

# MAGELLAN PETROLEUM AUSTRALIA LIMITED

ABN 62 009 728 581



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24 April 2006

## **ANNOUNCEMENT TO ASX**

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

Pursuant to sections 644(1)(c) and 647(3)(b) of the *Corporations Act 2001*, we enclose MPAL's Fifth 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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## FIFTH SUPPLEMENTARY TARGET'S STATEMENT

### CHANGE OF INDEPENDENT DIRECTORS' RECOMMENDATION

#### ACCEPT MPC'S REVISED OFFER

This is the Fifth Supplementary Target's Statement dated 24 April 2006 ("Fifth 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, the Third Supplementary Target's Statement dated 3 March 2006 and the Fourth Supplementary Target's Statement dated 22 March 2006 in relation to an offer by Magellan Petroleum Corporation ("MPC").

#### 1. Material change in circumstances

On Wednesday 12 April 2006, MPC announced that it had waived the remaining defeating condition (relating to 90% minimum acceptance), making its Revised Offer free of defeating conditions.

MPC's Revised Offer is now subject only to one statutory condition relating to ASX approval for the listing of MPC CDIs. The Independent Directors consider that it is likely that this condition will be satisfied.

On 20 April 2006, MPC also announced that it had obtained voting power of 82.42% in MPAL. As at 24 April 2006, MPC has advised that it has voting power of 87.32% in MPAL.

MPC has also extended the closing date of the Revised Offer to 12 May 2006.

The Independent Directors consider the matters outlined above to represent a material change in circumstances in relation to the Revised Offer.

#### 2. Change of recommendation of the Independent Directors

The Independent Directors have now met to consider the material change in circumstances outlined above.

#### *Offer not fair to minority MPAL Shareholders*

The Independent Directors continue to believe that the Revised Offer does not adequately reflect the underlying value of MPAL Shares, particularly given recent significant developments, such as:

- the in-principle agreement with Power and Water Corporation for the supply of additional gas from the Mereenie gas field as outlined in the Fourth Supplementary Target's Statement;
- the significant increase in profitability announced in the most recent half-yearly result and outlined in the Fourth Supplementary Target's Statement; and
- the continued success of the drilling program in the Cooper Basin, as outlined in the Third Supplementary Target's Statement.

The Independent Directors also continue to believe that the Revised Offer results in a material dilution of the proportionate interest in the underlying assets for MPAL minority shareholders who accept the Revised Offer.

Therefore the Independent Directors continue to regard the MPC offer as **NOT FAIR** to minority MPAL Shareholders.

***Offer now considered to be Reasonable to minority MPAL Shareholders***

MPC has obtained voting power in MPAL of more than 80%.

That means that accepting Australian resident MPAL Shareholders may be eligible for scrip for scrip capital gains tax rollover relief in relation to the share component of the consideration they receive.

The Revised Offer is now free of defeating conditions, but it is not certain that MPC will be able to achieve voting power of 90% (which is required to proceed to compulsory acquisition) before the closing date of the Revised Offer (currently 12 May 2006).

If you do not accept the Revised Offer and MPC cannot compulsorily acquire your MPAL Shares, the liquidity of the remaining MPAL Shares on ASX is likely to be substantially reduced. It is possible that MPAL could be removed from the Official List of ASX if there is an insufficient number of MPAL Shareholders who hold a marketable parcel of MPAL Shares. Non-accepting MPAL Shareholders could then be locked into a minority position with very limited opportunity to sell their MPAL Shares and thereby realise full value for those shares.

The Independent Directors also note that recent gains in MPC's share price have significantly increased the potential market value of MPC's Revised Offer. The market value of the Revised Offer can only be realised by a sale of the MPC Shares or CDIs which are allotted to MPAL Shareholders in consideration of the transfer of their MPAL Shares to MPC. It is impossible to predict what the market price of MPC Shares or CDIs will be when MPAL Shareholders are in a position to sell the MPC Shares or CDIs they receive.

