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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 September 30, 2011

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

For the transition period from to

Commission files number 1-5507

MAGELLAN PETROLEUM CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE	**06-0842255**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
7 Custom House Street, Portland, Maine	**04101**
(Address of principal executive offices)	**(Zip Code)**

(207) 619-8500
(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 ☐ Accelerated filer ☒

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

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 November 10, 2011 was 53,735,594

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MAGELLAN PETROLEUM CORPORATION

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September 30, 2011

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Unless otherwise indicated, all dollar figures set forth herein are in United States currency. Amounts expressed in Australian currency are indicated as ("AUD", "AUS", "A$").

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PART I - FINANCIAL INFORMATION

PART I - FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2011 (unaudited)	June 30, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 25,723,216	$ 20,416,625
Accounts receivable — trade (net of allowance for doubtful accounts of $0 and $66,702 at September 30, 2011 and at June 30, 2011 respectively)	1,680,516	4,356,621
Accounts receivable — working interest partners	322,602	453,843
Deposit on Evans Shoal	—	10,745,061
Marketable securities	2,399,882	—
Inventories	581,701	731,672
Assets held for sale	1,501,417	—
Prepaid assets	300,452	517,482
Other assets	2,122	61,934
Total current assets	32,511,908	37,283,238
Securities available-for-sale (at fair value)	204,298	238,070
Property and equipment, net:		
Oil and gas properties (successful efforts method)	34,653,014	138,576,622
Land, buildings and equipment	2,811,914	4,088,759
Field equipment	5,537,910	6,390,383
	43,002,838	149,055,764
Less accumulated depletion, depreciation and amortization	(13,026,703)	(119,901,581)
Net property and equipment	29,976,135	29,154,183
Goodwill	4,695,204	4,695,204
Other assets	241,928	204,457
Total assets	$ 67,629,473	$ 71,575,152
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 1,572,705	$ 3,860,919
Accrued liabilities	1,808,877	2,056,717
Accounts payable - working interest partners	513,535	—
Short term line of credit	700,000	500
Current portion of note payable	540,000	552,000
Liability related to assets held for sale	6,223,114	—
Income taxes payable	139,361	—
Total current liabilities	11,497,592	6,470,136
Long term liabilities:		
Note payable	738,438	870,438
Other long term liabilities	352,354	309,758
Asset retirement obligations	4,717,230	11,397,410
Contingent consideration	4,151,000	—
Total long term liabilities	9,959,022	12,577,606
Commitments and contingencies	—	—
Equity:		
Common stock, par value $.01 per share: Authorized 300,000,000 shares, outstanding, 53,735,594 and 52,455,977 at September 30, 2011 and June 30, 2011, respectively	537,354	524,558
Capital in excess of par value	89,590,211	93,617,424
Preferred stock, par value $.01 per share: Authorized 50,000,000 and 0 shares, outstanding, none at September 30, 2011 and at June 30, 2011, respectively	—	—
Accumulated deficit	(55,148,657)	(56,073,255)
Accumulated other comprehensive income	11,193,951	12,469,626
Total equity attributable to Magellan Petroleum Corporation	46,172,859	50,538,353
Non-controlling interest in subsidiaries	—	1,989,057
Total equity	46,172,859	52,527,410
Total liabilities and equity	$ 67,629,473	$ 71,575,152

See accompanying notes to consolidated financial statements

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MAGELLAN PETROLEUM CORPORATION
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ITEM 1 FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED September 30,	
	2011	2010
	(unaudited)	
REVENUES:		
Oil sales	$ 3,295,661	$ 2,170,646
Gas sales	477,837	409,260
Other production related revenues	(38,150)	1,119,275
Total revenues	3,735,348	3,699,181
COSTS AND EXPENSES:		
Production costs	3,017,875	1,839,163
Exploration and dry hole costs	987,488	413,670
Salaries and employee benefits	1,149,105	941,676
Depletion, depreciation and amortization	316,860	989,338
Auditing, accounting and legal services	691,556	238,451
Accretion expense	157,614	149,692
Shareholder communications	98,658	153,155
Gain on sale of assets	(4,107,720)	(20,142)
Other administrative expenses	1,134,226	1,749,532
Foreign transaction (gain) loss	(562,280)	1,203,532
Total costs and expenses	2,883,382	7,658,067
Operating income (loss)	851,966	(3,958,886)
Investment income	270,958	246,316
Income (loss) before income taxes	1,122,924	(3,712,570)
Income tax (provision) benefit	(198,326)	301,336
Net Income (loss)	924,598	(3,411,234)
Less net loss attributable to non-controlling interest in subsidiaries	15,401	35,113
Net Income (loss) attributable to Magellan Petroleum Corporation	$ 939,999	$ (3,376,121)
Average number of shares outstanding		
Basic	52,915,811	52,335,977
Dilutive	54,720,728	52,335,977
Net Income (loss) per basic and dilutive common shares attributable to Magellan Petroleum Corporation common shareholders	$ 0.02	$ (0.06)

See accompanying notes to consolidated financial statements

MAGELLAN PETROLEUM CORPORATION
FORM 10-Q

ITEM 1 FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	THREE MONTHS ENDED September 30,	
	2011	2010
	(unaudited)	
OPERATING ACTIVITIES:		
Net income (loss)	$ 924,598	$ (3,411,234)
Adjustments to reconcile net income (loss) to net cash used in operating activities		
Foreign transaction (gain) loss (1)	(562,280)	1,203,532
Depletion, depreciation and amortization	316,860	989,338
Interest earned on restricted deposits	(23,554)	—
Accretion expense	157,614	149,692
Deferred income taxes	—	(191,796)
Gain on disposal of assets	(4,107,720)	(20,142)
Exploration and dry hole costs	—	57,303
Stock based compensation	395,632	382,453
Change in operating assets and liabilities:		
Accounts receivable	3,165,614	1,546,028
Inventories	(80,347)	61,510
Prepayments and other current assets	188,095	31,729
Accounts payable and accrued liabilities	(2,596,820)	(1,021,545)
Income taxes payable	196,600	(760,061)
Net cash used in operating activities (1)	(2,025,708)	(983,193)
INVESTING ACTIVITIES:		
Additions to property and equipment	(84,555)	(576,772)
Oil and gas exploration activities	(1,157,198)	(79,394)
Proceeds from sale of assets	5,000,719	20,142
Purchase of working interest in Poplar Field	(823,299)	—
Refund of Deposit for Purchase of Evans Shoal (includes interest)	10,939,703	—
Marketable securities matured or sold	1,286,990	606,870
Marketable securities purchased	(3,686,872)	(6,999,735)
Net cash provided by (used in) investing activities	11,475,488	(7,028,889)
FINANCING ACTIVITIES:		
Proceeds from issuance of stock	35,000	—
Short term debt issuances	1,924,500	1,005,000
Short term debt repayments	(1,225,000)	(962,673)
Purchase of non-controlling interest - Nautilus Poplar LLC (including $237,956 of transaction costs)	(3,414,657)	—
Long term debt repayments	(144,000)	—
Net cash (used in) provided by financing activities	(2,824,157)	42,327
Effect of exchange rate changes on cash and cash equivalents (1)	(1,319,032)	2,539,967
Net increase (decrease) in cash and cash equivalents	5,306,591	(5,429,788)
Cash and cash equivalents at beginning of period	20,416,625	33,591,534
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$25,723,216	$28,161,746
Cash Payments:		
Income taxes	—	650,521
Interest Paid, net of amount capitalized	33,721	—
Supplemental Schedule of Noncash Investing and Financing Activities:		
Unrealized holding gain (loss)	33,772	—
Amounts in accounts payable and accrued liabilities related to property and equipment	161,507	470,321
Accrued transaction costs	102,327	—
Purchase of non-controlling interest for Stock and contingent consideration	4,729,316	—
Purchase of 2.95% working interest for Stock and contingent consideration	1,243,107	—

See accompanying notes to consolidated financial statements

(1) See Note 3 for explanation of restatement of prior period amount.

MAGELLAN PETROLEUM CORPORATION
FORM 10-Q
PART I - FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

	THREE MONTHS ENDED September 30,	
	2011	2010
	(unaudited)	
Net income (loss)	$ 924,598	$(3,411,234)
Foreign currency translation adjustments	(1,241,903)	6,178,379
Unrealized holding gains (losses), net of deferred tax of $0	(33,772)	—
Total comprehensive (loss) income	(351,077)	2,767,145
Less net loss attributable to non-controlling interest in subsidiary	15,401	35,113
Comprehensive (loss) income attributable to Magellan Petroleum Corporation	$ (335,676)	$ 2,802,258

See accompanying notes to consolidated financial statements

MAGELLAN PETROLEUM CORPORATION
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PART I - FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(unaudited)

	Common Stock	Preferred Stock	Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total
June 30, 2011	$524,558	$ —	$93,617,424	$(56,073,255)	$12,469,626	$ 1,989,057	$52,527,410
Net income (loss)				939,999		(15,401)	924,598
Acquisition of non-controlling interest	9,302		(4,843,182)	(15,401)		(1,973,656)	(6,822,937)
Acquisition of working interest	2,525		386,306				388,831
Foreign currency translation adjustments					(1,241,903)		(1,241,903)
Unrealized holding loss, net of taxes					(33,772)		(33,772)
Stock and stock based compensation	750		394,882				395,632
Stock options exercised	219		34,781				35,000
September 30, 2011	$537,354	$ —	$89,590,211	$(55,148,657)	$11,193,951	$ —	$46,172,859

See accompanying notes to consolidated financial statements

MAGELLAN PETROLEUM CORPORATION
FORM 10-Q
PART I - FINANCIAL INFORMATION

ITEM 1 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Basis of Presentation

Magellan Petroleum Corporation (the "Company" or "Magellan" or "MPC" or "we" or "us") is engaged in the sale of oil and gas and the exploration for and development of oil and gas reserves. At September 30, 2011, MPC had two reporting segments: (1)100.00% equity interest in its subsidiary, Magellan Petroleum Australia Limited ("MPAL") and (2) 100% member interest in Magellan Petroleum North America ("MPNA"), based in Denver, Colorado. Please refer to Note 4 for more details on corporate restructuring.

The accompanying unaudited condensed consolidated financial statements include the accounts of MPC and its subsidiaries, MPAL and MPNA. All intercompany transactions have been eliminated. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete 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. Operating results for the three months ended September 30, 2011 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2012. For further information, refer to 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, 2011. All amounts presented are in United States dollars, unless otherwise noted.

Goodwill

The aggregate amount of goodwill at September 30, 2011 and at June 30, 2011 was $4,695,204. Of this amount, $674,498 is related to the October 15, 2009 acquisition of Nautilus Poplar, LLC ("NP") and $4,020,706 of our goodwill is related to the fiscal 2006 acquisition of the 44.87% interest of MPAL that we did not own at the time. Goodwill is not amortized but is tested for impairment annually or whenever events or changes in circumstances indicate that the carrying value may be impaired. Our annual impairment testing date is June 30 for the MPAL goodwill and October 1st for the Nautilus goodwill. No impairment was recorded during the three months ended September 30, 2011 and September 30, 2010, respectively.

Note 2 Evans Shoal Agreement

On March 25, 2010, MPAL entered into an agreement with Santos Offshore Pty Ltd ("Asset Sales Deed"), to purchase Santos' 40% interest in the Evans Shoal natural gas field (NT/P48) ("Evans Shoal Transaction"). On January 31, 2011, the Asset Sales Deed was amended pursuant to a Deed of Variation between the parties.

Please refer to Note 12 to the condensed consolidated financial statements included in Item 8 of our annual report on Form 10-K for the fiscal year ended June 30, 2011, for information on the termination of the Asset Sales Deed, as amended by the Deed of Variation, that occurred on July 22, 2011.

On July 22, 2011, MPAL received from Santos a refund of the AUD $10,000,000 additional deposit, plus interest, on the Evans Shoal Agreement.

Note 3 Restatement of Financial Information

Subsequent to the issuance of our 2010 annual report on Form 10-K, we determined that our consolidated statement of cash flows for the year ended June 30, 2010, reflected a foreign currency exchange loss in the line item "effect of exchange rate changes on cash and cash equivalents", rather than including it with the adjustments to reconcile net income (loss) to net cash provided by operating activities. Because this is a non-cash expense included in net income, it should have been added back to net income in order to properly reconcile net income to cash provided by operating activities within the statement of cash flows. The exclusion of this adjustment to reconcile net income resulted in understating the net cash provided by operating activities and overstating the effect of exchange rate changes on our cash and cash equivalents line items within the consolidated statement of cash flows.

This error also affected our condensed consolidated statements of cash flows for the nine month period ended March 31, 2010, the six month period ended December 31, 2010, and the three month period ended September 30, 2010. This error did not affect our condensed consolidated balance sheet or condensed consolidated statements of operations for any of the prior periods, nor did it affect the total cash increase or decrease reported for any of the periods.

The statement of cash flows for the three months ended September 30, 2010 as contained herein has been adjusted for the restatement discussed above. The following is a summary of the items reclassified on the originally issued condensed consolidated statements of cash flows for the three months ended September 30, 2010:

CONSOLIDATED STATEMENT OF CASH FLOWS

	As Previously Reported	Adjustments	As Restated
Adjustments to reconcile net loss to net cash used in operating activities:			
Foreign transaction loss	$ —	$ 1,203,532	$1,203,532
Net cash used in operating activities	$(2,186,725)	$ 1,203,532	$ (983,193)
Effect of exchange rate changes on cash and cash equivalents	$ 3,743,499	$(1,203,532)	$2,539,967

Note 4 Acquisition of minority interest in Nautilus Poplar LLC and acquisition of additional working interests

Prior to September 2, 2011, the Company was the parent company and 83.46% owner of NP, a Montana Limited Liability Company. NP in turn was the 68.75% owner of oil and gas working interests in the East Poplar Unit ("EPU") and Northwest Poplar field ("NWP") in Roosevelt County, Montana (together, the "Poplar Field"). MPC also owned a direct 28.3% working interest in the Poplar Field.

To simplify the holding structure of the Poplar Field and for reasons relating to accounting, reporting, capital calls, investors and partners, and conflicts of interest, MPC, effective September 1, 2011, assigned its direct working interest in the Poplar Field to NP. In addition, MPC management thought it desirable to acquire all of the membership interests in Eastern Rider LLC ("ER") and Nautilus Technical Group LLC ("NT") (ER and NT, collectively, the "Nautilus Sellers") (the "Nautilus Restructuring" or the "Transaction"). Prior to the Transaction, Nautilus Tech maintained a 10% membership interest in NP and 2.9% oil and gas working interest ("WI") in the Poplar Field while ER maintained a 6.5% membership interest in NP.

The terms of the Nautilus Restructuring are set forth in the September 2, 2011 Purchase and Sale Agreement between the Company and the members of NT and ET (the members of NT and ER, collectively, the "Sellers") (the "PSA"). The Sellers included John Thomas Wilson, (MPC director and now President and CEO) and a consultant to and an employee of NP (each a "Related Seller") as well as certain other persons. The effective date for the Nautilus Restructuring was September 1, 2011. The Company negotiated the consideration and terms of the Nautilus Restructuring with the intention of transacting with the Sellers on fair value terms. The approach to valuation was consistent with this goal.

Due to the conflicting interests of Mr. Wilson resulting from his position with and financial interest in the Nautilus Sellers, the Board appointed a Special Transaction Committee ("Committee") to provide an independent forum for the consideration of the terms of the Nautilus Restructuring as set forth in the PSA and the related Registration Rights Agreement (discussed below). To independently validate the fairness of the consideration underlying the Nautilus Restructuring, the Committee commissioned a fairness opinion from an independent investment bank. At the August 24, 2011 Committee meeting, the Committee approved, and recommended that the Board approve, the transactions. On August 26, 2011, the Board approved the transactions.

The PSA provided for the Company's purchase of all membership interests in NT and ER in return for $4,000,000 in cash ("Cash Consideration"), $2,000,000, less certain debt owed to MPC by NP, NT and ER and certain costs ("Total Share Consideration"), in privately issued shares of MPC's common stock, par value $0.01 ("Common Stock") and the potential for future production payments, payable in cash, to the Sellers, collectively, of up to $5,000,000 under certain conditions. The shares were sold pursuant to Section 4(2) of the Securities Act.

The Cash Consideration was transferred on September 2, 2011. Consistent with the terms of the PSA, 1,182,742 shares of Common Stock were issued on September 23, 2011 ("Issuance Date"), the earlier of (i) the third business day following September 20,

2011, the date on which MPC's Form 10-K for the year ending June 30, 2011 ("Form 10-K") was filed with the Securities and Exchange Commission ("SEC") and (ii) September 30, 2011. Consistent with the terms of the PSA, on the Issuance Date, MPC delivered to a Seller shares of Common Stock as determined by dividing the Total Share Consideration allocated to the Seller by, in the case of Related Seller, the greater of (i) the NASDAQ consolidated closing bid price of a share of Common Stock on the business day immediately preceding the execution of the PSA and (ii) the NASDAQ official closing price of a share of Common Stock on September 22, 2011, the earlier of the second business day following September 20, 2011, the date on which the Form 10-K was with the SEC and September 22, 2011 ("NASDAQ Closing Price"). In the case of a Seller that was not a Related Seller, MPC delivered shares of Common Stock as determined by dividing the Total Share Consideration allocated to that Seller by the NASDAQ Closing Price. Mr. Wilson's interest in the Nautilus Transaction approximated 51% of the consideration paid for the Nautilus Tech and ER interests.

The potential for future production payments is contingent upon achieving certain levels of production at Poplar. The first payout of $2.0 million is payable to the Sellers when the sixty (60) day rolling average for production of the Poplar Field has reached 1,000 barrels of oil equivalent per day as set forth in Nautilus' Reports of Production to the Board of Oil and Gas Conservation of the State of Montana ("Reports"). The second payout in the amount of $3.0 million will be paid to the Sellers when the sixty (60) day rolling average for production of the Poplar Field has reached 2,000 barrels of oil equivalent per day as per the Reports. The fair value of these contingent payments was estimated.

The production projections used in valuing its proved reserves as of June 30, 2011 were used as the basis for identifying the timing of the production payouts. The Company utilized a discount rate of 8% which is consistent with the rate used in valuing its asset retirement obligation and reflects the Company's credit adjusted incremental borrowing rate.

At September 30, 2011, the Transaction between MPC and NP was complete. As a result of the Transaction,

- MPC is the 100% owner of NP,
- NP is the 100% owner of the EPU and maintains a 78.65% WI in the NWP; and
- MPC created a new, wholly owned Delaware LLC, MPNA, and assigned its 100% ownership interest in NP to this entity.

The buy-out of the minority interest in NP from NT and ER was accounted for as an equity transaction with the impact reflected directly in equity at estimated fair value.

The acquisition of the 2.95% direct working interest in Poplar Field from NT was treated as a business combination for accounting purposes. The fair value of assets acquired and liabilities assumed were recorded at estimated fair value. This estimate was made based on Level 3 or unobservable inputs. Unobservable inputs are defined in authoritative guidance as inputs that reflect the Company's assumptions of what market participants would use in pricing the asset or liability based on the best information available at the time.

A deminimus amount of revenues and earnings related to the 2.95% WI acquired are included in the accompanying unaudited condensed consolidated statements of operations for the three months ended September 30, 2011. No pro forma financial results are provided for the three months ended September 30, 2011 or 2010, due to the immaterial effect.

The table below summarized the consideration paid to NT and ER under the PSA and the estimated fair value of the assets acquired and liabilities assumed for the WI acquired from NT:

	(in thousands)			
	Total	NT non-controlling interest in NP	NT working interest in Poplar Field	ER non-controlling interest in NP
Consideration paid to Sellers (2):				
Cash consideration	$4,000	1,920	823	1,257
Share consideration (1)	1,821	907	389	526
Fair value of Contingent Consideration	4,151	1,992	854	1,304
	$9,972	4,819	2,066	3,087
Recognized amount of identifiable assets acquired and liabilities assumed for Business combination:				
O&G assets - (proved)			$ 1,462	
O&G assets - Deep Intervals (unproved)			679	
ARO Liability			(75)	
			$ 2,066	

(1) Common stock valued at $1.54 per share closing price on the date of the transaction.
(2) Excludes transaction costs

Note 5 Registration Rights Agreement between the Company and the Nautilus Sellers

On September 2, 2011, in connection with the purchase of the non-controlling interest in NP (Note 4), the Company and the Nautilus Sellers entered into a Registration Rights Agreement ("RRA"), pursuant to which the Company granted to the Nautilus Sellers certain registration rights with respect to the shares owned by each Nautilus Seller and issued under the Nautilus PSA and, any securities issued or distributed in connection with such shares by way of stock dividend or stock split or other distribution or in connection with a combination of shares, recapitalization, reorganization, merger, consolidation, reclassification or otherwise and any other securities into which or for which shares of any other successor securities are received in respect of any of the foregoing ("Registrable Securities").

The Company agreed to pay all expenses associated with the registration of the Registrable Securities except the fees and disbursements of counsel to the Nautilus Sellers. The Company also agreed to indemnify each Nautilus Seller whose Registrable Securities are covered by a Registration Statement or Prospectus (each as defined in the RRA), each Nautilus Seller's officers, directors, general partners, managing members and managers, each person who controls (within the meaning of the Securities Act)) the Nautilus Seller and the officers, directors, general partners, managing members and managers of each such controlling person from and against any losses, claims, damages, or liabilities, expenses, judgments, fines, penalties, charges and amounts paid in settlement, as incurred, arising out of or based on certain untrue statements of material fact or certain omissions of material facts in any applicable Registration Statement and/or certain related documents. The agreement does not allow for liquidated damages.

On October 14, 2011, the Company filed a registration statement on Form S-3 with the SEC to register for public resale 1,182,742 shares of the Company's Common Stock acquired in the Nautilus Transaction by the Sellers ("Registration Statement"). On November 4, 2011, the Company filed a pre-effective amendment to the Registration Statement.

Note 6 Sale Agreement between Magellan Petroleum (N.T) Pty Ltd and Santos QNT Pty Ltd and Santos Limited

On September 14, 2011, Magellan Petroleum (N.T.) Pty Ltd ("Magellan NT"), a wholly owned subsidiary MPAL, entered into a Sale Agreement ("Santos SA"), dated September 14, 2011 with the Santos QNT Pty Ltd ("Santos QNT") and Santos Limited ("Santos Entities) (such transaction referred to herein as the "Santos Transaction"). The Santos SA is subject to the satisfaction of certain conditions by June 22, 2012. These conditions include approval of the Santos SA (and related transfers and dealings) under relevant petroleum legislation; Foreign Investment Review Board approval (which has now been obtained); execution of the GSPA (defined below); and certain third party approvals of the assignment of property interests, joint venture contracts and royalty obligations ("Conditions").

