

September 28, 2010



Magellan Petroleum Corporation Proven and Probable Reserve Report and Discussion

For the Year Ended June 30, 2010 (Dollars Quoted are US\$)

PORTLAND, Maine, Sept. 28 /PRNewswire/ -- Magellan Petroleum Corporation (Nasdaq: MPET) (ASX: MGN) (the "Company") reported total proved oil and natural gas reserves as of June 30, 2010 were 9.7 million barrels of oil equivalent ("MMBOE"), consisting of 9.48 million barrels ("MMbbls") of crude oil and 1.53 billion cubic feet ("Bcf") (.26 MMBOE) of natural gas. Taking into account the sale of the Cooper Basin assets and the acquisition of the Poplar Fields, the Company's reserves increased from the year-end 2009 reported estimates of 1.6 MMBOE to 9.7MMBOE at year end 2010.

Effective for our fiscal year ended 30th June, 2010, the SEC approved revisions designed to modernize reserve reporting guidelines for oil and natural gas companies. The Company adopted these revisions. The most significant amendments to the requirements and interpretations include the following;

- Economic producibility of reserves is estimated using the average price for the 12-month period as an unweighted average of the first-of-the-month price coupled with existing expense profiles
- Probable and possible reserves, unproved, may be disclosed separately
- Proven undeveloped reserves may be classified if there is a defined term drilling program that creates a high degree of confidence that the quantities will be recovered
- Natural gas reserves are not classified as proven or probable, by third parties, if there is no commercial sales agreement in place

Proved Reserves

Magellan added 2.5 MMBbbls of proved developed and 6.9 MMBbbls of proved undeveloped oil reserves related to the acquisition of the Poplar Fields in Montana. The proved reserve booking was based on 3D seismic analysis, third party reserve reports, and the establishment of a five year drilling program. The Company sold approximately 205,000 bbls of proved reserves (net of royalties) during 2010 through the divestiture of its Cooper Basin oil properties. Magellan's year-end 2010 proved reserves are 97% oil and are 30% proved developed.

The amount of proved reserves applicable to the Australian Gas (1.53Bcf) only reflect the amount of gas committed to specific existing contracts and are net of royalties. Mereenie oil

field continues to produce approximately 520 bbls per day gross volumes but as a result of the proven developed reporting standards that use a flat trailing 12 month unweighted average of oil prices, coupled with required use of past operating costs to determine economic limit at Mereenie oil field, the proven reserves at Mereenie have negative discounted future net cash flows and are therefore not reportable. The Company continues to discuss cost reduction, consolidation of operations, and new gas sales arrangements in conjunction with the operator at both Palm Valley and Mereenie fields.

Probable Reserves

The acquisition of the Poplar fields yielded further primary infill locations estimated to be 1.8 MMbbls of probable undeveloped oil in the Tyler formation. Mereenie oil field has 2.8 MMbbls of oil in developed and undeveloped probable reserves. Also, using an alternative price scenario based on a reasonable alternative commercial interpretation, namely new gas contracts and new contract prices, the probable reserve, of available but not contracted gas at Mereenie and Palm Valley fields is 47.5 Bcf (7.9MMBOE). This gas is not booked under the SEC reporting guidelines.

Valuation of Reserves

In accordance with Securities and Exchange Commission ("SEC") guidelines, Magellan's proved reserves at June 30, 2010, were calculated using the unweighted arithmetic average of the first day of the month price of oil and gas prices received by the owners of the fields for the period July 2009 through June 2010. The resultant prices were \$66.24 per bbl of oil for the Poplar fields and \$76.40 per bbl for Mereenie and a gas price of AUD 1.98 and 5.561/GJ for Palm Valley and Mereenie respectively. All product pricing was held constant for the life of the projects. Using these prices, the estimated discounted net present value of Magellan's proved reserves, before income taxes, using a 10% per annum discount rate ("PV-10") is approximately \$138.8 million at June 30, 2010. Unbooked Mereenie and Palm Valley gas and Mereenie oil reserves are not included in the PV-10 value.

The PV-10 value differs from the Standardized Measure of Discounted Future Net Cash Flows, because this PV-10 value is a pre-tax number, while the Standardized Measure includes the effect of estimated future income taxes.

	Total		Australia		United States		Total
Proved Reserves:	Oil	Gas	Oil	Gas	Oil	Gas	MBOE
PDP	1,746	1.53	-	1.53	1,746	-	2,001
PDNP	769	-	-	-	769	-	769
PUD	6,963	-	-	-	6,963	-	6,963
Total Proved	9,478	1.53	-	1.53	9,478	-	9,733

Probable developed	536	-	536	-	-	-	536
Probable undeveloped	3,999	-	2,215	-	1,784	-	3,999
Total Probable	4,535	-	2,751	-	1,784	-	4,535

Oil reserves stated in 1,000 bbls; natural gas reserves stated in Bcf

Management Discussion

William Hastings, Chief Executive Officer, said, "The reserve report for 2010 illustrates the Company's efforts to monetize proved undeveloped reserves in Montana and move Australia gas reserves from probable to proven in the near future. Material changes in reserve reporting and additions have been incorporated as approved by the SEC. Those rules specify that proved reserves reflect only those covered by a sales agreement. Mereenie and Palm Valley fields do, indeed, have 47.5Bcf net reserves remaining that can be booked when/if they are sold via a sales agreement.

At Poplar, we have spud our first well at the East Poplar Unit. We intend to test, log, or core a number of stacked formations all the way to the Nisku/Duperow zone – including, on the way there, the Bakken Shale. Poplar's proven reserves herein only take into account the existing Mississippian Charles Formation. So, with new well data, we hope to be able to add further reserves in formations other than the Charles. The Bakken Shale will be cored in this well and should provide the necessary data for us to complete a go-forward arrangement with a strategic partner.

In the UK, the well operator informs us that the spud of the Markwells Wood is imminent.

Lastly, when our prospective closing at Evans Shoal is included (3.2 TCF net including CO₂ or 400mmboe after adjusting out CO₂), and taking into account the discussion above, our prospects for future reserve growth and viable commercial developments improves again substantially over the numbers reported for this recent fiscal year end. It is hard work, but, over time, we expect to show growth, new partners, added production and positive reserve replacement ratios."

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. 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