

MAGELLAN PETROLEUM AUSTRALIA LIMITED

ABN 62 009 728 581



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22 March 2006

ANNOUNCEMENT TO ASX

Magellan Petroleum Australia Limited (MPAL) Fourth Supplementary Target's Statement

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



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Fourth Supplementary Target's Statement

This is the Fourth Supplementary Target's Statement dated 22 March 2006 ("Fourth 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, the Second Supplementary Target's Statement dated 9 February 2006 and the Third Supplementary Target's Statement dated 3 March 2006 in relation to an offer by Magellan Petroleum Corporation ("MPC").

1. Heads of Agreement with Power and Water Corporation for the sale of a minimum additional 5.2 petajoules of gas from Mereenie

On Wednesday, 22nd March 2006, Magellan Petroleum Australia Limited ("MPAL") announced that the Mereenie Producers, MPAL (35% interest) and Santos, had entered into a Heads of Agreement with a subsidiary of the Northern Territory's Power and Water Corporation on the principal terms for the sale of additional gas from the Mereenie oil and gas field.

The parties have agreed to do all things necessary to negotiate and enter into a full gas sales agreement which is consistent with the following principal terms, as soon as possible:

- (a) Power and Water Corporation has agreed to purchase a minimum additional quantity of 5.2 petajoules ("PJ") of gas over the period from 1 March 2006 to 31 December 2008.
- (b) In addition to the minimum quantity of 5.2 PJ, and during the same period, Power and Water Corporation has agreed to purchase from the Mereenie Producers all of its additional gas requirements above that already contracted from the Mereenie and nearby Palm Valley gas fields.
- (c) Power and Water Corporation has also agreed to purchase from the Mereenie Producers all of its additional gas requirements for a further two year period beyond 31 December 2008, if and to the extent that it is not taking its requirements from the Blacktip gas field.

As advised in the Supplementary Target's Statement, Power and Water Corporation has signed a heads of agreement with Eni Australia Limited to work exclusively together to conclude the necessary commercial terms to develop a gas sale agreement, for the supply of gas from the Blacktip field, to meet the Northern Territory's long term gas requirements from 2009. However, that heads of agreement only contemplates exclusive negotiations, and therefore there is no certainty that a final, binding agreement will be concluded with Eni Australia Limited.

Deliveries of additional gas between 1 March 2006 and the execution of the full gas sales agreement will be governed by the terms of the Heads of Agreement (including as to price) but, until execution of the full gas sales agreement, there is no binding obligation to purchase or supply the quantities of gas nominated.

2. Significant increase in first-half profitability

On 15 March 2005, MPAL released its first-half results for the 2006 financial year to ASX.

As detailed in that announcement, MPAL reported a significant improvement in profitability when compared with the first half result for the 2005 financial year, as detailed in the following table:

	Half Year ended 31 December 2005 \$000	Half Year ended 31 December 2004 \$000	Change
Sales revenue	16,517	13,790	+20%
Cost of sales	(11,123)	(10,718)	+4%
Gross profit	<u>5,394</u>	<u>3,072</u>	+76%
Profit before write-off of capitalised expenditure and income tax	5,023	3,118	+61%
Write off of capitalised exploration expenditure	(1,535)	(3,392)	-55%
Profit/(Loss) before income tax	<u>3,488</u>	<u>(274)</u>	na
Profit after income tax	2,522	51	+4845%

This significant increase in profitability was due primarily to a combination of increased oil sales revenue resulting from higher average world crude oil prices and increased gas sales revenues arising from higher sales of gas from the Mereenie field.

For further detailed information relating to MPAL's recent half year results, shareholders should refer to MPAL's ASX announcement on 15 March 2006 which is available on the MPAL website at www.magpet.com.au.

3. Independent Directors' Recommendation Unchanged

Given the matters outlined above, MPAL's Independent Directors continue to believe that the MPC offer is **NEITHER FAIR NOR REASONABLE** for the reasons set out in the Target's Statement dated 22 December 2005 (as supplemented), including that it results in a material dilution of the proportionate interest in the underlying assets for MPAL minority shareholders who accept the Revised Offer.

Accordingly, the Independent Directors have not changed their recommendation to MPAL Shareholders, as set out in the Third Supplementary Target's Statement.

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 Fourth 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. Certain documents lodged with ASIC and ASX

As permitted by Class Order 01/1543, this Fourth 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 Fourth 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;
- MPC's Second Supplementary Bidder's Statement; and
- MPC's Third Supplementary Bidder's Statement.

MPAL will also make available a copy of MPAL's recent half year results as contained in MPAL's ASX announcement on 15 March 2006 free of charge to MPAL Shareholders who ask for it during the Offer Period.

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

7. Other

A copy of this Fourth 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 Fourth Supplementary Target's Statement.

In this document, unless the context requires otherwise:

- (a) Fourth Supplementary Target's Statement means this document;
- (b) **Revised Offer** means the Offer as amended in the Supplementary Bidder's Statement, the Second Supplementary Bidder's Statement and the Third 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 Bidder's Statement** means the Third Supplementary Bidder's Statement dated 9 March 2006 given by MPC, incorporating a notice under section 650D of the Corporations Act;

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- (i) **Third Supplementary Target's Statement** means the Third Supplementary Target's Statement dated 3 March 2006; and
 - (j) terms which are defined in the Target's Statement have the same meaning when used in this document.

Dated 22 March 2006

Signed for and on behalf of Magellan Petroleum Australia Limited



R. F. Cormie

Chairman