

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2013

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the transition period from to
Commission File Number 001-5507**



MAGELLAN PETROLEUM CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

06-0842255

(I.R.S. Employer
Identification No.)

1775 Sherman Street, Suite 1950, Denver, CO

(Address of principal executive offices)

80203

(Zip Code)

(720) 484-2400

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input checked="" type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the issuer's single class of common stock as of February 12, 2014 was 45,348,709.

TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE</u>
	<u>PART I — FINANCIAL INFORMATION</u>	
<u>ITEM 1</u>	<u>FINANCIAL STATEMENTS (UNAUDITED)</u>	
	<u>Condensed Consolidated Balance Sheets</u>	<u>1</u>
	<u>Condensed Consolidated Statements of Operations</u>	<u>2</u>
	<u>Condensed Consolidated Statements of Comprehensive Loss</u>	<u>3</u>
	<u>Condensed Consolidated Statement of Stockholders' Equity</u>	<u>4</u>
	<u>Condensed Consolidated Statements of Cash Flows</u>	<u>5</u>
	<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	<u>6</u>
<u>ITEM 2</u>	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>17</u>
<u>ITEM 3</u>	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>30</u>
<u>ITEM 4</u>	<u>CONTROLS AND PROCEDURES</u>	<u>30</u>
	<u>PART II — OTHER INFORMATION</u>	
<u>ITEM 1A</u>	<u>RISK FACTORS</u>	<u>32</u>
<u>ITEM 2</u>	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	<u>32</u>
<u>ITEM 6</u>	<u>EXHIBITS</u>	<u>33</u>
	<u>SIGNATURES</u>	<u>34</u>

PART I - FINANCIAL INFORMATION
ITEM 1 FINANCIAL STATEMENTS (UNAUDITED)
MAGELLAN PETROLEUM CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In thousands, except share amounts)

	December 31, 2013	June 30, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 12,159	\$ 32,469
Accounts receivable — trade	842	794
Accounts receivable — working interest partners	35	58
Inventories	561	555
Prepaid and other assets	2,065	1,422
Total current assets	15,662	35,298
PROPERTY AND EQUIPMENT, NET (SUCCESSFUL EFFORTS METHOD):		
Proved oil and gas properties	35,872	35,377
Less accumulated depletion, depreciation, amortization, and accretion	(6,216)	(5,814)
Unproved oil and gas properties	5,238	5,312
Wells in progress	14,459	923
Land, buildings, and equipment (net of accumulated depreciation of \$1,611 and \$1,810 as of December 31, 2013, and June 30, 2013, respectively)	1,142	1,382
Net property and equipment	50,495	37,180
OTHER NON-CURRENT ASSETS:		
Goodwill	2,174	2,174
Deferred income taxes	7,217	7,217
Other long term assets	250	403
Total other non-current assets	9,641	9,794
Total assets	\$ 75,798	\$ 82,272
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short term line of credit	\$ 51	\$ 51
Current portion of note payable	174	390
Current portion of asset retirement obligations	384	476
Accounts payable	2,756	1,948
Accrued and other liabilities	3,363	2,757
Accrued dividends	—	202
Total current liabilities	6,728	5,824
LONG TERM LIABILITIES:		
Asset retirement obligations	6,628	6,403
Contingent consideration payable	4,096	3,940
Other long term liabilities	165	163
Total long term liabilities	10,889	10,506
COMMITMENTS AND CONTINGENCIES (Note 12)		
PREFERRED STOCK (Note 7):		
Series A convertible preferred stock (par value \$0.01 per share): Authorized 50,000,000 shares, issued 20,089,436 and 19,239,734 as of December 31, 2013, and June 30, 2013, respectively; liquidation preference of \$28,220 and \$27,227, respectively	24,540	23,502
Total preferred stock	24,540	23,502

EQUITY:

Common stock (par value \$0.01 per share): Authorized 300,000,000 shares, issued, 54,773,823 and 54,057,159 as of December 31, 2013, and June 30, 2013, respectively	548	540
Treasury stock (at cost): 9,425,114 and 9,414,176 shares as of December 31, 2013, and June 30, 2013, respectively	(9,344)	(9,333)
Capital in excess of par value	91,844	90,786
Accumulated deficit	(59,862)	(50,079)
Accumulated other comprehensive income	10,455	10,526
Total equity attributable to Magellan Petroleum Corporation	33,641	42,440
Total liabilities, preferred stock and equity	<u>\$ 75,798</u>	<u>\$ 82,272</u>

The notes to the condensed consolidated financial statements (unaudited) are an integral part of these financial statements.

MAGELLAN PETROLEUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(In thousands, except share and per share amounts)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	December 31,		December 31,	
	2013	2012	2013	2012
REVENUES:				
Oil production	\$ 1,632	\$ 1,442	\$ 3,767	\$ 2,902
Gas production	237	306	458	507
Total revenues	<u>1,869</u>	<u>1,748</u>	<u>4,225</u>	<u>3,409</u>
OPERATING EXPENSES:				
Lease operating	1,718	1,665	4,474	3,716
Depletion, depreciation, amortization, and accretion	598	332	907	649
Exploration	728	4,094	1,657	4,716
General and administrative	2,882	3,394	5,977	7,057
Impairment	—	—	—	890
Loss on sale of assets	33	—	95	—
Total operating expenses	<u>5,959</u>	<u>9,485</u>	<u>13,110</u>	<u>17,028</u>
LOSS FROM OPERATIONS	(4,090)	(7,737)	(8,885)	(13,619)
OTHER INCOME (EXPENSE):				
Net interest income	23	258	43	479
Other expense	(45)	(127)	(105)	(112)
Total other (expense) income	<u>(22)</u>	<u>131</u>	<u>(62)</u>	<u>367</u>
LOSS BEFORE INCOME TAX	(4,112)	(7,606)	(8,947)	(13,252)
Income tax benefit	—	321	—	658
LOSS AFTER INCOME TAX	(4,112)	(7,285)	(8,947)	(12,594)
Preferred stock dividend	(421)	—	(836)	—
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ (4,533)	\$ (7,285)	\$ (9,783)	\$ (12,594)
Earnings per common share (Note 9):				
Weighted average number of basic and diluted shares outstanding	45,348,709	53,860,337	45,348,774	53,854,759
Net loss per basic and diluted share outstanding	\$ (0.10)	\$ (0.14)	\$(0.22)	\$(0.23)

The notes to the condensed consolidated financial statements (unaudited) are an integral part of these financial statements.

MAGELLAN PETROLEUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)
(In thousands)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	December 31,		December 31,	
	2013	2012	2013	2012
LOSS AFTER INCOME TAX	\$ (4,112)	\$ (7,285)	\$ (8,947)	\$ (12,594)
Foreign currency translation adjustments	(248)	22	(77)	963
Unrealized holding gain (loss) on securities available for sale, net of deferred tax of \$0	(17)	—	6	(22)
Comprehensive loss attributable to Magellan Petroleum Corporation	<u>\$ (4,377)</u>	<u>\$ (7,263)</u>	<u>\$ (9,018)</u>	<u>\$ (11,653)</u>

The notes to the condensed consolidated financial statements (unaudited) are an integral part of these financial statements.

MAGELLAN PETROLEUM CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
(In thousands, except share amounts)

	Common Stock	Treasury Stock	Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
June 30, 2013	\$ 540	\$ (9,333)	\$ 90,786	\$ (50,079)	\$ 10,526	\$ 42,440
Net loss	—	—	—	(8,947)	—	\$ (8,947)
Foreign currency translation adjustments	—	—	—	—	(77)	\$ (77)
Unrealized holding gain on securities available for sale, net of taxes	—	—	—	—	6	\$ 6
Stock and stock compensation expense	8	—	1,058	—	—	\$ 1,066
Net shares repurchased for employee tax costs upon vesting of restricted stock	—	(11)	—	—	—	\$ (11)
Preferred stock dividend	—	—	—	(836)	—	\$ (836)
December 31, 2013	<u>\$ 548</u>	<u>\$ (9,344)</u>	<u>\$ 91,844</u>	<u>\$ (59,862)</u>	<u>\$ 10,455</u>	<u>\$ 33,641</u>

The notes to the condensed consolidated financial statements (unaudited) are an integral part of these financial statements.

MAGELLAN PETROLEUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

	SIX MONTHS ENDED	
	December 31,	
	2013	2012
OPERATING ACTIVITIES:		
LOSS AFTER INCOME TAX	\$ (8,947)	\$ (12,594)
Adjustments to reconcile net loss to net cash used in operating activities:		
Foreign transaction (gain) loss	(26)	36
Depletion, depreciation, amortization, and accretion	907	649
Fair value increase of contingent consideration payable	156	161
Deferred income taxes	—	(658)
Loss on disposal of assets	95	—
Stock compensation expense	1,066	606
Impairment loss	—	890
Severance benefit costs	—	755
Net changes in operating assets and liabilities:		
Accounts receivable	129	305
Inventories	(6)	(42)
Prepayments and other current assets	(647)	6
Accounts payable and accrued liabilities	1,118	886
Other long term liabilities	3	(14)
Net cash used in operating activities	(6,152)	(9,014)
INVESTING ACTIVITIES:		
Additions to property and equipment	(13,943)	(1,070)
Proceeds from sale of assets	29	—
Net cash used in investing activities	(13,914)	(1,070)
FINANCING ACTIVITIES:		
Repurchase of common stock	—	(137)
Short term debt issuances	1,000	1,450
Short term debt repayments	(1,216)	(1,315)
Long term debt repayments	—	(264)
Net cash used in financing activities	(216)	(266)
Effect of exchange rate changes on cash and cash equivalents	(28)	839
Net decrease in cash and cash equivalents	(20,310)	(9,511)
Cash and cash equivalents at beginning of period	32,469	41,215
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 12,159	\$ 31,704
Supplemental schedule of non-cash activities:		
Revision to estimate of asset retirement obligations	—	(306)
Amounts in accounts payable and accrued liabilities related to property and equipment	557	109
Preferred stock dividend	836	—

The notes to the condensed consolidated financial statements (unaudited) are an integral part of these financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1 - Basis of Presentation

Description of Operations

Magellan Petroleum Corporation is an independent oil and gas exploration and development company primarily focused on the development of a CO₂-enhanced oil recovery ("CO₂-EOR") program at Poplar Dome ("Poplar") in eastern Montana. Historically active internationally, Magellan also maintains exposure to the UK and Australian oil and gas markets through the following assets: (i) a large, mostly non-operated acreage position onshore UK in the Weald and Wessex Basins for prospective unconventional shale oil and gas production; (ii) an exploration block, NT/P82, in the Bonaparte Basin, offshore Northern Territory, Australia; and (iii) two gas fields, Palm Valley and Dingo, onshore Northern Territory, Australia.

The Company conducts its operations through three wholly owned subsidiaries corresponding to the geographic areas in which the Company operates: Nautilus Poplar LLC ("NP") in the US, Magellan Petroleum (UK) Limited ("MPUK"), and Magellan Petroleum Australia Pty Ltd ("MPA").

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Magellan and its wholly owned subsidiaries, NP, MPUK, and MPA, and have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, these interim unaudited condensed consolidated financial statements do not include all of the information and footnotes required by GAAP for complete annual period financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal recurring nature. All intercompany transactions have been eliminated. Operating results for the six months ended December 31, 2013, are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2014. This report should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2013 (the "2013 Form 10-K"). All amounts presented are in US dollars, unless otherwise noted. Amounts expressed in Australian currency are indicated as "AUD."

Use of Estimates

The preparation of the unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of oil and gas reserves, assets and liabilities, disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Foreign Currency Translation

The functional currency of our foreign subsidiaries is their local currency. Assets and liabilities of foreign subsidiaries are translated to US dollars at period-end exchange rates, and our unaudited condensed consolidated statements of operations and cash flows are translated at average exchange rates during the reporting period. Resulting translation adjustments are recorded in accumulated other comprehensive income, a separate component of stockholders' equity.

Transactions denominated in currencies other than the local currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in foreign currency transaction gains and losses that are reflected in results of operations as unrealized (based on period end translation) or realized (upon settlement of the transactions) and reported under general and administrative expenses in the consolidated statements of operations.

Stock Based Compensation

Stock option grants may contain time based, market based, or performance based vesting provisions. Time based options are expensed on a straight-line basis over the vesting period. Market based options are expensed on a graded amortized method and is recognized if the derived service period is satisfied, even if the market condition is not achieved. Performance based options ("PBOs") are recognized when the achievement of the performance conditions is considered probable. Accordingly, PBOs are expensed over the period of time the performance condition is expected to be achieved. Management re-assesses whether achievement of performance

[Table of Contents](#)

conditions is probable at the end of each reporting period. If changes in the estimated outcome of the performance conditions affect the quantity of the awards expected to vest, the cumulative effect of the change is recognized in the period of change.

The fair value of the stock options is determined on the grant date and is affected by our stock price and other assumptions regarding a number of complex and subjective variables. These variables include our expected stock price volatility over the term of the awards, risk free interest rates, expected dividends, and the expected option exercise term. The Company estimates the fair value of PBOs and time based stock options using the Black-Scholes-Merton pricing model. The simplified method is used to estimate the expected term of stock options due to a lack of related historical data regarding exercise, cancellation, and forfeiture rates. For market based stock options, the fair value is estimated using Monte Carlo simulation techniques.

Exploration

We capitalize exploratory well costs until a determination is made that the well has found proved reserves or is deemed noncommercial. If a well is deemed to be noncommercial, the well costs are charged to exploration expense as dry hole costs. Exploration expenses include dry hole costs and geological and geophysical expenses.

Segment Information

During the quarter ended June 30, 2013, the Company completed a corporate restructuring of its wholly owned subsidiary in the UK whereby the equity interest in MPUK was transferred from MPA to Magellan. The Company benefits from this improved structure through (i) simplified accounting and the elimination of administrative redundancies, (ii) enhanced communication and clarity for investors, and (iii) increased flexibility in the structuring of investment and operating decisions. This realignment in corporate structure required the Company to re-evaluate its reportable segments under Financial Accounting Standards Board Accounting Standards Codification ("ASC") Topic 280, Segment Reporting. As of June 30, 2013, the Company determined, based on the criteria of ASC Topic 280, that it operates in three segments, NP, MPUK, and MPA, as well as a head office, Magellan ("Corporate"), which is treated as a cost center.

The Company's chief operating decision maker is J. Thomas Wilson (President and CEO of the Company), who reviews the results and manages operations of the Company in the three reporting segments of NP, MPUK, and MPA. The presentation of all historical segment information herein has been changed to conform to the current segment reporting structure, which also reflects the manner in which the Company's management monitors performance and allocates resources. For information pertaining to our reporting segments, see Note 10 - Segment Information.

Recently Issued Accounting Standards

There are no new significant accounting standards applicable to the Company that have been issued but not yet adopted by the Company as of December 31, 2013.

Note 2 - Debt

Long term debt relates to a \$1.7 million note payable by NP, re-issued in January 2011 (the "Note Payable"). The Note Payable will be fully amortized in June 2014. The outstanding principal of the Note Payable as of December 31, 2013, and June 30, 2013, consisted of the following:

	December 31, 2013	June 30, 2013
	(In thousands)	
Note Payable	\$ 174	\$ 390
Less current portion of Note Payable	(174)	(390)
Long term Note Payable	\$ —	\$ —

As of December 31, 2013, the minimum future principal maturities of the Note Payable were as follows:

	Total
	(In thousands)
One year	\$ 174
Total	\$ 174

The variable interest rate of the Note Payable is based upon the Wall Street Journal Prime Rate (the "Index") plus 1.00%, subject to a floor rate of 6.25%. The Index was 3.25% at December 31, 2013, resulting in an interest rate of 6.25% per annum as of December 31, 2013. Under the Note Payable, NP is subject to certain customary financial and restrictive covenants. As of December 31, 2013, NP was in compliance with all financial and restrictive covenants.

In addition, the Company has a \$1.0 million working capital line of credit classified as short term debt (the "Line of Credit"). The amount outstanding on the Line of Credit was \$51 thousand as of December 31, 2013, and June 30, 2013, respectively. The Line of Credit bears interest at a variable rate, which was 6.25% as of December 31, 2013. This Line of Credit also secures both a letter of credit in the amount of \$25 thousand in favor of the Bureau of Land Management and business credit cards in the amount of \$25 thousand. As of December 31, 2013, \$0.9 million was available under this Line of Credit.

The Note Payable and Line of Credit are collateralized by a first mortgage and an assignment of production from Poplar and are guaranteed by Magellan up to \$6.0 million, not to exceed the amount of the principal owed. The carrying amount of the Company's long term debt approximates its fair value, due to its variable interest rate, which resets based on market rates.

Note 3 - Asset Retirement Obligations

The estimated valuation of asset retirement obligations ("AROs") is based on the Company's historical experience and management's best estimate of plugging and abandonment costs by field. Assumptions and judgments made by management when assessing an ARO include: (i) the existence of a legal obligation; (ii) estimated probabilities, amounts, and timing of settlements; (iii) the credit-adjusted risk-free rate to be used; and (iv) inflation rates. Accretion expense is recorded under depletion, depreciation, amortization, and accretion in the unaudited condensed consolidated statements of operations. If the recorded value of ARO requires revision, the revision is recorded to both the ARO and the asset retirement capitalized cost.

The following table summarizes the ARO activity for the six months ended December 31, 2013:

	Total
	(In thousands)
Fiscal year opening balance	\$ 6,879
Liabilities incurred	7
Accretion expense	220
Effect of exchange rate changes	(94)
December 31, 2013	<u>7,012</u>
Less current asset retirement obligation	384
Long term asset retirement obligation	<u>\$ 6,628</u>

Note 4 - Fair Value Measurements

The Company follows authoritative guidance related to fair value measurement and disclosure, which establishes a three level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy categorizes assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement using market participant assumptions at the measurement date. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

- Level 1: Quoted prices in active markets for identical assets.
- Level 2: Significant other observable inputs – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3: Significant unobservable inputs.

