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Announcement to ASX**Weekly Drilling Update
Kiana -1 and Sandhills-2z****Kiana-1**

Magellan Petroleum Australia Limited advises that Kiana-1 in PEL 107 was at a depth of 1948 metres KB and waiting on replacement rig equipment to arrive at the well site.

As reported previously, DST 4 conducted over the interval 1939-1948 metres in the Patchawarra Formation flowed oil and gas at rates of 1,100 barrels of oil per day and 2.8 MMcf/D of gas through a ½" choke. The oil is 52.4 degrees API. No water was produced during the test.

Kiana-1 Details:

Petroleum Title: PEL 107
Location: Cooper Basin, South Australia
Coordinates: Latitude: 28° 09' 00.70" South
Longitude: 139° 52' 26.56" East (GDA 94)
Drilling Rig: Century Rig 3
Proposed Total Depth: 2,043 metres RT
Current Operations: Following completion of DST 2, 8½" hole was drilled to 1891 m. DST 3 was conducted over the interval 1883-1891.3m in the Patchawarra Formation. No fluid flowed to surface during DST 3, and some 2.5 barrels of oil cut mud was recovered. Drilling of the 8½" hole was continued to 1948 m. DST 4 was conducted over the interval 1938.5-1948 m in the Patchawarra Formation. Gas and oil flowed to surface at the rate of 2.8 MMcf/d and 1,100 BOPD through a ½" choke. Following completion of the DST operations, the rig is undergoing repairs.
Progress for the week: 439 metres

Participants in Kiana-1 well are:

Great Artesian Oil and Gas Limited	30%
Magellan Petroleum Australia Limited	30%*
Beach Petroleum Ltd (Operator)	40%

* Subject to a commercial discovery

Sandhills-2z

The Sandhills-2z sidetrack well, being drilled in PEDL 098 on the Isle of Wight (UK), was at a depth of 1456 metres MDKB and conducting coring operations in the Great Oolite Formation as per program.

Sandhills-2z Details:

Petroleum Title: PEDL 098
Location: Isle of Wight, Wessex Basin, Southern England, UK
Coordinates: Latitude: 00° 48' 45.98" South
Longitude: 002° 30' 57.06" East
Drilling Rig: BDF Rig 28
Spudded: 03:00 hours 1 August 2005 (GMT)
Objective: To test the significance and commerciality of untested hydrocarbon shows intersected in the Jurassic Great Oolite Formation of the Sandhills-1 well drilled by British Gas in 1982.
Operations: An 8½" sidetrack hole was drilled to 1449 metres MDKB. A 7" liner was run and after successfully installing and testing the blow out preventors, the 7" shoe was drilled out and casing integrity has been established. Coring operations are now underway in the Great Oolite Formation.
Progress for the week: 165 metres MD.

Participants in the Sandhills-2z well are:

Magellan Petroleum (NT) Pty Ltd	22.5%
(a wholly-owned subsidiary of Magellan Petroleum Australia Limited)	
Northern Petroleum (GB) Limited	57.5% (Operator)
Oil Quest Resources Plc	7.5%
Black Rock Resources (UK) Limited	5.0%
Montrose Industries Ltd	5.0%
Oil and Gas Investments Limited	2.5%

For further information, please contact Dr Gwynn Davies on (61-7) 3224 1600.