

# MAGELLAN PETROLEUM AUSTRALIA LIMITED

ABN 62 009 728 581



ADMINISTRATIVE OFFICE

10th Floor, 145 Eagle Street,  
Brisbane, Queensland, Australia 4000  
Postal Address:  
GPO Box 2766, Brisbane 4001

Telephone: (07) 3832 6400  
Facsimile: (07) 3832 6411  
Email: [magadmin@magpet.com.au](mailto:magadmin@magpet.com.au)  
Website: [www.magpet.com.au](http://www.magpet.com.au)

3 March 2006

## ANNOUNCEMENT TO ASX

### **Magellan Petroleum Australia Limited (MPAL) Third Supplementary Target's Statement**

Pursuant to sections 644(1)(c) and 647(3)(b) of the *Corporations Act 2001*, we enclose MPAL's Third Supplementary Target's Statement in relation to Magellan Petroleum Corporation's off-market bid for all the ordinary shares in MPAL.



## ADMINISTRATIVE OFFICE

1 0th Floor, 145 Eagle Street,  
Brisbane, Queensland, Australia 4000  
Postal Address:  
GPO Box 2766, Brisbane 4001

Telephone: (07) 3224 1600  
Facsimile: (07) 3832 6411  
Email: magadmin@magpet.com.au  
Website: www.magpet.com.au

## Third Supplementary Target's Statement

This is a Third Supplementary Target's Statement dated 3 March 2006 ("Third Supplementary Target's Statement"), and is to be read with the Target's Statement of Magellan Petroleum Australia Limited ACN 009 728 581 ("MPAL") dated 22 December 2005, the Supplementary Target's Statement dated 3 January 2006 and the Second Supplementary Target's Statement dated 9 February 2006 in relation to an offer by Magellan Petroleum Corporation ("MPC").

A copy of this Third Supplementary Target's Statement has been lodged with ASIC and sent to ASX. Neither ASIC, ASX nor any of their respective officers takes any responsibility for the content of this Second Supplementary Target's Statement.

In this document, unless the context requires otherwise:

- (a) **Notices** means the notices under sections 630(2), 630(4) and 650F of the Corporations Act given by MPC on 24 February 2006;
- (b) **Revised Offer** means the Offer as amended in the Supplementary Bidder's Statement and the Second Supplementary Bidder's Statement;
- (c) **Second Supplementary Bidder's Statement** means the Second Supplementary Bidder's Statement dated 24 February 2006 given by MPC, incorporating a notice under section 650D of the Corporations Act;
- (d) **Second Supplementary Target's Statement** means the Second Supplementary Target's Statement dated 9 February 2006 given by MPAL;
- (e) **Supplementary Bidder's Statement** means the Supplementary Bidder's Statement dated 24 January 2006 given by MPC;
- (f) **Supplementary Target's Statement** means the Supplementary Target's Statement dated 3 January 2006 given by MPAL;
- (g) **Target's Statement** means the Target's Statement dated 22 December 2005 given by MPAL;
- (h) **Third Supplementary Target's Statement** means this document; and
- (i) terms which are defined in the Target's Statement have the same meaning when used in this document.

### 1 Changes to the Offer by Magellan Petroleum Corporation

On 24 February 2006, MPC delivered a Second Supplementary Bidder's Statement to MPAL in relation to its takeover offer for MPAL Shares, together with the Notices.

In the Second Supplementary Bidder's Statement and the Notices, MPC has:

- (a) extended the Offer to 17 March 2006;
- (b) announced that the Offer is now conditional only upon:
  - (i) MPC obtaining a relevant interest in at least 90% of MPAL Shares and being able to compulsorily acquire the remaining MPAL Shares (clause 7.1(d) of the Offer); and
  - (ii) ASX approving MPC's application to have the CDIs quoted on ASX (clause 7.1(e) of the Offer); and

- 
- (c) announced that the Offer consideration will be paid:
- (i) approximately five business days after the date the Offer becomes unconditional to accepting MPAL Shareholders who validly accept on or before that date; or
  - (ii) approximately 10 business days after the date the Offer becomes unconditional to accepting MPAL Shareholders who validly accept after that date.

As the Offer period has now been extended by a total of more than one month, those MPAL Shareholders who validly accepted the Offer on or before 24 February 2006 may withdraw their acceptance by giving notice to MPC within one month after they receive the notice extending the offer to 17 March 2006. Further details are contained in the Second Supplementary Bidder's Statement.

MPC has stated that the Offer is now final and that, by making that statement, it cannot increase it.

MPC must give a notice to MPAL and ASX in relation to the status of all of the Offer conditions between 3 March 2006 and 10 March 2006.

MPC may not extend the Offer period after publication of that notice, except:

- (a) in very limited circumstances (involving a takeover bid by a third party); or
- (b) if the Offer becomes unconditional through the satisfaction or waiver of both remaining conditions.

Unless it first extends the Offer period, MPC may not waive either of the remaining conditions after 10 March 2006.

## **2 MPAL DRILLING SUCCESS AND ADDED VALUE**

Over the last few months MPAL has drilled five successful wells in the Cooper Basin. Evaluation of the production potential of these wells has, for the most part, taken place since the publication of the Independent Expert's Report on 22 December 2005. The details of the wells drilled are as follows:

### **2.1 Kiana-1**

The first of MPAL's Cooper Basin wells drilled during the current financial year was the Kiana-1 exploration well in PEL 107 in South Australia. The well was drilled in August-September 2005 under a farm-in arrangement with Great Artesian Oil and Gas. Kiana-1 discovered oil in two zones in the Patchawarra Formation and flowed on Drill Stem Test (DST) from the upper zone at a rate of 1100 barrels of oil per day (BOPD) and 2.8 million cubic feet of gas per day (MMcf/D). An extended production test of the upper Patchawarra oil zone commenced in mid-December 2005 and the well flowed at a stabilised free-flow rate of around 400 BOPD.