The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and the consideration of factors specific to the asset or liability. The Company's policy is to recognize transfers in and/or out of a fair value hierarchy as of the end of the reporting period for which the event or change in circumstances caused the transfer. The Company has consistently applied the valuation techniques discussed above for all periods presented. During the six months ended December 31, 2013, and 2012, there have been no transfers in and/or out of Level 1, Level 2, or Level 3.

Assets and liabilities measured on a recurring basis

The Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities, are carried at cost, which approximates fair value due to the short term maturity of these instruments. The recorded value of the Line of Credit and Note Payable (see Note 2 - Debt) approximates fair value due to their variable interest rate structure.

The following table presents items required to be measured at fair value on a recurring basis by the level in which they are classified within the valuation hierarchy as follows:

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Securities available for sale ⁽¹⁾	50	—	—	50
	<u>\$ 50</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 50</u>
Liabilities:				
Contingent consideration payable ⁽²⁾	\$ —	\$ —	\$ 4,096	\$ 4,096
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,096</u>	<u>\$ 4,096</u>

	June 30, 2013			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Securities available for sale ⁽¹⁾	44	—	—	44
	<u>\$ 44</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 44</u>
Liabilities:				
Contingent consideration payable ⁽²⁾	\$ —	\$ —	\$ 3,940	\$ 3,940
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,940</u>	<u>\$ 3,940</u>

⁽¹⁾ Included in the unaudited condensed consolidated balance sheets under prepaid and other assets.

⁽²⁾ See Note 12 - Commitments and Contingencies, below for additional information about this item.

The contingent consideration payable is a standalone liability that is measured at fair value on a recurring basis for which there is no available quoted market price, principal market, or market participants. The inputs for this instrument are unobservable and therefore classified as Level 3 inputs. The calculation of this liability is a significant management estimate and uses drilling and production projections, consistent with the Company's reserve report for NP, to estimate future production bonus payments, and a discount rate that is reflective of the Company's credit adjusted borrowing rate. Inputs are reviewed by management on an annual basis and the liability is estimated by converting estimated future production bonus payments to a single net present value using a discounted cash flow model. Payments of future production bonuses are sensitive to Poplar's 60 days rolling gross production average. The contingent consideration payable would increase with significant production increases and/or a reduction in the discount rate.

The following table presents information about significant unobservable inputs to the Company's Level 3 financial liability measured at fair value on a recurring basis as follows:

Description	Valuation technique	Significant unobservable inputs	December 31, 2013	June 30, 2013
Contingent consideration payable	Discounted cash flow model	Discount rate	8.0%	8.0%
		First production payout	December 31, 2015	December 31, 2015
		Second production payout	December 31, 2016	December 31, 2016

Adjustments to the fair value of the contingent consideration payable are recorded in the unaudited condensed consolidated statements of operations under net interest income. The following table presents a roll forward of the contingent consideration payable for the six months ended December 31, 2013:

	Total
	(In thousands)
Fiscal year beginning balance	\$ 3,940
Accretion of contingent consideration payable	156
December 31, 2013	<u>\$ 4,096</u>

Assets and liabilities measured on a nonrecurring basis

The Company also utilizes fair value to perform an annual impairment test on its oil and gas properties, or whenever events and circumstances indicate that a decline in the recoverability of their carrying value may have occurred. Fair value is estimated using expected undiscounted future cash flows from oil and gas properties. The inputs used to determine such fair value are primarily based upon internally developed cash flow models and are also classified within Level 3. For the six months ended December 31, 2013, no events or circumstances were identified that would indicate that an impairment of our oil and gas properties has occurred.

Note 5 - Income Taxes

The Company has estimated the applicable effective tax rate expected for the full fiscal year. The Company's effective tax rate used to estimate income taxes on a current year-to-date basis for the six months ended December 31, 2013, and 2012, is 0% and 4.96%, respectively. Deferred tax assets ("DTAs") are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities and for operating losses and foreign tax credit carry forwards. A valuation allowance reduces DTAs to the estimated realizable value, which is the amount of DTAs management believes is "more-likely-than-not" to be realized in future periods.

We review our DTAs and valuation allowance on a quarterly basis. As part of our review, we consider positive and negative evidence, including cumulative results in recent years. We anticipate we will continue to record a valuation allowance against our DTAs in all jurisdictions of the Company, until such time as we are able to determine that it is "more-likely-than-not" that those DTAs will be realized. Consistent with the position at June 30, 2013, the Company maintains the partial valuation allowance recorded against the DTAs that relate to the Australian Petroleum Resource Rent Tax as of December 31, 2013, until such time as we are able to determine it is "more-likely-than-not" those reserved DTAs will be realized.

Note 6 - Stock Based Compensation

The 2012 Stock Incentive Plan

On January 16, 2013, the Company's shareholders approved the Magellan Petroleum Corporation 2012 Omnibus Incentive Compensation Plan (the "2012 Stock Incentive Plan"). The 2012 Stock Incentive Plan replaced the Company's 1998 Stock Incentive Plan (the "1998 Stock Plan"). The 2012 Stock Incentive Plan provides for the granting of stock options, stock appreciation rights, restricted stock and/or restricted stock units, performance shares and/or performance units, incentive awards, cash awards, and other stock based awards to employees, including officers, directors, and consultants of the Company (or subsidiaries of the Company) who are selected to receive incentive compensation awards by the Compensation, Nominating and Governance Committee (the "CNG Committee") of the Board of Directors of the Company (the "Board"), which is the plan administrator for the 2012 Stock Incentive Plan. The stated maximum number of shares of the Company's common stock authorized for awards under the 2012 Stock Incentive Plan is 5,000,000 shares plus the remaining shares under the 1998 Stock Plan immediately before the effective date of the 2012 Stock Incentive Plan, which was 288,435 as of January 15, 2013. The maximum aggregate annual number of options or stock appreciation rights that may be granted to one participant is 1,000,000, and the maximum annual number of performance shares, performance units, restricted stock, or restricted stock units that may be granted to any one participant is 500,000. The maximum term of the 2012 Stock Incentive Plan is ten years.

Stock Option Grants

Under the 2012 Stock Incentive Plan, stock option grants may contain time based, performance based, or market based vesting provisions. During the six months ended December 31, 2013, the Company granted a total of 3,000,000 stock options under the 2012 Stock Incentive Plan, of the 3,000,000 stock options granted, 1,500,000 were issued as PBOs, and 1,500,000 were issued with market based vesting provisions. The performance metrics used to measure the potential vesting of the PBOs consisted of completing the

[Table of Contents](#)

CO₂-EOR pilot program at Poplar (weighted 10%), approval of a full field CO₂-EOR development project at Poplar (weighted 40%), sale of substantially all of the Amadeus Basin assets (weighted 20%), approval of a farmout agreement or participation in drilling a well in the Weald Basin (weighted 20%), approval of a farmout agreement in the Bonaparte Basin (weighted 10%). Potential vesting of the market based stock options are subject to the Company maintaining a \$2.35 per share closing and average stock price as defined.

As of December 31, 2013, zero stock options with market based vesting provisions or PBOs were vested, and 335,107 shares, including forfeited shares, were available for future issuance. Stock options outstanding have expiration dates ranging from January 16, 2014, to June 15, 2023.

The following table summarizes the stock option activity for the six months ended December 31, 2013:

	Number of Shares	WAEPS ⁽¹⁾
Fiscal year opening balance	7,788,957	\$1.33
Granted	3,000,000	\$1.03
December 31, 2013	10,788,957	\$1.25
Weighted average remaining contractual term	6.6 years	

⁽¹⁾ Weighted average exercise price per share.

The fair value of stock options granted under the 2012 Stock Incentive Plan or the 1998 Stock Plan was estimated using the following weighted-average assumptions for the six months ended:

	December 31,			
	2013		2012	
	PBOs ⁽¹⁾	Market Based ⁽²⁾	PBOs	
Number of options	1,500,000	1,500,000	1,007,500	
Weighted average grant date fair value per share	\$0.57	\$0.69	\$0.61	
Expected dividend	0	0	0	
Forfeiture rate	0	0	0	
Risk free interest rate	1.5% - 1.7%	2.8%	0.6% - 0.8%	
Expected life (years)	0.4 - 1.6	2.6	5.1 - 6.0	
Expected volatility (based on historical price)	61.7% - 61.9%	66.6%	60.3% - 63.5%	

⁽¹⁾ The term related to these PBOs were estimated using an average probabilistic weighted method.

⁽²⁾ The Company assumed market based options will be voluntarily exercised at the midpoint of vesting, and the contractual term.

Stock Compensation Expense

The Company recorded \$1.1 million of related stock compensation expense for the six months ended December 31, 2013, and \$0.6 million of related stock compensation expense for the six months ended December 31, 2012. Stock compensation expense is included in general and administrative expense in the unaudited condensed consolidated statements of operations. As of December 31, 2013, the unrecorded expected future compensation expense related to stock option awards was \$1.9 million.

Stock Awards

On July 1, 2013, 450,000 restricted shares of Common Stock were awarded to executive officers pursuant to the 2012 Stock Incentive Plan. The restricted shares are subject to a three year vesting term. The Company's compensation policy is designed to provide the Company's non-employee directors with a portion of their annual base Board service compensation in the form of equity. Between July 1, 2013, and December 31, 2013, the Company issued a total of 266,664 shares of its common stock to non-employee directors pursuant to this policy under the 2012 Stock Incentive Plan.

Note 7 - Preferred Stock

Series A Convertible Preferred Stock Financing

On May 10, 2013, the Company entered into a Series A Convertible Preferred Stock Purchase Agreement (the "Series A Purchase Agreement") with One Stone Holdings II LP ("One Stone"), an affiliate of One Stone Energy Partners, L.P. Pursuant to the terms of the Series A Purchase Agreement, on May 17, 2013 (the "Closing Date"), the Company issued to One Stone 19,239,734 shares of Series A Convertible Preferred Stock, par value \$0.01 per share (the "Series A Preferred Stock"), at a purchase price of \$1.22149381 per share (the "Purchase Price"), for aggregate proceeds of approximately \$23.5 million. Subject to certain conditions, each share of Series A Preferred Stock and any related unpaid accumulated dividends are convertible into one share of the Company's Common Stock, par value \$0.01 per share (the "Common Stock"), at an initial face amount and conversion price of \$1.22149381 per share (the "Conversion Price").

The Certificate of Designations, as amended (the "Certificate of Designations"), governing the Series A Preferred Stock also includes the following key terms:

- **Dividends.** Holders of Series A Preferred Stock are entitled to a dividend equivalent to 7.0% per annum on the face value, which is the Purchase Price plus any accumulated unpaid dividends, payable quarterly in arrears. Dividends are generally payable in kind ("PIK") (in the form of additional shares of Series A Preferred Stock) or in cash, at the Company's option.
- **Conversion.** Each share of Series A Preferred Stock is convertible at any time, at the holder's option, into one share of Common Stock, based on an initial face amount and conversion price of \$1.22149381 per share. The Series A Preferred Stock is entitled to customary anti-dilution protections.
- **Voting.** The Series A Preferred Stock is entitled to vote on an as-converted basis with the Common Stock.
- **Forced Conversion.** At any time after the third anniversary of the Closing Date, the Company will have the right to cause the holders to convert all, but not less than all, of the shares of Series A Preferred Stock into shares of Common Stock, if, among other conditions: (i) the average per share price of Common Stock equals or exceeds 200% of the Purchase Price for a period of 20 out of 30 consecutive trading days, (ii) the average daily trading volume of shares of Common Stock exceeds an amount equal to the number of shares of Common Stock issuable upon the conversion of all outstanding shares of Series A Preferred Stock divided by 45, and (iii) the resale of shares of Common Stock into which such shares are converted is covered by an effective shelf registration statement, or such shares of Common Stock can be sold under Rule 144 under the US Securities Act of 1933, as amended (the "Securities Act").
- **Redemption.** At any time after the third anniversary of the Closing Date, and upon 30 days prior written notice, the Company may elect to redeem all, but not less than all, shares of Series A Preferred Stock for an amount equal to the greater of (i) the closing sale price of the Common Stock on the date the Company delivers such notice multiplied by the number of shares of Common Stock issuable upon conversion of the outstanding Series A Preferred Stock, and (ii) a cash payment that, when considering all cash dividends already paid, allows the holders of Series A Preferred Stock to achieve a 20% annualized internal rate of return on the then outstanding Series A Preferred Stock. The holders of Series A Preferred Stock will have the right to convert the Series A Preferred Stock into shares of Common Stock at any time prior to the close of business on the redemption date.
- **Change in Control.** In the event of a Change in Control (as defined in the Certificate of Designations) of the Company, holders of Series A Preferred Stock will have the option to (i) convert Series A Preferred Stock into Common Stock immediately prior to the Change in Control, (ii) in certain circumstances, receive stock or securities in the acquirer of the Company having substantially identical terms as those of the Series A Preferred Stock, or (iii) receive a cash payment that, when considering all cash dividends already paid, allows the holders of Series A Preferred Stock to achieve a 20% annualized internal rate of return on the then outstanding Series A Preferred Stock.

The Company has determined that a Change in Control (as defined in the Certificate of Designations) is not solely within the Company's control, and therefore the Series A Preferred Stock is presented in the unaudited condensed consolidated balance sheets under temporary equity, outside of permanent equity.

- **Liquidation.** Upon a liquidation event, holders of Series A Preferred Stock are entitled to a non-participating liquidation preference per share of Series A Preferred Stock equal to (i) 115% of the Purchase Price until the second anniversary of the Closing Date, (ii) 110% of the Purchase Price after the second anniversary of the Closing Date until the third anniversary of the Closing Date, (iii) 105% of the Purchase Price after the third anniversary of the Closing Date until the fourth anniversary of the Closing Date, and (iv) thereafter, at the Purchase Price, plus, in each case, any accrued and accumulated dividends on such share.
- **Ranking.** Series A Preferred Stock ranks senior to Common Stock with respect to dividend rights and rights on liquidation, winding up, and dissolution.

- **Board Representation.** For so long as the holders of Series A Preferred Stock own at least 15% or 10% of the fully diluted shares of Common Stock (assuming full conversion of the Series A Preferred Stock), the holders of a majority of the then outstanding shares of Series A Preferred Stock have the right to appoint two members or one member, respectively, to the Company's Board. These directors are not subject to director elections by the holders of Common Stock at the Company's annual meetings of shareholders.
- **Minority Veto Rights.** For so long as the holders of Series A Preferred Stock own at least 10% of the fully diluted Common Stock (assuming full conversion of the Series A Preferred Stock), the holders of a majority of the then outstanding shares of Series A Preferred Stock will hold veto rights with respect to (i) capital expenditures greater than \$15.0 million that are not provided for in the then-current annual budget; (ii) certain related-party transactions; (iii) changes to the Company's principal line of business; and (iv) an increase in the size of the Board to a number greater than 12.

The Series A Purchase Agreement and a related separate Registration Rights Agreement also include the following key terms:

- **Standstill.** For a period of two years following the date of the Series A Purchase Agreement, One Stone is generally prohibited from (i) acquiring direct or beneficial control of any additional equity securities of the Company or any rights thereto; (ii) making, or in any way participating in, directly or indirectly, any solicitation of proxies to vote in any election contest or initiate, propose or otherwise solicit stockholders of the Company for approval of any stockholder proposals; (iii) participating in or forming any voting group or voting trust with respect to any voting securities of the Company; and (iv) seeking to influence, modify, or control management, the Board, or any business, policies, or actions of the Company. Until such time as One Stone no longer holds any Series A Preferred Stock, One Stone is prohibited from engaging, directly or indirectly, in any short selling of the Common Stock.
- **Registration Rights.** Holders of Series A Preferred Stock are entitled to resale registration rights with respect to the shares of Common Stock issuable upon conversion of the Series A Preferred Stock.

The Company has analyzed the embedded features of the Series A Preferred Stock and has determined that none of the embedded features is required under US GAAP to be bifurcated from the Series A Preferred Stock and accounted for separately as a derivative. The Company recorded the transaction by recognizing the fair value of the Series A Preferred Stock at the time of issuance in the amount of \$23.5 million. The Company will accrete the Series A Preferred Stock to the redemption value if events or circumstances indicate that redemption is probable.

For the six months ended December 31, 2013, the Company recorded a preferred stock dividend of \$0.8 million related to the Series A Preferred Stock. The activity related to the Series A Preferred Stock for the six months ended December 31, 2013, is as follows:

	SIX MONTHS ENDED		FISCAL YEAR ENDED	
	December 31, 2013		June 30, 2013	
	Number of shares	Amount	Number of shares	Amount
	(In thousands, except share amounts)			
Opening balance	19,239,734	\$ 23,502	—	\$ —
Issuance of Series A Preferred Stock	—	—	19,239,734	23,502
PIK dividends issued, previously accrued and payable in cash	164,607	202	—	—
Current year PIK dividends issued	685,095	836	—	—
Total Series A Preferred Stock	20,089,436	\$ 24,540	19,239,734	\$ 23,502

Note 8 - Stockholders' Equity

Treasury Stock

On September 24, 2012, the Company announced that its Board had approved a stock repurchase program authorizing the Company to repurchase up to a total value of \$2.0 million in shares of its Common Stock. The size and timing of such purchases is to be based on market and business conditions as well as other factors. The Company is not obligated to purchase any shares of its Common Stock. The authorization will expire on August 21, 2014, and purchases under the program can be discontinued at any time. During November 2012, the Company repurchased 149,539 shares pursuant to this program. As of December 31, 2013, \$1.9 million in shares of Common Stock remained authorized for repurchase under this program.

