



MAGELLAN PETROLEUM CORPORATION

ARBN 117 452 454

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Company Announcements Office
Australian Stock Exchange Limited
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The Manager,

ACTIVITIES REPORT FOR THE QUARTER ENDED 30 JUNE 2006

This report is submitted by Magellan Petroleum Corporation (ARBN 117 452 454; ASX Code MGN) (Magellan) in compliance with the ASX Listing Rule 5.2, and covers the quarter **1 April to 30 June 2006**.

Through an exchange offer Magellan increased its interest in its subsidiary, the formerly Australian Stock Exchange listed company Magellan Petroleum Australia Limited, to a 100% interest.

This report is based upon, and accurately reflects, information compiled by a person who is a practising geologist, who holds a Bachelor of Science Degree in Geology, who has had a minimum of five years experience in the practice of geology and who is a full time employee in the Magellan group of companies.

OIL & GAS SALES

Natural Gas

The Company's share of natural gas produced for sale during the quarter ended 30 June 2006 decreased by 10.1 percent from the June 2005 quarter, as detailed below:

Field (Magellan Share)	Terajoules	Million Cubic Feet		Variance
		Total	Daily	
Mereenie	1,145	979.8	10.8	-8.3%
Palm Valley	568	499.0	5.5	-13.6%
Total Gas	1,713	1,478.8	16.3	-10.1%

Crude Oil and Condensate

The Company's share of crude oil and condensate produced for sale during the quarter ended 30 June 2006 decreased by 10.6 percent from the June 2005 quarter, as detailed below:

Fields (Magellan Share)	Kilolitres	Barrels		Variance
		Total	Daily	
Mereenie	4,149	26,096	287	- 21.1
Nockatunga	1,676	10,543	116	+6.2%
Kiana	276	1,737	19	n/a
Aldinga	138	867	9	- 4.2%
Total Crude Oil and Condensate	6,239	39,243	431	-10.6%

PRODUCTION AND DEVELOPMENT ACTIVITIES**AUSTRALIAN PRODUCTION****Palm Valley Gas Field (PL 3), Amadeus Basin, NT (52.023% Interest)**

An additional 800 HP compressor was commissioned at the Palm Valley gas field in the first quarter of calendar 2006, to allow wellhead pressures to be reduced progressively to a final wellhead pressure of 690 kPa in line with the Northern Territory Government approved wellhead pressure reduction program.

Mereenie Oil and Gas Field (PL 4&5), Amadeus Basin, NT (35% Interest)

The Mereenie Producers, Magellan and Santos, entered into a Gas Sales Agreement with Gasgo Pty Limited, a subsidiary of the Northern Territory's Power and Water Corporation, on 29 June 2006 for the sale of additional gas from the Mereenie field on the following terms:

- (a) Gasgo will purchase a minimum additional quantity of 5.2 petajoules (PJ) of gas over the period from 1 March 2006 to 31 December 2008;
- (b) In addition to the minimum quantity of 5.2 PJ, and during the same period, Gasgo will purchase from the Mereenie Producers all of its additional gas requirements above that already contracted from the Mereenie and nearby Palm Valley gas fields; and
- (c) Gasgo will purchase from the Mereenie Producers all of its additional gas requirements for a two year period beyond 31 December 2008, if and to the extent that it is not taking its requirements from the Blacktip gas field.

Nockatunga Oil Fields (PLs 33, 50 & 51), Cooper Basin, Qld (40.936% Interest)

The Muthero-3 appraisal well in Petroleum Lease 51, which was brought into production at the end of February 2006, free-flowing at around 525 barrels of oil per day, ceased continuous free-flow in mid-April when the water cut reached 20% of production from the well. The well is currently being flowed intermittently while surface facilities are being upgraded and a jet pump installed. The well is scheduled to be placed on continuous artificial lift before the end of the third quarter of 2006. Winna-4, also brought on line in Petroleum Lease 51 in February, was flowing at around 55 Barrels of oil per day at the end of the quarter.

An application has been made for a Petroleum Lease over the area of the Currambar-1 oil discovery which was drilled in January 2006 in ATP 267P adjacent to Petroleum Lease 51. The well is awaiting installation of surface facilities before being placed on production.

The Nockatunga joint venture is planning to undertake a multi-well appraisal and development drilling campaign during the fourth quarter of calendar 2006, which will include further drilling on the Muthero oil field to appraise the Birkhead oil pool discovered in the Muthero-3 well. Santos is operator of the Nockatunga oil fields.