The Santos SA provides for the transfer of the following assets with effect as of July 1, 2011 (the "Effective Date"):

- Magellan NT's 35% interest in each of the Mereenie Operating Joint Venture (Petroleum Leases 4 and 5 ("Mereenie Titles") and associated property interests, related joint venture contracts (including a crude oil sales contract) and plant and equipment, subject to royalty obligations) and the Mereenie Pipeline Joint Venture (Pipeline License 2 and associated property interests, related joint venture contracts and plant and equipment) (collectively, "Mereenie Interests")) to Santos QNT, giving the Santos Entities a combined 100% interest in the assets of each of the Mereenie Operating Joint Venture and the Mereenie Pipeline Joint Venture;
- The Santos Entities' combined interests of 47.977% in the Palm Valley Joint Venture (Petroleum Lease 3 and associated property interests, related joint venture contracts (including a Gas Sales Agreement, see Note 8) and plant and equipment, subject to royalty obligations) ("Palm Valley Interests") and combined interests of 65.6635% in the Dingo Joint Venture (Retention License 2, associated joint venture contracts and plant and equipment, subject to royalty obligations) ("Dingo Interests") to Magellan NT, giving Magellan NT a 100% interest in the assets of each of the Palm Valley Joint Venture and the Dingo Joint Venture.

The cash consideration payable for the sale of the Mereenie Interests by Magellan NT is AUD $28.0 million (plus or minus adjustments for the period from the Effective Date to the date on which the Transaction is completed ("Completion"), which will occur five business days after the Conditions have been satisfied (or as otherwise agreed between the parties). In addition, during the

period from Completion until 20 years after the Effective Date, the Santos Entities will pay Magellan NT a series of contingent payments (the "Bonus Amounts"), based on meeting certain threshold volumes of net sales of petroleum from the Mereenie Titles ("Threshold Levels") set out in the Santos SA. If over a period of 90 consecutive days the average daily net sales volumes exceed a Threshold Level, then the corresponding Bonus Amount shall be paid. Each Bonus Amount is only payable once and is payable on the first occasion the relevant Threshold Level is achieved. If all Threshold Levels are achieved the cumulative Bonus Amount shall be AUD $17.5 million.

The cash consideration payable for the sale of the Palm Valley Interests by the Santos Entities is AUD $2.9 million (plus or minus adjustments for the period from the Effective Date to Completion). The cash consideration payable for the sale of the Dingo Interests by the Santos Entities is AUD $0.1 million (plus or minus adjustments for the period from the Effective Date to Completion).

Because this transaction has not yet been finalized, our consideration of the accounting implications of this transaction is not complete as of this filing, and for this reason we are not in a position to provide an estimate of the financial effect of the transaction on the Company. The Company does not expect to report discontinued operations related to the proposed Santos Transaction.

The book value of the assets and liabilities related to the Mereenie Interests have been separated and classified as held for sale in the unaudited condensed consolidated balance sheet at September 30, 2011 as set forth below in the table below:

	Opening Balance	Reclass to AHFS	Ending Balance at September 30, 2011
Inventory	$ 794,620	$ (212,919)	$ 581,701
Oil and gas properties	138,119,258	(103,466,244)	34,653,014
Land, buildings and equipment	3,815,690	(1,003,776)	2,811,914
Field equipment	6,307,014	(769,104)	5,537,910
Total properties and equipment	148,241,962	(105,239,124)	43,002,838
Accumulated depletion	(116,977,329)	103,950,626	(13,026,703)
Net property and equipment	$ 31,264,633	$ (1,288,498)	$ 29,976,135
Assets Held for Sale	$ —	$ 1,501,417	$ 1,501,417
Asset retirement obligation	$ 10,940,344	$ (6,223,114)	$ 4,717,230
Liability related to Assets Held for Sale	$ —	$ 6,223,114	$ 6,223,114

The assets held for sale ("AHFS") exclude goodwill. The Company intends to allocate the relative fair value of the goodwill to the assets being sold at the completion of the sale.

Note 7 Lease Purchase and Sale and Participation Agreement with VAALCO ENERGY (USA), INC.

On September 6, 2011 (the "Closing Date"), the Company and NP entered into a Lease Purchase and Sale and Participation Agreement (the "VAALCO PSA") with VAALCO ENERGY (USA), INC ("VAALCO").

Pursuant to the VAALCO PSA, the Company received $5.0 million in cash on September 7, 2011. VAALCO also agreed to drill three new wells (the "Obligation Wells"), at its sole expense as operator, to the Bakken formation and to formations below the Bakken (the "Deep Intervals") in Poplar Field. Upon completion of the Obligation Wells in the Deep Intervals of the Poplar Field, VAALCO will have earned a 65% working interest in the Deep Intervals within the Poplar Field. One well is required to be spud on or before June 1, 2012 and the second and third are required to be spud on or before December 31, 2012. One well will be drilled horizontally to test the Bakken Formation, one well will be drilled vertically to test the Red River Formation, and a third will be targeted at VAALCO's discretion. All production from an Obligation Well that is completed and the revenue from the sale thereof attributable to applicable leases shall be owned by Nautilus and VAALCO consistent with their working interests of 35% and 65%, respectively, subject to all applicable burdens and taxes. Under the VAALCO PSA, if VAALCO fails to drill and, if applicable, complete, any of the Obligation Wells in accordance with the agreement: (i) VAALCO will not be entitled to the assignment of the Deep Intervals; (ii) VAALCO shall have no further right to earn any interest in the Deep Intervals; (iii) the Company shall be entitled to retain the purchase price; (iv) VAALCO shall relinquish, effective as of the date of the failure, all of VAALCO's rights, title, and interest in any Obligation Well that has been drilled and, if applicable, completed; and the Company and NP shall have the right to terminate the VAALCO PSA. However, VAALCO shall be entitled to retain any production and the sale proceeds therefrom attributable to a relinquished Obligation Well that has accrued to VAALCO's credit prior to the effective date of the relinquishment.

The VAALCO PSA also provides a process for the resolution of title defects reported through December 31, 2011. If such title defects are reported and relate to a preferential right to greater than 10% of the leased assets, then VAALCO may cancel the agreement and shall be refunded the $5.0 million purchase price. If title defects result in a lower than the indicated acres in the contract, the Company shall be liable for such difference times $227 per acre. No material title defects have been reported to date, and the Company does not expect any title defects to be reported before December 31, 2011.

MPC has agreed to indemnify VAALCO from all liabilities relating to the property to the extent such liabilities are attributable to the period prior to September 6, 2011 and arose from the inaccuracy of any representations by MPC in the agreement. Such indemnity shall be subject to a $50,000 deductible amount and is capped at $3.0 million in the aggregate.

MPC and VAALCO have agreed that should either party during the two years subsequent to September 6, 2011 agree to acquire an interest in oil and gas leases within the area of mutual interest, then such acquiring party shall offer to the non-acquiring party the right to purchase its proportionate share of interest (65% for VAALCO, 35% for MPC) by paying its proportionate share of the acquisition price.

The accounting for this transaction is set forth in the table below:

	September 30, 2011 VAALCO PSA
Cash Consideration Received	$ 5,000,000
Net book value allocated to Deep Intervals (See Note 4)	$ (829,140)
Transaction costs	$ (63,859)
Gain on Sale recognized in Unaudited Condensed Consolidated Statement of Operations	$ 4,107,001

Note 8 Gas Supply and Purchase Agreement between Magellan Petroleum (N.T) Pty Ltd and Santos QNT Pty Ltd

On September 14, 2011, Magellan NT entered into a Gas Supply and Purchase Agreement (the "GSPA"), dated September 14, 2011, with the Santos Entities (such transaction referred to herein as the "Santos Gas Contract"). See Note 6.

The GSPA is subject to Completion occurring under the September 14, 2011 Santos SA between the parties ("Sale Agreement") and provides for the sale by Magellan NT to the Santos Entities of a total contract gas quantity of 25.65 Petajoules ("PJ") over the 17 year term of the GSPA, subject to certain limitations regarding deliverability into the Amadeus Pipeline.

The term of the GSPA shall commence on the later of Completion under the Santos SA, the first delivery of gas under a Concession GSPA (defined below) or January 16, 2012 (when the existing gas sales agreement for the Palm Valley Gas Field expires) and will expire if the total contract quantity is reached before the expiry of 17 years. Under the GSPA, the Santos Entities are required to use reasonable endeavors to enter into one or more agreements with their customers for the sale of gas solely from the Mereenie Gas Field, the Palm Valley Gas Field or other permissible fields under GSPA and that collectively will require an average aggregate daily contract quantity for each day during the term of the GSPA of not less than 5.86 Terajoules ("TJ") ("Concession GSPA").

The price for gas supplied by Magellan NT shall be the weighted average of the price obtained for all gas sold or to be sold by the Santos Entities from the Mereenie Titles during the relevant contract year.

The GSPA provides a detailed procedure to be followed by the parties in determining the amount of gas that will provided daily during each contract year. The maximum daily contract quantities under the GSPA ("Maximum DQ") are based on a maximum annual contract quantity, spread evenly over a year. In the last two (2) years of the term (known as the "Recovery Period"), the maximum annual contract quantity will be one half of the difference between the total contract quantity of 25.65PJ and what has been sold to the Santos Entities by Magellan NT up to that date. On any day, Magellan NT is obliged (subject to the usual exceptions for planned and unplanned maintenance and force majeure) to supply the lesser of the Maximum DQ, the daily contract forecast quantities provided by Magellan NT prior to the commencement of a contract year and 80% of the quantities nominated by the Santos Entities' customers under the Concession GSPAs ("Supply Obligation").

If the term of the GSPA does not commence by April 15, 2012 (90 days after the expiry of the existing gas sales agreement for the Palm Valley Gas Field):

- The Santos Entities will purchase gas in 2012 for a total price of AUD $2.0 million;

- Under the Santos SA, the Bonus Amount associated with lowest Threshold Level will decrease from AUD $5,000,000 to AUD $2,000,000 and the Bonus Amount associated with the second highest Threshold Level will be increased from AUD $250,000 to AUD $1,250,000.
- If a Concession GSPA is then entered part-way through 2012 the volume purchased (and the total price) will be decreased proportionately.

Because this transaction has not yet been finalized, our consideration of the accounting implications of this transaction is not complete as of this filing, and for this reason we are not in a position to provide an estimate of the financial effect of the transaction on the Company.

Note 9 Capital and Stock Based Compensation

On December 8, 2010, shareholders approved an amendment to the Company's 1998 Stock Incentive Plan to increase the authorized shares of common stock reserved for awards under the Plan by 2,000,000 shares, to a total of 7,205,000 shares. These authorized shares can take the form of non-qualified stock options, stock appreciation rights (SARs), restricted share awards, annual awards of stock to non-employee directors and performance-based awards.

Options and non-vested shares

As of September 30, 2011, there were 1,285,000 shares available for future issuance under the Plan.

The following is a summary of option transactions for the three months ended September 30, 2011:

Options Outstanding	Expiration Dates	Number of Shares	Exercise Price ($) Weighted Average
June 30, 2011	(7/1/14-8/2/20)	5,200,000	$ 1.49
Options exercised		(21,875)	$ 1.60
September 30, 2011		5,178,125	$ 1.49

Total non-cash stock based compensation included in the consolidated statements of operations for the three months ended September 30, 2011 was $ 395,632, as discussed below.

Non-employee options

There were no non-employee options issued during the three months ended September 30, 2011. In February 2009, the Company granted 262,500 time-based options, with an exercise price of $1.20 per share to John T. Wilson, our President and CEO, who was then a non-employee consultant to the Company.

Since these options were issued to a non-employee, the Company determined their fair value at the end of each reporting period. The related option expense was recognized in the unaudited condensed consolidated statements of operations using the accelerated method. Effective September 27, 2011, Mr. Wilson became the President and CEO of the Company. This change in status from non-employee to employee triggered a re-measurement of the fair value of these awards.

The fair value of these time-based options at September 27, 2011 was determined based on the Black-Scholes valuation model using the following assumptions:

Risk free interest rate	1.55%
Expected life	7.33 yrs
Expected volatility (based on historical price)	60.95%
Fair value at remeasurement	$ 219,172
Expire on	February 2, 2019

The expected life of the time-based options is the remaining contractual term. The Company recorded a non-cash charge of ($49,825) during the three months ended September 30, 2011 related to these non-employee time-based options for the period ended September 27, 2011. The credit entry was necessary to reverse previously recorded stock compensation expense related to the shares that were unvested as of the change in status from non-employee to employee. The unvested shares were then revalued as discussed above. Unrecognized compensation expense for these options is included below within the "employee option" section.

The Company recorded non-cash charges of $32,830 related to these time based options for the three months ended September 30, 2010.

Employee and Director option and share compensation

The Company's compensation policy is designed to provide the Company's directors with a portion of their annual Board compensation in the form of equity. The number of shares for each director award is, however, subject to a maximum annual cap of 15,000 shares. The Company issued 75,000 shares in July 2011, pursuant to this policy.

During the three months ended September 30, 2011, no stock options were issued to employees. During the quarter ended September 30, 2010, 800,000 stock options were issued to an employee, of which 400,000 were forfeited.

Non-cash compensation expense of $445,459 was recorded for employees and directors options and non-vested shares for the three months ended September 30, 2011 and is included in the unaudited condensed consolidated statements of operations for the period then ended. The fair value of the grants is being recognized over the requisite service period using the accelerated method. Unrecorded compensation expense for employee options was $661,233 as of September 30, 2011.

Employee and director non-cash option and unvested share expense of $262,123 and $87,500 respectively for the three months ended September 30, 2010 was reflected in the unaudited condensed consolidated statements of operations for the period then ended.

Note 10 (Income) Loss per Share

Income and losses per common share are based upon the weighted average number of common and common equivalent shares outstanding during the period. The reconciling items in the calculation of diluted earnings per share earnings per share are the dilutive effect of stock options, warrants and non-vested shares. The potential dilutive impact of non-vested shares is determined using either the treasury stock method or the two-class method, whichever leads to higher dilution. The dilutive impact of stock options and warrants is determined using the treasury stock method.

For the three months ended September 30, 2011, the Company had 7,697,826 options and warrants outstanding that had an exercise price below the average stock price that would have resulted in 1,719,815 incremental dilutive shares. The Company also had 104,167 non-vested shares of Company stock that would have resulted in 85,102 incremental dilutive shares for the three months ended September 30, 2011. There were no other potentially dilutive items at September 30, 2011.

For the three months ended September 30, 2010, the Company had 8,227,826 options and warrants outstanding that had an exercise price below the average stock price for the period that resulted in 2,438,677 incremental dilutive shares. The Company also had 208,334 non-vested shares of Company stock for the three months ended September 30, 2010, that resulted in 24,595 incremental dilutive shares for the period. There were no other potentially dilutive items at September 30, 2010. However, as a result of the net loss for the period, there was no dilutive effect.

Note 11 Segment Information

Prior to the Form 10-Q for the three months ended September 30, 2011, our reportable segments included MPC, NP and MPAL. During the current period, MPC completed a restructuring of its North American assets (See Note 4) resulting in a change to its reportable segments. Segment groupings for the three months ended September 30, 2010 have been reclassified to conform with the current presentation.

The Company has two reportable segments, MPAL and MPNA, as well as a head office which is treated as a cost center. The Company's chief operating decision maker is John Thomas Wilson (President and CEO) who reviews the results of the Australian and North American businesses on a regular basis. Both segments engage in business activities from which each may earn revenues and incur expenses. MPAL and its subsidiaries are considered one segment.

Segment information (in thousands) for the Company's two operating segments is as follows:

	MPAL	MPNA	Corporate Overhead	Inter-segment Elimination	Total
Three months ended September 30,					
2011					
Revenues	$ 2,504	$ 1,231	$ —	$ —	$ 3,735
Consolidated Net (loss) income attributable to MPC	$ (932)	$ 3,868	$ (1,993)	$ (3)	$ 940
Assets (1)	$44,615	$24,429	$67,669	$ (69,084)	$67,629
2010					
Revenues	$ 2,633	$ 1,066	$ —	$ —	$ 3,699
Consolidated Net (loss) income attributable to MPC	$ (1,173)	$ (91)	$ (2,112)	$ —	$ (3,376)
Assets (1)	$68,088	$21,266	$82,016	$ (77,223)	$94,147

(1) Goodwill attributable to MPAL was $4,021,000 and $674,000 was attributable to NP at September 30, 2011 and June 30, 2011.

Note 12 Exploration and Dry Hole Costs

Exploration and dry hole costs relate to the exploration work performed on MPAL's and MPNA's properties. Components of these costs are as follows:

	THREE MONTHS ENDED September 30,	
Exploration and Dry Hole Costs	**2011**	**2010**
MPAL - Australia	$ 250,487	$ 99,013
MPAL - United Kingdom	688,437	247,302
MPNA - Poplar Field	48,564	67,355
Total	$ 987,488	$ 413,670

Note 13 Asset Retirement Obligations

A reconciliation of the Company's asset retirement obligations for the three months ended September 30, 2011 was as follows:

Balance at June 30, 2011	$11,397,410
Liabilities acquired	74,542
Liabilities settled	—
Accretion expense	157,614
Revisions to estimate	—
Sale of assets	—
Reclassification to Liabilities related to assets held for sale (Note 6)	(6,223,114)
Exchange effect	(689,222)
Balance at September 30, 2011	$ 4,717,230

Note 14 Income Taxes

The Company has estimated the effective tax rate expected to be applicable for the full fiscal year. The federal and Australian effective rate used in providing for income taxes on a current year-to-date basis for the three months ended September 30, 2011 is 0% compared to 8% for the three months ended September 30, 2010. For the current fiscal year, we anticipate that we will be providing a full valuation allowance against our Australian and U.K. deferred tax assets. Tax assets are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carry forwards. A valuation allowance reduces deferred tax assets to estimated realizable value, which assumes that it is more likely than not that we will be able to generate sufficient future taxable income in certain tax jurisdictions to realize the net carrying value. We review our deferred tax assets and valuation allowance on a quarterly basis. As part of our review, we consider positive and negative evidence, including cumulative results in recent years. As a result of our review for the quarter ended September 30, 2011, we provided for a full valuation allowance against our Australian deferred tax assets, in addition to a valuation allowance against our U.K. deferred tax assets. We have reversed the valuation allowance on our U.S. deferred tax assets as we anticipate that we will utilize U.S. net operating loss and foreign tax credit carry forwards to offset federal tax on U.S. taxable income. However, such losses and credits are not available to offset state taxable income, thus resulting in the reported tax provision of $196,600.

We anticipate we will continue to record a valuation allowance against the losses of these jurisdictions until such time as we are able to determine it is "more-likely-than-not" the deferred tax asset will be realized. Such position is dependent on whether there will be sufficient future taxable income to realize such deferred tax assets.

Note 15 Investments

Marketable Securities

At September 30, 2011, MPC held the following marketable securities which are expected to be held until maturity:

September 30, 2011	Par Value	Maturity Date	Carrying Amount	Fair Value
Short-term securities				
U.S. Treasury Bills	$ 600,000	October 13, 2011	$ 599,993	$ 599,994
U.S. Treasury Bills	600,000	November 25, 2011	599,989	599,964
U.S. Treasury Bills	600,000	December 15, 2011	599,988	599,976
U.S. Treasury Bills	600,000	January 12, 2012	599,912	599,946
Total	$2,400,000		$ 2,399,882	$2,399,880

At June 30, 2011, MPC did not have any marketable securities.

Securities Available-for-Sale

The Company classifies securities that have a readily determinable fair value and are not bought and held principally for the purpose of selling them in the near term as securities available-for-sale. Unrealized holding gains and losses for available-for-sale securities are excluded from earnings and reported in accumulated other comprehensive income until realized. Net unrealized loss related to these securities was $33,772 and is included in accumulated other comprehensive income. The Company held the following securities classified as available for sale at September 30, 2011 and June 30, 2011:

September 30, 2011	Fair Value
Equity securities	$204,298

June 30, 2011	Fair Value
Equity securities	$238,070

Note 16 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. The three levels are defined as follows:

- Level 1: Quoted Prices in Active Markets for Identical Assets – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Significant Other Observable Inputs – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3: Significant Unobservable Inputs – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers 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 for all periods presented.

Items required to be measured at fair value on a nonrecurring basis include the assets acquired and liabilities assumed related to the acquisition of an additional 2.95% working interest in Poplar Field and the contingent payments recorded pursuant to that transaction (see Note 4).

The Company's items to which recurring fair value measurements apply are securities available-for-sale, which are classified as Level 1 in the fair value hierarchy. These investments are traded in active markets and quoted prices are available for identical investments.

Cash balances were $9,033,547 as of September 30, 2011 and the remaining $16,689,669 was held in time deposit accounts in several Australian banks that have terms of 90 days or less, and are therefore classified as cash equivalents. The fair value of cash equivalents approximates carrying value due to the short term nature of those instruments.

The following table presents the amounts of assets carried at fair value at September 30, 2011 and June 30, 2011 by the level in which they are classified within the valuation hierarchy:

Description	Fair Value Measurements at September 30, 2011 using Quoted Prices in Active Markets for Identical Assets Level 1	Fair Value Measurements at June 30, 2011 using Quoted Prices in Active Markets for Identical Assets Level 1
Securities available-for-sale	$ 204,298	$ 238,070

Note 17 Debt

The Company's long-term debt consists of the following:

	September 30, 2011
Note Payable to bank in monthly installments of varying amounts plus interest, at 6.25% through June 25, 2014	$ 1,278,438
Less current portion	$ 540,000
Long-term debt, excluding current portion	$ 738,438

The following is a summary of principal maturities of long-term debt:

Less than 1 year	$ 540,000
One to Three Years	$ 738,438
Total	$ 1,278,438
Short Term Line of Credit	$ 700,000

The variable rate of the note is based upon the Wall Street Journal Prime Rate (the index) plus 3%, subject to a floor rate of 6.25%. The index was 3.25% at September 30, 2011, resulting in an interest rate of 6.25% per annum as of September 30, 2011. Under the note payable, NP is subject to both financial and non-financial covenants. The financial covenant is to maintain a debt service coverage ratio, as defined, of 1.2 to 1.0, which is calculated based on NP's annual tax return. As of September 30, 2011, based upon the FY2010 tax return, NP was in compliance with the financial covenant.

The Company also has a $1,000,000 working capital line of credit with the same bank, classified as short term debt. The total amount due on the line at September 30, 2011 was $700,000. The line bears interest at a variable rate which was 6.50% as of September 30, 2011. A portion of this line of credit, $25,000, secures a letter of credit that is in favor of the Bureau of Land Management and another $25,000 of this revolving line of credit secures a business credit card used by NP. As of September 30, 2011, $250,000 is available under this line of credit.

The note payable to bank, letter of credit and the short term line of credit are collateralized by first mortgages and assignment of production for the Poplar Field and are guaranteed by MPC up to $6,000,000, not to exceed the amount of the principal owed.

The carrying amount of the Company's long term debt approximates its fair value, because of the variable rate, which resets based on the market rates.

Note 18 Related Party Transactions

The Company leases its Denver office (the office of NP) from an entity owned, in part, by John Thomas Wilson, President and CEO of the Company. The lease expires February 2012. The total paid to such entity under this arrangement for the three months ended September 30, 2011 and 2010 was $18,074 and $18,074, respectively.