On January 14, 2013, the Company entered into a Collateral Purchase Agreement (the "Collateral Agreement") with Sopak AG, a Swiss subsidiary of Glencore International plc ("Sopak"), pursuant to which the Company agreed to purchase: (i) 9,264,637 shares of the Company's Common Stock, (ii) a warrant granting Sopak the right to purchase from the Company an additional 4,347,826

[Table of Contents](#)

shares of Common Stock, and (iii) a Registration Rights Agreement, dated as of June 29, 2009, and amended as of October 14, 2009, and June 23, 2010, between the Company, Young Energy Prize S.A., a Luxembourg corporation ("YEP"), and ECP Fund, SICAV-FIS, a Luxembourg corporation ("ECP"), which is a subsidiary of Yamalco Investments Limited, a Cyprus company ("Yamalco"), for a purchase price of \$10.0 million. The Collateral Agreement was subsequently amended on January 15, 2013, and completed on January 16, 2013. The Company accounted for the Collateral Agreement by allocating the purchase price of \$10.0 million to the fair value of the warrant, which was estimated at \$0.8 million, and the remaining \$9.2 million to the purchase of the 9,264,637 shares of Common Stock, resulting in a value per share of \$0.993 for the shares of Common Stock purchased. YEP, ECP, and Yamalco are entities affiliated with Nikolay V. Bogachev, a former director of the Company.

All repurchased shares of Common Stock are currently being held in treasury at cost, including direct issuance cost. The following table summarizes the Company's treasury stock activity as follows:

	SIX MONTHS ENDED December 31, 2013		FISCAL YEAR ENDED June 30, 2013	
	Number of shares	Amount	Number of shares	Amount
	(In thousands, except share amounts)			
Fiscal year opening balance	9,414,176	\$ 9,333	—	\$ —
Repurchases through the stock repurchase program	—	—	149,539	137
Repurchase through the Collateral Agreement ⁽¹⁾	—	—	9,264,637	9,196
Net shares repurchased for employee tax costs upon vesting of restricted stock	10,938	11	—	—
Total	9,425,114	\$ 9,344	9,414,176	\$ 9,333

⁽¹⁾ Purchase price of \$10.0 million reduced by the fair value of the warrant.

Retired Warrant

The Company formally retired the warrant purchased from Sopak pursuant to the Collateral Agreement described above. The fair value of the warrant was estimated using the Black-Scholes-Merton pricing model and determined to be approximately \$0.8 million, which was included as a reduction of additional paid in capital in the unaudited condensed consolidated balance sheet.

Assumptions used in estimating the fair value of the warrant included: (i) the Common Stock market price on the repurchase date of \$0.90 per share; (ii) the warrant exercise price of \$1.15 per share; (iii) an expected dividend of \$0; (iv) a risk free interest rate of 0.2%; (v) a remaining contractual term of 1.5 years; and (vi) an expected volatility based on historical prices of 60.8%.

Note 9 - Earnings Per Common Share

The following table summarizes the computation of basic and diluted earnings per share:

	THREE MONTHS ENDED December 31,		SIX MONTHS ENDED December 31,	
	2013	2012	2013	2012
	(In thousands, except share and per share amounts)			
NET LOSS AFTER INCOME TAX	\$ (4,112)	\$ (7,285)	\$ (8,947)	\$ (12,594)
Preferred stock dividend	(421)	—	(836)	—
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ (4,533)	\$ (7,285)	\$ (9,783)	\$ (12,594)
Basic and diluted weighted average shares outstanding ⁽¹⁾	45,348,709	53,860,337	45,348,774	53,854,759
Net loss per basic and diluted share outstanding ⁽¹⁾	<u>\$(0.10)</u>	<u>\$(0.14)</u>	<u>\$(0.22)</u>	<u>\$(0.23)</u>

⁽¹⁾ There is no dilutive effect on earnings per share in periods with net losses.

Potentially dilutive securities excluded from the calculation of diluted shares outstanding include the following:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	December 31,		December 31,	
	2013	2012	2013	2012
In-the-money stock options	157,500	—	157,500	—
Non-vested restricted stock	900,000	—	900,000	—
Total	1,057,500	—	1,057,500	—

Note 10 - Segment Information

The Company conducts its operations through three wholly owned subsidiaries: NP, which operates in the US; MPUK, which includes our operations in the UK, MPA, which is primarily active in Australia, as well as Corporate, which is treated as a cost center. The following table presents segment information as follows:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	December 31,		December 31,	
	2013	2012	2013	2012
(In thousands)				
REVENUES:				
NP	\$ 1,632	\$ 1,442	\$ 3,767	\$ 2,902
MPA	237	306	458	507
Consolidated revenues	\$ 1,869	\$ 1,748	\$ 4,225	\$ 3,409
CONSOLIDATED NET LOSS:				
NP	\$ (14)	\$ (194)	\$ (576)	\$ (466)
MPA	(1,626)	(5,073)	(2,717)	(5,510)
MPUK	(514)	(621)	(1,146)	(2,007)
Corporate	(2,143)	(1,393)	(4,689)	(4,436)
Inter-segment elimination	185	(4)	181	(175)
Consolidated net loss	\$ (4,112)	\$ (7,285)	\$ (8,947)	\$ (12,594)

Note 11 - Oil and Gas Activities

The following table presents the capitalized costs under the successful efforts method for oil and gas properties as of:

	December 31, 2013	June 30, 2013
(In thousands)		
Proved oil and gas properties:		
United States	\$ 28,039	\$ 27,606
Australia	7,833	7,771
Less accumulated depletion, depreciation, and amortization	(6,216)	(5,814)
Total net proved oil and gas properties	\$ 29,656	\$ 29,563
Unproved oil and gas properties:		
United Kingdom	\$ 1,103	\$ 1,075
United States	269	261
Australia	3,866	3,976
Total unproved oil and gas properties	\$ 5,238	\$ 5,312
Wells in Progress:		
United Kingdom	\$ 956	\$ 688
United States ⁽¹⁾	13,503	235
Total wells in progress	\$ 14,459	\$ 923

⁽¹⁾ The Company began implementing a CO₂-enhanced oil recovery pilot project at NP in the first quarter of fiscal year 2014.

Note 12 - Commitments and Contingencies

Refer to Note 12 - Commitments, of the Notes to the Consolidated Financial Statements in our 2013 Form 10-K for information on all commitments.

In September 2011, the Company entered into a Purchase and Sale Agreement (the "Nautilus PSA") among the Company and the non-controlling interest owners of NP for the Company's acquisition of the sellers' interests in NP (the "Nautilus Transaction"). The Nautilus PSA provides for potential future contingent production payments, payable by the Company in cash to the sellers, of up to a total of \$5.0 million if certain increased average daily production milestones for the underlying properties are achieved. J. Thomas Wilson, a director and executive officer of the Company, has an approximately 52% interest in such contingent payments. See Note 4 - Fair Value Measurements, above for information regarding the estimated discounted fair value of the future contingent consideration payable related to the Nautilus Transaction.

The Company has estimated that there is the potential for a statutory liability of approximately \$1.5 million of required US Federal tax withholdings, and related penalties and interest, related to the Collateral Agreement as described in Note 8 - Stockholders' Equity. As a result, we have recorded a total liability of \$1.5 million and \$1.0 million as of December 31, 2013, and June 30, 2013, respectively, under accrued and other liabilities in the unaudited condensed consolidated balance sheets included in this report. The Company has a legally enforceable right to collect from Sopak any amounts owed to the IRS as a result of the Collateral Agreement. As a result, we have recorded a corresponding receivable of \$1.5 million and \$1.0 million as of December 31, 2013, and June 30, 2013, respectively, under prepaid and other assets in the unaudited condensed consolidated balance sheets.

Note 13 - Related Party Transactions

During the third quarter of fiscal year 2012, the Company identified a potential liability of approximately \$2.0 million related to the Company's non-payment of required US Federal tax withholdings in the course of its initial acquisition of a part of NP. In October 2009, Magellan acquired 83.5% of the membership interests in NP (the "Poplar Acquisition") from the two majority owners of NP, White Bear LLC ("White Bear"), and YEP I, SICAV-FES ("YEP I"). Both of these entities are affiliated with Nikolay V. Bogachev, a foreign national who was a director of Magellan at the time of the Poplar Acquisition but has since resigned. Because YEP I was a foreign entity and the members of White Bear were foreign nationals, Magellan was required to make US Federal tax withholdings from the payments to or for the benefit of White Bear and YEP I. Of the \$2.0 million liability, \$1.3 million was estimated to relate to the interest sold by White Bear, \$0.6 million to the interest sold by YEP I, and \$0.1 million to Magellan's interest on the late payment of the US Federal tax withholdings.

[Table of Contents](#)

With regards to White Bear, Mr. Bogachev filed his US income tax return and paid taxes due on the Poplar Acquisition, and Magellan has no further related potential liability. With regards to YEP I, which is now a defunct entity, Magellan concluded that it was unlikely that one of YEP I's successor entities would be filing the corresponding US income tax return. As a result, the Company initiated a disclosure process with the IRS. During October 2013, the Company received a letter from the IRS stating that the disclosure process has been completed. This transaction had no effect on the Company for the six months ended December 31, 2013.

J. Robinson West, the Chairman of the Board of Directors of the Company, also serves as a non-employee director on the board of directors for Key Energy Services Inc. ("KES"). KES performed contract drilling rig services for the Company in Poplar during the second quarter of fiscal year 2014. The total contract fees paid to KES during the six months ended December 31, 2013, was \$2.2 million. As of December 31, 2013, there were no unpaid contract fees related to KES.

See Note 8 - Stockholders' Equity above for discussions of other transactions in which Mr. Bogachev had an interest and which was finalized as of January 2013.

Note 14 - Employee Severance Costs

The Company is required to record charges for one-time employee severance benefits and other associated costs as incurred. In July 2012, the Company incurred severance costs payable in connection with the termination of the employment of certain employees pursuant to the terms of their employment agreements. There were no employee related severance costs for the six months ended December 31, 2013. The Company does not expect any additional benefits or other associated costs related to these terminations. The liability related to these severance costs is included in the unaudited condensed consolidated balance sheets under accrued and other liabilities.

A reconciliation of the beginning and ending liability balance for charges to general and administrative expense and cash payments for the six months ended December 31, 2013, is as follows:

	Total
	(In thousands)
June 30, 2013	\$ 418
Cash payments	(174)
December 31, 2013	\$ 244

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements and notes thereto contained herein and in our 2013 Form 10-K and notes thereto, along with Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the 2013 Form 10-K. Any capitalized terms used but not defined in the following discussion have the same meaning given to them in the 2013 Form 10-K. Unless otherwise indicated, all references in this discussion to Notes are to the Notes to the unaudited condensed consolidated financial statements included in Part I, Item 1 of this report. Our discussion and analysis includes forward looking statements that involve risks and uncertainties and should be read in conjunction with the Risk Factors under Item 1A of Part II of this report and under Item 1A of the 2013 Form 10-K, along with the cautionary discussion about forward looking statements at the end of this section for information about the risks and uncertainties that could cause our actual results to be materially different than the results expressed or implied in our forward looking statements.

OVERVIEW OF THE COMPANY

Magellan Petroleum Corporation is an independent oil and gas exploration and development company primarily focused on the development of a CO₂-enhanced oil recovery ("CO₂-EOR") program at Poplar Dome ("Poplar") in eastern Montana. Historically active internationally, Magellan also maintains exposure to the UK and Australian oil and gas markets through the following assets: (i) a large, mostly non-operated acreage position onshore UK in the Weald and Wessex Basins prospective for unconventional shale oil and gas production; (ii) an exploration block, NT/P82, in the Bonaparte Basin, offshore Northern Territory, Australia, which the Company currently plans to farmout; and (iii) two gas fields, Palm Valley and Dingo, onshore Northern Territory, Australia.

The Company conducts its operations through three wholly owned subsidiaries corresponding to the geographic areas in which the Company operates: Nautilus Poplar LLC ("NP") in the US, Magellan Petroleum (UK) Limited ("MPUK"), and Magellan Petroleum Australia Pty Ltd ("MPA").

Our strategy is to enhance shareholder value by maximizing the value of our existing assets. Our portfolio of operations includes several early stage oil and gas exploration and development projects, the successful development of which requires significant capital, as well as significant engineering and management resources. We are committed to investing in these projects to establish their technical and economic viability. In turn, we are focused on determining the most efficient way to create the greatest value and highest returns for our shareholders.

SUMMARY RESULTS OF OPERATIONS

Revenues for the three months ended December 31, 2013, totaled \$1.9 million, compared to \$1.7 million for the prior year period, an increase of 7%. This increase was primarily due to increased production at Poplar as a result of successful water shutoff treatments on

certain wells completed during fiscal year 2013 and early fiscal year 2014. We reduced our operating loss for the three months ended December 31, 2013, to \$4.1 million, compared to an operating loss of \$7.7 million for the prior year period. We also reduced our net loss for the three months ended December 31, 2013, to \$4.1 million (\$0.10)/basic and diluted share), compared to a net loss of \$7.3 million (\$0.14)/basic and diluted share) for the prior year period. Adjusted EBITDAX (see Non-GAAP Financial Measures and Reconciliation below) was negative \$2.3 million for the three months ended December 31, 2013, compared to negative \$3.0 million in the prior year period, a positive change of 22.7%. For further information, please refer to the discussion below in this section under Comparison of Results between the Three and the Six Months Ended December 31, 2013, and 2012.

CORPORATE EVENTS

Marketing Process for Potential Sale of Palm Valley and Dingo Gas Fields

Following the signing of the previously reported Dingo gas supply and purchase agreement in September 2013 with Northern Territory Power and Water Corporation for the supply of up to 31 PJ (30 Bcf) of gas over a 20-year period, management believed that both Palm Valley's and Dingo's existing long-term gas sales contracts could provide a basis to fairly assess their value, and, as a result, management undertook an evaluation of strategic alternatives of these assets during the second quarter of fiscal year 2014. As part of

this evaluation, the Company commenced a process to market and sell Palm Valley and Dingo. As a result of this process, the Company has been negotiating with a party for the potential sale of Palm Valley and Dingo, and the Company currently believes that it may be close to reaching an agreement for such sale. However, as of the date of this report, no definitive agreement has been reached, the process is still ongoing, and the process may or may not result in a sale of these two gas fields.

Stock Option Program

On October 15, 2013, the Company adopted a new stock option program (the "Program") under the 2012 Stock Incentive Plan and granted options to certain key employees of the Company to purchase up to a total of 3,000,000 shares of the Company's Common Stock at an exercise price of \$1.03 per share, which was the NASDAQ closing price for the Common Stock on the grant date. The vesting of all grants under the Program is contingent upon the Company achieving certain performance milestones: fifty percent will vest and become exercisable if the Company achieves certain strategic objectives; and the remaining fifty percent will vest and become exercisable if the Company's Common Stock share price achieves \$2.35 per share for a specified period of time, which price represents an increase of approximately 130% over the exercise price. These vesting targets are intended to align management with shareholders in driving net asset value and market price per share and preclude dilution from exercise in the event the objectives are not met. Pursuant to the Program, the Company granted options to Messrs. J. Thomas Wilson, the Company's President and Chief Executive Officer, Antoine J. Lafargue, the Company's Vice President - Chief Financial Officer and Treasurer, and C. Mark Brannum, the Company's Vice President - General Counsel & Secretary to purchase up to a total of 1,000,000 shares, 825,000 shares, and 825,000 shares, respectively, of Common Stock. Options to purchase up to an additional 350,000 shares of Common Stock were granted to certain other key employees.

HIGHLIGHTS OF OPERATIONAL ACTIVITIES

During the three months ended December 31, 2013, the Company progressed a number of initiatives for its operational assets to evaluate and determine the potential of its oil and gas properties.

Poplar (Montana, USA)

CO₂-EOR pilot project. Based on the Company's technical analysis, the production history of the field to date, and reference to analogous CO₂-EOR projects in the Williston Basin, management believes that the Charles formation at Poplar is an attractive candidate for significantly enhanced oil recovery through CO₂-EOR techniques. To reduce the operational risk of implementing a full-field CO₂-EOR program at Poplar and to further validate the tertiary recovery technique on a full-field basis, the Company began to implement a CO₂-EOR pilot project in the Charles formation at Poplar in the first quarter of fiscal year 2014, which program will consist of five wells, including the CO₂-injection well, and injecting CO₂ over a two year period. Over the course of calendar year 2014, we will be monitoring the performance of the wells and the volumes of injected CO₂ and regularly re-calibrating our reservoir model. We expect it will take approximately 12 months from the time of first injection to further ascertain the effectiveness of CO₂-EOR techniques on a full field basis and the incremental volume of recoverable oil.

During the quarter ended December 31, 2013, the Company drilled to total depth the five CO₂-EOR pilot wells, including the CO₂ injector well. The four producing wells are designed to yield primary oil production from the Charles formation in addition to enhanced production as a result of the CO₂-EOR. These wells are currently undergoing water shutoff treatments in preparation for the first CO₂ injection, which is scheduled to occur in February 2014. As of December 31, 2013, the total cost of the pilot project, including capital and certain operating expenditures, which includes CO₂ supply cost scheduled to occur over the next two years, is currently estimated at approximately \$20.0 million.

Shallow Intervals. During the three months ended December 31, 2013, Magellan sold 21 Mbbls (228 bopd) of oil attributable to its net revenue interests in Poplar, compared to 17 Mbbls (185 bopd) of oil during the same period in 2012. This increase was primarily due to increased production at Poplar as a result of successful water shutoff treatments on certain wells completed during fiscal year 2013 and early fiscal year 2014, which mitigated the natural production decline of the field.

During the period, Magellan remained focused on evaluating the potential of water shutoff and other treatments on Poplar's existing producing wells, which treatments are intended to increase oil production and reduce water production from wells with paybacks of less than 12 months. Most recently, the Company successfully completed a treatment on the EPU 6 well, which was producing marginal quantities of oil from the Charles C intervals prior to the treatment and is currently flowing at a rate of 45 bopd and 550 bwpd. Magellan has now concluded that water shut off treatments are more effective in the C intervals of the Charles formation than in the B intervals. As such, Magellan will continue these treatments on wells producing from the Charles C intervals at Poplar.

Deep Intervals. During the three months ended December 31, 2013, there was minimal activity in the Deep Intervals at Poplar. However, the Company may elect to perform a water shutoff treatment at the EPU 125 well in the Nisku formation in the coming months.

