

December 13, 2011



Magellan Petroleum Corporation Provides Letter to Shareholders

PORTLAND, Maine, Dec. 13, 2011 /PRNewswire/ --

Dear Shareholders:

As many of you know, I wrote a letter to the shareholders dated October 21, 2011, introducing myself as the new President and CEO of Magellan Petroleum Corporation (the "Company") (NASDAQ: MPET) (ASX: MGN) and offering a variety of my observations and comments regarding the Company.

In light of last week's Board of Directors' meeting and our Annual Meeting of Shareholders, I'd like to revisit some of the matters presented in my last letter, update you as to our progress, and inform you of new developments. Our move to Denver continues and should be essentially completed by the middle of the second calendar quarter of 2012. We believe we are making good progress on honing our focus on our existing asset base in the wake of concluding our Evans Shoal efforts.

As you know, I have expressed my displeasure regarding our current share price and other shareholders have also expressed their concern. With this in mind, please let me provide what updates I can based on activities that have occurred in the past two months:

Australia

Our asset rationalization arrangement with Santos is expected to close within the next few weeks. We are awaiting sign-off from the taxing authority in Australia that is currently reviewing the equipment valuations in the affected properties. We also believe that a gas sales agreement affecting a portion of the Company's gas reserves in Palm Valley is progressing towards a successful completion. You will recall that this transaction process is being managed by Santos.

Rocky Mountain Region

We have now drilled two wells in the shallow intervals within our Poplar Field (owned 100% by Magellan and one of its subsidiaries). These two wells are currently being completed and evaluated. The results are not yet in, but we have every reason to believe that they will successfully produce oil and associated natural gas. We should have information that we can disclose on these two wells within the next few weeks.

In the deeper interval within the Poplar Field, our industry partner, VAALCO Energy (USA) Inc, has plans to commence drilling its first earning well in the near future, weather dependant. We expect results from this exploration well to be available by the end of the

first calendar quarter or early in the second calendar quarter of 2012.

On a different but related topic, we are extremely pleased to announce that we have hired an experienced and talented Williston Basin engineer to be our Operations Manager. More details on this hiring will follow later this week.

UK

Our Markwells Wood well is production testing and these results should be known within the next few weeks. While too early for any definitive announcement regarding commerciality, oil has been sold from this property. We continue to work with our co-owner, Celtique, on drilling plans on our prospective shale acreage holdings in the UK, and hope to be able to announce more on this by mid-year 2012.

As you can determine from this interim report, progress is being made regarding our existing assets. Let me also update you on two other matters of importance. We were very disappointed with the material weaknesses in the Company's internal controls that were disclosed in our recent 10-K for the fiscal year ending June 30, 2011. I take this matter very seriously and commit to you that this will be successfully resolved as soon as possible. After advising our independent auditor, EKS&H, of our remediation steps, we believe that we will accomplish this goal. You will also see changes in the presentation of our second quarter financial statements. As a result of these changes, Magellan's financial statements will much more closely follow the presentation of financial information used by our peers in the oil and gas industry.

The final, but also significant matter to present to you today is to announce that the Board has formed a Strategic Alternatives Committee (the "Committee") composed of me, Nikolay V. Bogachev, and William H. Hastings. The idea of this Committee has been raised by shareholders and Board members alike, and the Board has embraced this idea. I will say it again, I believe the Company is undervalued, and from what I have seen and heard, so does the Board and so do you. We believe this Committee can be a useful tool in correcting the market's perception of the Company.

While there are no current proposals before this Committee or the Board, the Company is determined to review and consider any viable alternative strategy in its efforts to enhance shareholder value. These alternatives could include, but are not limited to, finding additional strategic partners to accelerate or improve the testing of the Company's existing assets, additional financing alternatives, a merger or other combination with one or more public or private entity, the acquisition of either producing or non-producing oil and gas assets, the sale of all or a portion of the Company or any discrete asset of the Company, or any other business endeavor that we believe will unlock and improve shareholder value.

Of course, we may take no action and stay the current course of developing our existing assets if we determine that is our best existing alternative, but we are open to alternatives that are likely to improve our long term underlying value and consequently our stock performance.

The Company has not retained an investment banking firm or other external advisor at this time as such action appears premature at this stage of our process. This engagement decision will be reviewed regularly and is subject to prompt change should the

circumstances so warrant.

I will coordinate the Committee's activities. Given that the members of the Committee are significant shareholders, the Board unanimously believes that the goal of enhancing shareholder value will receive its needed focus. As you know, the creation and function of this Committee does not insure that any specific transaction will occur. While the Committee's consideration of strategic alternatives is ongoing, the Company does not intend to comment further regarding this process and the items under consideration by the Committee unless and until a specific transaction is approved by the Board, the review process is concluded, or it is otherwise determined that further disclosure is appropriate or required by law.

I can assure you the Board and management of Magellan are committed to increasing shareholder value as quickly and prudently as possible. We are listening to your ideas and suggestions, even if they are critical. Our plan is to grow revenues, cut costs, and unlock the value we believe is embedded in our resource plays. If other strategies can accomplish these goals or otherwise enhance shareholder value in an acceptable fashion, we will move on them rapidly.

Very truly yours,

J. Thomas Wilson

President and CEO

FORWARD LOOKING STATEMENTS

Statements in this letter to shareholders 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 the Company and its subsidiaries 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 relocation to Denver, CO will be timely completed and efficiently conducted; (ii) whether the Company can successfully develop its assets directly or through partnerships with third parties; (iii) the ability of the Company and Santos to complete and implement the terms of the asset swap in the Amadeus Basin and the related gas sales contract; (iv) whether management's remediation plan will timely and successfully address the material weaknesses in internal controls identified by the Company; (v) whether the formation of the Strategic Alternatives Committee will be successful in identifying strategic alternatives to enhance shareholder value; and (vi) the pricing and production levels from the properties in which Magellan and its subsidiaries have interests and the recoverable reserves at those properties.

SOURCE Magellan Petroleum Corporation