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Magellan Petroleum Corporation Provides Evans Shoal Transaction Update

PORTLAND, Maine, May 31, 2011 /PRNewswire/ -- Magellan Petroleum Corporation (the "Company") (NASDAQ: MPET) (ASX: MGN) provides an update on the Evans Shoal transaction.

Evans Shoal Transaction

Magellan's Board of Directors met this week and reviewed recent developments in connection with the Evans Shoal transaction. In light of this review, the Board of Directors instructed management of the Company not to complete the Evans Shoal transaction, at this point. Their decision was necessary due to concerns the Company has regarding recent substantial modifications to the Evans Shoal work program.

As a consequence of the above matters, the conditions to be satisfied in order to bring about the completion of the Evans Shoal transaction will not be met by 31st May. Santos and the Company have discussed the possibility that the conditions to completion will not be satisfied by 31st May, and have acknowledged that the Company and Santos should continue to discuss an appropriate resolution and way forward. It is possible that the outcome of the discussions may result in the Company concluding that it should not complete the transaction.

The Company remains focused on unlocking the unrealized value that the Company believes is represented by the potential of its current interests onshore Australia, its oil discovery in the United Kingdom, and its oil production holdings in Montana, U.S.A.

The Company will continue to provide updates periodically.

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 close the Evans Shoal acquisition and obtain the requisite transaction approvals, the likelihood and timing of the receipt of proceeds from YEP to fund the Evans Shoal acquisition due to conditions stipulated in the Securities Purchase Agreement and the Investment Agreement, the terms and conditions of the Evans Shoal partnership, the ability of the Company to successfully develop a strategy for methanol development, 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 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.

SOURCE Magellan Petroleum Corporation