United Kingdom

Going forward, the Company's primary objectives in the UK are to (i) receive drilling approval for a number of different sites in order to demonstrate that, assuming the prospect for producing commercial quantities of hydrocarbons is geologically and technically viable, access to drill sites is achievable within the existing regulatory framework and current social and environmental conditions; and (ii) establish the potential of its unconventional prospects, most of which lie within the licenses co-owned with Celtique Energie Holdings Ltd ("Celtique"), by drilling exploratory wells and collecting cores and logs. As part of this effort, the Company plans to participate in up to three evaluation wells with Celtique, the first of which we currently expect will be spud in or around the fourth quarter of fiscal year 2014.

Celtique Operated Licenses. Magellan co-owns equally with Celtique Petroleum Exploration and Development Licenses ("PEDLs") 231, 234, and 243, which overlay the center portion of the Weald Basin. The Weald Basin is prospective for unconventional oil and gas resources. During the three months ended December 31, 2013, Celtique and Magellan received a two-year extension of the drilling conditions of licenses from the UK Department of Energy and Climate Change ("DECC"), extending the "drill or drop" deadline to June 2016. Management believes this extension is a very valuable development, as it allows additional time for (i) the Company to drill and test the play, (ii) the applicable regulatory system to continue its favorable trajectory in allowing for responsible unconventional onshore development, and (iii) more companies to enter the play. During the period, Magellan and Celtique also advanced plans to drill a first exploratory well to be spud in the fourth quarter of fiscal year 2014 or the first quarter of fiscal year 2015, which will most likely be within the PEDL 234 license area. This well will primarily focus on a conventional Triassic prospect, and the expected net cost to the Company is estimated at approximately \$5.0 million.

Magellan Operated Licenses. In the Weald Basin, Magellan owns a 100% interest in two licenses (PEDLs 137 and 246). These licenses expire in September 2014 and June 2015, respectively. During the quarter ended December 31, 2013, the Company executed a farmout of the Horse Hill prospect on PEDL 137 to Horse Hill Development Ltd ("HHDL"), a wholly owned subsidiary of Angus Energy ("Angus"), a privately-owned UK based exploration and development company. Pursuant to the terms of the farmout, HHDL is obligated to fund 100% of the cost of drilling a vertical exploratory well in order to earn a 65% working interest in the license. Drilling of this well is subject to obtaining final planning permission, and the well will target conventional oil plays in the Portland Sandstone and Corallian Limestone. Both of these plays are productive in nearby oil fields. The well will also target a new Triassic gas play identified on 2-D seismic data, which was reprocessed by the Company. In addition, the Company will have the opportunity to evaluate the Kimmeridge Clay and Liassic formations, which will contribute to the assessment of the potential of these formations in the Weald Basin. No hydraulic fracturing will be used in the completion of this well.

In February 2014, Angus entered into binding heads of agreement to sell 10% and 7.5% interests in HHDL to two separate third parties. These sales implied an equity valuation of HHDL of GBP £6.0 million, which, based on HHDL's right to earn a 65% working interest in PEDL 137, in turn imply a 100% equity valuation of PEDL 137 of GBP £9.2 million (approximately \$15.0 million), or approximately \$600 per acre. This valuation also implies a valuation of Magellan's 35% pro forma interest in the license of GBP £3.2 million (approximately \$5.0 million).

This farmout is in line with the Company's UK strategy, which is to remain focused on its acreage in the center of the Weald Basin, which is contained in PEDLs 231, 234, and 243, while maintaining a non-operating interest to these more peripheral licenses at little or no incremental cost.

Northern Petroleum Operated Licenses. In the Weald and Wessex Basins, Magellan owns working interests of between 23% and 40% in five licenses operated by Northern Petroleum (PEDLs 126, 155, 240, 256, and P1916), which expire between June 2014 and January 2016. During the quarter ended December 31, 2013, the Company committed to fund in 2014 its share of a pre-drill study of a proposal to sidetrack the Markwells Wood-1 well in order to evaluate unconventional production prospects in the Oxford Clay and Liassic formations. The study will be carried out by Schlumberger, and, if the results are found to be encouraging, Magellan may participate in the sidetrack exploration/appraisal well. Magellan expects to incur up to approximately £80 thousand on this pre-drill study. Currently, there is no major work or expenditure scheduled on the other licenses Magellan co-owns with Northern.

Australia

Palm Valley. The Palm Valley gas field, which is operated by MPA, produced a gross average of approximately 0.6 MMcf/d of natural gas for sale for the three months ended December 31, 2013, compared to 0.7 MMcf/d during the same period in 2012. Gas volumes during the period were sold under the Palm Valley gas supply and purchase agreements ("GSPA") to Santos. Gas sales volumes under this contract are expected to ramp up based on currently scheduled contracts to approximately 3.3 MMcf/d by the third quarter of fiscal year 2014 and to approximately 4.1 MMcf/d by the fourth quarter of fiscal year 2015, at which point the field will be

selling at its full deliverability capacity and generating revenues of approximately AUD \$8.0 million per year.

Dingo. During September 2013, the Company signed the Dingo GSPA with Northern Territory Power and Water Corporation ("PWC") for the supply of up to 31 PJ (30 Bcf) of gas over a 20-year period, which supply is expected to commence early in calendar year 2015. With a long term contract now in place, the Company will use the intervening time period to design, construct, and commission the surface facilities and tie-in pipeline necessary for the production and delivery of Dingo's gas. Gas volumes are expected to be produced from three wells drilled at Dingo in the 1980s and 1990s, of which two wells have since been temporarily shut-in but are expected to be capable of producing gas volumes sufficient to meet the initial delivery requirements under the Dingo GSPA. The Company appointed GPA Engineering ("GPA") to undertake the front-end engineering and design ("FEED") of the facilities and pipeline, which is a continuation of work performed by GPA during the pre-FEED stage in fiscal year 2013. The FEED study was completed in January 2014. Based on the FEED study, the Company is planning to run Dingo as a remote operation, with only wellheads and gathering lines to be located at the field itself. Production from the wells will flow through a pipeline approximately 30 miles in length to a processing facility to be located at Brewer Estate, an industrial facility located just south of Alice Springs, where the gas will be processed and where PWC will take delivery of the gas.

Following the signing of the Dingo GSPA, management believed that both Palm Valley's and Dingo's long-term gas sales contracts could provide a basis to fairly assess their value, and, as a result, management undertook an evaluation of strategic alternatives of these assets during the second quarter of fiscal year 2014. As part of this evaluation, the Company commenced a process to market and sell Palm Valley and Dingo. As a result of this process, the Company has been negotiating with a party for the potential sale of Palm Valley and Dingo, and the Company currently believes that it may be close to reaching an agreement for such sale. However, as of the date of this report, no definitive agreement has been reached, the process is still ongoing, and the process may or may not result in a sale of these two gas fields.

NT/P82. During the three months ended December 31, 2013, the Company worked toward completing the processing and interpretation of 2-D and 3-D seismic surveys that the Company shot over part of NT/P82 in the Bonaparte Basin in December 2012. In November 2013, the Company elected to run the seismic data through additional testing and review, at minor additional cost, in order to confirm the validity and integrity of the data and analysis. Although this has extended the expected date of finalization of interpretation to the third quarter of fiscal year 2014, the Company believes this additional analysis will allow it to successfully complete a farmout process on favorable terms before the end of fiscal year 2014. Based on the preliminary results of the interpretation of the 2-D and 3-D seismic surveys, the Company believes that two large prospects are present within our block.

In completing a farmout, the Company expects to relinquish a portion of its working interest in, and operatorship of, NT/P82, in exchange for a commitment from the partner to drill exploration wells over the large gas prospects identified in the block by the fourth quarter of fiscal year 2015 to meet our requirements under the terms of the license. Given the estimated size of the prospects, the high level of offshore drilling activity in the Bonaparte Basin, the network of installed gas infrastructure in the relative vicinity of our block, and the relatively shallow depths of water in the license area, the Company believes it is well positioned to successfully complete a farmout.

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

Historically, we funded our activities from cash from operations, assets sales, an issuance of preferred equity, and our existing cash balance. In the future the Company intends to fund the implementation of its strategy through existing cash balances and through a prioritization of assets, which may include farmouts and partial or total divestitures of some of the Company's international assets. Based on its existing cash position and the various alternative sources of funds generally available to the Company, including partial or complete sale of certain assets, farmout transactions, and issuance of debt or equity financings, the Company believes it has sufficient financial resources to fund its ongoing operations.

Uses of Funds

Capital Expenditure Plans. At Poplar, the Company does not face significant mandatory capital expenditure requirements to maintain its acreage position. Substantially all of the leases are held by production and contain producing wells with reserves adequate to sustain multi-year production. Approximately 80% of the acreage has been unitized as a federal exploratory unit, which is held by economic production from any one well in the unit. Currently, Poplar contains 40 productive wells. In the Shallow Intervals, which are 100% owned and operated by the Company, discretionary capital expenditure plans over the next two years will be determined by the results of the CO₂-EOR pilot project and results of water shutoff treatments. Until approximately December 2015, the Company intends to evaluate the potential of CO₂-EOR in the Charles formation at Poplar. As of December 30, 2013, a five-well pilot, including one CO₂ injector well and four producing wells has been drilled. Magellan expects to have incurred most of the approximately \$20.0 million in estimated capital and certain operating expenditures by March 2014. As of December 2013, approximately 60% of the estimated costs of the CO₂-EOR pilot project have been incurred, while approximately 20% of the estimated costs of the CO₂-EOR pilot project are related to the injection of CO₂, which is scheduled to occur over the next two years.

[Table of Contents](#)

In the Deep Intervals, which are operated by the Company and in which the Company has a working interest of 50% in the majority of the leases, the Company does not intend to incur material capital expenditures in fiscal year 2014. Based on its cash resources and other strategic considerations, the Company may invest in re-completing a well in the Nisku formation.

In the UK, the Company's interests are governed by various PEDLs and one Seaward Production License. PEDLs 231, 234, and 243, which the Company co-owns equally with Celtique and which represent 125 thousand out of the Company's total of approximately 200 thousand net acres in the UK, have been extended to June 2016 and are subject to "drill-or-drop" obligations. In fiscal year 2014, the Company will focus on evaluating the potential of its unconventional prospects in these licenses. The Company expects to fund its share of the cost for an evaluation well expected to be spud within PEDL 234 during the fourth quarter of fiscal year 2014 or the first quarter of fiscal year 2015, of which the net cost to Magellan is estimated to be approximately \$5.0 million, and which will meet the license obligations for both PEDLs 231 and 243. Pending the results of this well, the Company may participate in a second such evaluation well within these PEDLs in fiscal year 2015. The Company expects to fund these expenditures from either its cash balances, a farmout, the proceeds from non-core asset sales, or a combination thereof. The Company does not expect to incur further significant capital or exploratory expenditures on its other UK licenses in fiscal year 2014.

In the Bonaparte Basin, offshore Australia, the Company holds a 100% interest in NT/P82. Under the terms of the permit, the Company is required to drill one exploratory well on the license by May 2015. Following the successful completion of seismic surveys over two prospects in the license area and the associated processing and interpretation, the Company currently plans to commence a farmout process in order to identify a partner experienced in offshore exploratory drilling to drill the exploratory well on our behalf. The Company does not expect to incur further significant capital expenditures of its own until the first exploration well has been drilled.

At Palm Valley, the Company's interest in the field is governed by Petroleum Lease No. 3, which expires in November 2024 (and is subject to automatic renewal for another 21 years). The Company is not obligated to undertake significant mandatory capital expenditures in order to maintain its position in the lease. The Company's discretionary capital expenditure plans are primarily focused on maintaining gas production from the existing facilities in order to meet delivery obligations under its GSPA with Santos while maintaining a safe and efficient operation, conducted in accordance with good oil field practice.

At Dingo, the Company's interest in the field is governed by Retention License No. 2, which expires in February 2014 and is currently under application both for renewal as a retention license and conversion to a production license. Following the signing of the Dingo GSPA in September 2013, the Company has estimated that the cost to install surface facilities for production and processing of gas and to build a 30 mile pipeline connecting Dingo to existing pipeline infrastructure at Brewer Estate, south of Alice Springs, would total approximately \$20.0 million. The Company is currently reviewing a number of alternatives related to the development of Dingo, including issuing project finance debt facilities, contracting out the construction of the pipeline to a third party on a build/own/operate ("BOO") basis, entering into a joint-venture or farmout agreement, selling the asset, or a combination thereof. If the Company is successful in its attempt to sell Palm Valley and Dingo, the Company will not incur the approximately \$20.0 million in development costs for Dingo.

Contractual Obligations. Please refer to the contractual obligations table in Part II, Item 7 of our 2013 Form 10-K for information on all material contractual obligations.

Share Repurchase Program. On September 24, 2012, the Company announced that its Board had approved a stock repurchase program whereby the Company is authorized to repurchase up to a total of \$2.0 million in shares of its Common Stock. As of December 31, 2013, \$1.9 million remained authorized for stock repurchases under this program. See Issuer Purchases of Equity Securities under Part II, Item 2 of this report for additional information.

Sources of Funds

Cash and Cash Equivalents. On a consolidated basis, the Company had approximately \$12.2 million of cash and cash equivalents as of December 31, 2013, compared to \$32.5 million as of June 30, 2013.

The Company considers cash equivalents to be short term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash balances totaled \$1.0 million as of December 31, 2013, with the remaining \$11.1 million held in cash equivalents with maturities of 90 days or less. In the US, cash equivalents were held in US Treasury notes and totaled \$8.8 million, and in Australia, cash equivalents were held in several time deposit accounts totaling \$2.3 million.

Due to the international nature of its operations, the Company is exposed to certain legal and tax constraints in matching the capital needs of its assets and its cash resources. As of December 31, 2013, \$2.5 million, or 21% of the Company's consolidated cash and cash equivalents, was deposited in accounts held by MPA. To the extent that the Company repatriates cash amounts from MPA to the US, the Company will potentially be liable for any incremental US Federal and state income tax, which may be reduced by the US Federal and state net operating loss and foreign tax credit carry forwards available to the Company at that time.

[Table of Contents](#)

Existing Credit Facilities. A summary of the Company's existing credit facilities and borrowing base is as follows:

	December 31, 2013	June 30, 2013
	(In thousands)	
Outstanding borrowings:		
Term loan	\$ 174	\$ 390
Line of credit	51	51
Total	<u>\$ 225</u>	<u>\$ 441</u>

The Company, through its wholly owned subsidiary NP, maintains its only credit facility (the "Line of Credit") with Jonah Bank of Wyoming. As of December 31, 2013, \$0.1 million of the \$1.0 million Line of Credit was drawn, \$25 thousand secured a Line of Credit in favor of the Bureau of Land Management, \$25 thousand secured business credit cards, and \$0.9 million remained available to borrow. As of December 31, 2013, NP was in compliance with its financial covenants as set forth in the term loan agreement. The credit facility is collateralized by a first mortgage and an assignment of production from Poplar, and guaranteed by the Company up to \$6.0 million, but not to exceed the amount of the principal owed, which was \$0.2 million as of December 31, 2013.

Other Sources of Financing. In addition to its existing liquid capital resources as discussed above, the Company has various alternatives to fund the development of its assets. These alternatives could potentially include conventional bank debt, a reserve-based loan facility, mezzanine financing, issuances of new common shares or hybrid equity securities to potential investors via a PIPE or secondary offering, and a partial or complete divestiture or farmout of a portion of the development program of some of the Company's assets.

Cash Flows

The following table presents the Company's cash flow information for the six months ended:

	December 31,	
	2013	2012
	(In thousands)	
Cash (used in) provided by:		
Operating activities	\$ (6,152)	\$ (9,014)
Investing activities	(13,914)	(1,070)
Financing activities	(216)	(266)
Effect of exchange rate changes on cash and cash equivalents	(28)	839
Net decrease in cash and cash equivalents	<u>\$ (20,310)</u>	<u>\$ (9,511)</u>

Cash used in operating activities during the six months ended December 31, 2013, was \$6.2 million, compared to \$9.0 million for the same period in 2012. The decrease in cash used in operating activities was primarily due to an increase in revenues of \$0.8 million, and a decrease in general and administrative expenses of \$1.1 million related to prior year employee severance costs, and accounting and consulting fees related to the prior year period. This decrease was partially offset by an increase in cash outflows related to our operating assets and liabilities.

Cash used in investing activities during the six months ended December 31, 2013, was \$13.9 million, compared to \$1.1 million for the same period in 2012. The increase in cash used in investing activities was primarily due to the capital expenditures related to the CO₂-EOR pilot project at Poplar. For the six months ended December 31, 2013, the \$13.9 million used in investing activities was primarily spent on the development of our assets, of which \$11.9 million related to the CO₂-EOR pilot project and \$0.8 million related to water shutoff treatments at Poplar.

Cash used in financing activities during the six months ended December 31, 2013, was \$0.2 million, compared to \$0.3 million of cash used in financing activities for the same period in 2012. The decrease in cash used in financing activities for the six months ended December 31, 2013, related to the repurchase of common stock and long term debt repayments in the prior year period.

During the six months ended December 31, 2013, the effect of changes in foreign currency exchange rates negatively impacted the translation of our AUD denominated cash and cash equivalent balances into USD and resulted in a decrease of \$28 thousand in cash and cash equivalents, compared to an increase of \$0.8 million for the same period in 2012, primarily as a result of the combined impact of the weakening AUD and the significant decrease in cash and cash equivalent balances denominated in AUD compared to the prior year period.

NON-GAAP FINANCIAL MEASURES AND RECONCILIATION

Adjusted EBITDAX

We define Adjusted EBITDAX as net income (loss) attributable to Magellan, plus (minus): (i) depletion, depreciation, amortization, and accretion expense, (ii) exploration expense, (iii) stock based compensation expense, (iv) foreign transaction loss (gain), (v) impairment expense, (vi) loss (gain) on sale of assets, (vii) net interest expense (income), (viii) other expense (income), and (ix) income tax provision (benefit). Adjusted EBITDAX is not a measure of net income or cash flow as determined by accounting principles generally accepted in the United States ("GAAP") and excludes certain items that we believe affect the comparability of operating results.

