



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
Website: www.magpet.com.au

4 July 2006

ANNOUNCEMENT TO ASX

Magellan Farms Out CSG Exploration In Queensland Maryborough Basin

Magellan Petroleum Australia Limited, a wholly owned subsidiary of its US parent company, Magellan Petroleum Corporation (traded as MGN on ASX and MAGPET on Nasdaq) announces that it has reached agreement with Eureka Petroleum Pty Ltd, a wholly-owned subsidiary of Energy Investments Limited, to farmout an interest in a portion of Authority to Prospect 613P, Authority to Prospect Application 674P and Authority to Prospect Application 733P in the Maryborough Basin of Queensland. Eureka Petroleum has undertaken to fund 100% of a two-staged coal seam gas (CSG) exploration program, in return for which it will be assigned a 90% working interest in the Burrum Syncline farmin area (as shown on the attached map). Magellan will be operator of the joint venture and Stage 1 of the program is scheduled to be completed by 31 December 2006. The farmout is subject to the necessary Government consents.

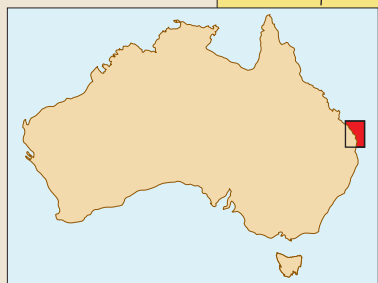
Under Stage 1 of the CSG program Eureka Petroleum will fund the drilling of two cored exploration wells through the Burrum Coal Measures of the Burrum Syncline located north of the city of Maryborough. Small scale coal mining has occurred in the Burrum Syncline for well over 100 years with the last activity ceasing in 1997. If the initial drilling program indicates that the area has CSG potential, Eureka Petroleum has the option to fund further exploration drilling and two pilot projects in the Burrum Syncline farmin area, involving a minimum of five wells in each pilot project to dewater the coals and maintain gas production from the pilot for a sufficient time to establish decline rates.

Should the joint venture activities be successful in delineating a coal seam gas resource and the parties decide to proceed to development of the area, Magellan may exercise a back-in entitlement to retain up to a 50% participating interest in the development by matching Eureka Energy's prior expenditures. Magellan currently holds a 100% interest in ATP 613P, ATP 674P and ATP 733P and these interests will reduce accordingly.

For further information, please contact Dr Gwynn Davies, General Manager, on telephone (07) 3224 1600.

 **Magellan Acreage**

Burrum Syncline Farmin Area



MARYBOROUGH
Queensland

