

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) 3224 1600
Facsimile: (07) 3832 6411
Email: magadmin@magpet.com.au
Website: www.magpet.com.au

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Company Announcements Office
Australian Stock Exchange Limited
Level 10, 20 Bond Street
SYDNEY NSW 2000

The Manager,

ACTIVITIES REPORT FOR THE QUARTER ENDED 31 MARCH 2006

This report is submitted by Magellan Petroleum Australia Limited in compliance with the ASX Listing Rule 5.2, and covers the quarter **1 January 2006 to 31 March 2006**.

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 of the Company.

OIL & GAS SALES

Natural Gas

The Company's share of natural gas produced for sale from the two Amadeus Basin fields (Mereenie and Palm Valley) during the quarter ended 31 March 2006 decreased by 3.2 percent from the March 2005 quarter, as detailed below:

Field (Magellan Share)	Terajoules	Million Cubic Feet		Variance
		Total	Daily	
Mereenie	1,474	1,262.2	14.0	+6.4%
Palm Valley	514	451.4	5.0	-23.1%
Total Gas	1,988	1,713.6	19.0	-3.2%

Crude Oil and Condensate

The Company's share of crude oil and condensate produced for sale during the quarter ended 31 March 2006 increased significantly by 30.2 percent from the March 2005 quarter, as detailed below:

Fields (Magellan Share)	Kilolitres	Barrels		Variance
		Total	Daily	
Mereenie	4,513	28,384	315	- 14.5 %
Nockatunga	1,968	12,381	138	+33.7 %
Aldinga	131	823	9	- 23.4 %
Kiana	2,397	15,076	168	N/A
Total Crude Oil and Condensate	9,009	56,664	630	+30.2 %

PRODUCTION AND EXPLORATION ACTIVITIES

AUSTRALIAN PRODUCTION

Palm Valley Gas Field, Amadeus Basin, NT (52.023% Interest)

An additional 800 HP compressor was commissioned at the Palm Valley gas field in January, which will 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, Amadeus Basin, NT (35% Interest)

In mid-March, the Mereenie Producers, Magellan and Santos, entered into a Heads of Agreement with a subsidiary of the Northern Territory's Power and Water Corporation on the principal terms for the sale of additional gas from the Mereenie field. The parties have agreed to do all things necessary to negotiate and enter into a full gas sales agreement which is consistent with the following principal terms:

- (a) Power and Water Corporation has agreed to 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, Power and Water Corporation has agreed to 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) Power and Water Corporation has also agreed to 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.

Deliveries of additional gas between 1 March 2006 and the execution of the full gas sales agreement will be governed by the terms of the Heads of Agreement (including price) but, until execution of the full gas sales agreement, there is no binding obligation to purchase or supply the quantities of gas nominated.

The 2005-06 well workover program, which commenced during the September quarter, was completed on 21 April 2006. The program involved a combination of remedial work, re-completions and fracture stimulations to increase oil and gas production and the plugging and abandoning of depleted wells. Eight wells have been plugged and abandoned under the program, and three wells have been fracture stimulated.

Nockatunga Oil Fields, Cooper Basin, Qld (40.936% Interest)

A three-well appraisal and exploration drilling program commenced in December 2005 and continued into the quarter. Santos is operator of the Nockatunga joint venture.

The Winna-4 appraisal well, which spudded in Petroleum Lease 33 on 1 December 2005 was cased and suspended as a future Murta Member oil producer. The Murta Member was fracture stimulated and brought into production at the end of February. The well was flowing at around 65 barrels of oil per day at the end of the current quarter.

The Muthero-3 appraisal well spudded in Petroleum Lease 51 on 13 December 2005 and encountered oil in the Murta Member and two zones in the Birkhead Formation. DST-2 over an upper Birkhead Formation interval flowed oil on final flow at 1030 barrels of oil per day through a ½ inch choke at 25 psi. Muthero-3 was cased and suspended as a Birkhead oil producer. The upper Birkhead zone subsequently was completed for production and brought into production at the end of February, free-flowing at around 525 barrels of oil per day. Production had declined to around 250 barrels of oil per day by the end of the current quarter, and the well will be placed on jet pump.

The third well in the 2005 drilling program, Currambar-1, a near-field exploration well in the adjacent ATP 267P exploration permit, spudded on 29 December 2005. The well encountered moderate to fair oil shows in the Murta Member and was cased and suspended as a potential Murta oil producer. A through-casing test was conducted in mid-February, and swabbing confirmed the well as a Murta producer. The Queensland Department of Natural Resources, Mines and Water has approved the conduct of an extended production test, and the joint venture plans to make an application for a production Petroleum Lease over the area.