Our Adjusted EBITDAX measure provides additional information that may be used to better understand our operations. Adjusted EBITDAX is one of several metrics that we use as a supplemental financial measurement in the evaluation of our business and should not be considered as an alternative to, or more meaningful than, net income (loss) as an indicator of our operating performance. Certain items

excluded from Adjusted EBITDAX are significant components in understanding and assessing a company's financial performance, such as the historic cost of depreciable and depletable assets. Adjusted EBITDAX,

[Table of Contents](#)

as used by us, may not be comparable to similarly titled measures reported by other companies. We believe that Adjusted EBITDAX is a widely followed measure of operating performance and is one of many metrics used by our management team and by other users of our consolidated financial statements. For example, Adjusted EBITDAX can be used to assess our operating performance and return on capital in comparison to other independent exploration and production companies without regard to financial or capital structure and to assess the financial performance of our assets and our company without regard to historical cost basis and certain items that affect the comparability of period to period operating results.

The following table provides a reconciliation of net loss to Adjusted EBITDAX for the periods ended:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	December 31,		December 31,	
	2013	2012	2013	2012
	(In thousands)			
LOSS AFTER INCOME TAX	\$ (4,112)	\$ (7,285)	\$ (8,947)	\$ (12,594)
Depletion, depreciation, amortization, and accretion expense	598	332	907	649
Exploration expense	728	4,094	1,657	4,716
Stock based compensation expense	406	261	1,066	606
Foreign transaction (gain) loss	(5)	36	(26)	36
Impairment expense	—	—	—	890
Loss on sale of assets	33	—	95	—
Net interest income	(23)	(258)	(43)	(479)
Other expense (income)	45	127	105	112
Income tax benefit	—	(321)	—	(658)
Adjusted EBITDAX	\$ (2,330)	\$ (3,014)	\$ (5,186)	\$ (6,722)

For clarification purposes, the table below provides an alternative method for calculating Adjusted EBITDAX, which can also be calculated as revenue less (i) lease operating expense and (ii) general and administrative expense; plus (i) stock based compensation expense and (ii) foreign transaction (gain) loss.

The following table provides the alternative method for calculating Adjusted EBITDAX for the periods ended:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	December 31,		December 31,	
	2013	2012	2013	2012
	(In thousands)			
Total revenues	\$ 1,869	\$ 1,748	\$ 4,225	\$ 3,409
Less:				
Lease operating	(1,718)	(1,665)	(4,474)	(3,716)
General and administrative	(2,882)	(3,394)	(5,977)	(7,057)
Plus:				
Stock based compensation expense	406	261	1,066	606
Foreign transaction (gain) loss	(5)	36	(26)	36
Adjusted EBITDAX	\$ (2,330)	\$ (3,014)	\$ (5,186)	\$ (6,722)

COMPARISON OF RESULTS BETWEEN THE THREE MONTHS ENDED DECEMBER 31, 2013, AND 2012***Oil and Gas Sales Volume***

The following table presents oil and gas sales volumes for the three months ended:

	December 31,		Difference	Percent change
	2013	2012		
Net sales by field:				
Poplar (Mbbls)	21	17	4	24 %
Palm Valley gas (MMcf)	53	62	(9)	(15)%
Net sales by product:				
Oil (Mbbls)	21	17	4	24 %
Gas (MMcf)	53	62	(9)	(15)%
Consolidated sales (Mboe)	30	28	2	7 %
Consolidated sales (boepd)	322	302	20	7 %

Sales volume for the three months ended December 31, 2013, totaled 30 Mboe (322 boepd), compared to 28 Mboe (302 boepd) sold in same period in the prior year, an increase of 7%. Sales volume by product for the three months ended December 31, 2013, was 70% oil and 30% gas, compared to 63% oil and 37% gas in same period in the prior year. At Poplar, the increase in production was primarily the result of increased production from water shutoff treatments and workovers on EPU 55, EPU 42, and EPU 104. At Palm Valley, the decrease in gas volumes produced was attributable to reduced customer demand. Gas sales volumes are now being sold pursuant to the Palm Valley GSPA and are expected to ramp up based on currently scheduled nominations to approximately 3.3 MMcf/d by the third quarter of fiscal year 2014 and to approximately 4.1 MMcf/d by the fourth quarter of fiscal year 2015, at which point the field will be producing at its full deliverability capacity.

Oil and Gas Prices

The following table presents the average realized oil and gas prices for the three months ended:

	December 31,		Difference	Percent change
	2013	2012		
Average realized price:				
Poplar (USD/bbl)	\$79.27	\$82.53	\$(3.26)	(4)%
Palm Valley (AUD/Mcf)	\$4.86	\$4.78	\$0.08	2 %
Consolidated (USD/boe)	\$63.54	\$62.99	\$0.55	1 %

The average realized price for the three months ended December 31, 2013, was \$64/boe compared to \$63/boe in the same period in the prior year, an increase of 1%. At present, the Company does not engage in any oil and gas hedging activities. Relative to the same period in the prior year, the average realized price from oil sales at Poplar decreased by 4% primarily as a result of declining differentials relative to the benchmark pricing (WTI) realized at that field. The average realized gas price from Palm Valley increased by 2% primarily as a result of CPI escalation allowed under the Palm Valley Gas Sales Agreement with Santos and the related concession gas sales agreements.

Revenues

The following table presents revenues for the three months ended:

	December 31,		Difference	Percent change
	2013	2012		
(In thousands)				
Consolidated net revenue by source (USD):				
Poplar	\$ 1,632	\$ 1,442	\$ 190	13 %
Palm Valley	237	306	(69)	(23)%
Total	\$ 1,869	\$ 1,748	\$ 121	7 %
MPA net revenue by source (AUD):				
Palm Valley	\$ 257	\$ 295	\$ (38)	(13)%
Total	\$ 257	\$ 295	\$ (38)	(13)%
Consolidated net revenues by type (USD):				
Oil	\$ 1,632	\$ 1,442	\$ 190	13 %
Gas	237	306	(69)	(23)%
Total	\$ 1,869	\$ 1,748	\$ 121	7 %

Revenues for the three months ended December 31, 2013, totaled \$1.9 million, compared to \$1.7 million in the prior year period, an increase of 7%. The \$0.1 million increase in revenue was primarily due to the increased production from the Poplar field.

Operating and Other Expenses

The following table presents operating expenses for the three months ended:

	December 31,		Difference	Percent change
	2013	2012		
(In thousands)				
Selected operating expenses (USD):				
Lease operating	\$ 1,718	\$ 1,665	\$ 53	3 %
Depletion, depreciation, amortization, and accretion	\$ 598	\$ 332	\$ 266	80 %
Exploration	\$ 728	\$ 4,094	\$ (3,366)	(82)%
General and administrative	\$ 2,882	\$ 3,394	\$ (512)	(15)%
Selected operating expenses (USD/boe):				
Lease operating	\$56	\$60	\$(4)	(7)%
Depletion, depreciation, amortization, and accretion	\$20	\$12	\$8	67 %
Exploration	\$24	\$148	\$(124)	(84)%
General and administrative	\$95	\$122	\$(27)	(22)%

Lease Operating Expenses. Lease operating expenses remained relatively constant between the periods and increased \$0.1 million to \$1.7 million, or \$56/boe, during the three months ended December 31, 2013.

Depletion, Depreciation, Amortization, and Accretion. The following table presents depletion, depreciation, amortization, and accretion for the three months ended:

	December 31,		Difference	Percent change
	2013	2012		
	(In thousands)			
Depreciation and amortization	\$ 64	\$ 168	\$ (104)	(62)%
Depletion	425	124	301	243 %
ARO accretion	109	40	69	173 %
Total	<u>\$ 598</u>	<u>\$ 332</u>	<u>\$ 266</u>	<u>80 %</u>

Depletion, depreciation, amortization, and accretion expenses increased \$266 thousand to \$598 thousand, or \$20/boe, during the three months ended December 31, 2013. The change in depletion was primarily due to the impact of the change in reserve quantities as of June 30, 2013, relative to the prior fiscal year end and the impact of increased production from the Charles formation in the Poplar field.

Exploration Expenses. Exploration expenses decreased by \$3.4 million to \$0.7 million, or \$24/boe, during the three months ended December 31, 2013. The \$3.4 million decrease primarily related to expenditures for acquiring and interpreting MPA's 2-D and 3-D seismic data acquired over NT/P82 in the Bonaparte Basin, offshore Australia during the three months ended December 31, 2012.

General and Administrative Expenses. The following table presents general and administrative expenses for the three months ended:

	December 31,		Difference	Percent change
	2013	2012		
	(In thousands)			
General and administrative (excluding stock based compensation and foreign transaction (gain) loss)	\$ 2,481	\$ 3,097	\$ (616)	(20)%
Stock compensation expense	406	261	145	56 %
Foreign transaction (gain) loss	(5)	36	(41)	(114)%
Total	<u>\$ 2,882</u>	<u>\$ 3,394</u>	<u>\$ (512)</u>	<u>(15)%</u>

General and administrative expenses for the three months ended December 31, 2013, decreased by \$0.5 million relative to the prior year period. General and administrative expenses, excluding stock based compensation and foreign transaction (gain)/loss, decreased by \$0.6 million to \$2.5 million, or \$82/boe during the three months ended December 31, 2013. This decrease is primarily the result of a decrease in IRS penalties, travel and entertainment, legal expenses and general office expenses relative to the same period in the prior year. The increase in non-cash stock based compensation is primarily related to the recent issuance of equity based compensation awards to officers and employees pursuant to the Company's 2012 Stock Incentive Plan.

COMPARISON OF RESULTS BETWEEN THE SIX MONTHS ENDED DECEMBER 31, 2013, AND 2012***Oil and Gas Sales Volume***

The following table presents oil and gas sales volumes for the six months ended:

	December 31,		Difference	Percent change
	2013	2012		
Net sales by field:				
Poplar (Mbbls)	43	36	7	19%
Palm Valley (MMcf)	103	102	1	1%
Net sales by product:				
Oil (Mbbls)	43	36	7	19%
Gas (MMcf)	103	102	1	1%
Consolidated sales (Mboe)	61	53	8	15%
Consolidated sales (boepd)	330	288	42	15%

Sales volume for the six months ended December 31, 2013, totaled 61 Mboe (330 boepd), compared to 53 Mboe (288 boepd) sold in the prior year period, an increase of 15%. Sales volume by product for the six months ended December 31, 2013, was 71% oil and 29% gas, compared to 68% oil and 32% gas for the same period in the prior year. At Poplar, increased production was attributable to successful water shutoff treatments on the EPU 42, EPU 55, and EPU 104 wells. At Palm Valley, the increase in gas volumes produced is attributable to volumes sold under the Palm Valley GSPA, which was in effect in both the current and prior year periods. Gas sales volumes pursuant to this contract are expected to ramp up based on currently scheduled nominations to approximately 3.3 MMcf/d by the third quarter of fiscal year 2014 and to approximately 4.1 MMcf/d by the fourth quarter of fiscal year 2015, at which point the field will be producing at its full deliverability capacity.

Oil and Gas Prices

The following table presents the average realized oil and gas prices for the six months ended:

	December 31,		Difference	Percent change
	2013	2012		
Average realized price ⁽¹⁾:				
Poplar (USD/bbl)	\$87.36	\$80.82	\$6.54	8%
Palm Valley (AUD/Mcf)	\$4.80	\$4.77	\$0.03	1%
Consolidated (USD/boe)	\$69.99	\$64.37	\$5.62	9%

⁽¹⁾ Prices per bbl or per Mcf are reported net of royalties.

The average realized price for the six months ended December 31, 2013, was \$70/boe compared to \$64/boe in the prior year period, an increase of 9%. At present, the Company does not engage in any oil and gas hedging activities. Relative to the prior year period, the average realized price from oil sales at Poplar increased by 8% as a result of increased benchmark pricing (WTI) and slightly improved differentials relative to the benchmark pricing (WTI) realized at the field. The average realized gas price from Palm Valley remained relatively constant between the periods.

Revenues

The following table presents revenues for the six months ended:

	December 31,		Difference	Percent change
	2013	2012		
(In thousands)				
Consolidated net revenue by source (USD):				
Poplar	\$ 3,767	\$ 2,902	\$ 865	30 %
Palm Valley	458	507	(49)	(10)%
Total	\$ 4,225	\$ 3,409	\$ 816	24 %
MPA net revenue by source (AUD):				
Palm Valley	\$ 497	\$ 488	\$ 9	2 %
Total	\$ 497	\$ 488	\$ 9	2 %
Consolidated net revenues by type (USD):				
Oil	\$ 3,767	\$ 2,902	\$ 865	30 %
Gas	458	507	(49)	(10)%
Total	\$ 4,225	\$ 3,409	\$ 816	24 %

Revenues for the six months ended December 31, 2013, totaled \$4.2 million, compared to \$3.4 million for the same period in the prior year, an increase of 24%. The \$0.8 million increase in revenue was primarily due to the increased production from the Poplar field coupled with a favorable increase in realized pricing per barrel.

Operating and Other Expenses

The following table presents operating expenses for the six months ended:

	December 31,		Difference	Percent change
	2013	2012		
(In thousands)				
Selected operating expenses (USD):				
Lease operating	\$ 4,474	\$ 3,716	\$ 758	20 %
Depletion, depreciation, amortization, and accretion	\$ 907	\$ 649	\$ 258	40 %
Exploration	\$ 1,657	\$ 4,716	\$ (3,059)	(65)%
General and administrative	\$ 5,977	\$ 7,057	\$ (1,080)	(15)%
Selected operating expenses (USD/boe):				
Lease operating	\$73	\$70	\$3	4 %
Depletion, depreciation, amortization, and accretion	\$15	\$12	\$3	25 %
Exploration	\$27	\$89	\$(62)	(70)%
General and administrative	\$97	\$133	\$(36)	(27)%

Lease Operating Expenses. Lease operating expenses increased \$0.8 million to \$4.5 million, or \$73/boe, during the six months ended December 31, 2013, relative to the same period in the prior year. At Poplar, lease operating expenses increased by approximately \$0.9 million due to increased workovers and field maintenance activity compared to the same period in the prior year. At MPA, lease operating expenses decreased by \$0.1 million primarily due to a decrease in Palm Valley field maintenance expenditures.

[Table of Contents](#)

Depletion, Depreciation, Amortization, and Accretion. The following table presents depletion, depreciation, amortization, and accretion for the six months ended:

	December 31,		Difference	Percent change
	2013	2012		
	(In thousands)			
Depreciation and amortization	\$ 196	\$ 182	\$ 14	8 %
Depletion	491	244	247	101 %
ARO accretion	220	223	(3)	(1)%
Total	\$ 907	\$ 649	\$ 258	40 %

Depletion, depreciation, amortization, and accretion expenses increased \$258 thousand to \$907 thousand, or \$15/boe, during the six months ended December 31, 2013. The change in depletion was primarily due to the impact of the change in reserve quantities as of June 30, 2013, relative to the prior fiscal year end and the impact of increased production from the Charles formation in the Poplar field.

Exploration Expenses. Exploration expenses decreased by \$3.1 million to \$1.7 million, or \$27/boe, during the six months ended December 31, 2013. The \$3.1 million decrease primarily related to expenditures for processing and interpreting MPA's 2-D and 3-D seismic data acquired over NT/P82 in the Bonaparte Basin, offshore Australia during the six months ended December 31, 2012.

General and Administrative Expenses. The following table presents general and administrative expenses for the six months ended:

	December 31,		Difference	Percent change
	2013	2012		
	(In thousands)			
General and administrative (excluding stock based compensation and foreign transaction gain)	\$ 4,937	\$ 6,415	\$ (1,478)	(23)%
Stock compensation expense	1,066	606	460	76 %
Foreign transaction gain	(26)	36	(62)	(172)%
Total	\$ 5,977	\$ 7,057	\$ (1,080)	(15)%

General and administrative expenses decreased \$1.1 million to \$6.0 million, or \$97/boe, during the six months ended December 31, 2013. General and administrative expenses, excluding stock based compensation and foreign transaction gain, decreased by \$1.5 million to \$4.9 million, or \$80/boe. This decrease is primarily due to prior year period employee severance costs of \$0.8 million paid to former employees pursuant to the terms of their employment agreements, in addition to a decrease of approximately \$0.3 million in accounting and consulting fees and \$0.2 million in IRS penalties related to the prior year period. The increase in non-cash stock based compensation is primarily related to the issuance of equity based compensation awards to employees and to non-employee directors pursuant to the terms of the Company's compensation policy related to their annual base compensation for Board service.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not use off-balance sheet arrangements, such as securitization of receivables, with any unconsolidated entities or other parties.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Information regarding critical accounting policies and estimates is contained in Item 7 of our 2013 Form 10-K. There are no new significant accounting standards applicable to the Company that have been issued but not yet adopted by the Company as of December 31, 2013.