Kiana Oil Field (PPL 212), Cooper Basin, SA (30% Interest)

Production from the Kiana-1 well commenced in November 2005 and was free-flowing from co-mingled production from upper and lower Patchawarra Formation sands at a peak rate of around 850 barrels of oil per day with no water at the end of the March quarter. In early April water entered the wellbore, which caused free-flow production to cease. Over the last two months artificial lift has been installed in the well and the surface facilities expanded. The well is expected to resume oil production by jet pump from the two Patchawarra sands at a rate of 400 to 800 barrels per day.

An appraisal well, Kiana-2, is being planned for drilling later in 2006.

Aldinga Oil Field (PPL 210), Cooper Basin, SA (50% Interest)

Production from the Aldinga-1 well is continuing at around 15-20 barrels of oil per day. There are no plans to develop the field further.

CANADIAN PRODUCTION**Kotaneelee Gas Field, YT (2.67% interest)**

Magellan has a 2.67% carried interest in Kotaneelee gas field in the Yukon Territory of Canada. Devon Canada Corporation is operator of this partially developed field which is connected to a major pipeline system.

Due to the completion of well L-38 drilled in the Kotaneelee gas field, in which Magellan has a carried interest, Magellan will not receive any revenue from the operator of this field until its share of the drilling costs are absorbed. Based upon average field production and costs for the last seven months provided to us by the operator, we currently estimate that it will take until the third or fourth calendar quarter of 2007 for the operator to recover Magellan's share of the costs of the well from the carried interest account. This estimate could change based upon future production and expenses related to this well.

EXPLORATION ACTIVITIES

AUSTRALIAN EXPLORATION

The Udacha-1 well, which was drilled in January 2006 in a farmin area which straddles PEL 106 and PEL 91 in the Cooper Basin of South Australia, was cased and suspended at that time as a potential Patchawarra gas well to await appropriate completion equipment. The well was completed for gas production over two Patchawarra sands in early July, and an extended production test will be undertaken in August to determine the size of the resource and commercial viability of development. Magellan will have a 30% interest in any Petroleum Production Licence over the field.

Evaluation of PEL 94 (Magellan 35% interest), PEL 95 (Magellan 50% interest) and PEL 110 (37.5% interest), also in the Cooper Basin of South Australia, is ongoing.

Magellan (100% interest) entered into an agreement with Eureka Petroleum, a wholly-owned subsidiary of Energy Investments Limited, to farmout an interest in the Burrum Syncline area 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. Magellan will be operator of the joint venture and Stage 1 of the program is scheduled to be completed by 31 December 2006.

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. 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 CSG projects, involving a minimum of five wells in each pilot project to dewater the coals and maintain gas production for 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, ATPA 674P and ATPA 733P, and these interests will reduce accordingly.

UNITED KINGDOM EXPLORATION

The Company (40% interest) plans to participate in the drilling of a well in each of the Weald Basin licences PEDL 099 (which, with Department approval, may be located in adjacent PEDL 155) and PEDL 126 in late 2006 or early 2007. Well sites and planning consents are being sought for the drilling by the operator of these joint ventures, Northern Petroleum. Both wells will target oil in the Great Oolite Formation, and the well in PEDL 126 will address a possible extension of the currently producing Horndean oil field.

Magellan holds interests in eleven other exploration licences in the Weald-Wessex Basin (PEDLs 098, 112, 113, 135, 136, 137, 151, 152, 153, 154 and 155). Three of the areas (PEDLs 135, 136 and 137) are held and operated by Magellan with a 100% interest and the other eight are operated by Northern Petroleum, with Magellan's interests ranging from 11.25% to 50%. Magellan is undertaking the reprocessing of around 720 kilometres of existing 2D seismic data in its 100% held licences, to more closely define several oil and gas drilling prospects already identified.

NEW ZEALAND EXPLORATION

The Company elected to surrender its 100% interest in exploration permit PEP 38225 in the Great South Basin, offshore the South Island of New Zealand, in May 2006.

Magellan has now relinquished all its interests in New Zealand and plans no further exploration activities in New Zealand. Magellan will concentrate its exploration efforts in its two core areas of the Cooper Basin of Australia and the Weald Basin of the UK.

EXPENDITURES

Expenditures incurred on exploration, appraisal and development activities during the June 2006 quarter, totalled \$3,241,000. All figures are unaudited.

Yours faithfully,



T.G. Davies.