



MAGELLAN PETROLEUM CORPORATION

ARBN 117 452 454

ADMINISTRATIVE OFFICE

Hartford Square North
10 Columbus Blvd - 10th Floor
HARTFORD CT 06106, USA

TELEPHONE (+1) 860 293 2006
FACSIMILE (+1) 860 293 2349
WEBSITE www.magpet.com

AUSTRALIAN OFFICE

10th Floor, 145 Eagle Street
BRISBANE QLD 4000
(GPO Box 2766, Brisbane Q 4001)

TELEPHONE (+61) 7 3224 1600
FACSIMILE (+61) 7 3832 6411
WEBSITE www.magpet.com.au

31 October 2006

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

The Manager,

ACTIVITIES REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2006

This report is submitted by Magellan Petroleum Corporation (ASX Code MGN) (Magellan) in compliance with the ASX Listing Rule 5.2, and covers the quarter **1 July to 30 September 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 in the Magellan group of companies.

OIL & GAS SALES

Natural Gas

The Company's share of natural gas sales during the quarter ended 30 September 2006 increased slightly by 0.1 percent from the September 2005 quarter, as detailed below:

| Field (Magellan Share) | Million Cubic Feet | | Terajoules | Variance |
|------------------------|--------------------|-------------|--------------|--------------|
| | Total | Daily | | |
| Mereenie | 1,208.5 | 13.1 | 1,412 | +7.4% |
| Palm Valley | 477.9 | 5.2 | 544 | -14.9% |
| Total Gas | 1,686.4 | 18.3 | 1,956 | +0.1% |

Crude Oil and Condensate

The Company's share of crude oil and condensate produced for sale during the quarter ended 30 September 2006 increased by 18.2 percent from the September 2005 quarter, as detailed below:

| Fields (Magellan Share) | Barrels | | Kilolitres | Variance |
|---------------------------------------|---------------|------------|--------------|----------------|
| | Total | Daily | | |
| Mereenie | 30,550 | 332 | 4,857 | - 1.8% |
| Nockatunga | 10,368 | 112 | 1,648 | + 14.5% |
| Kiana | 6,972 | 76 | 1,109 | n/a |
| Aldinga | 821 | 9 | 130 | - 23.1% |
| Total Crude Oil and Condensate | 48,711 | 529 | 7,744 | + 18.2% |

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

The Palm Valley field, which is operated by Magellan, produced an average of approximately 5.2 million cubic feet per day (MMcf/D) of natural gas for sale during the September quarter. The Palm Valley Joint Venture's objective for the field is to maximise gas production from the existing facilities while maintaining a safe and efficient operation, conducted in accordance with good oil field practice.

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

The Mereenie oil and gas field, which is operated by Santos Ltd, produced an average of approximately 13.1 MMcf/D of natural gas and 332 barrels of oil per day (BOPD) for sale during the September quarter. No major projects were undertaken on the Mereenie field during the quarter.

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

An eleven well exploration, appraisal and development drilling campaign is scheduled to commence in Petroleum Lease 51 during the December quarter of 2006. Santos is operator of the Nockatunga oil fields and the program is part of its Cooper Oil Project.

The 2006 drilling campaign is designed to appraise the Birkhead oil pool discovered in the Muthero-3 well in December 2005 on the Muthero oil field where three appraisal wells will be drilled and one development well which will target the Murta Member and lower Birkhead in the vicinity of Muthero-3. Three appraisal and two development wells will be drilled on the Thungo oil field targeting oil in the Murta Member. One exploration well, Dilkera North-1, will be drilled on a structural culmination to the north of the Dilkera oil field, and the other, Kamel-1, will be drilled on a structural culmination to the north of the Thungo oil field. Both wells are targeting oil in the Murta Member and the Birkhead Formation.

Three wells were drilled during the 2005 drilling program; Muthero-3, Winna-4 and Currambar-1. Muthero-3 in Petroleum Lease 51 commenced production at around 525 BOPD in February 2006, but ceased continuous free-flow in April when the water cut reached 20% of production. Surface facilities have been upgraded and a jet pump installed. The well is scheduled to be placed on continuous artificial lift shortly. Winna-4, also brought on line in Petroleum Lease 51 in February, was flowing at around 50 BOPD at the end of the quarter.

An application has been made for a Petroleum Lease over the area of the Currambar-1 oil discovery in ATP 267P adjacent to Petroleum Lease 51. The well has been completed for production and is awaiting grant of the Petroleum Lease before being tied into nearby surface facilities and placed on production.