FORWARD LOOKING STATEMENTS

This report contains forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this report that addresses activities, events, or developments with

[Table of Contents](#)

respect to our financial condition, results of operations, or economic performance that we expect, believe, or anticipate will or may occur in the future, or that address plans and objectives of management for future operations, are forward looking statements. The words "anticipate," "assume," "believe," "budget," "estimate," "expect," "forecast," "initial," "plan," "project," "will," and similar expressions are intended to identify forward looking statements. These forward looking statements about the Company and its subsidiaries appear in a number of places in this report and may relate to statements about our businesses and prospects, planned capital expenditures, availability of liquidity and capital resources, increases or decreases in oil and gas production, the acquisition or disposition of oil and gas properties and related assets, the ability to enter into acceptable farmout arrangements, revenues, expenses, operating cash flows, borrowings, and other matters that involve a number of risks and uncertainties that may cause actual results to differ materially from results expressed or implied in the forward looking statements. Additionally, there are risks and uncertainties such as the following: the uncertainties associated with our planned CO₂-EOR program at Poplar, including uncertainties about drilling results from the recently initiated pilot project and our ability to acquire a long term CO₂ supply for the program; uncertainties regarding the process to market and sell Palm Valley and Dingo, including whether efforts and negotiations will result in an agreement or completed transaction, and the uncertain nature of the expected benefits from such potential sale; uncertainties related to whether we will be able to realize expected gas sales volumes in Australia under the Dingo GSPA and Palm Valley GSPA in the event that Palm Valley and Dingo are not sold, including uncertainties about the ultimate level of demand under the agreements and the timing and cost of implementing a pipeline and gas treatment facilities for the Dingo GSPA; our ability to attract and retain key personnel; the likelihood of success of a water shutoff program at Poplar; our limited amount of control over activities on our operational properties; our reliance on the skill and expertise of third party service providers; the ability of our vendors to meet their contractual obligations; government regulation and oversight of drilling and completion activity in the UK; the uncertain nature of oil and gas prices in the US, Australia, and the UK; uncertainties inherent in projecting future rates of production from drilling and CO₂-EOR activities; the uncertainty of drilling and completion conditions and results; the availability of drilling, completion, and operating equipment and services; the results of 2-D and 3-D seismic data related to our NT/P82 interest in offshore Australia; and other matters discussed in the Risk Factors section of the 2013 Form 10-K and this report. For a more complete discussion of the risk factors that may apply to any forward looking statements, you are directed to the discussion presented in Item 1A ("Risk Factors") of the Company's 2013 Form 10-K. Any forward looking statements in this report should be considered with these factors in mind. Any forward looking statements in this report speak as of the filing date of this report. The Company assumes no obligation to update any forward looking statements contained in this report, whether as a result of new information, future events or otherwise, except as required by securities laws.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's exposure to market risk relates to fluctuations in foreign currency and world prices for crude oil, as well as market risk related to investments in marketable securities. The exchange rates between the Australian dollar and the US dollar and the exchange rates between the US dollar and the British pound have changed in recent periods, and may fluctuate substantially in the future. Any appreciation of the US dollar against the Australian dollar is likely to result in decreased revenue, operating income, and net income. Because of our UK development program, a portion of our expenses, including exploration costs and capital and operating expenditures, will continue to be denominated in British pounds. Accordingly, any material appreciation of the British pound against the Australian and US dollars could have a negative impact on our business, operating results, and financial condition.

For the three months ended December 31, 2013, oil sales represented approximately 87% of total oil and gas revenues. Based on the current three months' sales volume and revenues, a 10% change in oil price would increase or decrease oil revenues by \$0.2 million. Gas sales, which represented approximately 13% of total oil and gas revenues in the current three month period, are derived primarily from the Palm Valley field in the Northern Territory of Australia, where the gas prices are set according to long term contracts that are subject to changes in the Australian Consumer Price Index for the three months ended December 31, 2013.

At December 31, 2013, the fair value of our investments in securities available for sale was \$50 thousand.

ITEM 4 CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Under the supervision and with the participation of certain members of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, the Company completed an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in SEC Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective

as of the end of the period covered by this report to provide reasonable assurance that information required to be disclosed in reports the Company files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended December 31, 2013, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1A RISK FACTORS

Item 1A ("Risk Factors") of our 2013 Form 10-K, sets forth information relating to important risks and uncertainties that could materially affect our business, financial condition, operating results, or cash flows. There have been no material changes in the Risk Factors described in such Form 10-K, and those Risk Factors continue to be relevant to an understanding of our business, financial condition, operating results, and cash flows. Accordingly, you should review and consider such Risk Factors in making any investment decision with respect to our securities. An investment in our securities continues to involve a high degree of risk.

ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the three months ended December 31, 2013, the Company issued a total of 345,519 shares of its Series A Preferred Stock to One Stone as PIK dividends, pursuant to the terms and conditions of the Certificate of Designations of Series A Preferred Stock dated May 17, 2013, as amended, which 345,519 shares represented payment of quarterly dividends for the period from October 1, 2013 through December 31, 2013 of approximately \$421 thousand on the 19,239,734 shares of Series A Preferred Stock issued to One Stone on May 17, 2013. The shares of Series A Preferred Stock were issued pursuant to the private placement exemption from registration under Section 4(a) (2) of the Securities Act. The facts relied upon to make such exemption available include that the private placement was with a single person that has represented that it is an "accredited investor" within the meaning of Rule 501 under the Securities Act, and the securities are restricted from transfer except pursuant to an effective registration statement under the Securities Act or an available exemption from such registration. Each share of Series A Preferred Stock is convertible at any time, at the holder's option, into one share of the Company's Common Stock, subject to customary anti-dilution provisions. For additional information regarding the Series A Preferred Stock, see Note 7 of the Notes to unaudited condensed consolidated financial statements included under Part I, Item 1 of this report.

ISSUER PURCHASES OF EQUITY SECURITIES

The table below provides information about purchases of the Company's Common Stock by the Company during the periods indicated.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number or Dollar Value of Shares that May Yet be Purchased Under the Program ⁽¹⁾
October 1, 2013 - October 31, 2013	—	\$ —	—	\$ 1,863,022
November 1, 2013 - November 30, 2013	—	\$ —	—	\$ 1,863,022
December 1, 2013 - December 31, 2013	—	\$ —	—	\$ 1,863,022
Total	—	\$ —	—	

⁽¹⁾ On September 24, 2012, the Company announced that its Board of Directors had approved a stock repurchase program whereby the Company is authorized to repurchase up to a total of \$2.0 million in shares of its Common Stock. This authorization will expire on August 21, 2014. The shares may be repurchased from time to time in open market or privately negotiated transactions, subject to market conditions and other factors, including compliance with securities laws. Stock repurchases may be funded with existing cash balances or internal cash flow. The stock repurchase program may be suspended or discontinued at any time.

The payment of dividends on our Common Stock is subject to the rights of holders of our Series A Preferred Stock, which ranks senior to the Common Stock with respect to dividend rights. For additional information, see Note 7 of the Notes to condensed consolidated financial statements (unaudited) included under Part I, Item 1 of this report.

ITEM 6 EXHIBITS

The following exhibits are filed or furnished with or incorporated by reference into this report:

- 3.1 Restated Certificate of Incorporation as filed on May 4, 1987 with the State of Delaware, as amended by an Amendment of Article Twelfth as filed on February 12, 1988 with the State of Delaware (filed as Exhibit 4.B. to the registrant's Registration Statement on Form S-8 filed on January 14, 1999 (Registration No. 333-70567) and incorporated herein by reference).
 - 3.2 Certificate of Amendment of Restated Certificate of Incorporation as filed on December 26, 2000 with the State of Delaware (filed as Exhibit 3(a) to the registrant's Quarterly Report on Form 10-Q filed on February 13, 2001 and incorporated herein by reference).
 - 3.3 Certificate of Amendment of Restated Certificate of Incorporation related to Articles Twelfth and Fourteenth as filed on October 15, 2009 with the State of Delaware (filed as Exhibit 3.3 to the registrant's Quarterly Report on Form 10-Q filed on February 16, 2010 and incorporated herein by reference).
 - 3.4 Certificate of Amendment of Restated Certificate of Incorporation related to Article Thirteenth as filed on October 15, 2009 with the State of Delaware (filed as Exhibit 3.4 to the registrant's Quarterly Report on Form 10-Q filed on February 16, 2010 and incorporated herein by reference).
 - 3.5 Certificate of Amendment of Restated Certificate of Incorporation related to Article Fourth as filed on December 10, 2010 with the State of Delaware (filed as Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on December 13, 2010 and incorporated herein by reference).
 - 3.6 Certificate of Designations of Series A Convertible Preferred Stock as filed on May 17, 2013 with the State of Delaware (filed as Exhibit 3.6 to the registrant's Current Report on Form 8-K filed on June 26, 2013 and incorporated herein by reference).
 - 3.7 Certificate of Amendment to Certificate of Designations of Series A Convertible Preferred Stock as filed on August 19, 2013 with the State of Delaware (filed as Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on August 19, 2013 and incorporated herein by reference).
 - 3.8 By-Laws, as amended on June 13, 2013 (filed as Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on June 18, 2013 and incorporated herein by reference).
 - 4.1 + Registration Rights Agreement dated May 17, 2013 between Magellan Petroleum Corporation and One Stone Holdings II LP (filed as Exhibit 4.1 to the registrant's Current Report on Form 8-K filed on June 26, 2013 and incorporated herein by reference).
 - 10.1 + Form of Performance-Based Nonqualified Stock Option Award Agreement under the 2012 Omnibus Incentive Compensation Plan (filed as Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q filed on November 12, 2013, and incorporated herein by reference).
 - 10.2 * + Amended and Restated Employment Agreement between Magellan Petroleum Corporation and J. Thomas Wilson. effective December 11, 2013.
 - 31.1 * Certification of John Thomas Wilson, President and Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
 - 31.2 * Certification of Antoine J. Lafargue, Vice President - Chief Financial Officer and Treasurer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
 - 32.1 ** Certification of John Thomas Wilson, President and Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
 - 32.2 ** Certification of Antoine J. Lafargue, Vice President - Chief Financial Officer and Treasurer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
 - 101.INS *** XBRL Instance Document
 - 101.SCH *** XBRL Taxonomy Extension Schema Document
 - 101.CAL *** XBRL Taxonomy Extension Calculation Linkbase Document
 - 101.DEF *** XBRL Taxonomy Extension Definition Linkbase Document
 - 101.LAB *** XBRL Taxonomy Extension Label Linkbase Document
 - 101.PRE *** XBRL Taxonomy Extension Presentation Linkbase Document
- * Filed herewith.
- ** Furnished herewith.
- *** Furnished herewith. Users of this data submitted electronically herewith are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.
- + Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MAGELLAN PETROLEUM CORPORATION

(Registrant)

By: /s/ J. Thomas Wilson

John Thomas Wilson, President and Chief Executive Officer
(as Principal Executive Officer)

By: /s/ Antoine J. Lafargue

Antoine J. Lafargue, Vice President - Chief Financial Officer and Treasurer
(as Principal Financial and Accounting Officer)

Date: February 14, 2014

AMENDED & RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED & RESTATED EMPLOYMENT AGREEMENT (“Agreement”) is made and entered into as of the 1st day of November 2013, by and between MAGELLAN PETROLEUM CORPORATION, a Delaware corporation (“Magellan” or the “Company”) and J. Thomas Wilson, an individual residing at 55 W. 12th Ave., Unit 409, Denver 80204 (the “Executive”). Each of the Company and the Executive are individually referred to herein as a “Party” and collectively as the “Parties.”

WITNESSETH

WHEREAS, the Company appointed the Executive as the President and Chief Executive Officer of the Company effective as of September 27, 2011 (the “Effective Date”);

WHEREAS, the Parties entered into an Employment Agreement dated November 2, 2011 setting forth the terms and conditions of the Executive’s employment (the “Original Agreement”);

WHEREAS, the Parties entered into a restricted stock grant agreement and a stock option award agreement on November 7, 2011 (together, the “Equity Incentive Agreements”) and an indemnification agreement dated as of the date hereof and effective as of the Effective Date (the “Indemnification Agreement”).

WHEREAS, effective November 6, 2012, the term of the Employment Agreement was extended for one additional year to September 27, 2014; and

WHEREAS the parties wish to amend the Employment Agreement as provided herein.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties, intending to be legally bound, agree as follows:

1. Employment.

1.1 Employment. The Company hereby agrees to employ the Executive as of the Effective Date, and the Executive hereby accepts employment with the Company in the positions described below in Section 2.1, in accordance with the terms and provisions of this Agreement.

1.2 Term. The term of this Agreement (the “Initial Term”) shall be the period commencing on the Effective Date and ending on the earlier of: (a) December 31, 2015; or (b) the date of termination of the Executive’s employment pursuant to Sections 6, 7 or 8 below, whichever is applicable. However, if not terminated earlier than December 31, 2015 in accordance with the provisions of Sections 6, 7 or 8 below, this Agreement may be renewed for additional one year terms (each, a “Renewal Term”) if the Parties mutually agree to do so and they can agree on the terms and conditions of the renewal contract, which may take the form of an Addendum to this Agreement. If, at the conclusion of the Initial Term or any Renewal Term, as the case may be, either Party determines that they do not wish to renew this Agreement for an additional one year term, that Party must provide the other with written notice six months prior

to the expiration of the Initial Term or Renewal, as the case may be, upon conclusion of which the Agreement will terminate. Upon termination of this Agreement for any reason (including a Party's written notice electing not to renew the Agreement delivered to the other Party under this Section 1.2), the obligations of the Company under this Agreement shall cease and Executive shall forfeit all right to receive any compensation or other benefits under this Agreement, except the amounts payable under Sections 6, 7, 8 and 12 of this Agreement, as applicable.

2. Duties.

2.1 Offices. Beginning on the Effective Date, the Executive has assumed the duties of President and Chief Executive Officer of the Company. It is the intention of the Parties that during the Initial Term and any subsequent Renewal Term hereof the Executive will serve in the capacities described in this Section 2.1 and Section 2.3 and will devote substantially all of his business time and attention and best efforts to the affairs of the Company and its subsidiaries and the performance of his duties. Nothing in this Agreement, however, shall prevent the Executive from (i) participating in charitable, civic, educational, professional, community or industry affairs or, with prior written approval of the Board of Directors ("Board"), serving on the board of directors or advisory boards of other companies; and (ii) managing the Executive's and the Executive's family's personal investments so long as such activities do not materially interfere with the performance of the Executive's duties hereunder or create a potential business conflict or the appearance thereof.

2.2 Office Locations. The Executive shall be based at the Denver, Colorado, but shall be permitted to provide his services from additional locations including but not limited to Bremen, Maine and Phoenix, Arizona, and shall provide his services at such other locations as shall be reasonably necessary for the discharge of his duties under this Agreement.

2.3 Board Service. The Executive currently serves as a Class II Director of the Company. The Board will nominate and support the Executive's re-election as a Director at the upcoming 2011 Annual Meeting of Shareholders. The Executive agrees to accept such nomination and to serve as a Director, if elected. In addition, during the period of his employment as President and Chief Executive Officer the Board will recommend that the Executive be elected as a Director of the Company's wholly-owned subsidiary, Magellan Petroleum Australia Limited ("MPAL"), and the Executive agrees to accept such nomination and to serve as a Director of MPAL.

3. Compensation and Benefits.

3.1 Salary; Bonus.

(a) Salary. As of the Effective Date, the Company shall pay the Executive an annual base salary of Two Hundred and Sixty thousand (\$260,000.00). Beginning January 1, 2013 and effective each January 1st thereafter, the Executive shall be eligible for an annual cost of living increase based on a formula that shall be adopted for all employees of the Company.

(b) Bonus. Provided that Executive is employed on each of the following bonus dates, the Executive shall be paid a performance and retention bonus of \$90,000.00 on

January 15, 2014 and a performance and retention bonus of \$90,000.00 on January 15, 2015.

3.2 Equity Incentives. Pursuant to the Original Agreement, the Executive received (i) a stock option award comprised of options to acquire 250,000 shares of the Company's common stock, par value \$0.01 ("Common Stock"), exercisable at the closing trading market price of the Common Stock on the Grant Date (defined below); and (ii) a grant of 100,000 restricted shares of Common Stock (together, the "Equity Incentives"). Consistent with the Company's compensation policy, the Equity Incentives were granted to the Executive on November 7, 2011 (the "Grant Date"). Subject to the provisions set forth in Sections 6, 7 and 8 below, one-half of the Equity Incentives vested on September 27, 2012, and the remaining one-half of the Equity Incentives vested on September 27, 2013.

3.3 Benefit Programs. The Executive shall be entitled to participate on substantially the same terms as other members of senior management of the Company in all employee benefit plans and programs of the Company (other than any severance plan, program or policy), as such plans and programs are made available by the Company, subject to any restrictions or eligibility requirements under such plans and programs, from time to time in effect for the benefit of senior management of the Company, including, but not limited to, retirement plans, profit sharing plans, group life insurance, hospitalization and surgical and major medical and dental coverages, short-term and long-term disability.

3.4 Vacations and Holidays. During the Term of this Agreement, the Executive shall be entitled to vacation of four weeks per year at full pay or such greater vacation benefits as may be provided for by the Company's vacation policies applicable to senior management. The Executive shall also be entitled to such holidays as are established by the Company for all employees.

4. Business and Advisory Expenses. The Executive shall be entitled to prompt reimbursement for all reasonable, documented and necessary expenses incurred by the Executive in performing his services hereunder in accordance with the policies of the Company, including business class accommodations when traveling on international business trips, or to the extent necessary in the Executive's reasonable judgment, on domestic business trips, for the Company. The Executive shall also be entitled to prompt reimbursement for his reasonable legal expenses incurred in connection with the Executive's negotiation and execution of this Agreement, the Equity Incentive Agreements, and the Indemnification Agreement. The Executive shall properly account for all such business and advisory expenses described in this Section 4 in accordance with the policies and procedures established by the Company.

5. Separation from Service. No termination of employment shall be deemed to have occurred under this Agreement unless there has been a "Separation from Service" as defined under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the term "termination of employment" and the like in this Agreement shall be construed to mean "Separation from Service" as so defined.

6. Termination of Employment by the Company.

6.1 Termination by the Company Other Than For Non-Renewal, Disability or Cause.

(a) The Company may terminate the Executive's employment at any time and for any reason, other than (i) pursuant to a written notice by the Company of its intention to permit the Agreement to terminate at the end of the Initial Term or a Renewal Term in accordance with Section 1.2; (ii) by reason of the Executive's Disability (as defined in Section 6.2); or (iii) for Cause (as defined in Section 6.3), by giving the Executive a written notice of termination at least 30 days before the date of termination (or such lesser notice period as the Executive may agree to).

