

October 21, 2011



Magellan Petroleum Corporation Provides Letter to Shareholders

PORTLAND, Maine, Oct. 21, 2011 /PRNewswire/ --

Dear Shareholders,

I would like to take this opportunity to introduce myself as Magellan's new President and CEO and to discuss some recent developments and new priorities at Magellan (NASDAQ: MPET) (ASX: MGN).

As you know, we have recently changed management and approved the transition of our Portland headquarters to Denver. By moving to the oil and gas hub of the Rocky Mountains, we will be able to better access the industry network and professional talent pool that were out of reach in Maine. In addition, the consolidation of two of our offices provides a favorable context to focus on cost cutting, which I promise to be a priority. Finally, this move positions the Company leadership closer to Poplar Field and the development activities we are pursuing there.

Magellan recently announced that Deloitte & Touche elected not to stand for re-appointment as the Company's auditing firm for fiscal year 2012. Independently, Magellan has been actively considering a transition to new auditors in recent months as a means of reducing our public company costs. Thus, Deloitte's decision, though more sudden than expected, allows us to accelerate our plans and coincides nicely with our move to Denver. And so it is with great pleasure that I can now confirm we have appointed EKS&H as our new auditors. As the largest accounting firm in Colorado with extensive experience in oil and gas, EKS&H is a perfect fit for Magellan, and we look forward to a productive relationship.

Our biggest challenge of 2011 is refocusing the Company after the disappointment of not closing the Evans Shoal transaction. Completing this deal and developing a multi-billion dollar project would have been a "home run" for a company our size, but it also consumed significant time, money, and management attention while detracting from the Company's other priorities.

It is with this experience in mind that we have decided to pass on deploying capital and resources in certain Russian investment opportunities recently brought to our attention by Nikolay Bogachev, our largest shareholder and a Board member. Mr. Bogachev has been very successful in Russia and has brought experience and good ideas to Magellan. I also worked in Russia extensively and have had some success there (but not on the scale of Mr. Bogachev). Our Board has carefully reviewed the alternative paths and determined that Magellan has higher priorities to tend to within our current asset base, but we will always consider growth opportunities at the right time.

As we move forward, my focus will be on realizing the value of our existing assets and operations, since I believe very strongly that they offer the surest path to generating outsized shareholder returns in the near term. Today our shares trade at a valuation approximately equal to our cash balance (including the Santos asset swap proceeds). This is nonsensical and implies our extensive asset portfolio has little to no value. Based on our acreage, our proven reserves, our existing production (including the soon to be completed Markwells Wood well in the UK), and our long-term GSA at Palm Valley (greater than \$100 million over 17 years), we should enjoy a significantly higher share price than we do currently. In addition, there is considerable option value embedded in our assets, such as from the CO2-EOR program or the undeveloped formations at Poplar, or our vast UK shale acreage. Any of these alone could change the order of magnitude of our valuation. I discuss these assets and activities in more detail below:

Australia

Through our Australian subsidiary, MPAL, Magellan is one of the oldest oil companies in Australia, with an established operating platform going back more than 30 years. I had the pleasure of being in Australia two weeks ago when our CFO of MPAL celebrated his 25th anniversary with the Company, a testament to the experience, capability, and motivation of our Australian staff.

We have spent the last three months completing the rationalization of our Amadeus Basin assets. By swapping our ownership interests with Santos, we will for the first time in our history own and operate 100% of our Australian productive base (the Palm Valley and Dingo Fields) and enjoy the flexibility to develop these assets according to our own needs. At the same time, our gas sales agreement with Santos, who will now own 100% of the Mereenie Field, will provide Magellan with over \$100 million in future revenue while preserving a key strategic relationship. For over 30 years Santos has been a valued corporate partner of Magellan. As one of Australia's leading companies, they have a strong management team and excellent resources. Although we will no longer be joint venture partners, we will continue to foster a close relationship with them, and we look forward to our continued success together.