J. Robinson West, Chairman of the Board of Directors is Chairman, Founder and CEO of PFC Energy (PFC), which has served as a consultant on various Australian projects. MPC had accrued liabilities of $48,100 and $182,740 as of September 30, 2011 and September 30, 2010, respectively, for consulting services which expense is included in the statements of operations for the three months ended September 30, 2011 and 2010, respectively.

Please refer to Note 4 for more information on the transactions with NT and ER during the three months ended September 30, 2011.

Young Energy Prize SA ("YEP"), a Luxembourg corporation and the Company's largest shareholder, was engaged by the Company to help assist in the funding of the Evans Shoal Transaction. Mr. Nikolay Bogachev, a director of the Company since July 2009, is the President and CEO of YEP as well as an equity owner of YEP.

On August 5, 2010, the Company executed a Securities Purchase Agreement (the "Second Purchase Agreement"), an Investor's Agreement and Memorandum of Agreement with YEP to finalize the terms of its second Private Investment in a Public Equity ("PIPE"). Pursuant to the terms of the Second Purchase Agreement, the Company is required to use the proceeds from the PIPE to close the Evans Shoal Transaction. On February 11, 2011 and February 17, 2011, the Company and YEP executed amendments to the Second Purchase Agreement. On February 17, 2011 the Company and YEP also executed an Investment Agreement to document the terms of additional financing to be provided by YEP to the Company in order to facilitate the closing of the Evans Shoal Transaction as well as an amendment to the Investment Agreement.

Since the Amended Asset Sales Agreement has been terminated and MPAL has received back the additional (AUD) $10 million deposit made in connection with the Evans Shoal Transaction, the transactions contemplated by the Second Purchase Agreement, as amended, and the Investment Agreement, as amended, have not closed. As of October 12, 2011, the Company and YEP terminated these agreements.

Note 19 Commitments & Contingencies

Please refer to Note 4 for information regarding the contingent payments to the "Sellers" of the non-controlling interest of NP. Please refer to the Commitments and Contingencies table in our Form 10-K as of June 30, 2011, for information on all other commitments and contingencies.

Note 20 Subsequent Events

The Company has evaluated subsequent events and noted no additional events that require recognition or disclosure at November 14, 2011.

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

Forward Looking Statements

Our disclosure and analysis in this report contains forward-looking information that involves risks and uncertainties. Our forward-looking statements express our current expectations or forecasts of possible future results or events, including projections of future performance, statements of management's plans and objectives, future contracts, and forecasts of trends and other matters. Forward-looking statements speak only as of the date of this filing, and we undertake no obligation to update or revise such statements to reflect new circumstances or unanticipated events as they occur. You can identify these statements by the fact that they do not relate strictly to historic or current facts and often use words such as "anticipate", "estimate", "expect", "believe", "will likely result", "outlook", "project" and other words and expressions of similar meaning. No assurance can be given that the results in any forward-looking statements will be achieved and actual results could be affected by one or more factors, which could cause them to differ materially. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Among these risks and uncertainties are: (1) the ability of Magellan and Santos to complete and implement the terms of the asset swap in the Amadeus Basis and the related gas sales agreement; (2) whether the Company can successfully achieve cost savings while delivering revenue growth; (3) whether the work-overs, recompletions and other drilling at Poplar will result in increased production and cash generation and/or will otherwise successfully assist in the development of the Poplar Field; and (4) the production levels from the properties in which Magellan, through its subsidiaries, have interests, the recoverable reserves at those properties and the prices that will ultimately be applied to the sale of such reserves. Any forward-looking information provided in this report should be considered with these factors in mind. Magellan assumes no obligation to update any forward-looking statements contained in this report, whether as a result of new information, future events or otherwise.

Executive Summary

Overview

Magellan is engaged in the sale of oil and gas with a strategy focused on creating long-term value through the acquisition and redevelopment of "under-exploited" conventional reserves and through the exploration of unconventional reserves. We have high quality assets with strong development potential and a robust cash balance to fund these developments.

The financial results of the first quarter include the partial-period impact of two material transactions. Effective September 1, 2011, Magellan purchased the non-controlling interests in NP and in the Poplar Field such that Magellan now owns a 100% interest in the Poplar Field.

On September 2, 2011, Magellan executed a farm-out agreement with VAALCO for the Poplar Field deep rights. Under the terms of the VAALCO farm-out, we received $5.0 million in cash (roughly $227 per acre) and a commitment to drill three deep wells, at least one of which will be horizontal. These wells will be expensive, a consideration in our decision, but, more importantly, VAALCO is skilled and experienced in these deeper plays and brings significant operational capability.

Separately, on September 14, 2011 Magellan executed a Sale Agreement with Santos QNT Pty Ltd ("Santos") and a related Gas Supply and Purchase Agreement, the impact of which is not reflected in our first quarter results. Completion of these agreements with Santos remains subject to customary government and third party approvals, which Magellan and Santos are working diligently to achieve. By swapping our ownership interests with Santos, we will for the first time in our history own and operate 100% of our Australian productive base (the Palm Valley and Dingo Fields) and enjoy the flexibility to develop these assets according to our own needs. At the same time, our gas sales agreement with Santos, who will now own 100% of the Mereenie Field, will provide Magellan with over $100.0 million in future revenue while preserving a key strategic relationship.

For a complete description of these transactions please see Note 20 of our Form 10-K for the year ended June 30, 2011. The Company was also refunded AUD $10.0 million on July 22, 2011 following the termination of the Evans Shoal Assets Sale Deed with Santos Offshore Pty Ltd.

Since the middle of summer, Magellan has been implementing an extensive program of work-overs and recompletions at the Poplar Field. For part of this period, one of the Company's five water disposal wells was temporarily shut-in, constraining the field's oil production capacity. In addition, the Company began the completion work for the EPU 119 well, which was initially spudded in October 2010 and cored and analyzed through January 2011, to test various formations of the Poplar Field, including the Bakken formation.

Financial Results Discussion

For the quarter ending September 30, 2011, Magellan recorded a net income of $0.9 million, compared to a net loss of $3.4 million in quarter ended September 30, 2010.

Magellan generated revenues of $3.7 million for the quarter ending September 30, 2011. The Company's revenues were essentially flat compared to the same period in 2010, when revenues also amounted to $3.7 million. This was achieved despite the loss of the contribution from Amadeus Gas Trust ("AGT") revenues. The AGT revenue stream ended June 2011, in line with the terms of the settlement with Power Water Corporation agreed in 2005. The AGT revenue contributed $1.1 million in the quarter ended September 30, 2010 and $4.6 million for the year ended June 30, 2011. During the quarter ended September 30, 2011, Magellan's oil sales increased by $1.1 million, primarily due to increased production at Mereenie. Although Poplar contributed increased revenues of $0.2 million, this was primarily driven by increased realized prices while production from the Poplar Field was constrained by the Company's shut-in of a salt-water disposal injection well.

Magellan's operating income for the quarter ending September 30, 2011 was a $0.9 million income, compared with an operating loss of $4.0 million for the same period in 2010. Following the farm-out agreement with VAALCO dated September 6, 2011, Magellan recorded a gain of $4.1 million.

Production costs for the quarter ending September 30, 2011, increased by $1.2 million to $3.0 million from $1.8 million at September 30, 2010. The increase primarily resulted from increased production costs at Mereenie in the form of incremental expenses of approximately $800,000 and increased production costs at Poplar Field in the form of higher maintenance costs over the period resulting from our work-over program. Furthermore, on an aggregate basis, salaries, auditing, accounting and legal services, and other administrative expenses, amounted to $3.0 million and were essentially flat for the recent quarter ending September 30, 2011 compared to the same period in 2010. However, this reflects an increase of approximately $450,000 in auditing, accounting and legal services, which was mitigated by an approximate decrease of $615,000 in other administrative expenses driven by reduced consulting and transaction related expenses.

Exploration and dry hole costs amounted to approximately $1.0 million for the quarter ending September 30, 2011, compared to $414,000 for the same period in 2010. These costs increased primarily due to increased work activities for technical personnel (geologists and engineers) to hold and evaluate the license permits in the U.K. and Australia. The cost of the work program at the Poplar Field of $934,000 was capitalized for the three month period ended September 30, 2011.

Management is committed to achieving cost savings while delivering revenue growth. Our balance sheet remains strong with minimal financial debt and $25.7 million in cash and cash equivalents as of September 30, 2011, excluding proceeds from the completion of the Sale Agreement with Santos.

Operational Results

North America - NP

Production volumes, net of royalties, were 14,766 bbls net to Magellan at an average price of $83.00/bbl for the quarter ended September 30, 2011 or 8% less total oil production compared to the quarter ended September 30, 2010. This production decrease was temporary and due to a water disposal well being shut in, which constrained the Company's oil production capability. This water disposal well was re-activated on October 3, 2011.

Poplar Field: During the quarter ending September 30, 2011, the Company started a significant program of activities at the Poplar Field to increase production and cash generation, to further refine our knowledge of the field and to prepare for a more extensive development plan. These activities consisted in work-overs, recompletions, and initiating the drilling of a series of infill wells. The results of the work program will be updated by the Company as material results become further ascertained.

With respect to the infill wells program, the first infill well, EPU 119, was completed during the week of October 17, 2011 in the B-2 zone of the Charles formation. Swab testing indicates oil production of approximately 45 barrels per day. Following several weeks of pump-testing, the Company will evaluate a second interval in this well given the significant upside potential in several zones behind pipe. EPU 119 is the well that was spud in October 2010 and used to test several formations including the Bakken formations.

The second infill well, EPU 117, was spud on October 10, 2011 and drilled to a total depth of 4,935 feet. The drilling rig was released on October 19, 2011. Results of the completion of the EPU 117 will be released when established.

Poplar Field – Farm-out activity: Following the closing of the farm-out agreement with VAALCO, VAALCO is required to drill a first well in the Baaken and deeper formations of the Poplar Field by June 1, 2012. Magellan and VAALCO have cooperated and identified an appropriate location for the drilling of this first well. The Company expects that VAALCO will spud this first well, EPU 120, in early December 2011, in advance of our contractual obligations.

Australia

Production volumes, net of royalties, were 0.179 BCF of gas and 15,196 bbls of oil net to Magellan for the quarter ended September 30, 2011 or 2% less total gas production and 20% more total oil production compared to the quarter ended September 30, 2010.

Furthermore, upon completion of the Sale Agreement with Santos, the Company will have disposed of its interest in Mereenie and will become the sole owner and operator of Palm Valley and Dingo. Magellan is preparing for the impact of this asset rationalization on its operations.

Mereenie: There were no natural gas sales at Mereenie during the quarter ending September 30, 2011 since no new gas sales contract were entered into. The Mereenie oil and gas field which is operated by Santos produced a gross average of approximately 544 bbls of oil and condensate per day for sale during the reporting period. The average price of oil at Mereenie was AUD $112.63/bbl for the quarterly period ended September 30, 2011 compared to AUD $83.98/bbl for the quarter ended September 30, 2010.

Palm Valley: The Palm Valley gas field which is operated by the Company produced a gross average of approximately 4.5 million cubic feet per day (MMcf/D) of natural gas for sale during the quarter ending September 30, 2011.

United Kingdom

In the Weald Basin of Southern England, the Company (40% interest) participated in the Markwells Wood-1 exploration well, which was drilled in PEDL 126 in December 2010. During the quarter, the Markwells Wood-1 well was completed for production using a work over rig and surface facilities installed to allow the conduct of a production test to establish pressures and flow rates in the existing wellbore. The Operator Northern Petroleum is finalizing the surface arrangements for crude oil sales. Production testing is anticipated to start in November 2011. The Company expects the Operator to request approval for an extended period of 90 days.

Critical Accounting Policies

Preparation of the Company's condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management believes the most complex and sensitive judgments, because of their significance to the condensed consolidated financial statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Management's Discussion and Analysis and the Notes to Consolidated Financial Statements in the Company's Form 10-K for the year ended June 30, 2011, describe the significant accounting estimates and policies used in preparation of the Consolidated Financial Statements. Actual results in these areas could differ from management's estimates. There have been no significant changes in the Company's critical accounting policies and significant estimates since June 30, 2011.

Consolidated Liquidity and Capital Resources

Historically, we have funded our acquisition and development activities from cash from operations and our existing cash balance. On a consolidated basis, the Company had approximately $25.7 million of cash and cash equivalents at September 30, 2011, compared with $28.2 million as of September 30, 2010. In addition, upon completion of the Sale Agreement with Santos, the Company is due to receive additional net cash proceeds of AUD $25 million.

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 were $9.0 million as of September 30, 2011 and the remaining $16.7 million was held in time deposit accounts in several Australian banks that have terms of 90 days or less. The impact of foreign exchange rates changes on cash and cash equivalents was a $1.3 million loss for the quarter ended September 30, 2011 compared to a gain of $2.5 million for the same period in 2010.

Cash Flows

	September 30, 2011	September, 30 2010
Cash (used in) provided by (in thousands):		
Operating activities	$ (2,026)	$ (983)
Investing activities	11,475	(7,029)
Financing activities	(2,824)	42

Cash used in operating activities during the three months ended September 30, 2011 and 2010 was ($2.0) million and ($1.0) million, respectively. The Company incurred a loss in foreign exchange of approximately $560,000 which was offset by cash provided by the change in operating assets and liabilities of $480,000.

Cash provided by (used in) investing activities was $11.5 million during the three months ended September 30, 2011, compared to cash used of ($7.0) million over the same period in 2010. The $11.5 million cash inflow for the quarter ending September 30, 2011, primarily resulted from the $10.9 million refund of the Evans Shoals escrow deposit and corresponding interest to MPAL, as well as the $5.0 million received from VAALCO Energy (USA), Inc. (See Note 8) for the farm-out of the Bakken and deep rights of the Poplar Field. This was offset by the net purchase of marketable securities of $2.4 million, which compares to a net purchase of $6.4 million for the same period last year, and cash expended in the U.K. and Poplar Field for capitalized oil and gas exploration and development of $1.2 million.

Cash (used in) provided by financing activities was ($2.8) million and $42,000 during September 30, 2011 and 2010, respectively. During the quarter ended September 30, 2011, $3.4 million was expended for the purchase of non-controlling interest in NP and related transaction costs and debt drawings exceeded debt repayments by $0.6 million.

Term Loans

As of September 30, 2011, Magellan had $1.3 million outstanding under a term loan facility and $700,000 drawn under a working capital line of credit, both issued by Jonah Bank of Wyoming.

Term Loans consisted of the following (in thousands):

	September 30, 2011	September 30, 2010
Notes payable to bank in monthly installments of varying amounts plus interest, at 6.25% through June 25, 2014	$ 1,278,438	$ 571,118
Less current maturities	(540,000)	(451,585)
Term Loans – noncurrent	$ 738,438	$ 119,533

The variable rate of the note is based upon the Wall Street Journal Prime Rate (the index) plus 3%. The index was 3.25% at September 30, 2011, resulting in an interest rate of 6.25% per annum as of September 30, 2011. Under the note payable, NP is subject to both financial and non-financial covenants. The financial covenant is to maintain a debt service coverage ratio, as defined, of 1.2 to 1.0, which is calculated based on NP's annual tax return. As of September 30, 2011 based upon the FY2010 tax return, NP was in compliance with the financial covenant.

The Company also has a $1,000,000 working capital line of credit with the same bank, classified as short term debt. The total amount due on the line at September 30, 2011 was $700,000. The line bears interest at a variable rate which was 6.50% as of September 30, 2011. A portion of this line of credit, $25,000, secures a letter of credit that is in favor of the Bureau of Land Management and another $25,000 of this revolving line of credit secures a business credit card used by NP. As of September 30, 2011, $250,000 is available under this line of credit.

The note payable to bank, letter of credit and the short term line of credit are collateralized by first mortgages and assignment of production for the Poplar Field and are guaranteed by MPC up to $6,000,000, not to exceed the amount of the principal owed.

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. NP has a letter of credit of $25,000, issued by a bank, in favor of the Bureau of Land Management to cover possible future environmental issues and another $25,000 will secure a business credit card used by NP.

CONTRACTUAL OBLIGATIONS

Please refer to Note 4 for information regarding the contingent payments to the "Sellers" of the non-controlling interest of NP. Please refer to the Contractual Obligations table in our Form 10-K as of June 30, 2011, for information on all other contractual obligations.

Three Months Ended September 30, 2011 vs. September 30, 2010
REVENUES AND OTHER INCOME

Significant changes in revenues and other income were as follows:

	THREE MONTHS ENDED September 30,			
	2011	2010	$ Variance	% Variance
Oil sales	$3,295,661	$2,170,646	$ 1,125,015	52%
Gas sales	477,837	409,260	68,577	17%
Other production related revenues	(38,150)	1,119,275	(1,157,425)	(103)%
Investment income	270,958	246,316	24,642	10%

OIL SALES INCREASED by 52% for the three months ended September 30, 2011, relative to the same period in 2010. In Australia, oil sales increased by $964,000, primarily due to the 20% increase in volume, the 34% increase in price, and the 16.5% increase in the average exchange rate discussed below. In the U.S., oil sales increased by $161,000. This was due to the average price per barrel increase of 26% offset by an 8% decrease in volume.

Oil unit sales (after deducting royalties) in barrels (bbls) and the average price per barrel sold during the periods indicated were as follows:

	THREE MONTHS ENDED September 30,					
	2011 Sales		2010 Sales			
	BBLS	AVERAGE PRICE A. $ PER BBL	BBLS	AVERAGE PRICE A. $ PER BBL	%Variance BBLS	% Variance A. $ PER BBL
Australia (in AUD):						
Mereenie field	15,196	$ 112.63	12,659	$ 83.98	20%	34%
	BBLS	AVERAGE PRICE U.S. $ PER BBL	BBLS	AVERAGE PRICE U.S. $ PER BBL	%Variance BBLS	% Variance U.S. PER BBL
United States (in USD)						
Poplar Fields	14,766	$ 83.00	16,107	65.80	(8)%	26%

GAS SALES INCREASED by $68,000 or 17% for the three months ended September 30, 2011 relative to the same period in 2010. In Australia, gas sales increased primarily due to the 16.5% increase in the average exchange rate discussed below and the 2% increase in the average price per MCF, offset by the 2% decrease in volume.

The volumes in billion cubic feet (bcf) (after deducting royalties) and the average price of gas per thousand cubic feet (mcf) sold during the periods indicated were as follows:

	THREE MONTHS ENDED September 30,					
	2011 Sales		2010 Sales			
	BCF	AVERAGE PRICE A. $ PER MCF	BCF	AVERAGE PRICE A. $ PER MCF	%Variance BCF	% Variance A. $ PER MCF
Australia: Palm Valley	0.179	2.31	0.183	2.27	(2)%	2%

OTHER PRODUCTION RELATED REVENUES DECREASED due to the Amadeus Gas Trust (AGT) revenue source that ended on June 30, 2011. The $38,150 credit adjustment arises from a debit note processed in July 2011 to correct the estimate of revenues performed in June 2011.

INVESTMENT INCOME INCREASED primarily due to the 16.5% increase in the average foreign exchange rate discussed below.

OPERATING AND OTHER EXPENSES

Significant changes in operating and other expenses were as follows:

	THREE MONTHS ENDED September 30,			
	2011	2010	$ Variance	% Variance
Production costs	$ 3,017,875	$1,839,163	$ 1,178,712	64%
Exploration and dry hole costs	987,488	413,670	573,818	139%
Salaries and employee benefits	1,149,105	941,676	207,429	22%
Depletion, depreciation and amortization	316,860	989,338	(672,478)	(68)%
Auditing, accounting and legal services	691,556	238,451	453,105	190%
Other administrative expenses	1,134,226	1,749,532	(615,306)	(35)%
Foreign transaction (gain) loss	(562,280)	1,203,532	(1,765,812)	(147)%
Gain on sale of assets	(4,107,720)	(20,142)	(4,087,578)	20,294%
Income tax (benefit) provision	198,326	(301,336)	499,662	(166)%

PRODUCTION COSTS INCREASED by $1,178,000, or 64% for the three months ended September 30, 2011 relative to the same period in 2010. In Australia, production costs increased by $958,000, primarily due to the increased field material and other production costs at Mereenie ($800,000) and the 16.5% increase in the average foreign exchange rate discussed below. In the U.S., production costs increased by $220,000 due to maintenance costs incurred in September 2011.

EXPLORATION AND DRY HOLE COSTS INCREASED by $573,000 or 139% for the three months ended September 30, 2011 relative to the same period in 2010. At MPAL, the increase in exploration costs were primarily due to the exploration costs in the U.K and the 16.5% increase in the average foreign exchange rate discussed below. In the U.S., exploration costs remained stable for the three months ended September 30, 2011 relative to the same period in 2010.

SALARIES AND EMPLOYEE BENEFITS INCREASED by $207,000 or 22% for the three months ended September 30, 2011 relative to the same period in 2010. In Australia, the increase of $80,000 is primarily due to the 16.5% increase in the average foreign exchange rate discussed below. In the U.S., salaries and employee benefits costs increased by $127,000, which included a $57,000 increase in non-cash stock compensation expense as well as the year over year increase due to additional headcount.

DEPLETION, DEPRECIATION AND AMORTIZATION DECREASED by $673,000 or 68% for the three months ended September 30, 2011 relative to the same period in 2010. In Australia, costs were down by $517,000 because MPAL's Australia oil and gas assets were fully depleted as of September 30, 2010. As of June 30, 2010, MPAL SEC defined reserves for oil were non-economic.

As a result, the O&G assets were fully depleted down to their salvage value, even though, Mereenie continues to produce oil. In the U.S., depletion, depreciation and amortization expense was down by $156,000 due to decreased production volumes of temporarily shut-in wells.

AUDITING, ACCOUNTING AND LEGAL SERVICES INCREASED by $453,000 for the three months ended September 30, 2011 relative to the same period in 2010. In the U.S., costs increased by $288,000, primarily due to an unanticipated increase in costs relating to the annual audit ($250,000). In Australia, the increase in costs, $165,000 was primarily due to increased legal fees related to the Evans Shoal Transaction and the 16.5% increase in the average foreign exchange rate discussed below.

OTHER ADMINISTRATIVE EXPENSES DECREASED by $615,000 for the three months ended September 30, 2011 relative to the same period in 2010. This decrease was primarily due to the Evans Shoal Transaction related travel costs and consulting expenses incurred in the three months ended September 30, 2010 that were not incurred in the same period in 2011.

FOREIGN TRANSACTION (GAIN) LOSS account represents transactions gains and losses that result from the translation of cash accounts held in foreign currencies, which fluctuates depending on the change in exchange rates discussed below as well as changes in the account balances.

GAIN ON SALE OF ASSETS reflects the gain on the VAALCO Sale.

