

September 3, 2010



Magellan Petroleum Corporation Earnings Summary and Strategic Discussion

For the Year Ended June 30, 2010

(Dollars quoted are US\$)

PORTLAND, Maine, Sept. 3 /PRNewswire-FirstCall/ -- Magellan Petroleum Corporation (Nasdaq: MPET) (ASX: MGN) (the "Company") reported a consolidated net loss of \$1.5 million or \$0.03 per share on gross revenues of \$28.5 million for its fiscal year ended June 30, 2010, as compared to net income of \$665,000 or \$0.02 per share, on revenues of \$28.2 million in fiscal 2009.

Magellan's President and Chief Executive Officer, William H. Hastings said, "Our results reflect our transitioning from 'what Magellan was' to 'what Magellan will be.' We are a development company, early in the business cycle, with reserves that need to be developed. We are no longer a Company producing and 'chugging' along in Australia. We have a larger asset base, increased probable reserves that need to be developed and are in a strong strategic position in a large natural gas basin which can supply Chinese fuel, oxygenate, and olefins demand.

Our 2010 results also reflect the reduced oil and gas sales volumes from Mereenie and Palm Valley, onshore Australia, which will continue to be less significant and less of a factor financially and operationally as the Company moves forward. The fields are by no means depleted; however their future will be integrated and valued as future methanol fuel gas and/or a small-scale LNG development feed. We are working on a bigger scale with better assets. Our gas will be available in the likely event that Darwin needs gas supply in the short term, but Power and Water Corporation ("PWC") will no longer be so central in our future business strategies.

With the acquisition of the Poplar oil fields in Montana and our expected strategic working position in the Evans Shoal gas field in Australia, Magellan has secured remarkable future growth opportunities. But, to be clear, we are a new ventures company. We have significant reserves, and must secure competitively-priced capital. While the business is robust, the business climate is not; we will need to keep executing on our strategies. Magellan is active with asset growth, development, and capital raise efforts. These three elements are not at all short term oriented, rather they will require long-term thinking and strong management commitment, both are abundant at Magellan.

Looking forward, a number of initiatives are active - as noted below:

Value Growth and Reserves

- Evans Shoal (NT/P48): Magellan is working towards the completion of the Evans Shoal acquisition with a payment of AUS\$85 million to Santos due on December 25th, 2010. Evans Shoal contains up to 8 TCF of natural gas (including CO2). Its production will supply a proposed world-class methanol facility in Darwin Australia and, possibly, floating facilities offshore. Discussions with off-takers and financial partners are active and positive.
- Poplar Dome fields: In fiscal 2010 the Company acquired an 83.5% controlling interest in Nautilus Poplar, LLC ("Nautilus"). Magellan also purchased Hunter Energy LLC's 25.05% average working interests and an additional 1.25% of Nautilus Technical Group's interest. Magellan, itself, and through its subsidiaries, now owns an 83.7% working interest in the Poplar Dome and Northwest Poplar oil fields.

These fields yield several opportunities, including primary infill sites. Wells there contain bypassed pay in several zones. There are clear indications of oil in logs yet there are no completions in those zones. The Bakken shale is present with permeability levels above adjacent production wells while our neighbors to the north, in Canada, have completed two successful tertiary CO2 flooding projects in the same horizon as our main production.

Significant moves from probable reserve bookings are possible here and, in addition, a successful CO2 flood, given reservoir temperature readings and successful flood results, could yield up to 80 million barrels of incremental oil.

Near-Term Development Work

- Poplar Dome fields: Beginning this fall, development work will be initiated in Montana. The effort is subject to cost-effective rig availability; however, we are confident work can proceed in a timely manner.
 - o We will drill at least two targeted development wells (anticipated during the fourth quarter of calendar 2010) to examine shallow gas potential previously overlooked but present, gain data on several tight oil reservoirs, perforate and test both the Tyler and Nisku/Duperow formations, test wettability performance in the producing Charles zone, and core and analyze our Bakken shale potential. Work to the deeper Red River oil horizon, which shows oil on micro logs, will be done in a separate well.
 - o We will also conclude Single Well Tracer tests to determine the applicability of carbon dioxide flooding strategies.
 - o Magellan has begun work through an intermediary to farm-out a share of our 23,000 acre Bakken position within the Poplar fields. The intent is to monetize our assets in Poplar fields and bring in a strong partner for development.
 - o Furthermore, we will initiate work on a shallow natural gas evaluation involving a large industrial buyer wishing to restart operations in Canada.
- United Kingdom Onshore: Work in the UK, while slow to materialize, is progressing.
 - o After significant delays due to drilling cost issues and weather, we have received representations from the UK project Operator, Northern Petroleum, that both the Markwells Wood and the Havant wells, onshore Weald Basin, UK, will spud before winter weather sets in.