The Rocky Mountains Region

Poplar Field in eastern Montana is an old and proven producer. Discovered and developed by Murphy, it has produced over 50 million barrels to date from the Charles formation. I visited the field for the first time years ago as a young geologist at Shell. One of my bosses at the time used to say, "Big fields get bigger, and small fields get smaller." Poplar is a big field, and we hope we can grow it in a major way.

Two major plays are converging on Poplar Field: the Bakken play advancing from the east, and a deep Paleozoic play developing to our north. VAALCO, our new partner, is already active to the north, and the farm-in we have just executed will give us access to both plays.

Under the terms of the VAALCO farm-out, we received \$5 million in cash (roughly \$227 per acre) and a commitment to drill three deep wells, at least one of which will be horizontal.

These wells will be expensive, a consideration in our decision, but, more importantly, VAALCO is skilled and experienced in these deeper plays and brings significant operational capability. They have moved quickly with their drilling plans and hope to drill their first well

this quarter.

As we progressed this transaction, we committed to delivering a 100% ownership structure to VAALCO, a common requirement of larger companies. For this reason, and for other funding and reporting complexities created by our former Poplar Field holding structure, we executed the Nautilus restructuring immediately prior to the VAALCO farm-out.

We continue to retain a 100% interest in the Charles formation and other shallow formations. The Charles and equivalent structures north of the border in Canada have proven to be excellent candidates for CO₂-enhanced oil recovery. We have been pursuing this concept for the last two years, and I hope soon to report on a new program to test its potential. We are also drilling our own new infill well at Poplar and will use this to advance our CO₂ pilot and to add to our production base. Our history in the Charles shows there to be less production risk, but we like the deep play that VAALCO is making and wish them good luck and clear sailing.

UK

The UK is an exciting and developing play for Magellan. Our acreage is equivalent to the Paris Basin, which stretches across the English Channel from France and holds fractured shales with tremendous potential. The French have helped the case for UK shale by prohibiting the use of fracking technology. Cuadrilla, the UK energy independent, has recently estimated that they may have found up to 200 Tcf of shale gas in their license area in northwest England.

Several companies have expressed interest in our gas developments, and we and our partner Celtique are developing the play. Celtique is a very capable operator and a leader in European fractured gas plays. Magellan and its partners will also focus on the oil play in southern England. We have mapped over 20 prospects and have drilled our first well at Markwells Wood, which is currently waiting on production testing. Markwells Wood has been in our inventory for several years, but if it works, we will certainly try to find a way to take some credit for it.

Conclusion

As I embark on this new job with Magellan, I am encouraged by the opportunities and resources at our fingertips. We have overcome the obstacles of recent months and are now a wiser company on sound footing. We have high quality assets with strong development potential, a robust cash balance to fund these developments, and an improving team to execute our vision. We will be focused on increasing production from, and unlocking the value of, our existing asset base. To do this, we will first and foremost enhance our in-house technical know-how by hiring experienced professionals. For those assets that pose technical challenges beyond our skill set, such as Bakken or UK shale, we have and will continue to utilize farm-outs. In general, we will be opportunistic and open minded about selling some of our assets if attractive offers are made.

As we progress, I will remain committed to open and honest communication with our shareholders and will continue to provide periodic updates. In the meantime, I welcome any thoughts and comments you may have.

Sincerely,

John Thomas Wilson

President and CEO

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: (i) whether the Company's management can successfully implement the Company's business plan and cut costs; (ii) whether the Company can successfully take advantage of Denver's industry network and professional talent pool; (iii) whether the Company can successfully develop its assets directly or through farm-out opportunities resulting in favorable returns for shareholders and an increase in the stock price; (iv) the pricing and production levels from the properties in which Magellan and MPAL have interests and the recoverable reserves at those properties; (v) the ability of Magellan and Santos to complete and implement the terms of the asset swap in the Amadeus Basin; and (vi) the ability of Magellan to successfully implement a CO₂-enhanced oil recovery program at Poplar.

SOURCE Magellan Petroleum Corporation