INCOME TAX PROVISION INCREASED primarily due to estimated state taxes accrued relating to the gain from the VAALCO Sale. As a result of our review for the quarter ended September 30, 2011, we provided for a full valuation allowance against our Australian deferred tax assets, in addition to a valuation allowance against our U.K deferred tax assets. We have reversed the valuation allowance on our U.S. deferred tax assets as we anticipate that we will utilize U.S. net operating loss and foreign tax credit carry forwards to offset federal tax on U.S. taxable income. However, such losses and credits are not available to offset state taxable income, thus resulting in the reported tax provision.

We anticipate we will continue to record a valuation allowance against the losses of these jurisdictions until such time as we are able to determine it is “more-likely-than-not” the deferred tax asset will be realized. Such position is dependent on whether there will be sufficient future taxable income to realize such deferred tax assets.

EXCHANGE EFFECT - the value of the Australian dollar relative to the U.S. dollar decreased to 0.9792 at September 30, 2011 compared to a value of 1.05951 at June 30, 2011. This resulted in a $1,241,903 decrease to the foreign currency translation adjustments account for the three months ended September 30, 2011. The average exchange rate used to translate MPAL’s operations in Australia was 1.0519 for the quarter ended September 30, 2011, which was an 16.5% increase compared to the .903118 rate for the quarter ended September 30, 2010.

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 investment in marketable securities. The exchange rates between the Australian dollar and the U.S. dollar, as well as the exchange rates between the Australian dollar and the U.K. pound sterling, have changed in recent periods and may fluctuate substantially in the future. Any change in the exchange rate between the Australian and U.S. dollar could have a negative impact on our revenue, operating income and net income. Because of our U.K. development program, a portion of our expenses, including exploration costs and capital and operating expenditures will continue to be denominated in U.K. pound sterling. Accordingly, any material appreciation of the U.K. pound sterling against the Australian and U.S. dollars could have a negative impact on our business, operating results and financial condition. A 10% change in the Australian foreign currency rate compared to the U.S. dollar would increase or decrease revenues and expenses by $0.4 million and $0.3 million, respectively, for the three months ended September 30, 2011.

For the three months ended September 30, 2011, oil sales represented approximately 88% of total oil and gas revenues. Based on the current three month’s sales volume and revenues, a 10% change in oil price would increase or decrease oil revenues by $0.3 million. Gas sales, which represented approximately 12% 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 and the gas prices are set according to long term contracts that are subject to changes in the Australian Consumer Price Index (ACPI) for the three months ended September 30, 2011.

At September 30, 2011, the value of our investments in available-for-sale-securities was $ 204,298.

ITEM 4 CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including John Thomas Wilson, the Company's President and CEO, and Antoine J. Lafargue, the Company's Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities and Exchange Act of 1934) as of September 30, 2011. During the current period ended September 30, 2011, Management found no deficiencies as a result in its evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. However, because the reliability of the internal control process requires repeatable execution, the successful remediation of the material weakness identified in our prior fiscal year will require review and evidence of effectiveness for more than one quarter prior to management concluding that the controls are now effective. Accordingly, the Company's CEO and CFO concluded that the Company's disclosure controls and procedures were ineffective at September 30, 2011 due to the un-remediated material weaknesses described in Item 9A of the Company's Form 10-K for the period ended June 30, 2011. However, the Company believes that the consolidated financial statements included in this Form 10-Q fairly present, in all material respects, the Company's financial position, results of operations and cash flows for the periods presented.

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 September 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting, except those described below.

The Company continues to work with its third party accounting experts to improve its process surrounding the Statement of Cash Flows including the following steps:

- The Company has augmented its financial reporting and technical accounting resources to enable more detailed and rigorous reviews of the cash flow statement preparation process.
- Improved communication surrounding new or unusual transactions.
- Conducting additional training of subsidiary personnel to assist in the preparation of documents supporting the preparation of the statement of cash flows.
- Regular reports will be issued to the Audit Committee and Board of Directors as to the planned improvements and progress of said remediation.

MAGELLAN PETROLEUM CORPORATION
FORM 10-Q
PART II - OTHER INFORMATION
September 30, 2011

ITEM 1A RISK FACTORS

Item 1A, ("Risk Factors") of our most recently filed Form 10-K sets forth information relating to important risks and uncertainties that could materially affect our business, financial condition or operating results. Except as described below, there have been no material changes from the Risk Factors described in our Annual Report on Form 10-K for the year ended June 30, 2011; however, those Risk Factors continue to be relevant to an understanding of our business, financial condition and operating results and, 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.

There is a risk that the Mereenie/Palm Valley swap transactions will not be completed, or timely completed, because of a failure to satisfy the specified conditions to the closing;

There is a risk that VAALCO's well drilling efforts will not be successful.

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ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Share Repurchase Plan

The following schedule sets forth the number of shares that the Company has repurchased under any of its repurchase plans for the stated periods, the cost per share of such repurchases and the number of shares that may yet be repurchased under the plans:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan (1)	Maximum Number of Shares that May Yet Be Purchased Under Plan
July 1-31, 2011	—	—	—	319,150
August 1-31, 2011	—	—	—	319,150
September 1-30, 2011	—	—	—	319,150

(1) The Company through its stock repurchase plan may purchase up to one million shares of its common stock in the open market. Through September 30, 2011, the Company had purchased 680,850 of its shares at an average price of $1.01 per share or a total cost of approximately $686,000, all of which shares have been cancelled.

Sale of Unregistered Securities

On September 2, 2011, MPC, NP and the members of NT and ER (the members of NT and ER, collectively, the "Sellers") entered into the PSA setting forth the terms of MPC's acquisition of all the membership interests of NT and ER. This transaction is described in Note 4 (Acquisition of a minority interest in Nautilus Poplar LLC and acquisition of additional working interest) to the consolidated financial statements included in Item 1 of this quarterly report, which description is hereby incorporated by reference into this Item 2 in its entirety

ITEM 5 – OTHER EVENTS

None.

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ITEM 6 EXHIBITS

2.1	Lease Purchase and Sale and Participation Agreement between and among the Company, Nautilus Poplar LLC and VAALCO Energy (USA), Inc., dated as of September 6, 2011, is filed herewith.
2.2	Purchase and Sale Agreement between and among the Company, the members of Nautilus Technical Group LLC ("Nautilus Tech") and Eastern Rider LLC ("ER") (collectively, the "Nautilus Sellers"), to acquire all of the membership interests in Nautilus Tech and ER, dated as of September 2, 2011, is filed herewith.
2.3	Sale Agreement between and among Magellan Petroleum (N.T.) Pty Ltd ("Magellan NT"), a wholly owned subsidiary of MPAL, Santos QNT Pty Ltd ("Santos QNT") and Santos Limited ("Santos Entities"), dated September 14, 2011, is filed herewith.
3.1	Restated Certificate of Incorporation as filed on May 4, 1987 with the State of Delaware and Amendment of Article Twelfth filed on February 12, 1988 with the State of Delaware, filed as Exhibit 4(b) to the Company's Form S-8 Registration Statement (File No. 333-70567), filed on January 14, 1999, are incorporated herein by reference.
3.2	Certificate of Amendment to Certificate of Incorporation as filed on December 26, 2000 with the State of Delaware, filed as Exhibit 3(a) to the Company's quarterly report on Form 10-Q filed on February 13, 2001 and incorporated herein by reference.
3.3	Certificate of Amendment to Certificate of Incorporation related to Article Twelfth as filed on October 15, 2009 with the State of Delaware, filed as Exhibit 3.3 to the Company's quarterly report on Form 10-Q filed on February 16, 2010 and incorporated herein by reference.
3.4	Certificate of Amendment to 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 Company's quarterly report on Form 10-Q filed on February 16, 2010 and incorporated herein by reference.
3.5	Certificate of Amendment to Certificate of Incorporation as filed on December 10, 2010 with the Secretary of State, filed as Exhibit 3.1 to the Company's current report on Form 8-K filed on December 13, 2010 and incorporated herein by reference.
3.6	Amended and Restated Bylaws, as of March 10, 2010, filed as Exhibit 3.1 to the Company's current report on Form 8-K filed on March 15, 2010 and incorporated herein by reference.
10.1	Release Agreement between Santos Ltd. And Magellan Petroleum Australia Limited, dated as of July 21, 2011, is filed herewith.
10.2	Registration Rights Agreement between and among the Company and the Nautilus Sellers, dated September 2, 2011, is filed herewith.
10.3	Gas Supply and Purchase Agreement, between and among Magellan NT and the Santos Entities, dated September 14, 2011, is filed herewith.
10.4	Employment Agreement with Susan M. Filipos dated September 28, 2009, as amended on August 16, 2011, is filed herewith.
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, is filed herewith.
31.2	Certification of Antoine J. Lafargue, Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, is filed herewith.
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, is furnished herewith.
32.2	Certification of Antoine J. Lafargue, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, is furnished herewith.

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

MAGELLAN PETROLEUM CORPORATION
FORM 10-Q
September 30, 2011

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

Date: November 14, 2011

By /s/ John Thomas Wilson
John Thomas Wilson, President and Chief Executive Officer
(Duly Authorized Officer)

By /s/ Antoine J. Lafargue
Antoine J. Lafargue, Chief Financial Officer and Treasurer
(as Principal Financial Officer)

Lease Purchase and Sale Agreement
And
Participation Agreement
East Poplar Unit and Northwest Poplar Field Roosevelt County, Montana

This Lease Purchase and Sale and Participation Agreement ("**Agreement**"), dated effective as of September 6, 2011, is by and between VAALCO ENERGY (USA), INC., whose address is 4600 Post Oak Place, Suite 309, Houston, Texas 77027 ("**Buyer**") and MAGELLAN PETROLEUM CORPORATION, a Delaware corporation whose address is 7 Custom House Street, Portland, Maine 04101, and NAUTILUS POPLAR LLC, a Montana limited liability company whose address is 700 East Ninth Avenue, Suite 200, Denver CO 80203 (each a "**Seller**" and collectively, the "**Sellers**"). Magellan Petroleum Corporation may sometimes be referred to as "**Magellan**" and Nautilus Poplar LLC may sometimes be referred to as "**NP**." Buyer and each of the Sellers may be referred to individually as a "**Party**" or collectively as the "**Parties**."

RECITALS

Sellers are the current owners and holders of approximately 22,001.42 net acres of oil, gas and mineral leases covering lands in Roosevelt County, Montana. The leasehold interests and the lands covered thereby are identified on **Exhibit A**, and the leases described in **Exhibit A**, to the extent each lease relates to the Assigned Interval, are referred to in this Agreement individually as a "**Lease**" and collectively as the "**Leases.**" **Exhibit A** also sets forth for each Lease the Sellers' Working Interest and associated Net Revenue Interest therein, as well as the number of Net Mineral Acres covered by each Lease, together with the additional information set forth in such **Exhibit A**.

As used in this Agreement, the following definitions apply:

(a) "**Sellers' Net Mineral Acres**" means with respect to any Lease, Sellers' undivided ownership interest in that Lease, multiplied by the number of acres of oil and gas mineral rights in the lands covered by the Lease as set forth on the attached **Exhibit A**.

(b) "**Lease Net Revenue Interest**" means with respect to any Lease, lessee's(s') percentage ownership in production from a well on that Lease after deducting the lessee's(s') share of all applicable royalties, overriding royalties, and other burdens on production affecting such Lease as set forth on the attached **Exhibit A**.

(c) "**Sellers**' **Net Revenue Interest**" means with respect to any Lease, Sellers' percentage ownership in production from a well on that Lease after deducting the lessee's share of all applicable royalties, overriding royalties, and other burdens on production affecting such Lease as set forth on the attached **Exhibit A**.

(d) "**Sellers' Working Interest**" means the share of all costs and expenses associated with the exploration, development, and operation of a Lease that the Sellers are required to bear and pay by reason of their ownership of such Lease, expressed as a percentage.

(e) "**Assigned Interval or Deep Interval**" means that interval from the top of the Bakken formation, which is defined as the stratigraphic equivalent of 7032 feet as shown on the electrical log for the Nautilus EPU 119 well (API No. 25-085-21777), located in the NE/4NE/4, Sec. 31, Twp. 29N, R. 51E, MPM, Roosevelt County, Montana and all formations below the Bakken formation, but excluding the Shallow Interval.

(f) "**Shallow Interval**" means that interval from the surface of the land to the top of the Bakken formation, as defined in subparagraph (e) above.

The Parties desire to enter into this Agreement in order to provide the terms and conditions under which Buyer will earn the Assets (as such term is later defined).

Subject to the terms and conditions of this Agreement, the Sellers have the right to assign, and desire to sell and assign to Buyer and Buyer desires to acquire the Assets.

Buyer and Seller desire to enter into mutually acceptable operating agreement(s) (or amendments or joinders to any existing operating agreements or unit operating agreements) ("**Operating Agreements**"), consistent with the terms of the materials attached hereto as **Exhibit C**, as such materials are more particularly described in Clause 12(c), and such Operating Agreements will, subject to the terms hereof, govern operations for the development of the Leases.

AGREEMENT

FOR SUFFICIENT VALUE RECEIVED, the Parties agree as follows:

PURCHASE AND SALE OF THE ASSETS

1. **Description of the Assets.** To the extent associated with the Assigned Interval, and subject to the Excluded Assets, the "**Assets**" are an undivided 65% of Sellers' right, title, and interest in and to the following:

   (a) the oil, gas, and other mineral leases described on Exhibit A (the "**Leases**") together with the lands covered thereby or pooled, communitized, or unitized therewith (the "**Lands**"), but the Leases and Lands are limited to and include therein only the Assigned Interval;

   (b) equal rights with Sellers to the right of ingress and egress and use of the surface of the lands covered by the Leases to the same extent currently owned or enjoyed by Sellers;

   (c) a subsurface easement through, over, and across the Leases to the extent reasonably necessary for Buyer to enjoy the rights to be granted to it in the Assigned Interval;

   (d) all rights, titles, and interests of Sellers in and to, or otherwise derived from, all presently existing and valid oil, gas and/or mineral unitization, pooling, and/or communitization agreements, declarations and/or orders (including, without limitation, all units formed under orders, rules, regulations, or other official acts of any federal, state, or other authority having jurisdiction, and voluntary unitization agreements, designations, and/or declarations) to the extent such affect the Leases and Lands;

   (e) all easements, rights-of-way, servitudes, surface leases, surface use agreements, and other rights or agreements related to the use of the surface and subsurface as described on **Exhibit B** (the "**Surface Agreements**"), in each case only to the extent used in connection with the operation of the Leases and Lands and an equal right of use of Sellers' rights, titles, and interests as to the instruments described on **Exhibit B**. Notwithstanding the provisions of this Clause 1(e), there is excluded from the matters described in this Clause 1(e) any such agreements and rights to the extent associated with any gathering system owned and operated by Sellers;

   (f) to the extent assignable or transferable, an equal right of use in all permits, licenses, franchises, consents, approvals, and other similar rights and privileges (the "**Permits**"), in each case to the extent used in connection with the operation of the Leases and Lands;

   (g) to the extent assignable or transferable, (i) all contracts, agreements, drilling contracts, equipment leases, production sales and marketing contracts, farm-out and farm-in agreements, operating agreements, service agreements, unit agreements, gas gathering and

transportation agreements, and other contracts, agreements, and arrangements, relating to the Leases and the other matters described in this definition of Assets, and subject to, and in accordance with, any limitations set forth in such agreements, and (ii) equipment leases and rental contracts, service agreements, supply agreements, and other contracts, agreements, and arrangements relating to the Leases and the other matters described in this definition of Assets (the agreements identified in clauses (i) and (ii) above being collectively, the "**Contracts,"** with the material of such being set forth on **Exhibit B**);

(h) copies of all files, records, and data, whether electronic or hard copy, relating to the items described in Clause 1(a) through (g) maintained by Sellers including, without limitation, the following, if and to the extent that such files exist: all books, records, reports, manuals, files, title documents (including correspondence), records of production and maintenance, revenue, sales, expenses, warranties, lease files, land files, well files, division order files, abstracts, title opinions, assignments, reports, property records, contract files, operations files, HSE incident reports, material safety data sheets, copies of tax and accounting records (but excluding Federal and state income tax returns and records) and files, maps, core data, hydrocarbon analysis, well logs, mud logs, field studies together with other files, contracts, and other records and data including all geologic and geophysical data and maps, but excluding from the foregoing those files, records, and data subject to written unaffiliated third party contractual restrictions on disclosure or transfer (the "**Records**"). To the extent that any of the Records contain interpretations of Sellers, Buyer agrees to rely on such interpretations at its sole risk and without any duty on the part of Sellers regarding such interpretations; and

(i) to the extent assignable or transferable, an equal right to indemnification with respect to environmental claims including, without limitation, claims related to the groundwater contamination subject to EPA enforcement that Sellers have or may have as one of the successors and assigns under that Assignment of Oil and Gas Leases and Bill of Sale with Special Warranty dated effective January 1, 2002, recorded July 26. 2002, at Book 603, Page 148 Miscellaneous Real Property Records, Roosevelt County, Montana, from Murphy Exploration & Production Company, et al., as Assignor, to Ballard Petroleum Holdings LLC, as Assignee, executed subject to that certain Purchase and Sale Agreement dated July 16, 2002, between said Assignor and Assignee.

2. **Excluded Assets**. Sellers reserve to themselves, and there is hereby excepted from this Agreement (collectively, the "**Excluded Assets**"):

(a) subject to Clauses 1(b) and 1(c), all rights in and to the Leases to the extent not included in the Assets, and specifically including in this exclusion all rights in and to the Shallow Interval in the leases and lands described in **Exhibit A**;

(b) all wellbores and the production therefrom, together with the equipment, personal property, and fixtures associated with the existing wells, whether producing, temporarily abandoned or plugged and abandoned, and any future wells drilled in the Shallow Interval, together with the salt water disposal wells described in **Exhibit E** to this Agreement and the right to continue disposal of produced water into the Nisku formation using such wells in conformity with their permits;

(c) all of Sellers' field offices and yards and equipment stored therein;

(d) all of Sellers' mineral interests in any lands covered by the Leases, overriding royalty interests, and leasehold royalty interests in the Leases, provided that such retained interests do not reduce the Lease Net Revenue Interest in the affected Lease to less than that set forth for each Lease on **Exhibit A**;

(e) any gas gathering systems, storage tanks, pipelines, or other surface facilities owned or operated by Sellers or any of them;

(f) all documents and instruments of Sellers that may be protected by an attorney-client or other privilege;

(g) data, information, and other property, rights, or interests that cannot be disclosed or assigned to Buyer as a result of confidentiality or similar arrangements; and

(h) all corporate, income tax, and financial records of Sellers not included in the Records.

3. **Purchase and Sale**. Subject to the terms and conditions of this Agreement, Sellers agree to sell and assign to Buyer, and Buyer agrees to purchase and acquire from Sellers, the Assets. Provided the Parties agree that, effective as of the Closing, Buyer shall own equitable title to the Assets, subject to fulfilling Buyer's obligation to drill the Obligation Wells, and if the Buyer is assigned the Assets pursuant to Clause 13 of this Agreement, the Parties further agree that the sale and purchase of the Assets is effective as of the date of this Agreement (the "**Effective Date**").

4. **Purchase Price**. The cash portion of the purchase price for the Assets is US$5,000,000.00 (the "**Purchase Price**").

5. **Obligation Wells**. As additional consideration for the Assets, in addition to payment of the Purchase Price, Buyer, at its sole expense, as Operator, will Drill and Complete (as those terms are later defined) three (3) new wells (the "**Obligation Wells**").

As used herein the term "**Drill**," "**Drilled**," or "**Drilling**" shall mean all activity and operations necessary to drill an Obligation Well to its final total length and/or depth and including any title examination, permitting, surveying, site preparation, casing, cementing, testing, data processing, logging, coring, or other work or operations necessary or incident to preparing the Obligation Well for completion operations, or if a dry hole, through the plugging and abandonment of the Obligation Well and abandonment of its surface location, unless Buyer intends to use the surface location in connection with the drilling of another well.

As used herein, the term "**Complete**," "**Completing,**" or "**Completion**" means, with respect to an Obligation Well means all operations necessary to complete an Obligation Well for production of hydrocarbons and including running production casing, testing, logging, coring, fracture stimulation as agreed by the Parties, and procuring and installing flowlines, wellheads, tanks and other production equipment, through and including the well production meter that is located on the well site for the affected well downstream of any production treating equipment or facilities located at the well site for each Obligation Well, but not including the construction of any pipelines or other facilities downstream of the well production meter.

The Obligation Wells shall be Drilled and Completed as follows:

(a) One (1) Obligation Well shall be Drilled to test the Red River formation, one (1) Obligation Well shall be Drilled horizontally to test the Bakken formation, and one (1) Obligation Well shall be Drilled, at Buyer's sole discretion, to test any interval or formation, whether previously tested or not, reasonably likely in Buyer's sole opinion to produce hydrocarbons in paying quantities within the Assigned Interval.

(b) Any Obligation Well Drilled to the Bakken formation must also be Drilled horizontally through the Bakken formation to a length that is customary for the average Bakken well in the area of the Leases, but in any event to a length at least sufficient to meet the horizontal well requirements of any applicable federal, state, or tribal rule, order, or regulation. Buyer and Magellan, each acting in good faith, shall agree on what length of such horizontal Drilling is customary for the average Bakken well in the area of the Leases.

(c) Buyer and Magellan, each acting in good faith, shall agree whether any hydrocarbons discovered within the Assigned Interval in any Obligation Well exist in paying quantities.

(d) Each of the Obligation Wells that finds hydrocarbons that can be produced in paying quantities in the Assigned Interval shall be Completed by Buyer for production. If hydrocarbons producible in paying quantities are not found, then such Obligation Well shall be plugged and abandoned by Buyer. In either case, Buyer shall conduct all Drilling and Completion operations in accordance with good oil and gas field practice at its sole cost, risk and expense. Buyer's obligations in respect of Drilling and Completing an Obligation Well are satisfied on the date that such well is Completed and is thereafter capable of producing hydrocarbons in paying quantities or is plugged and abandoned.

(e) Buyer and Magellan, each acting reasonably and in good faith, shall agree on all material aspects of the Drilling and Completion procedures, including in relation to depth, location, using oil or water based mud, drill speed, casings, drilling, logging, cementing, completion, and fracture stimulation, if any, for each of the Obligation Wells. Buyer shall carry out all Drilling and Completion operations in accordance with good oil and gas field practice as would a reasonably prudent operator under the same or similar circumstances, and Buyer shall be responsible for all costs and expenses, including any liabilities (as defined in Clause 11(f)) related thereto. As to the Obligation Wells, Buyer agrees to indemnify Sellers for all costs, losses, liabilities and expenses indirectly or directly incurred by a Seller as a result of Buyer's gross negligence, willful misconduct, or the failure of Buyer to conduct such Drilling and/or Completion operations in accordance with good oil and gas field practice as a reasonably prudent operator would under the same or similar circumstances; provided, however, that after an Obligation Well is Completed, any losses, liabilities, cost, and/or expenses that accrue with respect to and after such an Obligation Well is Completed, except those caused by Buyer's gross negligence, willful misconduct, or by Buyer's failure to conduct Drilling and Completion operations in such Obligation Well in accordance with good oil and gas field practice as would a reasonably prudent operator under the same or similar circumstances, shall be borne by the Parties in accordance with their respective Working Interest in accordance with the Operating Agreement executed between the Parties that is applicable to such Obligation Well.

