

May 16, 2011



# Magellan Petroleum Corporation Announces Third Quarter Results

## Quarter Ending March 31, 2011

PORTLAND, Maine, May 16, 2011 /PRNewswire/ -- Magellan Petroleum Corporation (the "Company") (NASDAQ: MPET) (ASX: MGN) reported a consolidated net loss of \$84,275 (\$.00 per share) on total revenue of \$4.9 million for its fiscal third quarter ended March 31, 2011, as compared to a net income of \$1.2 million (\$.02 per share) on total revenues of \$5.1 million in the prior year. Working capital was \$24.1 million at March 31, 2011, a decrease of \$8.3 million from the previous quarter, which includes the additional A\$10 million deposit for the acquisition of a 40% interest in the Evans Shoal gas field, offshore Australia.

The net loss of \$84,275 includes \$0.7 million spent toward continued efforts in the quarter to complete acquisition of the share of the Evans Shoal field.

The earnings comparison reflects the phase-out of gas sales at the Company's Mereenie field, and the costs of the broader development and acquisition strategy offset by higher oil prices for continuing and new oil production. Gas produced at the Mereenie field continues to be stripped of condensate and be reinjected to provide pressure support for ongoing oil sales. Gas sales at Palm Valley are down 27% with the current gas sales Agreement set to expire in January of 2012 with continued interest from industrial buyers.

Very poor weather conditions this winter in Montana limited access to the field and delayed production efficiency efforts; weather conditions have improved now.

Magellan's President and Chief Executive Officer, William H. Hastings said, "The \$84,275 loss for the quarter included \$0.7 million of consulting, legal, and administrative costs associated with the current acquisition program. Oil pricing and marginal oil production improvement has offset the year-on-year loss of the Mereenie gas sales contract. Several new agreements and operational programs are planned over the next few months. We are continuing with time-consuming but required initiatives to build the Company and gain a significant new asset base. We are placed well in the new high oil price environment, however, there are challenging times remaining in our efforts to execute our strategy. The Company has several near-term growth efforts: testing and completion of our UK oil discovery, settlement and finalization of our efforts to acquire a 40% interest in the Evans Shoal field, a recompletion and new drilling program in Montana, and a high value, but difficult CO2 Enhanced Oil Recovery project also in Montana. We have cash on hand, minimal debt, and a list of high-value projects. Execution will be the key driver in 2011."

### 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 the ability of MPAL, with the assistance of the Company, to successfully and timely close the Evans Shoal acquisition on or before May 31, 2011 or negotiate an additional extension, including the receipt of requisite transaction approvals and the likelihood and timing of the receipt of proceeds from the YEP private placement transaction due to conditions stipulated in the Securities Purchase Agreement, the ability of the Company to successfully develop a strategy for methanol development using resources from the Evans Shoal gas field, the extent of the recoverable gas reserves available to the Company from the Evans Shoal gas field upon completion of the Evans Shoal transaction, pricing and production levels from the properties in which Magellan and MPAL have interests, the extent of the recoverable reserves at those properties, the profitable integration of acquired businesses, including Nautilus Poplar LLC, the outcome of the Montana drilling program, 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 potential customers of Mereenie and Palm Valley production and the success of the U.K. drilling program. 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.

MAGELLAN PETROLEUM CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	March 31,		March 31,	
	2011	2010	2011	2010
REVENUES:				
Oil sales	\$ 3,135,298	\$ 1,947,505	\$ 8,062,157	\$ 7,890,129
Gas sales	460,787	2,024,487	1,328,467	12,985,167
Other production related revenues	1,270,595	1,164,953	3,636,242	2,856,704
Total revenues	4,866,680	5,136,945	13,026,866	23,732,000
COSTS AND EXPENSES:				
Production costs	2,054,567	1,823,303	6,414,270	7,243,205

Exploration and dry hole costs	452,260	225,204	1,480,500	882,260
Salaries and employee benefits	1,903,533	1,281,819	4,377,945	4,032,120
Depletion, depreciation and amortization	34,863	704,428	1,284,933	3,351,564
Auditing, accounting and legal services	718,588	387,260	1,477,366	1,164,334
Accretion expense	91,117	161,828	409,400	546,179
Shareholder communications	96,516	77,951	453,634	380,125
(Gain) on sale of assets	(490,883)	(5,693,784)	(954,060)	(6,828,059)
Impairment loss	122,862	-	122,862	1,604,417
Other administrative expenses	1,173,542	1,506,932	5,090,573	4,149,338
Foreign transaction (gain) loss	(1,210,197)	447,027	605,523	1,827,018
Total costs and expenses	4,946,768	921,968	20,762,946	18,352,501
Operating (loss) income	(80,088)	4,214,977	(7,736,080)	5,379,499
Warrant expense	-	(1,897,753)	-	(4,276,472)
Investment income	190,983	327,187	658,794	2,862,118
Income (loss) before income taxes	110,895	2,644,411	(7,077,286)	3,965,145
Income tax (provision) benefit	(178,042)	(1,463,723)	1,501,611	(2,485,529)
Net (loss) income	(67,147)	1,180,688	(5,575,675)	1,479,616
Less net (income) loss attributable to non-controlling interest in subsidiary	(17,128)	(18,243)	16,147	(21,880)
Net (loss) income attributable to Magellan Petroleum Corporation	\$ (84,275)	\$ 1,162,445	\$ (5,559,528)	\$ 1,457,736

Average number of  
shares outstanding

Basic	52,455,977	51,989,866	52,375,537	51,100,029
Dilutive	52,455,977	54,464,150	52,375,537	52,442,981

Net (loss) income  
per basic and  
dilutive common  
shares

attributable to  
Magellan Petroleum  
Corporation common

shareholders	\$ (0.00)	\$ 0.02	\$ (0.11)	\$ 0.03
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SOURCE Magellan Petroleum Corporation