over the 6 month period, and there is no certainty that a final agreement will be concluded with Eni Australia.

Further, MPAL and its joint venture parties will continue to explore other opportunities to commercialise its Mereenie gas resources beyond 2009.

MPAL is currently reviewing the impact of this information on the Target's Statement lodged on 22 December 2005 and will release a Supplementary Target's Statement, if required, as soon as possible.

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



Syd Stirling
ACTING CHIEF MINISTER

22 December 2005

FIRST STEP TAKEN TO SECURE FUTURE GAS SUPPLY

Acting Chief Minister Syd Stirling has welcomed the signing of a Heads of Agreement by Eni Australia Limited and Power and Water yesterday afternoon.

The agreement binds the parties to work exclusively together to conclude the necessary commercial terms to develop a Gas Sale Agreement (GSA), for the supply of gas from Blacktip, to meet the Territory's long term gas requirements from 2009.

"This is an important step towards securing our long-term energy supplies for the Territory," he said.

"There is plenty of gas in the various fields to our north, however, the issue has always been making sure we get the best deal for the Territory and that is what Power and Water is working towards."

Mr Stirling said the Territory has access to sufficient gas supply from the Amadeus Basin in Central Australia to meet the needs of forecast electricity demand until 2009.

"There have been ongoing discussions with a number of potential suppliers of gas and Eni Australia Limited has provided Power and Water with a credible and attractive supply arrangement from Blacktip," he said.

Neil Philip, Chairman of Power and Water, said this is an important milestone and opportunity but that there was a lot of work to be done during the next six months.

"Over the next 6-months, whilst we work exclusively with Eni towards a Gas Sale Agreement, we will also actively engage with relevant parties concerning the construction of the pipeline link to deliver gas into the Amadeus Basin to Darwin gas pipeline," he said.

Mr Stirling said that if a GSA is reached, approximately \$750 million worth of gas infrastructure - including the pipeline and production infrastructure - would be built creating significant job and business opportunities for Territorians.

Blacktip is located approximately 100 kms to the west of Wadeye in the Bonaparte Basin.

The estimated reserves are approximately 1.2TCF of proven and probable gas. This is more than sufficient to meet Power and Water's gas supply needs long-term.

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