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12 October 2006

ANNOUNCEMENT TO ASX

Weekly Drilling Report Kiana-2

Kiana-2, an appraisal well, spudded in PPL 212 at 01.30 hrs (CST) on 1 October and at 08:00 hrs on 11 October (CST) was at a depth of 1,962 metres RT and drilling ahead in basement.

The forward plan is to drill approximately 30 metres into basement, conduct wireline logging and evaluate for potential open hole drill stem testing.

Kiana-2 is designed to appraise the south-western culmination of the Kiana structure approximated 640 metres southwest of Kiana-1.

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
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: At 08:00 hrs on 11 October (CST) was at a depth of 1,962 metres RT and drilling ahead in basement.

Participants in Kiana-2 are:

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

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.