In addition, as to any Obligation Well that is Completed, all production from such well and the revenue from the sale thereof attributable to the Leases shall be owned as between the Parties in their respective percentage ownership shares of Buyer – 65% and Sellers – 35%, subject to all applicable burdens and taxes.

(f) In respect of each Obligation Well, Buyer, at its sole cost, risk, and expense, shall also core, log, and case the well to the top of the Bakken formation and shall promptly provide to the Sellers all core samples and other data. Further, if it is agreed that an Obligation Well has not found hydrocarbons that can be produced in paying quantities, then Buyer and Magellan, each acting in good faith, shall agree on the measures to be taken to plug and abandon such Obligation Well, which shall either be to abandon the well completely or only to the top of the Bakken formation, all at Buyer's sole cost, risk, and expense. If it is decided by Magellan that the well should be abandoned only to the top of the Bakken formation, then Sellers shall assume sole ownership of such Obligation Well above the Bakken formation and shall, following the completion of the plugging and abandonment

procedures regarding such Obligation Well, thereafter assume one hundred (100%) per cent of all liability of whatsoever nature related to such Obligation Well above the Bakken formation including, but not limited to the plugging and abandoning of such well above the Bakken formation and shall indemnify and hold harmless Buyer from and against any losses, liabilities, cost and/or expenses that accrue with respect to such Obligation Well after it is taken over by Sellers. All plugging and abandonment operations, whether conducted by Buyer or Sellers shall be conducted in accordance with the applicable laws, orders, rules, and regulations of the State of Montana.

(g) One Obligation Well must be spudded on or before 1 June 2012 and the second and third Obligation Wells must be spudded on or before 31 December 2012. If an Obligation Well encounters hydrocarbons that can be produced in paying quantities, then Buyer shall be obligated to drill additional wells as provided in the applicable Operating Agreement. Once spudded, an Obligation Well must be Drilled and, if applicable, Completed with due diligence and dispatch.

(h) Buyer shall not be entitled to an assignment of the Assets, and shall have no further right to earn any interest in the Assets, if Buyer fails to Drill and, if applicable, Complete each of the Obligation Wells in accordance with the terms of this Agreement. If Buyer has not spudded any Obligation Well by the relevant date (as may be extended by reason of Force Majeure), or otherwise fails to Drill and, if applicable, Complete the Obligation Wells in accordance with the provisions of this Agreement, Sellers shall be entitled to retain the Purchase Price, Buyer shall relinquish to Sellers, effective as of the date of the failure, all of Buyer's rights, title (equitable or otherwise), and interest in and to any Obligation Well that has been Drilled and, if applicable, Completed, and Sellers shall be entitled to terminate this Agreement. The Parties agree that these stipulated damages of retention of the Purchase Price and Buyer's relinquishment of any rights whatsoever in any Obligation Well that has been Drilled and, if applicable, Completed shall constitute liquidated damages and is fair and reasonable and Buyer shall not assert that such retention is penal or otherwise unjust or unconscionable. Buyer shall be entitled to retain any production and the sale proceeds therefrom attributable to a relinquished Obligation Well that has accrued to Buyer's credit prior to the effective date of the relinquishment.

(i) Buyer shall maintain with respect to each Obligation Well, as and when Drilled, all drilling reports, logs, drillstem test data, and geological and geophysical maps and all other relevant data, including any seismic data. Sellers will be entitled, at all reasonable times, upon reasonable notice and subject to compliance with Buyer's reasonable health, safety, and environmental rules and regulations, at Sellers' sole risk and expense, to access to the rig floor and location of all Obligation Wells.

TITLE MATTERS

6.1 **Title Procedure**. From the date of this Agreement until 5:00 p.m. Central Time on December 31, 2011, (the "**Examination Period**"), Sellers will afford to Buyer and its representatives reasonable access during normal business hours to the offices, personnel, books, and records of Sellers in order for Buyer to conduct a title examination as it may in its sole discretion choose to conduct with respect to the Assets in order to determine whether Title Defects exist.

6.2 **Accessible Information; Expenses; Confidential Information; Indemnification**. Buyer and its representatives may examine all abstracts of title, title opinions, title files, ownership maps, lease files, assignments, division orders, operating records and agreements, well files, financial and accounting records, geological, geophysical, engineering and environmental records pertaining to the Leases, in each case insofar as the same may now be in existence, in

the possession of Sellers and to the extent that it relates to the Assigned Interval, provided, however, that Sellers may withhold access to (a) all legally privileged documents, except for title opinions, and (b) information that Sellers are prohibited from disclosing by bona fide third party confidentiality restrictions; provided further that Sellers will use their reasonable efforts to obtain a waiver of any such restrictions in favor of Buyer. The cost and expense of Buyer's review of the title to the Assets will be borne solely by Buyer.

6.3 **Notice of Asserted Title Defects**.

(a) If Buyer discovers any Title Defect affecting any portion of the Leases, Buyer may notify Sellers of such alleged Title Defect from time to time prior to the expiration of the Examination Period. To be effective, such notice ("**Title Defect Notice**") must:

(i) be in writing;

(ii) be received by Sellers prior to the expiration of the Examination Period;

(iii) describe the Title Defect in reasonable detail including the basis therefore (including any alleged variance in the Lease Net Revenue Interest, Sellers' Working Interest, or Sellers' Net Mineral Acres in any Lease) and provide any supporting documents in Buyer's possession;

(iv) identify the specific Lease to which such Title Defect relates; and

(v) include the Title Defect Amount attributable to such Title Defect, as determined by Buyer in good faith.

(b) Except for Buyer's remedies for any breach by Sellers of their special warranty of title under the Assignment, at the end of the Examination Period, any matters that may otherwise constitute a Title Defect, but of which Sellers have not been specifically notified by Buyer in accordance with the foregoing, will be deemed to have been waived by Buyer for all purposes.

6.4 **Title Defects, Title Defect Amount**.

(a) The term "**Title Defect**" means:

(i) Sellers have Defensible Title to a lesser number of Sellers' Net Mineral Acres in any Lease than the number of Sellers' Net Mineral Acres shown for the applicable Lease on **Exhibit A**;

(ii) Subject to Clause 6.4(c)(iii), Sellers have Defensible Title to a lesser Lease Net Revenue Interest in any Lease than the Lease Net Revenue Interest shown for such Lease on **Exhibit A**;

(iii) Sellers have Defensible Title to a greater Sellers' Working Interest in a Lease than the Sellers' Working Interest shown for such Lease on **Exhibit A** (and there is not a corresponding increase in Sellers' Net Revenue Interest in such Lease);

(iv) A Lease is subject to a preferential right to purchase or to a consent to assign, that if not obtained or waived could reasonably be expected to materially affect the value of or materially interfere with operations on or ownership of the Lease, and waiver of such a preferential right or consent to assign is not obtained prior to the end of Examination Period. Notwithstanding any other

provisions of this Agreement to the contrary, if, as of the end of the Examination Period, (y) the number of Sellers' Net Mineral Acres affected by any unwaived preferential right to purchase or unobtained consent to assign is in excess of ten percent (10%) of the total Sellers' Net Mineral Acres set forth on **Exhibit A** and (z) Buyer and Sellers acting reasonably are not able to reach a mutually acceptable arrangement for resolving the uncertainty caused by the existence of the factors described in (y) above, then Buyer may cancel this Agreement and receive the return of the entire Purchase Price and the escrowed Assignment and all other escrowed documents shall be promptly returned to Sellers; or

(v) A Lease is subject to a lien, charge, encumbrance, claim, easement, servitude, right, burden, or defect, that is not a Permitted Encumbrance.

(b) For purposes hereof, "**Defensible Title**" means such legal or equitable title deducible of record, that (i) is free from reasonable doubt, (ii) will not expose Buyer to a reasonable probability of litigation, (iii) would be acceptable to a reasonably prudent buyer of oil and gas properties in the area where the Leases are located, (iv) the Lease Net Revenue Interest as shown for a Lease on **Exhibit A**, will not be reduced, suspened, or terminated throughout the term of the Lease, except permitted pursuant to the terms of this Agreement, (v) the Sellers' Working Interest as shown for a Lease on **Exhibit A**, will not increase throughout the term of the Lease, except for increases permitted pursuant to this Agreement or the applicable Operating Agreements, and (vi) each of the Leases has been filed of record with the Clerk and Recorder's Office of Roosevelt County, Montana, an d filed with the Superintendent of the Bureau of Indian Affairs, Fort Peck Agency, the appropriate office of the Bureau of Land Management, or the Trust Land Management Division of the State of Montana, as may be applicable.

(c) Without limiting Sellers' right to dispute the existence of a Title Defect, and subject to the thresholds, deductible and caps set out in Clause 11(g), the value of each asserted Title Defect (the "**Title Defect Amount**") shall be determined as follows:

(i) If the Title Defect results from a lien, charge, encumbrance, claim, easement, servitude, right, burden, or defect, that is not a Permitted Encumbrance, then the Title Defect Amount will be the amount of money required to remove the lien, charge, encumbrance, claim, easement, servitude, right, burden, or defect. The term "**Permitted Encumbrance**" shall mean (i) lessors' royalties, overriding royalties, and similar burdens that do not operate to reduce the average Lease Net Revenue Interest in respect of all of the Leases below 80% (calculated in the manner described below in (iii)) or increase the Sellers' Working Interest above the Sellers' Working Interest set forth on Exhibit A (without a proportionate increase in the corresponding Net Revenue Interest); (ii) all rights to consent by, required notices to, and filings with or other actions by governmental authorities, if any, in connection with the change of ownership or control of an interest in any Lease that are customarily permitted to be and are customarily obtained after the delivery of an assignment; (iii) any required non-governmental third-party consent to change of ownership or control of the Lease or similar agreements provided such consent is obtained or waived prior to the delivery of the assignment of the affected Lease; (iv) inchoate materialmen's, mechanics', repairmen's, employees', contractors', operators', tax and other similar liens or charges arising pursuant to operations or in the ordinary course of business incidental to construction, maintenance, or operation of the Leases if they are not now due and payable; (v) easements in respect of surface operations, pipelines, or the

like and easements on, over, or in respect of the Leases that are not such as to interfere materially with the operation, value or use of the Leases; (vi) all other inchoate liens, charges, encumbrances, contracts, agreements, instruments, obligations, defects and irregularities, affecting any of the Leases that individually or in the aggregate are customary in the industry and are not such as to, in the reasonable opinion of Buyer, to interfere materially with the operation, value or use of any of the Leases, that do not operate to reduce the average Lease Net Revenue Interest in respect of all of the Leases below 80% (calculated in the manner described below in (iii)) or increase the Sellers' Working Interest in a Lease above the Sellers' Working Interest set forth on **Exhibit A** (without a proportionate increase in the corresponding Net Revenue Interest); (vii) all applicable laws, rules and orders of any governmental authority; and (viii) liens for taxes not due and payable;

(ii) If the Title Defect results from Sellers having Defensible Title to a lesser number of Sellers' Net Mineral Acres in any Lease than the number of Sellers' Net Mineral Acres shown for the applicable Lease on **Exhibit A**, then the Title Defect Amount will be an amount calculated by multiplying: (i) the difference between the actual number of Sellers' Net Mineral Acres in any Lease to which Sellers have Defensible Title and the number of Sellers' Net Mineral Acres as shown for the applicable Lease on **Exhibit A** and (ii) $227.26 (the "**Per Acre Value**");

(iii) If the Title Defect results from Sellers having an average Lease Net Revenue Interest in respect of all of the Leases of less than 80%, then the Title Defect Amount will be an amount of money calculated by multiplying the total number of Sellers' Net Mineral Acres set forth on **Exhibit A** by the Per Acre Value and multiplying the result by a fraction, the numerator of which is the actual Lease Net Revenue Interest on an average basis for all of the Leases, and the denominator of which is 80%. The average Lease Net Revenue Interest for all of the Leases shall be calculated by multiplying the Lease Net Revenue Interest for each Lease by a fraction, the numerator of which is the number of Lease Net Mineral Acres for such Lease and the denominator is the total number of Lease Net Mineral Acres for all of the Leases that are owned by the Sellers as reflected on **Exhibit A**, and adding all of the resultant products;

(iv) If the Title Defect results from Sellers having Defensible Title to Sellers' Working Interest in respect of any Lease that is greater than the Sellers' Working Interest shown for such Lease on **Exhibit A** (without a corresponding increase in Seller's Net Revenue Interest for such Lease), then the Title Defect Amount will be an amount of money calculated by multiplying the actual number of Sellers' Net Mineral Acres covered by the applicable Lease by the Per Acre Value and multiplying the result by a fraction the numerator of which is the actual Sellers' Working Interest for the applicable Lease and the demoninator of which is the Sellers' Working Interest for the Lease as shown on **Exhibit A** and subtracting from this product the amount derived from multiplying the number of Sellers' Net Mineral Acres times the Per Acre Value; and

(v) If the Title Defect results from a preferential right to purchase affecting any Lease that is not waived prior to the expiration of the Examination Period or from a consent to assignment that is not obtained prior to the delivery of the assignment of the affected Lease, then the affected Lease or Leases shall not be conveyed to Buyer and the Title Defect Amount shall be determined by multiplying the number of Sellers' Net Mineral Acres for the Lease as shown on **Exhibit A** by the Per Acre Value.

Provided, Title Defect Amounts will be determined without duplication of any Title Defect Amount for one Lease in the determination of the Title Defect Amount for another Lease. (By way of illustration, but without limitation, if a lien affects more than one Lease, then the total amount necessary to discharge the lien shall only be included in the Title Defect Amount for one of the affected Leases).

6.5 **Procedures for Title Defects**.

(a) Upon the receipt of a Title Defect Notice as provided for in Clause 6.3, Sellers will have the option, but not the obligation, to attempt to cure such Title Defect at Sellers' sole cost and expense, which cure shall be accomplished to Buyer's reasonable satisfaction within 90 days after Sellers' receipt of the Title Defect Notice.

(b) Subject to the thresholds, deductible and caps set out in Clause 11(g), the Purchase Price will be reduced by an amount of money equal to the aggregate Title Defect Amounts of all Title Defects agreed to or determined and which have not been not cured by Sellers as provided in Clause 6.5(a).

(c) If, at the end of the 90 day cure period set forth in paragraph (a), above, there are any Title Defects or Title Defect Amounts claimed by Buyer, but not agreed to by Sellers, such defects and/or the amounts therefore may be submitted to binding arbitration as set forth in Clause 6.7. A failure to issue a notice of arbitration under Clause 6.7 within 30 days from the end of the 90 day cure period set forth in paragraph (a), shall mean that the relevant Party has waived for all purposes any its rights it may have in respect of the relevant Title Defect.

6.6 **Title Benefits**. If, during the Examination Period, it should be discovered that Sellers own a greater number of Sellers' Net Mineral Acres in any of the Leases, and including any additional oil and gas leases within either the East Poplar Unit or the Northwest Poplar field as depicted on the plat attached hereto as **Exhibit H** that are discovered to be owned by Sellers as of the date of this Agreement, such additional Sellers' Net Mineral Acres shall be referred to as a "**Title Benefit.**" Such Title Benefits can exist as a result of any survey affecting any of the existing Leases, clerical errors, title matters such as succession, among other reasons, and notice of such shall be given to Buyer by Sellers in accordance with the provisions of Clause 6.3 hereof. The value for any Title Benefit shall be paid to or otherwise credited to the Sellers and shall be calculated as the increase in the number of Sellers' Net Mineral Acres either shown for an existing Lease or the Sellers' Net Mineral Acres for a new oil and gas lease times the Per Acre Value. If the Parties cannot agree upon the existence of a Title Benefit, such dispute shall be subject to the arbitration provisions contained in Clause 6.7 hereof. Buyer shall promptly notify Seller of any Title Benefit that it becomes aware of during the Examination Period.

6.7 **Arbitration.**

(a) If any Party hereto elects to submit any dispute with respect to Title Matters to arbitration as specifically provided in this Clause 6.7, then such Party will notify the other Party in writing. Within 15 days following the delivery of such notice, Sellers and Buyer agree to jointly select an arbitrator. For disputes regarding Title Defects, Title Defect Amounts or Title Benefits, the arbitrator will be an experienced oil and gas attorney, familiar by training and not less than ten (10) years experience with U.S. oil and gas legal and business matters, including Montana titles and oil and gas transactions. This person

will be the sole arbitrator (the "Title **Arbitrator")** to hear and decide all existing disputes regarding asserted Title Defects, Title Defect Amounts and Title Benefits. If, in connection with a dispute concerning Title Matters, Sellers and Buyers are unable to agree on the proper construction of this Agreement as it relates to a Title Matter, then the Title Aribitrator shall determine the proper construction of this Agreement in that regard. If Sellers and Buyer are unable to agree on the Title Arbitrator within the 15-day period following delivery of the notice, then any Party may apply to a Colorado court for the selection of a Title Arbitrator with the qualifications set forth in this paragraph (a).

(b) Any arbitration hearing, if one is desired by the Title Arbitrator, will be held in Denver, Colorado, or such other location acceptable to both Sellers and Buyer and the Title Arbitrator. The proceeding shall be conducted by written submissions from Sellers and Buyer with exhibits, including interrogatories, supplemented with appearances by Buyer and Sellers as the Title Arbitrator may desire. The arbitration proceeding, subject only to the terms hereof, will be conducted informally and expeditiously and in such a manner as to result in a good faith resolution as soon as reasonably possible under the circumstances. The decision of the Title Arbitrator with respect to such remaining disputed matters will be reduced to writing, binding on the Parties and not appealable. Judgment upon the award(s) rendered by the Title Arbitrator may be entered and execution had in any court of competent jurisdiction, or application may be made to such court for a judicial acceptance of the award and an order of enforcement. Sellers and Buyer, respectively, will each bear its own legal fees and other costs incurred in presenting its respective case. The charges and expenses of the Title Arbitrator will be shared equally by Sellers and Buyer.

(c) The arbitration will commence as soon as possible after the Title Arbitrator is selected in accordance with the provisions of this Clause 6.7. In fulfilling his or her duties with respect to determining the amount of a Title Defect Amount and/or Title Benefit, the Title Arbitrator, as applicable, may consider such matters as, in the opinion of the Title Arbitrator, are necessary or helpful to make a proper valuation; however, the Title Arbitrator will be bound by those factors set forth in Clauses 6.4 and 6.5 in relation to Title Defects and Clause 6.6 in relation to Title Benefits. Furthermore, the Title Arbitrator may consult with and engage disinterested third parties to advise the Title Arbitrator including, without limitation, geologists, geophysicists, petroleum engineers, title attorneys and oil and gas lawyers, accountants and consultants, and the fees and expenses of such third parties will be considered to be charges and expenses of the Title Arbitrator. All disputes regarding Title Defects shall be resolved in accordance with the substantive law of Montana. Buyer's sole remedy in relation to any determined Title Defect will be the determination of the appropriate Title Defect Amount, which will then be applied as provided in Clause 6.5 and the Title Arbitrator will not award any other remedy, including, without limitation, equitable relief, actual damages, consequential, exemplary or punitive damages, attorneys' fees or interest reflecting the time value of money.

(d) Any replacement Title Arbitrator, should one become necessary, will be selected in accordance with the procedure provided above for the initial selection of the Title Arbitrator.

(e) As to any determination of amounts owing under the terms of this Clause 6.7, no lawsuit based on such claimed amounts owing will be instituted by either Buyer or Sellers, other than to compel arbitration proceedings or enforce the award of the Title Arbitrator.

(f) All privileges under state and federal law, including attorney-client and work-product privileges, will be preserved and protected to the same extent that such privileges would be protected in a federal or state court proceeding applying state or federal law, as the case may be.

7. **Sellers' Representations and Warranties.** Each Seller represents and warrants (to the extent it applies to that Seller), individually and severally, not jointly, as applicable, to Buyer that:

(a) Magellan is a corporation duly formed, validly existing and in good standing under the laws of the State of Delaware and is duly qualified to own properties in the State of Montana and to hold record title to the Leases;

(b) NP is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Montana and is duly qualified to own properties and conduct oil and gas operations in the State of Montana and to hold record title to the Leases;

(c) The execution and delivery of this Agreement has been, and the performance of this Agreement and the transactions contemplated hereby shall be, at the time required to be performed hereunder, duly and validly authorized by all requisite action on the part of Sellers, including without limitation, due approval by each Seller in accordance with its governing documents;

(d) This Agreement has been, on the one hand, and after the Closing the Assignment will be, on the other hand, duly executed and delivered on behalf of Sellers and constitute legal, valid and binding obligations on Sellers enforceable in accordance with their respective terms, except as enforceability may be limited by laws affecting the rights of creditors generally or equitable principles;

(e) The execution and delivery of this Agreement by Sellers does not, and the consummation of the transactions contemplated by this Agreement and the delivery of the Assignment shall not: (i) violate or be in conflict with, or require the consent of any person or entity under any provision of any Seller's governing documents; (ii) violate any provision of or require any consent, authorization or approval under any judgment, decree, judicial or administrative order, award, writ, or injunction applicable to any Seller; (iii) result in the creation of any lien, charge, or encumbrance on any of the Leases; or (iv) violate or be in conflict with any financing arrangement or contract to which any Seller is a party;

(f) Sellers are not in breach or default of any of the material obligations under any of the Leases, nor have Sellers received any written notice from, or to Sellers' knowledge there is not any assertion by any governmental authority or any other person claiming any violation or repudiation of the Leases or any violation of any law, rule, regulation, ordinance, order, decision or decree of any governmental authority with respect to the Leases;

(g) There are no existing operations to explore for, drill, or develop minerals on the Leases;

(h) Sellers have not executed any contracts, conveyances, assignments, agreements or encumbrances separate from the Leases that will interfere materially with the operation, value, or use of any of the Leases;

(i) Sellers have obtained, and maintained in effect, all necessary governmental permits, licenses, and other authorizations, if any, with regard to the ownership or operation of the Leases and Sellers have not received notice of any material violations in respect of such permits, licenses, or other authorizations;

(j) Except as set forth in **Exhibit E**, (i) NP is in material compliance with all applicable federal, state, local, tribal, and foreign laws, regulations, rules, ordinances, and orders which impose requirements upon NP relating to environmental protection, hazardous substances, or public or employee health and safety (collectively, "**Environmental Laws**"); (ii) NP is

not subject to any pending or threatened claim alleging that NP, its businesses, or any of its assets is in violation of any Environmental Law; (iii) NP is not aware of any condition with respect to the Assets which would require it to take remedial action; and (iv) NP is not aware of and has not received any notice or other communication, whether oral or written, from any governmental authority or other person regarding, any actual, alleged, possible, or potential violation of, or failure to comply with, any applicable Environmental Law. With regard to **Exhibit E**, documents have been provided for Buyer to review, but Buyer is responsible for conducting its own due diligence as pertains to publicly available documents, and is not relying on **Exhibit E** as identifying a complete inventory of public information; and

(k) No lawsuit or other legal or administrative proceeding is pending or, to Sellers' knowledge, threatened, that affects any Seller that would have a material adverse impact on the Leases or Sellers' ability to consummate the transactions contemplated by this Agreement.