- o Magellan completed initial review of its gross 247,000 acre Weald Basin shale position, onshore Weald Basin, UK. The license locations are in a Shale basin located just south of London. The properties contain a less mature oil & gas shale play that is analogous to geology in the Paris Basin to our south where shale development activity and well data gathering east of Paris, France has been active. Magellan holds a 50% interest in these properties with Celtique Energie. Magellan and Celtique have completed an initial agreement with an investment bank intermediary toward the initiation of work to farm-out (while retaining interest) or otherwise monetize this highly attractive shale acreage.

Capital Raise

- On August 5, 2010, the Company entered into a definitive Securities Purchase Agreement with Young Energy Prize ("YEP"), under which the Company has agreed to sell, and YEP has agreed that YEP and/or one or more of its affiliates will purchase 5,200,000 shares of the Company's common stock, at a purchase price of \$3.00 per share, for an aggregate purchase price of \$15.6 million. Currently, YEP owns on a fully diluted basis approximately 27% of the outstanding shares of the Company's Common Stock, and upon full drawdown of this new facility, the Investor would own approximately 33% of the outstanding shares of the Company's Common Stock.
- The Company is in active negotiations with Asian buyers and Asian and North American financial sources toward near-term funding of the Company's Evans Shoal obligations and discretionary capital spend. The external market is not strong at the moment; however, our asset values and defined strategies have yielded market interest and promising opportunities that we must now close.

The common theme in all of these operations is the development of undervalued assets through a comprehensive strategy of unique solutions, strategic capital and hard work.

These developments will take time although our drilling programs in Montana and the UK could achieve an element of short term success. We are committed to the Evans Shoal methanol project and the Poplar oil field development case for enhanced oil recovery.

We are heading in a new direction and the prospects are good."

The following is a summary of the financial results for the fiscal year ended June 30, 2010:

REVENUES

Oil sales decreased in Australia due to a 36% decrease in volume due to the sale of the Cooper Basin assets and a 10% decrease in average price per barrel partially offset by the U.S. purchase of a controlling interest in Nautilus and an 18% increase in the average exchange rate.

Gas sales decreased due to a 44% decrease in volume resulting from natural field decline and significantly reduced sales to PWC. Magellan Petroleum Australia Limited's ("MPAL") major customer, Gasco Pty. Ltd., a subsidiary of PWC of the Northern Territory has

contracted with Eni Australia for the supply of PWC's Northern Territory gas demand requirement for twenty five years. As such, natural gas takes at Mereenie were significantly reduced in the third and fourth fiscal quarters despite exhaustive efforts on a new sales agreement. The Mereenie Producers have advised PWC that pursuant to the terms of the Agreement, Mereenie Producer obligations to PWC under the current MSA4 Agreement will cease effective on September 5, 2010. Further discussions on a new Agreement, through intermediaries, with the Northern Territories Government continue. Mereenie Producers have had and continue to have the ability to provide surety of supply to the city of Darwin and its environs.

Other production related revenues are primarily MPAL's share of gas pipeline tariff revenues which increased as a result of an increase in Amadeus Gas Trust revenues on Blacktip Gas, MPAL's portion of a PWC settlement and the 18% increase in the average exchange rate.

COSTS AND EXPENSES

Changes in costs and expenses were as follows:

	Twelve Months Ended June 30,			
	2010	2009	\$ Variance	% Variance
Production costs	10,116,320	8,153,263	1,963,057	24%
Exploration and dry hole costs	1,273,268	3,475,937	(2,202,669)	(63%)
Salaries and employee benefits	4,816,350	1,708,997	3,107,353	182%
Depletion, depreciation and amortization	4,680,240	6,785,952	(2,105,712)	(31%)
Auditing, accounting and legal services	1,947,901	1,576,509	371,392	24%
Accretion expense	748,209	531,405	216,804	41%
Other administrative expenses	6,707,184	3,969,658	2,737,526	69%
Impairment loss	2,049,616	63,740	1,985,876	3,116%
Gain (Loss) on sale of assets	(6,817,304)	12,072	(6,829,376)	(56,572%)
Warrant Expense	4,276,472		4,276,472	
Income tax provision	2,645,763	2,198,422	447,341	20%

Significant changes are discussed below.