The Nockatunga joint venture is also planning to undertake a multi-well appraisal and development drilling campaign during the second half 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.

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

Kiana-1 encountered oil in two zones in the Patchawarra Formation during drilling in PEL 107 in the September quarter of 2005. A 10-day production test conducted in November 2005 confirmed that the oil producing upper Patchawarra Formation sandstone is of good reservoir quality and laterally continuous.

An Extended Production Test commenced on 14 December 2005 at a free-flowing rate from the upper Patchawarra Formation zone at around 450 barrels of oil per day with no water. The lower Patchawarra Formation zone was perforated in early February, adding around a further 450 barrels of oil per day to the production rate. Free-flow co-mingled production peaked at around 850 barrels of oil per day with no water from the two zones in early March. The well is currently producing at around 400 barrels of oil a day with a small quantity of water. Surface and down-hole facilities are being upgraded and the well will be placed on jet pump as soon as practicable to restore production to its peak production levels.

The joint venturers applied for and were granted Petroleum Production Licence No. 212 over the oil field on 23 January 2006. An appraisal well, Kiana-2, is being planned for drilling later in 2006.

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

Production from the Aldinga-1 well is continuing at around 21 barrels of oil per day. There are no plans to develop the field further.

AUSTRALIAN EXPLORATION

Magellan exercised its option under a farmin arrangement with Great Artesian Oil and Gas and participated in the drilling of the Udacha-1 well on a prospect which straddles the permit boundary of PEL 106 and PEL 91. Udacha-1 spudded on 11 January 2006, and reached a total depth of 2728 metres.

Elevated gas readings and fluorescence were encountered during drilling in the Patchawarra Formation. After reaching total depth and running wireline logs, a Drill Stem Test was conducted over an interval in the upper Patchawarra Formation. Two previous attempts to run a DST during drilling were aborted due to hole conditions. DST-1A over the interval 2482.5-2488 metres flowed gas to surface in 20 minutes. The final rate was 0.44 MMcf/D (12.5 thousand cubic metres per day). The flowing pressure was building throughout the flow period and reached a maximum of 300 psi against a ¼ inch surface choke. There was no oil or formation water during the flow or in the recovery.

Udacha-1 was cased and suspended to await appropriate completion equipment. Preliminary wireline, mudlog and DST evaluation indicates gas saturation in several sands in the well. The sand tested by DST-1A is interpreted to have approximately 3 metres of net gas pay. Between 3 and 10 metres of additional gas pay is likely in deeper sands that may be further evaluated in a cased-hole testing program which is currently waiting on equipment availability.

Magellan participated in the drilling of the Udacha-1 well under a farm-in arrangement with Great Artesian Oil and Gas Limited whereby Magellan will earn a 30% participating interest in any commercial hydrocarbon discovery and related Petroleum Production Licence. Magellan has the further option to participate in the drilling of an additional two wells in PEL 106 and/or an additional two wells in PEL 107, to earn a 20% interest in either or both the PEL 106 and PEL 107 permit areas, as well as a 30% interest in any commercial discovery made by that drilling.

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

Magellan (100% interest) is evaluating the coal seam gas potential of the Burrum Coal Measures of the ATP 613P area in the Maryborough Basin of Queensland, and is negotiating a farm-out agreement with a farminee to undertake coal seam gas evaluation of the area.

INTERNATIONAL EXPLORATION

United Kingdom

The Company (40% interest) plans to participate in the drilling of a well in each of the Weald Basin licences PEDL 099 (or the adjacent PEDL 155 depending on land access) and PEDL 126 later in 2006. 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. Three of the areas are held and operated by Magellan with 100% interest and the other eight are operated by Northern Petroleum, with Magellan's interests ranging from 11.25% to 50%. Magellan is reprocessing around 720 kilometres of existing 2D seismic data in its 100% held PEDL 135, PEDL 136 and PEDL 137 licences, to more closely define several oil and gas drilling prospects already identified.

New Zealand

The Company holds a 100% interest in exploration permit PEP 38225 in the Great South Basin, offshore the South Island of New Zealand. Magellan is seeking partners to fund the drilling of a well in the permit before the drill or drop decision date in May 2006.

FINANCE

Expenditures incurred in Australia and overseas on exploration, appraisal and development activities during the March 2006 quarter, totalled \$4,590,000. All figures are unaudited.

Yours faithfully



T.G. Davies
General Manager.