Any reference in the representations and warranties set out in this Clause 7 to a Seller's "knowledge" or "awareness", or similar phrases shall mean the actual knowledge of the relevant Seller's manager located in Montana, or, if not in Montana, in the United States, who is primarily and directly responsible with respect to that Seller for the maintenance of and operations on the Leases.

THE EXPRESS REPRESENTATIONS AND WARRANTIES OF SELLERS CONTAINED IN THIS CLAUSE 7 AND IN THE ASSIGNMENT ARE EXCLUSIVE AND ARE IN LIEU OF ALL OTHER REPRESENTATIONS AND WARRANTIES, EXPRESS, IMPLIED, STATUTORY, OR OTHERWISE. WITHOUT LIMITATION OF THE FOREGOING AND, EXCEPT FOR SELLERS' EXPRESS REPRESENTATIONS AND WARRANTIES MADE IN THIS CLAUSE 7 AND IN THE ASSIGNMENT, SELLERS EXPRESSLY DISCLAIM ANY AND ALL SUCH OTHER REPRESENTATIONS AND WARRANTIES. BUYER'S SOLE REMEDY IN RELATION TO ANY SUCH MISREPRESENTATION OR BREACH OF WARRANTY SHALL BE IN DAMAGES.

8. **Buyer Representations and Warranties**. Buyer represents and warrants to Sellers that:

(a) Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and has all requisite legal power and authority to own the Leases in the State of Montana;

(b) The execution and delivery of this Agreement have been, and the performance of this Agreement and the transactions contemplated hereby shall be, at the time required to be performed hereunder, duly and validly authorized by all requisite action on the part of Buyer, including, without limitation, approval by Buyer's Board of Directors;

(c) This Agreement has been, on the one hand, and after the Closing the Assignment will be, on the other hand, duly executed and delivered on behalf of Buyer and constitute legal, valid and binding obligations on Buyer enforceable in accordance with their respective terms, except as enforceability may be limited by laws affecting the rights of creditors generally or equitable principles;

(d) The consummation of the transactions contemplated by this Agreement will not: (i) violate or be in conflict with, or require the consent of any person or entity under, any provision of Buyer's organizational documents or pursuant to the rules of any stock exchange on which Buyers shares are listed; (ii) violate any provision of or require any consent, authorization, or approval under any judgment, decree, judicial or administrative order, award, writ, or injunction applicable to Buyer; or (iii) violate or be in conflict with any financing arrangement or contract to which Buyer is a party;

(e) Buyer acknowledges that it is an experienced and knowledgeable investor in the oil and gas business, and the business of purchasing, owning, developing, and operating oil and gas properties such as the Assets. Buyer acknowledges that it has had full access to the Assets, the officers and employees of Sellers, and to the books, records, and files of Sellers relating to the Assets. In making the decision to enter into this Agreement and to consummate the transactions contemplated hereby, Buyer has relied solely upon the representations, warranties, covenants, and agreements of Buyer and Sellers set forth in this Agreement and Buyer's own independent due diligence and investigation of the Assets, and has been advised by and has relied solely on its own expertise and its own legal, tax, operations, environmental, reservoir engineering, and other professional counsel and advisors concerning this transaction, the Assets, and the value thereof. In addition, Buyer acknowledges and agrees that Buyer will be or has been advised by and relies solely on its own expertise and its legal counsel and any advisors or experts concerning matters relating to Title Defects and environmental defects.

(f) Buyer is an experienced and knowledgeable investor in the oil and gas business. As such, Buyer is acquiring the Assets for its own account or that of its affiliates and not with a view to, or for offer of resale in connection with, a distribution thereof, within the meaning of the Securities Act of 1933, 15 U.S.C. § 77a et seq., and any other rules, regulations, and laws pertaining to the distribution of securities. Buyer has not solicited third parties to participate in the ownership of the Assets and Drilling and Completion of the Obligation Wells.

(g) Prior to commencing operations for Drilling any Obligation Well, Buyer will have been approved as an operator and, as appropriate, as a lessee by the Trust Land Management Division of the State of Montana, the Bureau of Indian Affairs, Fort Peck Agency, the Montana State Office of the Bureau of Land Management, the State of Montana, and any other applicable governmental authority necessary to carry out the Drilling and Completion of the Obligation Wells and to own an interest in the Leases, and prior to commencing Drilling operations will obtain, all necessary Drilling permits.

9. **Closing**. Unless the Parties agree otherwise, and subject to the conditions stated in this Agreement, the consummation of the transactions contemplated hereby (herein called the "**Closing**") shall be held "Electronically" on the date of this Agreement, which is referred to herein as the "**Closing Date**," or, if the Parties agree on another date for the Closing, then the Closing Date shall be the date on which the Closing actually occurs. Electronically means the Sellers and Buyer shall exchange executed counterparts of this Agreement and the Operating Agreements by facsimile or by email, with original executed counterparts sent by Sellers and Buyer to the other by overnight delivery service to the address shown below in Clause 18 and the remainder of the Closing Obligations to be performed as described in Clause 10 below.

10. **Closing Obligations.** At the Closing, the following events shall occur, each being a condition precedent to the others and each being deemed to have occurred simultaneously with the others:

(a) Sellers shall deliver possession of the lands covered by the Leases to Buyer subject to the terms of this Agreement sufficient to allow Buyer to conduct Drilling and Completion operations for the Obligation Wells;

(b) Buyer shall pay the Purchase Price to Sellers by wire transfer in immediately available funds to an account designated by Sellers;

(c) Sellers shall execute, acknowledge and deliver to the Trust Department of JPMorgan Chase Bank, N.A., North American Escrow Services, located at 712 Main Street, 5th Floor South, Houston, Texas 77002, Attention: Greg Campbell, 713-216-6079, greg.campbell@jpmorgan.com, as the "**Escrow Agent**," subject to substantially the same terms as the Escrow Agent's form attached as **Exhibit F**, (i) a recordable assignment, substantially in the form of the "**Assignment**" attached hereto as **Exhibit D**, and (ii) assignments of the appropriate form for filing wi t h the Superintendent of the Bureau of Indian Affairs, Fort Peck Agency, the appropriate office of the Bureau of Land Management, or the Trust Land Management Division of the State of Montana, as may be applicable which Assignments shall be sufficient to convey the Assets to Buyer;

(d) Buyer and Sellers shall execute the Operating Agreements, which subject to the terms hereof, shall govern operations for development of the Leases; and

(e) Buyer shall pay all costs and fees related to creation, administration and termination of the escrow.

POST-CLOSING COVENANTS

11. **Survival and Indemnification.**

(a) The liability of Buyer and Sellers under each of their respective representations, warranties, and covenants contained in this Agreement shall survive the Closing and execution and delivery of the Assignment.

(b) Sellers shall be responsible for and shall indemnify, hold harmless, discharge, release, and defend Buyer from and against any and all liabilities: (i) relating to the Assets, but solely to the extent such liabilities are attributable to the period prior to the Effective Date; and (ii) arising from the inaccuracy of any representation or warranty of Sellers in this Agreement; provided, that the Sellers shall not be liable in respect of any representation or warranty to the extent of any matter or circumstance that has been fairly disclosed to Buyer in **Exhibit E**.

(c) Sellers shall be entitled to all income, receipts, rebates, benefits, credits and other value accruing to the Assets prior to the Effective Date;

(d) Buyer shall be responsible for and shall indemnify, hold harmless, discharge, release, and defend Sellers from and against any and all liabilities: (i) relating to the Assets, but solely to the extent such liabilities accrued on or after the Effective Date; and (ii) arising from the inaccuracy of any representation or warranty of Buyer in this Agreement.

(e) Subject to the terms of this Agreement, Buyer shall be entitled to all income, receipts, rebates, benefits, credits and other value accruing to the Assets on or after the Effective Date and Sellers shall pay to Buyer an amount equal to any such income, receipts, rebates, benefits, credits, and other value received by Sellers after the Effective Date within 10 days of Sellers' receipt thereof.

(f) As used in this Clause 11, the term "liabilities" means damages, claims, losses, and expenses of any kind or character, including legal and other expenses reasonably incurred in connection with any claim, demand, or legal proceeding and all amounts paid in settlement of any claim, demand, or legal proceeding. Provided, however, no indemnified party shall be entitled to recover: (i) for any liabilities arising under this Agreement or in connection with or with respect to the transactions contemplated in this Agreement in any amount in excess of the actual compensatory damages, court costs and reasonable attorney fees, suffered by such party; (ii) special, exemplary, and indirect or consequential damages arising in connection with or with respect to the transactions contemplated in this Agreement, including without limitation lost profits, lost reserves or lost business opportunities, except to the extent payable to a third party.

(g) Notwithstanding anything to the contrary contained in this Agreement, other than the provisions of Clause 6.4(a)(iv), including without limitation, subsections (a) through (f) inclusive, above, the liability of Sellers for Sellers' representations, warranties, and indemnities and Title Defects as provided in Clause 6 will: (i) be subject to a deductible of US$50,000.00 (in aggregate); (ii) be capped at $3,000,000 (in aggregate); and (iii) except for Title Defects which shall be controlled by Clause 6 as to duration, extend for one (1) year after the Closing Date. Notwithstanding the foregoing, Sellers shall not be liable for any breach of Sellers' representations and warranties or for any claim for indemnity or any Title Defect unless and until the total value of any individual claim, including an individual Title Defect Amount, exceeds US$2,500.00, and then only the amount thereof that exceeds US$2,500.00 shall be counted towards the US$50,000.00 deductible.

12. **Operations and Operating Agreement**. Sellers and Buyer each agree to be bound by the terms and conditions of the Operating Agreement attached hereto as **Exhibit C** and in which Buyer shall be named as Operator. The applicable Operating Agreement shall take effect as follows:

(a) prior to execution and delivery of the Assignment to Buyer pursuant to Clause 13, the relevant Operating Agreement shall apply only to the extent of any operations relating to Drilling and Completion of an Obligation Well to the extent the Operating Agreement is not in conflict with or inconsistent with the terms of this Agreement and from the date such Obligation Well has been Drilled and Completed by Buyer in accordance with this Agreement;

(b) upon delivery of the Assignment to Buyer pursuant to Clause 13, the applicable Operating Agreement shall apply in respect of all operations on the Leases, on and from which time all future costs, risks, and expenses that accrue with respect to any wells Drilled and all Drilling, Completion, and other costs and expenses of operations on the Leases with respect to the Assigned Interval shall be borne by the Parties and co-owners (if applicable) in accordance with their respective working interests under the applicable Operating Agreement, save where such costs and expenses are to be borne by the Buyer under this Agreement or by the Operator pursuant to the applicable Operating Agreement.

(c) The Parties recognize and understand that the Leases and lands currently included in the East Poplar Unit are subject to the existing East Poplar Unit Agreement and East Poplar Unit Operating Agreement for such approved federal exploratory unit. In this regard, the Parties will endeavor to have Buyer named as unit operator for the Assigned Interval even if this means segregating the unit into a Deep Interval unit and a Shallow Interval unit unless doing so will subject the Parties to Drilling and Completion obligations inconsistant with those set forth in this Agreement or jepordize the held by production status of the Leases within the East Poplar Unit. Inasmuch as the Parties do not know what course of action may be required regarding the East Poplar Unit, they agree hereby to determine such course of action in good faith cooperation with one another consistent with the terms and intent of this Agreement and the East Poplar Unit Operating Agreement, whether a new or an amendment to said existing Unit Operating Agreement, which shall contain the Special Provisions set forth as Article XVI in the attached **Exhibit C**, and the East Poplar Unit Operating Agreement for the Deep Interval shall conform as nearly as practicable to the terms and conditions of the AAPL Model Form 610-1989 operating agreement form attached hereto in **Exhibit C**.

13. **Delivery of Assignments.** Promptly following Buyer's Completion of the Obligation Wells, Sellers shall direct the Escrow Agent to deliver to Buyer (i) the recordable assignment, substantially in the form of the "**Assignment**" attached hereto as **Exhibit D**, and (ii) assignments of the appropriate forms for filing wi t h the Superintendent of the Bureau of Indian Affairs, Fort Peck Agency, the appropriate office of the Bureau of Land Management , or the Trust Land Management Division of the State of Montana, as may be applicable. Sellers shall also deliver to Buyer any such additional governmental forms of assignment necessary to consummate the transaction contemplated by this Agreement. From the Closing Date until delivery of such Assignment by Sellers, so long as Buyer is not in material default under this Agreement, Sellers agree to hold title to the Assets to be acquired by Buyer hereunder in trust for the benefit of Buyer and shall not: (i) make or agree to make any other sale or transfer of all or any part of the Assets to be acquired by Buyer hereunder (other than a sale, merger, restructuring, reorganization, or other disposition to a person or entity controlling, controlled by, or under common control with such Seller or another Seller, or a sale, merger, or other transfer between one Seller and another Seller hereto); (ii) agree to any modification or amendment to any of the Leases (other than any modification or amendment which only affects the Shallow Interval); or (iii) permit any encumbrances, liens, claims, easements, rights, agreements, instruments, obligations, or other burdens to attach to or affect the Assets, other than the Permitted Encumbrances and Sellers' retained interest in the Shallow Interval.

14. **Bureau of Indian Affairs**. Promptly following Buyer's Completion of the Obligation Wells, Sellers shall deliver the assignment of any of the Leases affecting tribal or alloted lands and Sellers and Buyer shall thereafter cooperate in seeking the approval of the Bureau of Indian Affairs, Fort Peck Agency in respect of the transfer of the affected Leases.

MISCELLANEOUS PROVISIONS

15. **Force Majeure**. Provided Buyer has acted and continues to act as a reasonable and prudent operator, a failure by Buyer to spud an Obligation Well by the relevant date shall be excused to the extent that, and for so long as, such delay is caused by an inability by Buyer (due to a reason beyond its reasonable control) to (i) obtain from the applicable authorities a drilling permit or such other written authority necessary to commence drilling of a well for which Buyer has timely filed an application, or (ii) to procure all equipment, services, and supplies required to Drill and Complete the Obligation Wells, as applicable ("**Force Majeure**"). In no event shall Buyer be entitled to claim Force Majeure for a period of more than (i) nine months with respect to commencement of the first Obligation Well, or (ii) nine months, in the aggregate, with respect to commencement of the second and third Obligation Wells.

16. **Assignment**. This Agreement may not be assigned by Buyer to any third party, except with the prior written consent of Sellers, which consent may be withheld for any reason. Any assignment or transfer to a parent or wholly owned subsidiary of Buyer or other reorganization or consolidation of Buyer utilizing its currently existing ownership shall not be considered an assignment to a third party for purposes of this Clause 16. This Agreement shall be binding on the parties hereto, their respective successors and permitted assigns.

17. **Relationship of the Parties**. This Agreement does not create and shall not be construed to create a partnership, association, joint venture, or a fiduciary relationship of any kind or character between any Party to this Agreement and shall not be construed to impose any duty, obligation, or liability arising from such a relationship by or with respect to any Party to this Agreement. The rights and obligations of the Parties hereunder shall be several, not joint or collective and no Party shall have any liability hereunder to third parties to satisfy the default of another Party in the payment of any expense or obligation. The liability of Sellers hereunder shall be several not joint. Notwithstanding the foregoing, the Parties agree that the agreements and undertakings herein will be treated as the formation of a partnership for

purposes of federal income taxation. Therefore, the Parties agree to be governed, for federal income tax purposes only, by the tax partnership agreement attached to the Operating Agreements, the form of which is attached hereto as **Exhibit G**. For every purpose other than the above described income tax purposes, however, and notwithstanding any other provision of this Agreement to the contrary, the Parties understand and agree that their relationship hereunder is not one of partnership, association, trust, joint venture, mining partnership, or entity of any kind.

18. **Notices**. All notices hereunder shall be in writing, dated and signed by the Party giving the same. Each notice shall be sent or delivered, as applicable, to the address of the Party for whom it is intended at the address of such Party as shown below, by any of the following means: (i) delivered in person; (ii) certified mail with sufficient postage affixed, return receipt requested; or (iii) overnight delivery service, such as Federal Express or UPS; (iv) facsimile with a confirmation copy sent as set forth below; or (v) electronic mail, confirmed as set forth below. Notices shall be delivered as follows:

VAALCO Energy (USA), Inc.
4600 Post Oak Place
Suite 309
Houston, Texas 77027
Attention: Ms. Gayla M. Cutrer
Facsimile Number: 713-623-0982
Email Address: gcutrer@vaalco.com

Magellan Petroleum Corporation
(who is authorized to give and receive notices for all Sellers)
7 Custom House Street
Portland, Maine 04101
Attention: Jeff Tounge
Facsimile Number: 207-553-2250
Email Address: jtounge@magellanpetroleum.com

If such notice is mailed, the effective date of such notice shall be the date of delivery. A confirmation copy of any notice delivered in person, or sent by courier service, facsimile, or electronic mail, shall be sent, on the date such notice is delivered or sent, to the Party to whom the notice is addressed by certified mail return receipt requested, provided, however, the failure to mail such a confirmation copy will not affect the validity of the notice if its actual delivery is proved by other evidence. In no event shall a Party be deemed to have received a notice that would cause it to forfeit or lose an interest in property without written confirmation that notice was delivered hereunder. The address at which any Party hereto is to receive notice may be changed from time to time by such Party by giving notice of the new address to the other Party as provided above. Notwithstanding the foregoing, unless otherwise specifically provided herein, if a notice is received after 5:00 P.M. on a business day where the addressee is located, or on a day that is not a business day where the addressee is located, such notice is deemed received at 9:00 A.M. on the next business day where the addressee is located.

19. **Governing Law**. This Agreement shall be governed and construed in accordance with the laws of the State of Colorado, without giving effect to any principles of conflicts of laws; provided, however, the laws of the State of Montana will govern matters related to conveyancing and Title Defects.

20. **Severability**. If, for any reason and for so long as, a clause or provision of this Agreement is held by a court of competent jurisdiction to be illegal, invalid, unenforceable, or

unconscionable under a present or future law (or interpretation thereof), the remainder of this Agreement will not be affected. An illegal or invalid provision will be deemed severed from this Agreement, as if this Agreement had been executed without the illegal or invalid provision. The surviving provisions of this Agreement will remain in full force and effect unless the removal of the illegal or invalid provision destroys the legitimate purposes of this Agreement, in which event this Agreement shall be null and void.

21. **Entire Agreement**. This Agreement, together with the Recitals and attached Exhibits and Schedules, which are incorporated herein by reference, constitute the entire agreement of the Parties with respect to subject matter hereof and, except as may be otherwise explicitly set forth herein, supersedes all prior written or oral commitments, arrangements or understandings with respect thereto, including the letter dated 6 July 2011, and there are no restrictions, agreements, promises, warranties, or covenants or undertakings with respect to the subject matter of this Agreement other than those expressly set forth herein or in the attached Exhibits. Each Party acknowledges that in agreeing to enter into this Agreement, it has not relied on any express or implied representation, warranty, collateral contract, or other assurance made by or on behalf of any other Party at any time before the entering of this Agreement.

22. **Time of the Essence.** The Parties agree that time is of the essence with regard to the provisions of this Agreement.

23. **Conflicts**. If there is any conflict or inconsistency between the provisions of this Agreement and the provisions of any of the attached Exhibits and Schedules and any Operating Agreement entered into hereunder, the provisions of this Agreement shall prevail. A conflict or inconsistency between this Agreement and any Exhibits and Schedules or any Operating Agreement entered into hereunder does not exist if an Exhibit or Schedule or Operating Agreement contains provisions concerning an action or circumstance that is not covered by the provisions of this Agreement.

24. **No Third Party Beneficiaries**. This Agreement confers no rights or remedies on any third party, other than the Parties to this Agreement and their respective successors and permitted assigns.

25. **Waiver and Amendment**. The Parties may waive any provision of this Agreement in writing. The failure to insist upon the strict performance of any covenant, term, condition, or other provision hereof or default or breach in connection herewith shall not be construed as a waiver thereof. The waiver of any covenant, term, condition, or other provision shall not affect or alter this Agreement or any other covenant, term, condition, or provision hereof, nor render unnecessary consent to or approval of any subsequent similar act.

26. **Confidentiality**. Sellers and Buyer shall treat this Agreement, and all negotiations relating to this Agreement, as confidential, except that disclosure of the existence of this Agreement and/or its provisions may be made: (a) to those officers, employees, or other authorized agents and representatives and professional consultants of a Party hereto to whom disclosure is reasonably necessary in connection with the transactions under this Agreement and who shall agree to be bound by the terms of this Clause; (b) as otherwise consented to in writing by the Parties hereto; or (c) if in the opinion of the disclosing Party's legal counsel: (i) such disclosure is legally required to be made in a judicial, administrative, or governmental proceeding pursuant to a valid subpoena or other applicable order; (ii) such disclosure is legally required to be made pursuant to the rules or regulations of a stock exchange or similar trading market applicable to the disclosing Party; or (iii) such disclosure is legally required to be made by the rules and regulations of any regulatory authority.

27. **Further Assurances**. Each Party shall execute such additional documents and take such further actions as are reasonable or necessary to fully satisfy the terms and intent of this Agreement.

28. **Transactions Costs and Expenses**. Except as may be otherwise provided in this Agreement, each Party shall bear its respective costs and expenses in connection with the negotiation and consummation of the transaction contemplated by this Agreement. Buyer shall be responsible for the payment of any stamp duty, recording or filing fees pertaining to any assignment to Buyer, or other similar fees or taxes associated with the transaction contemplated by this Agreement.

29. **Dispute Resolution**. Subject to Clauses 6 and 30, the Parties shall endeavor to resolve any controversy, claim or dispute arising out of or relating to this Agreement, or any breach thereof including without limitation any dispute concerning the scope of this arbitration clause, by mediation using American Arbitration Association Mediation Procedures. Unless the Parties agree otherwise, the mediator will be selected from the CPR Panel of Distinguished Neutrals for Energy, Oil & Gas - Montana. Any controversy, claim, or dispute arising out of or relating to this Agreement, including the breach, termination, or validity thereof, which remains unresolved 45 days after initiation of the mediation procedure, shall be finally resolved by arbitration in accordance with the CPR Rules for Non-Administered Arbitration, by a sole arbitrator selected by mutual agreement of the Parties from CPR Panel of Distinguished Neutrals for Energy, Oil & Gas, or, if the Parties are unable to agree upon a sole arbitrator within five business (5) days after initiation of the arbitration procedure, then by three arbitrators of whom each party shall appoint one in accordance with the 'screened' appointment procedure provided in Rule 5.4, provided, however, that if one Party fails to participate in the mediation as agreed herein, the other Party can commence arbitration prior to the expiration of the time periods set forth above. The place of mediation or arbitration shall be Denver, Colorado.