The lower Patchawarra zone was perforated in early February 2006, and production from the two zones co-mingled.

The well is currently flowing on free-flow at around 750 BOPD, and it is expected that production will increase to around 1000 BOPD over the next few weeks.

MPAL has a 30% interest in Petroleum Production Licence 212 granted over the field in January 2006.

### **2.2 Nockatunga area**

MPAL participated in three successful wells in the Nockatunga area of southwest Queensland where it holds a 40.936% interest in Petroleum Leases 33, 50 and 51 and ATP 267P. The Nockatunga oil fields have been producing at a rate of around 225 BOPD. Santos is operator of the Nockatunga joint venture.

### **Winna-4**

The Winna-4 appraisal well spudded on 1 December 2005 and was completed for production as a Murta oil producer. The Murta horizon was perforated and fracture stimulated in January 2006 and placed on production in late February 2006. The well is expected to be a typical Murta producer and flow initially at an average rate of around 100 BOPD.

---

### **Muthero-3**

The Muthero-3 appraisal well intersected oil in the Murta Member and two zones within the Birkhead Formation. A DST over the upper Birkhead zone flowed oil on final flow at a rate of 1030 BOPD. The well was completed for production from the upper Birkhead oil zone in late February 2006 and is expected to flow after cleanup at a free-flow rate of around 500 BOPD. It is planned to place the well on artificial lift within four months and to increase the production rate to around 1000 BOPD. The Muthero field surface facilities are being upgraded to accommodate the increased production rates.

### **Currambar-1**

Currambar-1, an exploration well in ATP 267P adjacent to the Nockatunga oil fields, encountered oil in the Murta Member and was cased and suspended as a future oil producer. The Murta Member has been perforated and a fracture stimulation of the zone is planned. The well is expected to be a typical Murta producer and flow initially at an average rate of around 100 BOPD after fracture stimulation.

## **2.3 Udacha-1**

MPAL participated in the drilling of the Udacha-1 exploration well in PEL 91 of South Australia in January-February 2006 under the same farm-in arrangement with Great Artesian Oil and Gas as Kiana-1. Udacha-1 encountered gas in the Patchawarra Formation which flowed gas to surface on DST from a 3-metre sand at a final rate of 0.44 MMcf/D. Udacha-1 was cased and suspended and is awaiting appropriate completion equipment. Preliminary evaluation indicated gas saturation in several sands in the Patchawarra Formation. Between 3 and 10 metres of additional gas pay is likely in deeper sands that may be further evaluated in a cased-hole testing program which is expected to commence within 1-2 months, depending on equipment availability.

## **2.4 MPAL Oil Production**

**The four successful oil wells, particularly Kiana-1 and Muthero-3, will add significantly to MPAL's total oil production and will have a positive impact on the company's future revenue stream, cash flow and intrinsic value.**

## **3 Recommendation of the Independent Directors**

The Independent Directors have now met and considered the Revised Offer and the additional information contained in the Second Supplementary Bidder's Statement.

The Independent Directors continue to consider that the Revised Offer is neither fair nor reasonable.

**Accordingly, the Independent Directors recommend that MPAL Shareholders should REJECT the Revised Offer.**

However, MPAL Shareholders who have a short term investment horizon and who seek liquidity may wish to accept the Revised Offer and specify MPC Shares as the consideration, as MPC Shares are more liquid than MPAL Shares.

If you are considering accepting the Revised Offer, you should:

- note that the Revised Offer remains conditional, and that no consideration will be received by you unless and until both of those conditions are either waived or satisfied.

Therefore, there may be a significant delay between the time of acceptance and the receipt of the consideration, during which time the relative share prices of MPC Shares and MPAL Shares may change materially; and

- refer to sections 1.8 and 6 of the Target's Statement in relation to the advantages and disadvantages of receiving MPC Shares.

The Independent Directors will keep MPAL Shareholders informed of any significant developments or material changes in circumstance with respect to the Revised Offer.

---

#### **4 Consents**

Each Independent Director has given and has not, before the date of this Third Supplementary Target's Statement, withdrawn his consent to the inclusion in this document of the statements made by him or by the Independent Directors collectively in the form and context in which they are included.

#### **5 ASIC Class Order 01/1543**

As permitted by Class Order 01/1543, this Third Supplementary Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or ASX. The Class Order permits certain statements to be included in this Third Supplementary Target's Statement without the consent of the person to whom the statement was attributed where the statement was made in a document lodged with ASIC or ASX.

Pursuant to the Class Order, MPAL will make available a copy of the following documents (or extracts from those documents), free of charge to MPAL Shareholders who ask for it during the Offer Period:

- MPC's Bidder's Statement;
- MPC's Supplementary Bidder's Statement; and
- MPC's Second Supplementary Bidder's Statement.

To obtain a copy of these documents (or the relevant extracts), MPAL Shareholders should write to MPAL (attention: Company Secretary), GPO Box 2766, Brisbane, Qld 4001.

#### **6 Approval**

This Third Supplementary Target's Statement has been approved by a resolution of the Directors.

**Dated** 3 March 2006

Signed for and on behalf of Magellan Petroleum Australia Limited



J. P. Kelly

Director