Production costs increased due primarily to the acquisition of a controlling member interest in Nautilus (\$1,400,000) and the acquisition of an additional working interest in the Poplar Fields (\$158,000) along with the 18% increase in the average exchange rate partially offset by the sale of the Cooper Basin assets.

Exploration and dry hole costs decreased primarily due to the prior year's cost (\$300,000) related to the write down of the value of U.K. exploration licenses, seismic survey costs related to the Nockatunga fields (\$1.6 million) and the sale of our Cooper Basin assets. These costs are partially offset by the 18% increase in the average exchange rate.

Salaries and employee benefits increased mostly due to the payment of employee termination costs (\$883,000) at MPAL, non cash expenses related to the award of employee stock options (\$1,400,000), the addition of new personnel at MPC (\$338,000), the Nautilus acquisition (\$331,000) and the 18% increase in the average exchange rate.

Depletion, depreciation and amortization decreased due to lower depletable costs related to the sale of the Cooper Basin assets, partially offset by the 18% increase in the average exchange rate and the acquisition of Nautilus (\$448,000).

Auditing, accounting and legal services increased due to legal and accounting costs associated with the Nautilus acquisition, and consulting fees related to the Evans Shoal transaction estimated to be \$700,000, and the 18% increase in the average exchange rate.

Accretion expense increased due mostly to the Nautilus and working interest acquisitions (\$70,000) along with the 18% increase in the average exchange rate.

Other administrative expenses increased due to the foreign exchange rate on U.S. dollar cash held by MPAL (\$168,000), costs relating to the July 2009 closing of the first YEP equity investment (\$440,000), increased travel costs (\$308,000), increased directors' fees including the addition of three new directors (\$250,000), non-cash expense for stock-based compensation to Board members (\$103,000), Restricted Stock to Board members (\$405,000), increased consulting costs (\$725,000), Nautilus acquisition (\$138,000) and the 18% increase in the average exchange rate.

Impairment loss increased due to the impairment loss recorded on MPAL's Udacha assets.

(Gain) loss on the sale of assets increased due to the 2010 \$6.8 million gain recorded on the sale of MPAL'S Cooper Basin assets.

Warrant expense (non-cash) increased due entirely to the increase in the fair value of the YEP warrants which was driven by increases in the Company's stock price. These warrants did not exist in 2009.

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, 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, 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.

MAGELLAN PETROLEUM CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

Revenues:	2010	2009
	(Unaudited)	(Audited)
Oil sales	\$ 9,886,592	\$ 11,479,660
Gas sales	13,615,755	14,740,296
Other production related revenues	5,022,210	1,970,621
Total revenues	28,524,557	28,190,577
Costs and expenses:		
Production costs	10,116,320	8,153,263
Exploratory and dry hole costs	1,273,268	3,475,937
Salaries and employee benefits	4,816,350	1,708,997
Depletion, depreciation and amortization	4,680,240	6,785,952
Auditing, accounting and legal services	1,947,901	1,576,509
Accretion expense	748,209	531,405
Shareholder communications	551,408	633,112
(Gain) Loss on sale of field equipment	(6,817,304)	12,072

Impairment loss	2,049,616	63,740
Other administrative expenses	6,707,184	3,969,658
Total costs and expenses	26,073,192	26,910,645
Operating income	2,451,365	1,279,932
Warrant Expense	(4,276,471)	
Investment and other income	3,012,831	1,583,065
Income before income taxes	1,187,725	2,862,997
Income tax expense	2,645,763	2,198,422
Net (loss) income	(1,458,038)	\$ 664,575
Less net income attributable to non-controlling interest in subsidiaries...	10,766	—
Net (Loss) attributable to Magellan Petroleum Corporation	(1,447,272)	\$ 664,575
Average number of shares:		
Basic and diluted	51,410,596	41,500,325
Net (loss) income per basic and diluted share attributable to Magellan Petroleum Corporation common shareholders	\$ (0.03)	\$ 0.02

Notes to the financial statements will be contained in Item 8 of the Company's Form 10-K for the fiscal year ended June 30, 2010.

SOURCE Magellan Petroleum Corporation