    Any arbitrator will be a neutral attorney licensed in the States of Colorado or Montana with a minimum of ten years experience in the substantive law applicable to the subject matter of the dispute to be arbitrated or a neutral individual that for the ten (10) years immediately prior to such appointment have been primarily employed in a professional or management capacity in the oil and gas industry with experience in the subject matter area of the dispute to be arbitrated. The arbitrator(s) will determine whether or not an issue is arbitrable and will give effect to the limitations in this Agreement and statutes of limitation (as applicable) in determining any claim. The arbitrator(s) will decide (by documents only or with a hearing at the arbitrator's discretion) any pre-hearing motions that are similar to motions to dismiss for failure to state a claim or motions for summary judgment. The arbitrator(s) shall resolve all disputes regarding the construction and application of this Agreement in accordance with the substantive law of Colorado. In no event shall the award include any amount for special, punitive, or exemplary damages, except in the case of a third party indemnity for which a Party is responsible in accordance with the terms of this Agreement. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any Party, including the plaintiff, to submit the controversy or claim to arbitration if any other Party contests such action for judicial relief. The Parties shall bear equally the expenses of the arbitrator(s), but each Party shall bear its own attorneys' fees and other expenses in connection with the arbitration. The award of the arbitrator(s) shall final and non-appealable.

30. **Independent Expert.** If Sellers and Buyer are unable to agree in respect of any matter set out in Clause 5 that is to be determined by the agreement of the Parties acting in good faith within [30] days, either Party may refer the matter to an independent expert (**"Expert"**). If the Parties fail to agree on an Expert for purposes of this Clause 30, then the matter set out in Clause 5 hereof that the Parties are not able to resolve between themselves shall be resolved pursuant to the procedure setforth in Clause 29. **Dispute Resolution.** The Expert shall be afforded such access to documents

and other information in the possession of the Parties as the Expert may reasonably request and he shall act as an expert and not an arbitrator. The Expert's determination shall be rendered within ten (10) business days after submission of the dispute by the Parties and, in the absence of fraud or manifest error, be final and binding on the Parties. The fees and disbursements of the Expert shall be borne equally by the Sellers and Buyer and the Parties shall bear their own costs in respect of such reference.

31. **Counterparts.** This Agreement may be executed in any number of counterparts, all of which, taken together, shall constitute one and the same Agreement, and any Party (including any duly authorized representative of a Party) may enter into this Agreement by executing a counterpart.

32. **Area of Mutual Interest.** There is hereby created an Area of Mutual Interest (the "**AMI**") which shall consist of the lands covered by the Leases together with a one mile buffer, all as set forth and designated by crosshatching on the plat attached hereto as **Exhibit H**.

(a) If, during the period of time beginning with the date of this Agreement and ending two (2) years from the date of this Agreement, either Buyer or Sellers or an affiliate of any such Party agrees to acquire (including by extension or renewal) an oil, gas and mineral lease, mineral interest, overriding royalty interest, royalty interest or any other interest in oil or gas or any contractual right to acquire interests in oil and gas leases (any of which is referred to herein as an "**Interest**" or collectively as "**Interests**") within the AMI, the acquiring Party shall, within 30 days of finalizing the acquisition, offer to the non-acquiring Party the right to purchase its proportionate share of such Interest, being 65% for Buyer or 35% for Sellers, respectively their "**Proportionate Share**," by paying its Proportionate Share of the acquiring Party's actual third party costs incurred in connection with the acquisition of such Interest (such costs to include, but are not necessarily limited to, the acquiring Party's land work with respect to the Interest, the lease bonus, option payments, broker fees, filing fees, cost of third party title examination, and third party legal and consultant fees). If two or more Interests are included in a single notice, the non-acquiring Party will have the right to make separate elections as to each of the acquired Interests.

(b) An offer made pursuant to this AMI must be in writing and include sufficient information for such non-acquiring Party to reasonably evaluate the offer, including a complete description of the acquired Interest and information (to the extent known) specifying the number of gross and net lease acres, existing overriding royalties or other burdens affecting the Interest, the purchase price, and the terms of the acquisition, as well as the actual acquisition costs, the obligations required to earn such Interest, including bonus considerations or equivalent if other than cash, broker's fees, recording fees, and rentals, and any other information the acquiring Party deems relevant to the acquisition of the Interest. The offer should be made in the manner for giving any other notices under this Agreement. The Party receiving the offer shall have 30 days (the "**Acceptance Period**") following receipt of such notice in which to elect to participate in the acquisition, and if such an election is made within the Acceptance Period, payment for such Party's Proportionate Share shall be made within 30 days of such Party's acceptance.

(c) If such non-acquiring Party elects to participate, the acquiring Party shall assign the applicable percentage interest in the Interest to such non-acquiring Party within 10 business days of receiving such non-acquiring Party's payment, free and clear of any burdens created by the acquiring Party other than those burdens placed on such Interest by the transferor of the Interest to such acquiring Party. Any Interest acquired after the date of this Agreement, including any Interest in which both Sellers and Buyer participate, shall be subject to the provisions of the applicable Operating Agreement but such Interest shall not be part of the Leases or Assets hereunder or subject to the terms of this Agreement (other than this Clause 32) and the costs and expenses attributable to such Interest shall be borne by Sellers and

Buyer in proportion to their Proportionate Shares in such Interest. Failure of the non- acquiring Party to: (i) respond in writing to an acquisition notice within the Acceptance Period; or (ii) pay for its share of costs within 15 days of the Party's election to take its Proportionate Share of the Interest will be deemed an election not to acquire a share of the Interest.

(d) If an Interest is to be earned by drilling wells or shooting seismic, the non-acquiring Party must ratify all appropriate agreements within the Acceptance Period and agree to participate in and pay for its share of such required operations. If the non-acquiring Party turns down any Interest or fails to timely pay for its share of such Interest, the acquiring Party shall hold such interest free and clear of any further obligations under this Agreement and the applicable Operating Agreement.

(e) Notwithstanding anything herein to the contrary, to the extent that any Interest covers any portion of the Shallow Interval, it is expressly understood and agreed to by and between Buyer and Sellers that any rights in any Interest within the Shallow Interval shall belong exclusively to Sellers. If an Interest covers both the Assigned Interval and the Shallow Interval, the Sellers shall have the exclusive rights to the Shallow Interval. Further, in such case for the purposes of this Clause 32, the acquisition costs, other than those associated with a required well that targets a zone located within the Assigned Interval, will be allocated one-third to the Shallow Interval and thus for this portion of the Interest, 100% the responsibility of Sellers, and two-thirds to the Assigned Interval and subject to the terms and conditions prescribed by this Clause 32, including having each electing Party pay its Proportionate Share of such costs. Costs associated with any well required to earn the affected Interest that is targeted to a zone within the Assigned Interval shall be subject to the terms and conditions prescribed by this Clause 32, including having each electing Party pay its Proportionate Share of such costs and therefore, not subject to the one third/two thirds split, even though Sellers shall be entitled to an assignment of the entirety of the Shallow Interval so earned by the drilling of this well; provided, however, if commercial production is established in a well completed in the Assigned Interval and such production cannot be produced simultaneously with Shallow Interval production, if any, employing reasonable commercial methods then in use in the area of the Leases, then the well completed in the Assigned Interval shall be produced until Operator, pursuant to the applicable Operating Agreement, determines that it is no longer capable of production, at which time Operator shall commence production from the Shallow Interval. Nothing in the preceding sentence shall prohibit Sellers from drilling and completing a well in the Shallow Interval during the period the well in the Assigned Interval is producing.

(f) Notwithstanding anything herein to the contrary, the provisions set forth in this Clause 32 will not apply to any (i) acquisitions which (A) result from a merger, consolidation, reorganization with, by, or between a Party (or such Party's affiliate) and another party, or (B) result from a merger or acquisition of the stock or equity of another Buyer or Sellers, or any of them, by another entity or partnership or an acquisition of at least 51% of all of the assets of an entity by the acquiring Party (or such Party's affiliate), whether by cash, like-kind exchange, stock purchase or otherwise; (ii) transfers between a Party and any of its affiliates; or (iii) transfers between the parties to any Operating Agreement binding on the Interests.

EXECUTED by Buyer and each Seller this 6th day of September 2011

SIGNED by [ ])
For VAALCO ENERGY (USA), INC.) /s/ Gayla M. Cutrer
Gayle M. Cutrer, Vice President

SIGNED by [ ])
For MAGELLAN PETROLEUM
CORPORATION) /s/ Antoine Lafargue
Antoine Lafargue

SIGNED by [ ])
For NAUTILUS POPLAR LLC) /s/ Antoine Lafargue
Antoine Lafargue

EXHIBIT A – LEASES

EXHIBIT B – MATERIAL CONTRACTS

EXHIBIT C – OPERATING AGREEMENT

EXHIBIT D – FORM OF ASSIGNMENT

EXHIBIT E – DISCLOSURE STATEMENT

EXHIBIT F – ESCROW INSTRUCTIONS

EXHIBIT G – TAX PARTNERSHIP

EXHIBIT H – AMI PLAT

Note: Pursuant to Item 601(b)(2) of Regulation S-K, the registrant has omitted Exhibits A-H. The registrant will furnish supplementally to the Securities and Exchange Commission such exhibits, upon request.

EXECUTION VERSION

Exhibit 2.2

PURCHASE AND SALE AGREEMENT

by and between

MAGELLAN PETROLEUM CORPORATION

and

THE OWNERS OF NAUTILUS TECHNICAL GROUP LLC AND EASTERN RIDER LLC LISTED ON SCHEDULE A

Dated as of September 2, 2011

CONTENTS

THIS PURCHASE AND SALE AGREEMENT is made and entered into as of September 2, 2011, by and between:

(1) MAGELLAN PETROLEUM CORPORATION, a Delaware corporation (**Purchaser**);

(2) the OWNERS of NAUTILUS TECHNICAL GROUP LLC, a limited liability company formed in Colorado (**Nautilus Technical**), and EASTERN RIDER LLC, a limited liability company formed in Colorado (**Eastern Rider),** listed on Schedule A (each a **Seller**, and collectively, the **Sellers**); and

(3) the MANAGERS of Nautilus Technical and Eastern Rider listed on Schedule B (each a **Manager**, and collectively, the **Managers**).

RECITALS:

WHEREAS, the Sellers identified as such on Schedule A own, beneficially and of record, 100% of the membership interests of Nautilus Technical (the **NT Interests**);

WHEREAS, the Sellers identified as such on Schedule A own, beneficially and of record, 100% of the membership interests of Eastern Rider (the **ER Interests**, and together with the NT Interests, the **Interests**);

WHEREAS, Nautilus Technical owns, beneficially and of record, 10% of the membership interests (the **NT Poplar Interests**) of Nautilus Poplar LLC, a Montana limited liability company (**Nautilus Poplar**); Nautilus Technical directly owns working interests in the Northwest Poplar Field and the East Poplar Unit; and Eastern Rider owns, beneficially and of record, 6.54% of the membership interests (**ER Poplar Interests**) of Nautilus Poplar (the NT Poplar Interests together with the ER Poplar Interests, the **Poplar Interests**);

WHEREAS, Nautilus Poplar, along with Purchaser, Nautilus Technical and certain other working interests owners, owns and operates oil development assets, including working interests in the East Poplar Unit field and the Northwest Poplar field in Roosevelt County, Montana (both fields, collectively the **Poplar Fields**); and

WHEREAS, Purchaser desires to purchase from Sellers, and Sellers desire to sell to Purchaser, the Interests on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of and subject to the premises and the mutual agreements, terms and conditions contained in this Agreement, the benefits to be derived therefrom and other good and valuable consideration, the receipt and the sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. DEFINITIONS

1.1 As used in this Agreement, the following terms are defined as follows, except where the context of this Agreement clearly indicates otherwise:

Affiliate means, with respect to any Person, at any time, (a) any other Person directly or indirectly controlling, controlled by, or under common control with such Person or (b) any other Person owning more than 50% of the outstanding voting equity interests of such Person. A Person shall be deemed to "control" another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such other Person, whether through the ownership of voting securities, by contract or otherwise.

Agreement means this Purchase and Sale Agreement, as the same may from time to time be modified, supplemented or amended.

Assignment means the Assignment of Membership Interest from Sellers, individually, to Purchaser, dated as of the Closing Date, in the form of Exhibit A hereto.

Cash Consideration has the meaning set forth in Section 2.1(a).

Code means the United States Internal Revenue Code of 1986, as amended from time to time, and the applicable rulings and regulations thereunder.

Closing has the meaning set forth in Section 2.2(a).

Closing Date has the meaning set forth in Section 2.2(b).

Consent means any approval, consent, authorization, waiver, notice, filing or exemption to, from, or with respect to a specified action.

Contracts has the meaning set forth in Section 4.5.

Damages has the meaning set forth in Section 8.2.

Debt means all (i) obligations for borrowed money (including reimbursement and all other direct or contingent obligations with respect to surety bonds, letters of credit and bankers' acceptances, whether or not matured), (ii) obligations evidenced by notes, bonds, debentures or similar instruments or to pay the deferred purchase price of property or services, (iii) debt created or arising under any conditional sale or secured by any lien on any property or asset owned by Nautilus Technical or Eastern Rider, whether or not such debt shall have been assumed by Nautilus Technical or Eastern Rider, respectively, or is limited in recourse, (iv) obligations under leases that have been or should be, in accordance with GAAP, as consistently applied by Nautilus Technical or Eastern Rider, recorded as capital leases of Nautilus Technical or Eastern Rider, respectively (v) all interest rate and currency swaps, collars and similar hedging devices under which payments are obligated to be made by Nautilus Technical or Eastern Rider, (vi) all interest, deferred financing costs and other amounts due but otherwise unpaid or unamortized relating to the foregoing and (vii) all guarantees by Nautilus Technical or Eastern Rider in respect of any of the foregoing; provided, however, that Debt shall not be deemed to include trade payables, deferred revenue or expenses incurred in the ordinary course of business.

Debt Settlement Amount means, as of the Closing Date, the total amount of the ER Intercompany Debt, the NP Intercompany Debt, the NT Intercompany Debt and the NT Member Debt, in each case as set forth on Schedule E.

Eastern Rider has the meaning set forth in the preamble to this Agreement.

Effective Date means September 2, 2011.

Employee Plan means (i) all "employee benefit plans" (as defined in Section 3(3) of ERISA), (ii) all employment, consulting, non-competition, employee non-solicitation, employee loan or other compensation agreements, and all collective bargaining agreements, and (iii) all bonus or other incentive compensation, equity or equity-based compensation, stock purchase, deferred compensation, change in control, severance, leave of absence, vacation, salary continuation, medical, life insurance or other death benefit, educational assistance, training, service award, section 125 cafeteria, dependant care, pension, welfare benefit or other material employee or fringe benefit plans, policies, agreements or arrangements, in each case as to which either Nautilus Technical or Eastern Rider has any obligation or liability, contingent or otherwise, thereunder for current or former employees, managers, directors or individual consultants.

Encumbrance means any mortgage, lien, pledge, charge, security interest, encumbrance, title defect, easement, tenancy, right-of-way, license, use restriction, asserted claim, hypothecation, assignment, preemptive right, option, right of first refusal, right of first offer, right of consent or restrictive covenant, in any such case relating to property or assets.

Environmental Law means all Laws enacted prior to the date hereof relating to (a) human health, safety, the environment or natural resources (including, without limitation, air, water, land flora and fauna), or (b) the generation, manufacture, processing, use, handling, treatment, storage, disposal, release and transportation of any chemicals, materials or substances classified as "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous substances," or "toxic substances" under any applicable Law.

ER Intercompany Debt means the debt owed by Eastern Rider to Magellan in respect of Magellan's funding of completion costs on Eastern Rider's behalf pursuant to the terms of the operating agreement of Nautilus Poplar, in the amount of $52,358.40, as set forth in greater detail in Schedule E.

ER Interests has the meaning set forth in the recitals to this Agreement.

ER Poplar Interests has the meaning set forth in the recitals to this Agreement.

ERISA means the Employee Retirement Income Security Act of 1974, as amended.

Exchange Act means the United States Securities Exchange Act of 1934, as amended.

Filed SEC Documents has the meaning set forth in Section 5.7.

First Production Payout Amount means $2,000,000.

First Production Payout Condition means that the sixty (60) day rolling average for production of the Poplar Fields as reported in the Reports has reached 1,000 barrels of oil equivalent per day, which Reports shall be provided to Sellers on a quarterly basis.

Future Costs Reserve Amount means $50,000.

Governmental Authority means any court or other tribunal, any authority, agency, board, body, bureau, commission or instrumentality of any government, or any other entity exercising legislative, judicial, regulatory or administrative functions of or pertaining to government.

Governmental Consent means a Consent of any Governmental Authority.

Indemnitee has the meaning set forth in Section 8.6(a).

Indemnitee's Notice has the meaning set forth in Section 8.6(a).

Indemnitor has the meaning set forth in Section 8.6(a).

Intercompany Debt means the ER Intercompany Debt, the NP Intercompany Debt, the NT Intercompany Debt and the NT Member Debt.

Interests has the meaning set forth in the recitals to this Agreement.

Issuance Date means the earlier of (i) the business day that is three business days following the date on which the Purchaser's Form 10-K for the year ending June 30, 2011 is filed with the Securities and Exchange Commission and (ii) September 30, 2011.

Knowledge means, in the phrase "to its Knowledge", "to the best of its Knowledge" or "has Knowledge of" or a similar phrase, when used to qualify a statement of a Party, (a) the actual knowledge held by the officers, directors and managers of Purchaser, if Purchaser is making such statement, (b) the actual knowledge held by the officers, directors and managers of a Seller, or, if such Seller is a natural person, of such Seller, if a Seller is making such statement, or (c) the actual knowledge held by a Manager, if a Manager is making such statement; in each case, at the time such statement is made.

Law means any federal, state, local or foreign law, statute, ordinance, regulation, rule, code, Governmental Consent, requirement or other pronouncement having the effect of law.

Magellan Shares has the meaning set forth in Section 2.1(b).

Managers means (i) in the case of Nautilus Technical, the managers of Nautilus Technical and (ii) in the case of Eastern Rider, the principal officer and sole shareholder of JTWI, Inc., as sole member of Eastern Rider, in each case as listed on Schedule B.

Material Adverse Effect means any of (i) a material and adverse effect on the legality, validity, or enforceability of any Transaction Agreement, (ii) a material and adverse effect on the results of operations, assets, business, or condition (financial or otherwise) of a Person, other than any such effect resulting from or relating to a decline in the price of oil and gas or (iii) a material and adverse impairment to a Person's ability to perform on a timely basis its obligations under any Transaction Agreement.

NASDAQ Price means the consolidated closing bid price of Magellan Shares on the business day immediately preceding the execution of this Agreement.

Nautilus Poplar has the meaning set forth in the recitals to this Agreement.

Nautilus Technical has the meaning set forth in the preamble to this Agreement.

Notice has the meaning set forth in Section 9.1.

NP Intercompany Debt means the proportionate shares of each of Nautilus Technical and Eastern Rider in $475,000 of the principal and interest owed under the loan made by Purchaser to Nautilus Poplar pursuant to a Promissory Note, dated as of February 18, 2010, by and between Purchaser and Nautilus Poplar, which proportionate shares total $78,587.80, as set forth in greater detail in Schedule E.

NT Intercompany Debt means the debt owed by Nautilus Technical to Nautilus Poplar in connection with Nautilus Technical's obligation to hold Nautilus Poplar harmless for the discharge of certain obligations pursuant to a Mutual Acknowledgment and Agreement, dated February 27, 2009, by and between Nautilus Poplar and Nautilus Technical, in the amount of $12,556.85, as set forth in greater detail in Schedule E.

NT Interests has the meaning set forth in the recitals to this Agreement.

NT Member Debt means outstanding debt of (i) Nautilus Technical to J. Thomas Wilson and (ii) certain Sellers to Nautilus Technical, in each case as set forth on Schedule C, and to be settled in full in accordance with Schedule A.

NT Poplar Interests has the meaning set forth in the recitals to this Agreement.

Oil and Gas Interests means all oil, gas or other mineral properties, rights and estates of every kind and nature, including, without limitation, the oil and gas leasehold interests, royalty interests, mineral interests, production payments, net profits interests and surface interests.

Other Price means the NASDAQ Official Closing Price of Magellan Shares on the earlier of (i) the business day that is two business days following the date on which the Purchaser's Form 10-K for the year ending June 30, 2011 is filed with the Securities and Exchange Commission and (ii) September 22, 2011.

Party means Sellers, Managers or Purchaser, as applicable.

Person means any individual, firm, corporation, partnership, trust, joint venture, association (whether incorporated or not), Governmental Authority or other entity, and shall include any successor (by merger or otherwise) of such entity.

Poplar Fields has the meaning set forth in the recitals to this Agreement.

Poplar Interests has the meaning set forth in the recitals to this Agreement.

Proceeding means any action, arbitration, audit, hearing, investigation, litigation, or suit (whether civil, criminal, administrative, investigative, or informal) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Authority or arbitrator.

Purchase Price has the meaning set forth in Section 2.1.

Purchaser has the meaning set forth in the preamble to this Agreement.

Purchaser Indemnitee has the meaning set forth in Section 8.2.

Registration Rights Agreement means that certain registration rights agreement by and between Purchaser and the Sellers listed on Schedule A.

Related Sellers means JTWI, Inc., Monty Hoffman and Wayne Kahmeyer.

Report means the Report of Production submitted to the Board of Oil and Gas Conservation of the State of Montana by Nautilus Poplar on a monthly basis concerning the Poplar Fields.

Representatives means, with respect to any Person, any of such Person's officers, directors, employees, agents, attorneys, accountants, consultants, equity partners or financial advisors or other Persons acting on behalf of such Person.

SEC Documents has the meaning set forth in Section 5.7.

Second Production Payout Amount means $3,000,000.

Second Production Payout Condition means the sixty (60) day rolling average for production of the Poplar Fields as reported in the Reports has reached 2,000 barrels of oil equivalent per day, which Reports shall be provided to Sellers on a quarterly basis.

Securities Act means the United States Securities Act of 1933, as amended.

Seller and **Sellers** have the meanings set forth in the preamble to this Agreement.

Seller Indemnitee has the meaning set forth in Section 8.5.

Net Share Consideration has the meaning set forth in Section 2.1(b).

Shared Transaction Costs means the cost of the preparation and delivery of (a) the fairness opinion, dated as of August 25, 2011, provided by Canaccord Genuity in respect of the Transactions, in the amount of $202,081.93 and (b) the memorandum, dated as of August 18, 2011, provided by Ernst & Young in respect of the Transactions, in the amount of $25,000.

Shared Transaction Costs Amount means an amount equal to 13.36263% of the Shared Transaction Costs, as set forth in Schedule A.

Tax or **Taxes** means all federal, state, local or foreign taxes, assessments, levies, fees or other governmental charges, including all income, gross receipts, franchise, withholding, unemployment insurance, social security, sales, use, excise, environmental, municipal, capital, license, payroll, real property, personal property, stamp, transfer, VAT and workers' compensation taxes, together with all interest, penalties and additions payable with respect thereto, and including any obligations to indemnify or otherwise assume or succeed to the Tax liability of any other Person.