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

The Kiana oil field, which is located approximately 32 km west of the Moomba oil and gas plant, was discovered in September 2005. Production from the Kiana-1 well commenced in December 2005 and free-flowed from co-mingled production from upper and lower Patchawarra Formation sands at a peak rate of around 850 BOPD with no water until early April when water entered the wellbore and caused free-flow production to cease. Artificial lift was installed in the well and the surface facilities expanded. Oil production resumed in mid-July on jet pump and the well is currently producing from the two Patchawarra sands at a relatively un-stabilise rate of around 350 BOPD. To the end of September 2006, the well had produced more than 86,000 barrels of oil.

The Kiana-2 appraisal well spudded in PPL 212 on 1 October 2006 and reached a total depth of 1992 metres RT. Kiana-2 was designed to appraise the south-western culmination of the Kiana structure approximated 640 metres southwest of Kiana-1.

Three Drill Stem Tests were conducted over the Patchawarra Formation in the well: DST-1 conducted over the interval 1116-1127 metres recovered 6 bbls of muddy water; DST-2 conducted over the interval 1409.5-1419.0 metres resulted in no flow to surface and no recovery in the drill pipe; and DST-3 conducted over the interval 1878-1892 metres recovered 60 barrels of muddy water and 4 barrels of mud, with no hydrocarbons. Kiana-2 was plugged and abandoned without encountering commercial hydrocarbons.

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

Production from the Aldinga-1 well is continuing at around 15-20 BOPD. There are no current plans to develop the field further.

CANADIAN PRODUCTION

Kotaneelee Gas Field, YT (2.67% interest)

Magellan has a 2.67% carried interest in the 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 field, in which Magellan has a carried interest, Magellan will not receive any revenue until its share of the drilling costs is recovered by the operator of the field, which it is estimated will not occur until the third or fourth calendar quarter of 2007. This estimate could change based upon future production and expenses related to this well.

EXPLORATION ACTIVITIES**AUSTRALIAN EXPLORATION**

The Udacha-1 well, drilled in January 2006 in a farmin area which straddles PEL 91 and PEL 106 in the Cooper Basin of South Australia, was cased and suspended at that time as a potential Patchawarra gas well. The well was completed for gas production over two Patchawarra sands in early July. A production test was undertaken in mid-September and the well flowed gas at an approximate rate of 1 MMcf/d through a 1" choke over a period of 16 days, followed by a pressure build-up survey. Evaluation of the test data is continuing and the well is currently shut-in. Magellan will have a 30% interest in any Petroleum Production Licence over the field.

Under the terms of a farmin agreement with Great Artesian Oil and Gas, Magellan Petroleum Corporation has elected to participate in the upcoming drilling program in PEL 107 in the Cooper Basin of South Australia. Magellan will fund 60% of the Keeley-1 and Cabbots-1 drilling costs in order to earn a 30% interest in any subsequent production licence in the event of a commercial discovery. By participating in these two wells Magellan will earn a 20% interest in permit PEL 107 and will participate in the Talia-1 well at its 20% working interest in the permit. Beach Petroleum is operator of the PEL 107 joint venture.

The Keeley-1 well spudded on 22 October and will take around 16 days to reach the programmed total depth of 3023 metres. The primary objective in Keeley-1 is the Patchawarra Formation reservoirs, similar to those which produce gas at the nearby Raven gas field and in the Udacha-1 discovery.

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

In the ATP 613P, ATPA 674P and ATPA 733P (Magellan 100% interest) area in the Maryborough Basin of Queensland, Eureka Petroleum, a wholly-owned subsidiary of Energy Investments Limited, will 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. Under Stage 1 of the program two cored wells will be drilled through the Burrum Coal Measures of the Burrum Syncline to test the CSG potential of the coals. Magellan is operator of the joint venture.

UNITED KINGDOM EXPLORATION

Magellan (40% interest) plans to participate in the drilling of a well in each of the Weald Basin licences PEDL 099 and PEDL 126 in 2007. Well sites and planning consents are being sought for the drilling by Northern Petroleum, the operator of these joint ventures. Because of surface access difficulties and with Department of Trade and Industry approval, the PEDL 099 well will be located in the adjacent PEDL 155 (Magellan 40% interest). 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 ten other exploration licences in the Weald-Wessex Basin (PEDLs 098, 112, 113, 125, 135, 136, 137, 152, 153 and 154). The licensees recently surrendered PEDL 151 in the Solent area following a downgrading of the area by drilling on the Isle of Wight in 2005. Three of the areas (PEDLs 135, 136 and 137) are held and operated by Magellan with a 100% interest and all other licences are operated by Northern Petroleum, with

Magellan's interests ranging from 22.5% 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.

EXPENDITURES

Expenditures incurred on exploration, appraisal and development activities during the September 2006 quarter, totalled \$1,088,000. All figures are unaudited.

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 United States Private Securities Litigation Reform Act of 1995. These statements about Magellan may relate to its 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 has interests, the extent of the recoverable reserves at those properties and 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. In addition, Magellan 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.

Yours faithfully,



T.G. Davies.