(b) In the event of any termination of employment by the Company described in Section 6.1(a) above, the Executive shall be entitled to receive the following benefits:

(i) Salary: His base salary pursuant to Section 3.1(a) through the date of such termination of employment, plus his base salary for the period of any vacation time earned but not taken for the year of termination of employment (the "Salary Benefit");

(ii) Other Benefits: Any other compensation and benefits to the extent actually earned by the Executive under any other benefit plan or program of the Company as of the date of such termination of employment, with such compensation and benefits to be paid at the normal time for payment of such compensation and benefits to the extent not previously paid (the "Other Benefits");

(iii) Reimbursements: Any reimbursement amounts for reasonable business expenses approved by the Company and owing under this Agreement (the "Reimbursement Benefit");

(iv) Severance: A severance amount equal to the amount of base salary that the Executive would have received if he remained employed for the balance of the Initial Term or any Renewal Term negotiated pursuant to Section 1.2, as the case may be, based upon his then-current base salary without further increase (the "Severance Benefit"). The amount of the Severance Benefit as so determined by this Section 6.1(b)(iv) shall be paid during the remainder of the Initial or Renewal Term, as applicable, in equal monthly installments commencing in the first month following the Executive's Separation from Service.

(v) Medical Coverage: If the Executive elects to continue insurance coverage under the Company's health insurance plans pursuant to COBRA, then for the period beginning on the date of the Executive's termination of employment and ending on the earlier of (i) the date which is 18 months after the date of such termination of employment or (ii) the date the Executive becomes eligible for health insurance benefits under the group health plan of another employer, the Company shall pay, or reimburse the Executive an amount equal to, the same dollar amount of the Executive's premium for COBRA coverage for the Executive and, if applicable, his spouse and dependent children, as the Company paid prior to the Executive's termination for group health coverage under the Company's health insurance plans for actively employed members of management generally. The Executive shall notify the Company promptly if he, while eligible for benefits under this section, becomes eligible to receive health insurance benefits from another employer (the "Medical Benefit"); and

(vi) Equity Incentives. The Equity Incentives shall fully vest (the “Vesting Benefit”).

(c) Notwithstanding anything else in this Agreement to the contrary, if either Party gives written notice under Section 1.2 hereof of such Party’s intention to permit the Agreement to terminate at the end of the Initial Term or a Renewal Term, as the case may be, then the Executive shall not be entitled to the Severance Benefit or the Medical Benefit following such termination.

6.2 Termination by the Company Due to Disability.

(a) If the Executive incurs a Disability, as defined in Section 6.2(b) below, the Company may terminate the Executive’s employment by giving the Executive written notice of termination at least 30 days before the date of such termination (or such lesser notice period as the Executive may agree to). In the event of such termination of the Executive’s employment because of Disability, the Executive shall be entitled to receive the following benefits:

- (i) The Salary Benefit;
- (ii) The Other Benefits;
- (iii) The Reimbursement Benefit; and
- (iv) The Vesting Benefit.

(b) For purposes of this Agreement, the Executive shall be considered to have incurred a “Disability” if and only if the Executive shall be unable to perform the duties of his employment with the Company for an aggregate period of more than 90 days in a consecutive period of 52 weeks as a result of incapacity due to mental or physical illness or impairment (other than as a result of addiction to alcohol or any drug) as determined by a physician selected by the Company or its insurers and acceptable to the Executive or his legal representative.

6.3 Termination by the Company for Cause.

(a) The Company may terminate the Executive’s employment immediately for “Cause” for any of the following reasons: (i) an act or acts of dishonesty or fraud by the Executive relating to the performance of his services to the Company; (ii) a breach by the Executive of his duties or responsibilities under this Agreement resulting in significant demonstrable injury to the Company or any of its subsidiaries; (iii) the Executive’s conviction of a felony or any crime involving moral turpitude; (iv) the Executive’s material failure (for reasons other than death or Disability) to perform his duties under this Agreement or insubordination (defined as refusal to execute or carry out lawful directions from the Board or its duly appointed designees) where the Executive has been given written notice of the acts or omissions constituting such failure or insubordination and the Executive has failed to cure such conduct, where susceptible to cure, within 30 days following such notice; or (v) a breach by the Executive of any provision of any material policy of the Company or any of his obligations under Section 13 of this Agreement.

(b) The Company shall exercise its right to terminate the Executive's employment for Cause by giving the Executive written notice of termination specifying in reasonable detail the circumstances constituting such Cause. In the event of such termination of the Executive's employment for Cause, the Executive shall be entitled to receive the following benefits:

- (i) The Salary Benefit;
- (ii) The Other Benefits; and
- (iii) The Reimbursement Benefit.

7. Terminations of Employment by the Executive.

7.1 Termination by the Executive for Good Reason.

(a) The Executive may terminate his employment for Good Reason, as defined in Section 7.1(b) below, by giving written notice of termination at least 30 days before the date of such termination (or such lesser notice period as the Company or Executive may agree to) specifying in reasonable detail the circumstances constituting such Good Reason. In the event of such termination, the Executive shall be entitled to receive the following benefits:

- (i) The Salary Benefit;
- (ii) The Other Benefits;
- (iii) The Reimbursement Benefit;
- (iv) The Severance Benefit;
- (v) The Medical Benefit; and
- (vi) The Vesting Benefit.

(b) For purposes of this Agreement, "Good Reason" shall mean only, without the Executive's written consent, (A) a material negative change in the scope of the authority, functions, duties or responsibilities of Executive's employment from that which is contemplated by this Agreement; provided that a change in scope solely as a result of the Company no longer being a public company or becoming a subsidiary of another entity shall not constitute Good Reason; (B) the Company engaging the services of a long-term replacement President and Chief Executive Officer; (C) any material breach by the Company of any provision of this Agreement without the Executive having committed any material breach of the Executive's obligations hereunder (including Section 13 hereof), in each case of (A), (B), or (C), which breach is not cured by the Company within 30 days following written notice thereof to the Company of such breach.

If grounds for termination of employment for Good Reason occurs, and the Executive fails to give notice of termination within 60 days after the occurrence of such event, the Executive shall be deemed to have waived his right to terminate employment for Good Reason. In addition, prospective changes to employee benefits for future employment made on an across-the-board basis to all similarly situated executives of the Company and its subsidiaries shall not be considered Good Reason. Further, if termination for Good Reason is triggered during the Initial Term or a Renewal Term but notice, provided consistent with the terms of this Agreement,

is not provided until the immediately following Renewal Term, if any, the Severance Benefit shall be zero.

7.2 Termination by the Executive Without Good Reason. In addition to a non-renewal of the Initial Term or a Renewal Term by the Executive under Section 1.2 hereof, the Executive may terminate his employment at any time without Good Reason, by giving the Company a written notice of termination to that effect at least 30 days before the date of termination (or such lesser notice period as the Company may agree to); provided, however, that the Company following receipt of such notice from the Executive may elect to have the Executive's employment terminate immediately following its receipt of such notice by paying to the Executive an amount equal to one month of the Executive's then-current base salary. In the event of the Executive's termination of his employment pursuant to this Section 7(b), and in addition to the amount set forth in the preceding sentence, if applicable, the Executive shall be entitled to receive the following benefits:

- (i) The Salary Benefit;
- (ii) The Other Benefits; and
- (iii) The Reimbursement Benefit.

8. Termination of Employment By Death.

8.1 In the event of the death of the Executive during the course of his employment hereunder, the Executive's estate (or other person or entity having such entitlement pursuant to the terms of the applicable plan or program) shall be entitled to receive the following benefits:

- (i) The Salary Benefit;
- (ii) The Other Benefits;
- (iii) The Reimbursement Benefit; and
- (iv) The Vesting Benefit.

8.2 In addition, in the event of such death, the Executive's beneficiaries shall receive any death benefits owed to them under the Company's employee benefit plans.

9. Conditions to Payment of Certain Benefits. Notwithstanding anything in this Agreement to the contrary, the Company's obligation to pay or provide to the Executive the benefits described in Sections 6.1(b)(iv) – (vi), 6.2(a)(iv), and 7.1(a)(iv) – (vi) of this Agreement shall be subject to (i) the Executive's compliance with the provisions of Section 13 hereof; (ii) delivery to the Company of the Executive's resignations from all officer, directorships and fiduciary positions, if any, with the Company, MPAL and their respective subsidiaries and employee benefit plans; and (iii) the Executive's execution and delivery to the Company without revocation of a valid Termination, Voluntary Release and Waiver of Rights Agreement, in substantially the form attached to this Agreement as Exhibit A (the "Release"). If the documentation described in clause (ii) above and the Release described in clause (iii) above have not been executed by the Executive and delivered to the Company within 30 days following the termination of the Executive's employment, the benefits referenced in this Section 9 shall be forfeited and shall not be reinstated for any reason.

10. Golden Parachute Excise Tax.

10.1 In the event that any payment or benefit received or to be received by the Executive pursuant to this Agreement or any other plan, program or arrangement of the Company or any of its affiliates would constitute an “excess parachute payment” within the meaning of Section 280G of the Code (“Excess Parachute Payment”), then any Severance Benefit payable under this Agreement shall be reduced (by the minimum possible amounts) until no amount payable to the Executive under this Agreement constitutes an Excess Parachute Payment; provided, however, that no such reduction shall be made if the net after-tax payment (after taking into account Federal, state, local or other income and excise taxes) to which the Executive would otherwise be entitled without such reduction would be greater than the net after-tax payment (after taking into account Federal, state, local or other income and excise taxes) to the Executive resulting from the receipt of such payments with such reduction.

10.2 All determinations required to be made under this Section 10 shall be made by a nationally recognized independent accounting firm mutually agreeable to the Company and the Executive (the “Accounting Firm”) which shall provide detailed supporting calculations to the Company and the Executive as requested by the Company or the Executive. All fees and expenses of the Accounting Firm shall be borne solely by the Company and shall be paid by the Company upon demand of the Executive as incurred or billed by the Accounting Firm. All determinations made by the Accounting Firm pursuant to this Section 10 shall be final and binding upon the Company and the Executive.

11. Entitlement to Other Benefits, Plans or Awards. Except as otherwise provided in this Agreement, this Agreement shall not be construed as limiting in any way any rights or benefits that the Executive or his spouse, dependents or beneficiaries may have pursuant to any other employee benefit plan or program of the Company. All benefits, including, without limitation, stock options, stock appreciation rights, restricted stock units and other awards under the Company’s benefits, plans or programs, shall be subject to the terms and conditions of the plan or arrangement under which such benefits accrue, are granted or are awarded. In addition, nothing herein shall be construed to prevent the Company from amending, altering, eliminating or reducing any benefits, plans or programs so long as the Executive continues to receive compensation and benefits consistent with those described in Section 3 hereof.

12. Officer Protections. As required by the Company’s Restated Certificate of Incorporation, the Company is entering into its customary Indemnification Agreement with the Executive under which the Company agrees to indemnify the Executive to the fullest extent allowed under Delaware law for any claims related to the Executive’s service as President and Chief Executive Officer and as a Director of the Company and MPAL and to provide coverage for the Executive under the Company’s directors’ and officers’ liability insurance with tail coverage.

13. Executive’s Obligations.

13.1 Confidentiality. The Executive agrees that he shall not, directly or indirectly, use, make available, sell, disclose or otherwise communicate to any person, other than in the course of the Executive’s employment and for the benefit of the Company, either during the period of

the Executive's employment or at any time thereafter, any nonpublic, proprietary or confidential information, knowledge or data relating to the Company, any of its subsidiaries, affiliated companies or businesses, which shall have been obtained by the Executive during the Executive's employment by the Company. The foregoing shall not apply to information that (i) was known to the public prior to its disclosure to the Executive; (ii) becomes known to the public subsequent to disclosure to the Executive through no wrongful act of the Executive or any representative of the Executive; or (iii) the Executive is required to disclose by applicable law, regulation or legal process (provided that the Executive provides the Company with prior notice of the contemplated disclosure and reasonably cooperates with the Company at its expense in seeking a protective order or other appropriate protection of such information). Notwithstanding clauses (i) and (ii) of the preceding sentence, the Executive's obligation to maintain such disclosed information in confidence shall not terminate where only portions of the information are in the public domain.

13.2 Non-Solicitation. In the event that the Executive receives payment of any Severance Benefit under this Agreement, the Executive agrees that for the two year period following the date of termination of his employment by the Company the Executive will not, directly or indirectly, individually or on behalf of any other person, firm, corporation or other entity, knowingly solicit, aid or induce any managerial level employee of the Company or any of its subsidiaries or affiliates to leave such employment in order to accept employment with or render services to or with any other person, firm, corporation or other entity unaffiliated with the Company or knowingly take any action to materially assist or aid any other person, firm, corporation or other entity in identifying or hiring any such employee (provided, that the foregoing shall not be violated by general advertising not targeted at Company employees nor by serving as a reference for an employee with regard to an entity with which the Executive is not affiliated). For the avoidance of doubt, if a managerial level employee on his or her own initiative contacts the Executive for the primary purpose of securing alternative employment, any action taken by the Executive thereafter shall not be deemed a breach of this Section 13.2.

13.3 Non-Competition. The Executive acknowledges that the Executive performs services of a unique nature for the Company that are irreplaceable, and that the Executive's performance of such services to a competing business will result in irreparable harm to the Company. Accordingly, under this Agreement, the Executive agrees that for a period of two years following the date of termination of his employment by the Company for any reason, whether voluntarily or involuntarily, and whether with or without Cause or Good Reason, he will not, directly or indirectly, become connected with, promote the interest of, or engage in any other business or activity that directly competes with any or all of the mineral assets, including but not limited to, oil and natural gas, that the Company holds at the date of the Executive's termination of employment or has definitive plans to acquire within the 12 months following the date of the Executive's termination of employment. This clause does not apply to the Executive's business interests in Oregon existing as of the date of the execution of this Agreement or to any business activity that results from the Company's expansion into business activities outside of exploration, purchase, development, marketing, sales or distribution of mineral assets, including but not limited to oil and natural gas.

13.4 Non-Disparagement. Each of the Executive and the Company (for purposes of this Section 13.4, "the Company" shall mean only (i) the Company by press release or otherwise

and (ii) the executive officers and directors thereof and not any other employees) agrees not to make any public statements that disparage the other Party, or in the case of the Company, its subsidiaries, affiliates, officers, directors or business partners. Notwithstanding the foregoing, statements made in the course of sworn testimony in agency, administrative, judicial or arbitral proceedings (including, without limitation, depositions in connection with such proceedings) or otherwise as required by law shall not be subject to this Section 13.4.

13.5 Return of Company Property and Records. The Executive agrees that upon termination of the Executive's employment, for any reason whatsoever, the Executive will surrender to the Company in good condition (reasonable wear and tear excepted) all property and equipment belonging to the Company and all records kept by the Executive containing the names, addresses or any other information with regard to customers or customer contacts of the Company, or concerning any proprietary or confidential information of the Company or any operational, financial or other documents given to the Executive during the Executive's employment with the Company.

13.6 Cooperation. The Executive agrees that, for a period of one year following termination of the Executive's employment for any reason, the Executive shall upon reasonable advance notice, and to the extent it does not interfere with previously scheduled travel plans and does not unreasonably interfere with other business activities or employment obligations, assist and cooperate with the Company with regard to any matter or project in which the Executive was involved during the Executive's employment, including any litigation. The Company shall compensate the Executive for any lost wages (or, if the Executive is not then employed, provide reasonable compensation as determined by the CNG Committee) and reimburse the Executive's reasonable expenses associated with such cooperation and assistance. All such compensation shall be paid monthly as the services are being performed by the Executive, and any such reimbursement of expenses shall be subject to Section 4 hereof and shall be made within 30 days after the Executive has provided the Company reasonable documentation for the expenses incurred and in no event later than the end of the calendar year following the year in which the expenses were incurred.

13.7 Assignment of Inventions. The Executive shall promptly communicate and disclose in writing to the Company all inventions and developments including software, whether patentable or not, as well as patents and patent applications (hereinafter collectively called "Inventions"), made, conceived, developed, or purchased by the Executive, or under which the Executive acquires the right to grant licenses or to become licensed, alone or jointly with others, which have arisen or which arise out of the Executive's employment with the Company, or relate to any matters directly pertaining to, the business of the Company or any of its subsidiaries; provided however, that the Executive shall have no obligation to disclose, and shall retain all rights to, Inventions made, conceived, developed, or purchased by him prior to his employment with the Company or MPAL. Included herein as if developed during the employment period is any specialized equipment and software developed for use in the business of the Company. All of the Executive's right, title and interest in, to, and under all such Inventions, licenses, and right to grant licenses shall be the sole property of the Company. As to all such Inventions, the Executive will, upon request of the Company execute all documents which the Company deems necessary or proper to enable it to establish title to such Inventions or other rights, and to enable it to file and prosecute applications for letters patent of the United States and any foreign

country; and do all things (including the giving of evidence in suits and other proceedings) which the Company deems necessary or proper to obtain, maintain, or assert patents for any and all such Inventions or to assert its rights in any Inventions not patented.

13.8 Equitable Relief; Reformation; Survival. The Parties acknowledge and agree that the other Party's remedies at law for a breach or threatened breach of any of the provisions of this Section 13 would be inadequate and, in recognition of this fact, the Parties agree that, in the event of such a breach or threatened breach, in addition to any remedies at law, the other Party, without posting any bond, shall be entitled to obtain equitable relief in the form of specific performance, temporary restraining order, a temporary or permanent injunction or any other equitable remedy which may then be available. If it is determined by a court of competent jurisdiction in any state that any restriction in this Section 13 is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the Parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state. The obligations contained in this Section 13 shall survive the termination or expiration of the Executive's employment with the Company and shall be fully enforceable thereafter.

14. Alternative Dispute Resolution. Any controversy, dispute or questions arising out of, in connection with or in relation to this Agreement or its interpretation, performance or nonperformance or any breach thereof shall be resolved through mediation. In the event mediation fails to resolve the dispute within 60 days after a mediator has been agreed upon or such other longer period as may be agreed to by the Parties, or if the Parties fail to agree on a mediator within 30 days of either Party's request for mediation, such controversy, dispute or question shall be settled by arbitration in accordance with the Center for Public Resources Rules for Non Administered Arbitration of Business Disputes, by a sole arbitrator. The arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. Sec. 1-16, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof. The place of the arbitration shall be Denver, Colorado.