As at 24 April 2006, the value of MPC's Revised Offer equates to A\$2.63 per MPAL Share (assuming a MPC Share price of US\$2.51 and a US\$:A\$ exchange rate of 0.7455). Whilst the market value of MPC's Revised Offer is subject to daily fluctuations in accordance with movements in MPC's share price, at the time of this Fifth Supplementary Target's Statement it is above the upper end of the Independent Expert's valuation range of A\$1.72 to A\$2.58, and at a 28% premium to the Independent Expert's preferred value of A\$2.06 per MPAL share.

Therefore, notwithstanding that the MPC Revised Offer is **NOT FAIR**, the Independent Directors consider it is **REASONABLE** to accept MPC's Revised Offer, given both the significant risks inherent in not accepting and the significantly increased potential market value of MPC's Revised Offer.

The Independent Directors now **CHANGE THEIR PREVIOUS RECOMMENDATION** and encourage shareholders to **ACCEPT THE REVISED OFFER WITHOUT DELAY**.

Mr Rodney F Cormie is the only Independent Director who at the date of this Fifth Supplementary Target's Statement has a relevant interest in MPAL Shares. He has advised that he now intends to accept the Revised Offer in relation to the MPAL Shares held by him.

The Revised Offer is currently due to close on 12 May 2006 and MPAL Shareholders who wish to accept should ensure that their acceptance forms are received by MPC's appointed share registry prior to that date. If your shareholding in MPAL is CHESSE sponsored, you are advised to instruct your stockbroker or Controlling Participant to accept the Revised Offer on your behalf.

MPC has indicated that it will provide the consideration under the Revised Offer (ie the payment of cash and the issue of MPC Shares) approximately 10 Business Days after the date the acceptance is received, provided it is received before the closing date of the Revised Offer.

If you do not accept the Revised Offer before the closing date and MPC becomes entitled to compulsorily acquire your MPAL Shares, there will be a considerable delay before you receive your consideration.

If you are considering accepting the Revised Offer, you should refer to sections 1.5, 1.6, 1.8, 1.9 and 6 of the Target's Statement in relation to the advantages and disadvantages of receiving MPC Shares or CDIs.

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

### **3. Consents**

Each Independent Director has given and has not, before the date of this Fifth 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.

### **4. Certain documents lodged with ASIC and ASX**

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

## 5. Approval

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

## 6. Other

In this document, unless the context requires otherwise:

- (a) **Fifth Supplementary Target's Statement** means this document;
- (b) **Fifth Supplementary Bidder's Statement** means the Fifth Supplementary Bidder's Statement dated 21 April 2006 given by MPC;
- (c) **Fourth Supplementary Bidder's Statement** means the Fourth Supplementary Bidder's Statement dated 23 March 2006 given by MPC;
- (d) **Fourth Supplementary Target's Statement** means the Fourth Supplementary Target's Statement dated 22 March 2006 given by MPAL;
- (e) **Revised Offer** means the Offer as amended in the Supplementary Bidder's Statement, the Second Supplementary Bidder's Statement, the Third Supplementary Bidder's Statement and Fourth Supplementary Bidder's Statement;
- (f) **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;
- (g) **Second Supplementary Target's Statement** means the Second Supplementary Target's Statement dated 9 February 2006 given by MPAL;
- (h) **Supplementary Bidder's Statement** means the Supplementary Bidder's Statement dated 24 January 2006 given by MPC;
- (i) **Supplementary Target's Statement** means the Supplementary Target's Statement dated 3 January 2006 given by MPAL;
- (j) **Target's Statement** means the Target's Statement dated 22 December 2005 given by MPAL;
- (k) **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;
- (l) **Third Supplementary Target's Statement** means the Third Supplementary Target's Statement dated 3 March 2006; and

- (m) terms which are defined in the Target's Statement have the same meaning when used in this document.

**Dated** 24 April 2006

Signed for and on behalf of Magellan Petroleum Australia Limited

A handwritten signature in black ink, appearing to read 'R. F. Cormie', with a long horizontal flourish extending to the right.

**R. F. Cormie**  
Chairman