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3 October 2006

ANNOUNCEMENT TO ASX

Kiana-2 Spuds in Cooper Basin SA

Magellan advises that Kiana-2, the first well in Magellan's 2006 Cooper Basin drilling program, spudded on 1 October. Further details of the 2006 Cooper Basin drilling program, which is expected to take around three months to complete, will be released as they become available

Kiana-2, an appraisal well, spudded in PPL 212 at 01.30 hrs (CST) on 1 October and at 06:00 hrs on 2 October (CST) was at a depth of 307 metres RT and drilling ahead.

The Kiana oil field which is located approximately 32 km west of the Moomba oil and gas plant (see attached map) was discovered in September 2005, and production commenced in December from the Patchawarra Formation in the Kiana-1 well. To the end of August 2006, the well had produced more than 81,000 barrels of oil.

Kiana-2 is designed to appraise the south-western culmination of the Kiana structure approximated 640 metres southwest of Kiana-1. Based upon the current 2D seismic data, if Kiana-2 is successful it will be ideally located at the crest of the culmination to optimize drainage from the field. The main objective of the well is the Patchawarra Formation.

The well is being operated by Beach Petroleum and it is expected to take approximately 14 days in total to drill and evaluate.

Kiana-2 Details:

Petroleum Title:	PPL 212, South Australia
Location:	approximately 640 metres southwest of the Kiana-1 oil well and 32 km west of Moomba
Coordinates:	Latitude: 28° 09' 10.32" South Longitude: 139° 52' 02.77" East (GDA 94).
Drilling Rig:	Century Rig 3
Proposed Total Depth:	2020 metres RT
Objectives:	Primary – the sandstones of the Patchawarra Formation which are productive in the Kiana-1 well. Secondary – the Jurassic Namur Sandstone and Birkhead Formations which are oil productive in the nearby Spencer West and Spencer oil fields.

Current Operations: The well spudded at 01.30 hrs on 1 October 2006 and at 06.00 hrs on 2 October (CST) was at a depth of 307 metres RT and drilling ahead.

Participants in Kiana-2 are:

Magellan Petroleum Corporation	30.0%
Beach Petroleum Ltd (Operator)	40.0%
Great Artesian Oil and Gas Limited	30.0%

Magellan will issue routine weekly drilling reports during its 2006 Cooper Basin drilling program.

Forward Looking Statements

Statements in this release which are not historical in nature are intended to be, and are hereby identified as, forward-looking statements for purposes of the Private Securities Litigation Reform Act of 1995. These statements about Magellan and MPAL may relate to their businesses and prospects, revenues, expenses, operating cash flows, and other matters that involve a number of uncertainties that may cause actual results to differ materially from expectations. Among these risks and uncertainties are pricing and production levels from the properties in which Magellan and MPAL have interests, the extent of the recoverable reserves at those properties, the future outcome of the negotiations for gas sales contracts for the remaining uncontracted reserves at both the Mereenie and Palm Valley gas fields in the Amadeus Basin, including the likelihood of success of other potential suppliers of gas to the current customers of Mereenie and Palm Valley production. In addition, MPAL has a large number of exploration permits and faces the risk that any wells drilled may fail to encounter hydrocarbons in commercially recoverable quantities. Any forward-looking information provided in this release should be considered with these factors in mind. Magellan assumes no obligation to update any forward-looking statements contained in this release, whether as a result of new information, future events or otherwise.

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

South Australia

PEL 110

COOPER
BASIN

Queensland

EROMANGA
BASIN

Moomba
Field

PEL 107

Kiana - 2

Aldinga

PEL 94

PEL 95

New South
Wales