15. General Provisions.

15.1 No Duty to Seek Employment. The Executive shall not be under any duty or obligation to seek or accept other employment following termination of employment, and no amount, payment or benefits due to the Executive hereunder shall be reduced or suspended if the Executive accepts subsequent employment, except as expressly set forth herein.

15.2 Deductions and Withholding. All amounts payable or which become payable under any provision of this Agreement shall be subject to any deductions authorized by the Executive and any deductions and withholdings required by applicable laws.

15.3 Notices. All notices, demands, requests, consents, approvals or other communications (collectively "Notices") required or permitted to be given hereunder or which are given with respect to this Agreement shall be in writing and shall be delivered personally, sent by facsimile transmission with a copy deposited in the United States mail, registered or certified, return receipt requested, postage prepaid, or sent by overnight mail addressed as follows:

To the Company: Magellan Petroleum Corporation
1775 Sherman Street, Suite 1950
Denver, CO 80203
Attn: President and CEO
Facsimile: (720)570-3859

To the Executive: J. Thomas Wilson
55 West 12th Avenue, Unit 409
Denver, CO 80204

or such other address as such Party shall have specified most recently by written notice. Notice mailed as provided herein shall be deemed given when so delivered personally or sent by facsimile transmission, or, if sent by overnight mail, on the day after the date of mailing.

15.4 Covenant to Notify Management. The Executive shall abide by the ethics policies of the Company as well as the Company's other rules, regulations, policies and procedures. The Executive agrees to comply in full with all governmental laws and regulations as well as ethics codes applicable. In the event that the Executive is aware or suspects the Company, or any of its officers or agents, of violating any such laws, ethics, codes, rules, regulations, policies or procedures, the Executive agrees to bring all such actual and suspected violations to the attention of the Company immediately so that the matter may be properly investigated and appropriate action taken. The Executive understands that the Executive is precluded from filing a complaint not involving or related to the Executive's individual rights with any governmental agency or court having jurisdiction over wrongful conduct unless the Executive has first notified the Company of the facts and permits it to investigate and correct the concerns.

15.5 Amendments and Waivers. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and the Company. No waiver by either Party hereto at any time of any breach by the other Party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other Party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

15.6 Beneficial Interests. This Agreement shall inure to the benefit of and be enforceable by (a) the Company's successors and assigns and (b) the Executive's personal and legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive shall die while any amounts are still payable to him hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee, or other designee or, if there be no such designee, to the Executive's estate.

15.7 Successors. The Company shall require any successors (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform.

15.8 Assignment. This Agreement and the rights, duties, and obligations hereunder may not be assigned or delegated by any Party without the prior written consent of the other Party and any attempted assignment or delegation without such prior written consent shall be void and be of no effect. Notwithstanding the foregoing provisions of this Section 15.8, benefits payable pursuant to this Agreement shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment by creditors of the Executive, and any attempt to alienate, transfer, assign or attach such benefits shall be void. Notwithstanding the foregoing provisions of this Section 15.8, the Company may assign or delegate its rights, duties and obligations hereunder to any person or entity which succeeds to all or substantially all of the business of the Company through merger, consolidation, reorganization, or other business combination or by acquisition of all or substantially all of the assets of the Company without the Executive's consent.

15.9 Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado without regard to the conflicts of law provisions thereof.

15.10 Statute of Limitations. The Executive and the Company hereby agree that there shall be a three-year statute of limitations for the filing of any requests for arbitration or any lawsuit relating to this Agreement or the terms or conditions of Executive's employment by the Company. If such a claim is filed more than three years subsequent to the Executive's last day of employment it shall be precluded by this provision, regardless of whether or not the claim has accrued at that time.

15.11 Right to Injunctive and Equitable Relief. The Executive's obligations under Section 13 of this Agreement are of a special and unique character, which gives them a peculiar value. The Company cannot be reasonably or adequately compensated for damages in an action at law in the event the Executive breaches such obligations. Therefore, the Executive expressly agrees that the Company shall be entitled to injunctive and other equitable relief without bond or other security in the event of such breach in addition to any other rights or remedies which the Company may possess or be entitled to pursue. Furthermore, the obligations of the Executive and the rights and remedies of the Company under Section 13 and this Section 15.11 are cumulative and in addition to, and not in lieu of, any obligations, rights, or remedies as created

by applicable law. The Executive agrees that the terms of this Section 15.11 shall survive the term of this Agreement and the termination of the Executive's employment.

15.12 Severability or Partial Invalidity. The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

15.13 Entire Agreement. This Agreement, along with Exhibit A attached hereto, the Equity Incentive Agreements, and the Indemnification Agreement, constitute the entire agreement of the Parties and supersedes all prior written or oral and all contemporaneous oral agreements, understandings, and negotiations between the Parties with respect to the subject matter hereof and thereof. This Agreement may not be changed orally and may only be modified in writing signed by both Parties. This Agreement, along with Exhibit A attached hereto, the Equity Incentive Agreements, and the Indemnification Agreement, are intended by the Parties as the final expression of their agreement with respect to such terms as are included herein and therein and may not be contradicted by evidence of any prior or contemporaneous agreement. The Parties further intend that this Agreement, along with Exhibit A attached hereto, the Equity Incentive Agreements, and the Indemnification Agreement, constitute the complete and exclusive statement of their terms and that no extrinsic evidence may be introduced in any judicial proceeding involving such agreements.

15.14 Code Section 409A. This Agreement is intended to comply with the provisions of Section 409A of the Code. The Parties intend that the benefits and payments provided under this Agreement shall be exempt from, or comply with, the requirements of Section 409A of the Code. Notwithstanding the foregoing, the Company shall in no event be obligated to indemnify the Executive for any taxes or interest that may be assessed by the IRS pursuant to Section 409A of the Code.

15.15 Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed an original but all of which together shall constitute one and the same instrument.

* * * * *

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer and the Executive has hereunto set his hand as of the day and year first above written.

MAGELLAN PETROLEUM CORPORATION

By: 

Name: J. Robin West

Title: Chairman of the Board

November 21, 2013


EXECUTIVE

J. Thomas Wilson

EXHIBIT A

TERMINATION, VOLUNTARY RELEASE AND WAIVER OF RIGHTS AGREEMENT

I, J. Thomas Wilson, freely enter into this Termination, Voluntary Release and Waiver of Rights Agreement (the "Agreement"), unqualifiedly accept and agree to the relinquishment of my title, responsibilities and obligations as President and Chief Executive Officer of Magellan Petroleum Corporation (the "Company"), and concurrently and unconditionally agree to sever my relationship as President and Chief Executive Officer of the Company, in consideration for the voluntary payment to me by the Company of the benefits described in Section 9 of the Employment Agreement, dated as of _____2011, by and between me and the Company (the "Employment Agreement").

1. In exchange for this consideration, which I understand that the Company is not otherwise obligated to provide to me, I voluntarily agree to waive and forego any and all claims, rights, interests, covenants, contracts, warranties, promises, undertakings, actions, suits, causes of action, obligations, debts, attorneys' fees or other expenses, accounts, judgments, fines, fees, losses and liabilities, of any kind, nature or description, in law (including all contract and tort claims), equity or otherwise (collectively, "Claims") that I may have against the Company as the President and Chief Executive Officer of the Company beyond the rights set forth in the Employment Agreement and to release the Company and their respective affiliates, subsidiaries, officers, directors, employees, representatives, agents, successors and assigns (hereinafter collectively referred to as "Releasees") from any obligations any of them may owe to me in my capacity as President and Chief Executive Officer of the Company except as set forth in my Employment Agreement (and specifically not as a shareholder or director), accepting the aforesaid consideration as full settlement of any monies or obligations owed to me by Releasees that may have arisen at any time prior to the date of my execution of this Agreement, except as specifically provided below in the following paragraph number 2.

2. I do not waive, nor has the Company asked me to waive, any rights arising exclusively under the Fair Labor Standards Act, except as such waiver may henceforth be made in a manner provided by law. I do not waive, nor has the Company asked me to waive, any vested benefits that I may have or that I may have derived from the course of my employment with the Company. I understand that such vested benefits will be subject to and administered in accordance with the established and usual terms governing same. I do not waive any rights which may in the future, after the execution of this Agreement, arise exclusively from a substantial breach by the Company of a material obligation of the Company expressly undertaken in consideration of my entering into this Agreement.

3. Except as set forth in paragraphs 2 and 9 hereof, I do fully, irrevocably and forever waive, relinquish and agree to forego any and all Claims whatsoever, whether known or unknown, in contract, tort or otherwise, that I may have or may hereafter have against the Releasees or any of them arising out of or by reason of any cause, matter or thing whatsoever arising out of my employment by the Company (other than as set forth in my Employment Agreement) from the beginning of the world to the date hereof, including without limitation any

and all matters relating to my employment with the Company and the cessation thereof and all matters arising under Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 2000 et seq., the Americans with Disabilities Act of 1990, 42 U.S.C. § 12101 et seq., the Family and Medical Leave Act of 1993, 29 U.S.C. § 2601 et seq., the Age Discrimination in Employment Act of 1967, 29 U.S.C. § 621 et seq., the Employee Retirement Income Security Act of 1974, 29 U.S.C. § 1001 et seq., all as amended, or under any other laws, ordinances, executive orders, regulations or administrative or judicial case law arising under the statutory or common laws of the United States, the State of Texas or any other applicable county or municipal ordinance.

4. As a material inducement to the Company to enter into this Agreement, I, the undersigned, recognize that I may have been privy to certain confidential, proprietary and trade secret information of the Company which, if known to third parties, could be used in a manner that would reduce the value of the Company for its shareholders. In order to reduce the risk of that happening, I, the undersigned, agree that for a period of two (2) years after termination of employment, I, the undersigned, will not, directly or indirectly, assist, or be part of or have any involvement in, any effort to acquire control of the Company through the acquisition of its stock or substantially all of its assets, without the prior consent of the Board of Directors of the Company. This provision shall not prevent the undersigned from owning up to not more than five percent (5%) of the outstanding publicly traded stock of any company; exercising any Company stock options in accordance with the terms and conditions of the Company's 1998 Stock Incentive Plan, or retaining any shares of Company stock owned by me on the date hereof.

5. Acknowledgements.

(a) I further acknowledge pursuant to the Older Worker's Benefit Protection Act (29 U.S.C. § 626(f)), I expressly agree that the following statements are true:

(i) The payment of the benefits described in Section 9 of the Employment Agreement is in addition to the standard employee benefits and anything else of value which the Company owes me in connection with my employment with the Company or the separation of employment.

(ii) I have 21 days from date of receipt to consider and sign this agreement. If I choose to sign this Agreement before the end of the 21 day period, that decision is completely voluntary and has not been forced on me by the Company.

(iii) I will have seven days after signing the Agreement in which to revoke it, and the Agreement will not become effective or enforceable until the end of those seven days.

(iv) I am now being advised in writing to consult an attorney before signing this Agreement.

(v) I acknowledge that I have been given sufficient time to freely consult with an attorney or counselor of my own choosing and that I knowingly and voluntarily execute this Agreement, after bargaining over the terms hereof, with knowledge of the consequences made clear, and with the genuine intent to release claims without threats, duress, or coercion on the part of the Company. I do so understanding and acknowledging the significance of such waiver.

6. Further, in view of the above-referenced consideration voluntarily provided to me by the Company, after due deliberation, I agree to waive any right to further litigation or claim against any or all of the Releasees except as specifically provided in paragraphs 2 and 9 hereof. I hereby agree to indemnify and hold harmless the Releasees and their respective agents or representatives from and against any and all losses, costs, damages or expenses, including, without limitation, attorneys fees incurred by said parties, or any of them, arising out of any breach of this Agreement by me or by any person acting on my behalf, or the fact that any representation made herein by the undersigned was false when made.

7. As a material inducement to the Company to enter into this Agreement, I, the undersigned, understand and agree that if I should fail to comply with the conditions hereof or to carry out my obligations under this Agreement, all amounts previously paid under this Agreement shall be immediately forfeited to the Company and that the right or claim to further payments and/or benefits hereunder would likewise be forfeited.

8. As a further material inducement to the Company to enter into this Agreement, the undersigned provides as follows:

First. No Claims. I represent that I have not filed any complaints or charges against the Company, or any of the Releasees relating to the relinquishment of my former titles and responsibilities at the Company or the terms of my employment with the Company and that if any agency or court assumes jurisdiction of any complaint or charge against the Company or any of the Releasees on behalf of me concerning my employment with the Company, I understand and agree that I have, by my knowing and willing execution of this Agreement, waived my rights to any form of recovery or relief against the Company, or any of the Releasees, including but not limited to, attorney's fees; provided, however, that this provision shall not preclude the undersigned from pursuing appropriate legal relief against the Company for redress of a substantial breach of a material obligation of the Company expressly undertaken in consideration of my entering into this Agreement.

Second. No Admission. I acknowledge and understand that the consideration for this release shall not be in any way construed as an admission by the Company or any of the Releasees of any improper acts or any improper employment decisions, and that the Company, specifically disclaims any liability on the part of itself, the Releasees, and their respective agents, employees, representatives, successors or assigns in this regard.

Third. Binding Nature. I acknowledge and agree that this Agreement shall be binding upon me, upon the Company, and upon our respective administrators, representatives, executives, successors, heirs and assigns and shall inure to the benefit of said parties and each of them.

Fourth. Entire Agreement. I represent, understand and agree that this Agreement sets forth the entire agreement between the Parties hereto, and fully supersedes any and all prior agreements or understandings between the Parties pertaining to the subject matter hereof, except for the provisions of Section 15 of the Employment Agreement, the terms of which retain their full force and effect, and which are in no way limited or curtailed by this Agreement.

Fifth. Modification. This Agreement may not be altered or changed except by an

agreement in writing that has been properly executed by the Party against whom any waiver, change, modification or discharge is sought.

Sixth. Severability. All provisions and terms of this Agreement are severable. The invalidity or unenforceability of any particular provision(s) or term(s) of this Agreement shall not affect the validity or enforceability of the other provisions and such other provisions shall be enforceable in law or equity in all respects as if such particular invalid or unenforceable provision(s) or term(s) were omitted. Notwithstanding the foregoing, the language of all parts of this Agreement shall, in all cases, be construed as a whole, according to its fair meaning, and not strictly for or against any of the Parties.

Seventh. No Disparagement. I agree and promise that I will not make any public statements which are disparaging or damaging to the reputation or business of the Company, its subsidiaries, directors, officers or affiliates, and I will not make any oral or written statements or reveal any information to any person, company, or agency which would interfere in any way with the business relations between the Company or any of its subsidiaries or affiliates and any of their customers, suppliers or vendors whether present or in the future; provided however, that statements made in the course of sworn testimony in agency, administrative, judicial or arbitral proceedings (including, without limitation, depositions in connection with such proceedings) or otherwise as required by law shall not be subject to this section Seventh.

Eighth. Confidentiality. The Company and the undersigned agree to refrain from disclosing to third parties and to keep strictly confidential all details of this Agreement and any and all information relating to its negotiation, except as necessary to each Party's accountants or attorneys.

9. Notwithstanding anything herein to the contrary, this release shall not affect, release or terminate in any way the undersigned's rights (i) to receive payments under the Employment Agreement (ii) under the Indemnification Agreement entered by the Company and the undersigned with respect to certain liabilities that the undersigned may incur as an officer of the Company or (iii) under any option agreements and grants from the Company to the undersigned, or any agreement between the undersigned and the Company relating to the undersigned's rights as an owner of stock or options in the Company.

* * * * *

AFFIRMATION OF RELEASOR

I, J. Thomas Wilson, warrant that I am competent to execute this Termination, Voluntary Release and Waiver of Rights Agreement and that I accept full responsibility thereof.

I, J. Thomas Wilson, warrant that I have had the opportunity to consult with an attorney of my choosing with respect to this matter and the consequences of my executing this Termination, Voluntary Release and Waiver of Rights Agreement.

I, J. Thomas Wilson, have read this Termination, Voluntary Release and Waiver of Rights Agreement carefully and I fully understand its terms. I execute this document voluntarily with full and complete knowledge of its significance.

Executed this _____ day of _____, 20__ at _____.

J. Thomas Wilson

STATE OF _____)

: ss. _____, 2011

COUNTY OF _____)

Subscribed and sworn to before me, a Notary Public in and for said County and State, this day of _____, 20__ under the pains and penalties of perjury.

_____, Notary Public

My Commission Expires:
County of Residence:

AGREED:

MAGELLAN PETROLEUM CORPORATION

By: _____
Name:
Title:

CERTIFICATIONS

I, John Thomas Wilson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Magellan Petroleum Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2014

/s/ J. Thomas Wilson

John Thomas Wilson, President and Chief Executive Officer
(as Principal Executive Officer)

CERTIFICATIONS

I, Antoine J. Lafargue, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Magellan Petroleum Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2014

/s/ Antoine J. Lafargue

Antoine J. Lafargue, Vice President - Chief Financial Officer and Treasurer
(as Principal Financial and Accounting Officer)

SECTION 1350 CERTIFICATIONS

In connection with the Quarterly Report of Magellan Petroleum Corporation (the "Company") on Form 10-Q for the quarterly period ended December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Thomas Wilson, President and Chief Executive Officer of the Company, do hereby certify, pursuant to and solely for the purpose of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 14, 2014

/s/ J. Thomas Wilson

John Thomas Wilson, President and Chief Executive Officer
(as Principal Executive Officer)

SECTION 1350 CERTIFICATIONS

In connection with the Quarterly Report of Magellan Petroleum Corporation (the "Company") on Form 10-Q for the quarterly period ended December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Antoine J. Lafargue, Vice President - Chief Financial Officer and Treasurer of the Company, do hereby certify, pursuant to and solely for the purpose of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 14, 2014

/s/ Antoine J. Lafargue

Antoine J. Lafargue, Vice President - Chief Financial Officer and Treasurer
(as Principal Financial and Accounting Officer)