Tax Return means all returns, declarations, certifications, forms and reports required to be supplied to a taxing authority relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

Third Party Claim has the meaning set forth in Section 8.6(a).

Total Share Consideration has the meaning set forth in Section 2.1(b).

Transaction Agreements means this Agreement and the Registration Rights Agreement.

Transactions means the sale of the Interests to the Purchaser at the Closing as contemplated by this Agreement and the Registration Rights Agreement to be entered into at Closing.

U.S. Dollars or **$** or **Dollars** means United States dollars.

1.2 In this Agreement:

(a) any noun or pronoun shall be deemed to include the plural and the singular (including as may apply to any definition contained in this Agreement);

(b) the words "include" and "including" shall be deemed to be followed by the phrase "without limitation";

(c) the word "or" shall be inclusive and not exclusive; and

(d) subject to Section 9.2, references to a Party include references to the successors or assigns (immediate or otherwise) of that Party.

2. PURCHASE AND SALE OF INTERESTS

2.1 Purchase Price

As payment in full for the Sellers' Interests being acquired by the Purchaser, Purchaser shall pay, in the manner set forth in this Section 2.1, consideration (as described below) having an aggregate value of Six Million Dollars ($6,000,000) (such sum is herein referred to as **Purchase Price**). Purchaser shall make payment of the Purchase Price as follows:

(a) On the Closing Date, Purchaser shall deliver to Sellers by wire transfer to such bank account as may be designated in writing by each Seller not less than two (2) business days prior to the Closing Date an aggregate amount in immediately available funds in U.S. Dollars equal to Four Million Dollars ($4,000,000) (the **Cash Consideration**), as allocated in the Cash Consideration column of Schedule A.

(b) On the Issuance Date, Purchaser shall deliver to each Seller such number of shares of Purchaser's common stock, par value $0.01 per share (the **Magellan Shares**), as is determined by dividing:

(i) the Total Share Consideration allocated to such Seller less:

(A) the Debt Settlement Amount allocated to such Seller,

(B) the Shared Transaction Costs Amount allocated to such Seller, and

(C) the Future Costs Reserve Amount allocated to such Seller,

in each case as allocated in accordance with the relevant column in Schedule A,

(ii) by:

(A) in the case of any Related Seller, the greater of (x) the NASDAQ Price and (y) the Other Price; or

(B) in the case of any Seller that is not an Related Seller, the Other Price,

the aggregate of all such Magellan Shares to be delivered to the Sellers, the **Net Share Consideration**.

(c) The Magellan Shares shall be issued in book-entry form unless otherwise requested by a Seller. Certificates, if any, representing the Magellan Shares will bear legends referring to the U.S. securities laws. Each Seller acknowledges and agrees for the benefit of the Purchaser that no Magellan Shares may be issued to such Seller pursuant to this Agreement in the absence of the receipt by the Purchaser or its duly appointed stock transfer agent, at least two (2) business days prior to the issuance of Magellan Shares, of a completed IRS Form W–9 or IRS Form W–8, as the case may be, duly executed by such Seller.

2.2 Closing

(a) On the terms and subject to the conditions of this Agreement, at the closing of the Transactions (the **Closing**), Sellers shall sell, assign, transfer and deliver, and Purchaser shall purchase and accept from Sellers, the Interests in exchange for the Purchase Price; provided, however, that Purchaser's delivery of the Net Share Consideration shall be deferred until the Issuance Date as provided in Section 2.1(b).

(b) The Closing shall take place at 3:00 p.m., Eastern Time, on or about September 2, 2011 (the **Closing Date**), at the offices of Allen & Overy LLP in New York, or such other location and time as the Parties may agree. At the Closing:

(i) Purchaser shall pay to Sellers the Cash Consideration as provided in Section 2.1(a);

(ii) Purchaser shall deliver to Sellers the documents set forth in Section 7.2; and

(iii) Sellers shall deliver to Purchaser the documents set forth in Section 7.1.

(c) On the Issuance Date, Purchaser shall issue to Sellers the Magellan Shares constituting the Net Share Consideration as provided in Section 2.1(b).

(d) The Closing shall be effective as between the Sellers and the Purchaser as of the Effective Date.

2.3 Production Payouts

(a) In the event that the First Production Payout Condition is satisfied, Purchaser shall pay the First Production Payout Amount to Sellers as set forth on Schedule A, provided, that Purchaser shall only pay such amount the first time the First Production Payout Condition is satisfied.

(b) In the event that the Second Production Payout Condition is satisfied, Purchaser shall pay the Second Production Payout Amount to Sellers as set forth on Schedule A, provided, that Purchaser shall only pay such amount the first time the Second Production Payout Condition is satisfied.

2.4 Tax Treatment

The Parties agree that the acquisition of the Interests and the Poplar Interests pursuant to the terms of this Agreement will be treated as a transaction governed by Revenue Ruling 99-6 for all US federal and state Tax purposes, to the extent permitted by Law. This treatment would result in the acquisition of the Interests and the Poplar Interests being treated as a purchase of assets from the perspective of Purchaser and as a sale of partnership interests from the perspective of the Sellers. The Parties agree to report the acquisition of the Interests and the Poplar Interests in a manner consistent with this treatment on all US federal and state Tax Returns, except as otherwise may be required by Law.

3. REPRESENTATIONS AND WARRANTIES OF SELLERS

Each Seller hereby represents and warrants to Purchaser as of the Closing Date, for itself and not the other Sellers, as follows:

3.1 Organization

Seller has the requisite power and authority to own, operate and lease its properties and to carry on its business as it is now being conducted.

3.2 Authority Relative to the Transaction Agreements

Seller has all necessary power and authority to enter into the Transaction Agreements and to carry out its obligations under the Transaction Agreements. The execution and delivery by Seller of the Transaction Agreements and the consummation of the Transactions have been duly authorized and all other proceedings on the part of Seller necessary to authorize the Transaction Agreement and the Transactions have been taken. The Transaction Agreements have been, or will be at the Closing, duly executed and delivered by Seller and, assuming due execution and delivery by each other Party, constitute a valid and binding obligation of Seller, enforceable against Seller in accordance with its terms.

3.3 No Conflict; Required Filings and Consents

(a) The execution, delivery and performance of the Transaction Agreements by Seller and the consummation of the transactions contemplated hereby do not (i) if Seller is not a natural person, conflict with or violate the charter or other organizational document of Seller, (ii) conflict with, violate, result in the breach of, constitute a default under, or give rise to any right of acceleration, cancellation or termination of any material right or obligation of Seller under any material

agreement or other instrument to which Seller is a party or by which Seller or any of its properties or assets are bound, (iii) conflict with or violate any Law or order applicable to Seller, or (iv) breach or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in any loss of any material benefit under, or the creation of an Encumbrance on any of Seller's assets pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, permit or other instrument or obligation to which Seller is a party.

(b) The execution, delivery and performance by Seller of the Transaction Agreements do not require any Governmental Consent to be obtained by Seller prior to the Closing, or any declaration or filing with, or notification to, or waiver from, any Governmental Authority is required on its part in connection with the execution and delivery of this Agreement, or its compliance or performance with any provision contained in this Agreement.

3.4 No Commissions

No Person has or will have, as a result of the Transactions, any right, interest or valid claim against or upon Nautilus Technical or Eastern Rider for any commission, fee or other compensation as a finder or broker because of any act or omission by Seller or any of its Representatives.

3.5 Title to Interests; Entire Ownership; Capitalization

Seller beneficially and of record owns its portion of the Interests, as set forth in more detail on Schedule A. The transfer of the Interests will not be in violation of any preemptive, preferential, first refusal rights or any other restrictions on the right of Seller to transfer its portion of the Interests. Upon delivery to Purchaser at the Closing of certificates representing the Interests, duly endorsed by Seller for transfer to Purchaser, and upon Seller's receipt of the applicable Purchase Price therefor, Purchaser will acquire good and marketable title to such Interests, free and clear of any and all Encumbrances or net profit or royalty interest in the Interests.

3.6 Litigation

There are no Proceedings pending or, to the Knowledge of the Seller, threatened against Seller or, if Seller is not a natural person, any of its Affiliates, or investigations by any Governmental Authority that are pending or, to the Knowledge of the Seller, threatened against or affecting Seller or, if Seller is not a natural person, any of its Affiliates, in each case which relate to or could have a Material Adverse Effect upon the Transactions, the Transaction Agreements, the Poplar Fields, Nautilus Technical, Eastern Rider or Nautilus Poplar.

3.7 Certain Acknowledgments

Seller acknowledges that, except as expressly set forth in this Agreement, neither Purchaser nor any other person has made any representation or warranty, express or implied, to it as to any matter relating to the matters set forth herein.

3.8 Restricted Securities

Seller understands that the Magellan Shares have not been registered under the Securities Act by reason of a specific exemption from the registration provisions of the Securities Act that depends upon, among other things, the bona fide nature of the investment intent and the accuracy of the Seller's representations as expressed herein. Seller understands that the Magellan Shares are "restricted securities" under applicable United States federal and state securities laws and that, pursuant to these laws, Seller must hold the Shares until they are registered with the U.S. Securities and Exchange Commission and qualified by state authorities, or an exemption from such registration and qualification requirements is available. Seller acknowledges that the Purchaser has no obligation to register or qualify the Magellan Shares for resale except as set forth in the Registration Rights Agreement. Seller further acknowledges that if an exemption from registration or qualification is available, it may be conditioned on various requirements including, but not limited to, the time and manner of sale, the holding period for the Magellan Shares, and on requirements relating to Purchaser that are outside of the Purchaser's control, and that Purchaser is under no obligation and may not be able to satisfy.

3.9 Legends

Seller understands that the Magellan Shares may bear any one or more of the following legends: (a) any legend set forth in, or required by, the other Transaction Agreements; (b) any legend required by the securities laws of any state to the extent such laws are applicable to the Shares represented by the certificate so legended; and (c) the following legend:

"THE SHARES REPRESENTED BY THIS CERTIFICATE WERE ISSUED IN A TRANSACTION THAT WAS NOT REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO TRANSFER MAY BE EFFECTED EXCEPT TO AN AFFILIATE OF THE HOLDER THEREOF, WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM REASONABLY SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933, AS AMENDED."

3.10 Investment Intent

Seller is acquiring the Magellan Shares hereunder as principal for its own account for investment purposes only and not with a view to or for distributing or reselling such shares in violation of the Securities Act, without prejudice, however, to Seller's right at all times to sell or otherwise dispose of all or any part of the Magellan Shares in compliance with applicable federal and state securities laws.

3.11 No General Solicitation

Neither Seller nor any of its officers, directors, employees, agents, stockholders or partners has either directly or indirectly, including through a broker or finder, (a) engaged in any general solicitation with respect to the offer and sale of the Magellan Shares, or (b) published any advertisement in connection with the offer and sale of the Magellan Shares.

4. REPRESENTATIONS AND WARRANTIES OF MANAGERS

Each Manager hereby represents and warrants to Purchaser as of the Closing Date with respect to the entity he manages as follows:

4.1 Title to Interests; Entire Ownership; Capitalization

Nautilus Technical beneficially and of record owns the NT Poplar Interests, free and clear of any and all Encumbrances or other imperfections of title, and Nautilus Technical does not directly or indirectly own any capital stock or other equity interests in any Person other than Nautilus Poplar. Eastern Rider beneficially and of record owns the ER Poplar Interests, free and clear of any and all Encumbrances or other imperfections of title, and Eastern Rider does not directly or indirectly own any capital stock or other equity interests in any Person other than Nautilus Poplar.

4.2 Indebtedness

Neither Nautilus Technical nor Eastern Rider have Debt other than as set forth on Schedule 4.2. Nautilus Technical and Eastern Rider own all tangible assets used in the conduct of Nautilus Technical's and Eastern Rider's businesses as currently conducted, in each case free and clear of all Encumbrances.

4.3 No Undisclosed Liabilities

There exist no liabilities of Nautilus Technical or Eastern Rider of the type required to be disclosed in the liabilities column of a balance sheet prepared in accordance with GAAP other than liabilities that have been disclosed to Purchaser or liabilities incurred in the ordinary course of business, none of which, either individually or in the aggregate, are either material in amount or inconsistent with past practices.

4.4 Litigation

There are no Proceedings pending or, to the Knowledge of the Manager, threatened against or affecting Nautilus Technical, Eastern Rider or any of their respective Affiliates, or investigations by any Governmental Authority that are pending or, to the Knowledge of the Manager, threatened against or affecting Nautilus Technical, Eastern Rider or any of their respective Affiliates.

4.5 Assets and Properties

Attached hereto as Schedule 4.5 is a true, complete and correct list of all of Nautilus Technical's and Eastern Rider's (i) material personal and intangible properties, (ii) Oil and Gas Interests, and (iii) unit agreements, operating agreements, participation agreements, marketing or development agreements, and other contracts that are currently material to the operation of the Poplar Fields to which either Nautilus Technical or Eastern Rider is a party (collectively, **Contracts**).

4.6 Compliance

With respect to acts or omissions occurring after January 1, 2010, and to the best of their Knowledge with respect to acts or omissions occurring prior to that date, Nautilus Technical and Eastern Rider (i) are not in default under or in violation of (and no event has occurred that has not

been waived that, with notice or lapse of time or both, would result in a default by either Nautilus Technical or Eastern Rider under), nor does Nautilus Technical or Eastern Rider have Knowledge of a claim that Nautilus Technical or Eastern Rider is in default under or that Nautilus Technical or Eastern Rider is in violation of, any material Contract or agreement or instrument to which it is a party or by which it or any of its properties is bound (except where such default or violation has been waived), including but not limited to the operating agreements currently in effect with respect to its oil properties, (ii) are not in violation of any order of any court, arbitrator, or governmental body, or (iii) are not, nor have they been, in violation of any statute, rule, or regulation of any governmental authority, including without limitation all federal, state, and local laws relating to taxes, the exploration for or production of oil, environmental protection, occupational health and safety, and employment and labor matters; except with respect to the foregoing clauses, such as would not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect.

4.7 Regulatory Permits

Nautilus Technical and Eastern Rider possess all certificates, authorizations, and permits issued by the appropriate federal, state or local, regulatory authorities necessary to currently conduct their business, except where the failure to possess such permits could not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect, and Nautilus Technical and Eastern Rider have not received any written notice of proceedings relating to the revocation or modification of any such permits.

4.8 Environmental Matters

(a) To the Knowledge of the Managers, Nautilus Technical and Eastern Rider are currently in compliance with all Environmental Laws in all material respects.

(b) To the Knowledge of the Managers, there are no pending or threatened Proceedings against Nautilus Technical or Eastern Rider alleging or asserting that Nautilus Technical or Eastern Rider or their properties are in violation of, or subject to any liability under, any Environmental Law, and there are no facts, circumstances or conditions that would reasonably be expected to result in any such Proceeding.

(c) To the Knowledge of the Managers, Nautilus Technical and Eastern Rider possess and are in compliance with all permits required under Environmental Law for the conduct of their businesses as currently conducted, the failure of which would have a Material Adverse Effect.

4.9 Taxes

(a) Nautilus Technical and Eastern Rider have filed all of their Tax Returns and paid all of the Taxes due (whether or not reflected on a Tax Return) for all pre-closing Tax periods.

(b) Neither Nautilus Technical nor Eastern Rider are subject to any current audits, and there are no pending, nor to the Knowledge of the Manager, threatened audits with respect to Tax matters.

(c) No Encumbrances for Taxes exist on any of the assets owned by Nautilus Technical or Eastern Rider.

4.10 Employee Plans

Neither Nautilus Technical nor Eastern Rider maintains any Employee Plan.

5. REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to Sellers as of the Closing Date as follows:

5.1 Organization

Purchaser is duly organized and validly existing under the laws of the State of Delaware and has the requisite power and authority to own, operate and lease its properties and to carry on its business as it is now being conducted.

5.2 Authority Relative to the Transaction Agreements

Purchaser has all necessary corporate power and authority to enter into the Transaction Agreements and to carry out its obligations under the Transaction Agreements. The execution and delivery by Purchaser of the Transaction Agreements and the consummation of the Transactions have been duly authorized and all other proceedings on the part of Purchaser necessary to authorize the Transaction Agreements and the Transactions have been taken. The Transaction Agreements have been or will be at the Closing duly executed and delivered by Purchaser and, assuming due execution and delivery by each other Party, constitute a valid and binding obligation of such Purchaser, enforceable against Purchaser in accordance with its terms.

5.3 Securities Act

The Interests to be purchased by Purchaser pursuant to this Agreement are being acquired for investment only and not with a view to any public distribution thereof, and Purchaser shall not offer to sell or otherwise dispose of the Interests so acquired by it in violation of any of the registration requirements of the Securities Act.

5.4 No Conflict; Required Filings and Consents

(a) The execution, delivery and performance of the Transaction Agreements by Purchaser and the consummation of the transactions contemplated hereby do not (i) conflict with or violate the charter or other organizational document of Purchaser, (ii) conflict with, violate, result in the breach of, constitute a default under, or give rise to any right of acceleration, cancellation or termination of any material right or obligation of Purchaser under any material agreement or other instrument to which Purchaser is a party or by which Purchaser or any of its properties or assets are bound, (iii) conflict with or violate any Law or order applicable to Purchaser or (iv) conflict with or breach or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in any loss of any material benefit under, or the creation of a lien on any of Purchaser's assets pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, permit or other instrument or obligation to which Purchaser is a party.

(b) The execution, delivery and performance by Purchaser of the Transaction Agreements do not require any Governmental Consent to be obtained by Purchaser prior to the Closing, or any declaration or filing with, or notification to, or waiver from, any Governmental Authority is required on its part in connection with the execution and delivery of this Agreement, or its compliance or performance with any provision contained in this Agreement.

5.5 No Commissions

No Person has or will have, as a result of the Transactions, any right, interest or valid claim against or upon any party for any commission, fee or other compensation as a finder, or broker because of any act or omission by Purchaser or any of its Representatives.

5.6 Certain Acknowledgments

Purchaser acknowledges that, except as expressly set forth in this Agreement, none of the Sellers, Nautilus Technical, Eastern Rider, Nautilus Poplar or any other person has made any representation or warranty, express or implied, to it as to any matter relating to Nautilus Technical, Eastern Rider or the Interests, including without limitation, as to the accuracy or completeness of any information regarding Nautilus Technical or Eastern Rider furnished or made available to Purchaser or its Representatives.

5.7 SEC Documents

The Purchaser has filed with the SEC all forms, reports, schedules, statements and other documents required to be filed with the SEC by the Purchaser since June 30, 2010 (together with all information incorporated therein by reference, the **SEC Documents**). As of their respective dates, the SEC Documents complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations of the SEC promulgated thereunder applicable to such SEC Documents, and none of the SEC Documents at the time they were filed contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Except to the extent that information contained in any SEC Document filed and publicly available prior to the date of this Agreement (a **Filed SEC Document**) has been revised or superseded by a later filed SEC Document, none of the SEC Documents contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

6. ADDITIONAL AGREEMENTS

6.1 Press Releases

None of the Parties will release, generate or permit any press release, public statement or other publicity concerning this Agreement or the transactions contemplated hereby, or submit this Agreement to any Governmental Authority, without first consulting with and obtaining the written consent of the other Party, except to the extent required by applicable Law.

6.2 Debt Settlement

Each Seller and Purchaser agree that the Debt Settlement Amount allocable to each Seller as set forth on Schedule E shall be deducted from the Total Share Consideration otherwise allocable to such Seller, as provided in Section 2.1(b) and Schedule A, and at Closing, such deduction shall satisfy in full each Seller's payment obligations in respect of the Intercompany Debt.

6.3 Transaction Costs

Sellers and Purchaser agree to share in the Shared Transaction Costs, and each Seller agrees that its allocable share of such Shared Transaction Costs shall be deducted from the Total Share Consideration otherwise allocable to such Seller, as provided in Section 2.1(b) and Schedule A.

6.4 Future Costs

Each Seller and Purchaser agree that the Future Costs Reserve Amount allocable to each Seller shall be deducted from the Total Share Consideration otherwise allocable to such Seller, as provided in Section 2.1(b) and Schedule A. The Parties agree that the Future Costs Reserve Amount, together with the assets set forth on Schedule D, shall be used to pay the obligations listed on Schedule D and any other costs and expenses of Nautilus Technical and Eastern Rider accrued during the period prior to the Effective Date. Unpaid expenses set forth on Schedule D shall be paid promptly following the Closing Date. Any amount of the Future Costs Reserve Amount that is not needed to pay the foregoing amounts prior to December 31, 2011 shall on such date be reimbursed to the Sellers, pro rata in accordance with the percentage of the Future Costs Reserve Amount funded by each Seller.

6.5 Resignations of Directors and Officers

At Closing, Sellers shall deliver to Purchaser the relevant letters of resignation, effective as of the Closing Date, presented by any Manager or officer in Nautilus Technical and Eastern Rider. It is the intent of the Parties that all officers and Managers appointed by Sellers in Nautilus Technical and Eastern Rider shall resign.

6.6 Cooperation

Each Seller and Purchaser agree that, from and after the Closing Date, each of them will, and will cause its respective Affiliates to, execute and deliver such further documents, instruments and conveyances and take such other action, in each case, as may be reasonably requested by any Party to carry out the purposes and intents hereof. Purchaser agrees that it will execute and deliver any documents or instruments and take any other actions reasonably necessary to achieve the Issuance Date as soon as practicable after the Closing Date.

7. DOCUMENTS TO BE DELIVERED

7.1 Documents to be Delivered by Sellers

At the Closing, Sellers shall deliver, or cause to be delivered, to Purchaser the following:

(a) duly executed Assignments of all the Interests;

(b) the unanimous written consent of all members of Nautilus Technical and Eastern Rider, respectively, to (i) waive all restrictions, preemptive, preferential or first refusal rights and any other restrictions on the right of Sellers to transfer the Interests, and (ii) admit Purchaser as a member of Nautilus Technical and Eastern Rider;

(c) a certified copy of the (i) articles of association and (ii) certificate of good standing, in each case as filed with the Colorado Secretary of State, for Nautilus Technical and Eastern Rider;

(d) a certified copy of Nautilus Technical's and Eastern Rider's (i) register of members or its equivalent, (ii) operating agreement, and (iii) certificate of incumbency;

(e) a certified copy of the resolution of the board of directors of any Seller who is not a natural person authorizing execution and delivery of the Transaction Agreements and the sale of the Interests contemplated herein;

(f) a certificate in form and substance reasonably acceptable to Purchaser and in compliance with the Code and Treasury Regulations certifying facts to establish that the transactions contemplated by this Agreement are exempt from withholding pursuant to Section 1445 of the Code;

(g) a duly executed counterpart to the Registration Rights Agreement; and

(h) the resignation letters of all of the officers and Managers of Nautilus Technical and Eastern Rider effective as of the Closing Date.

7.2 Documents to be Delivered by Purchaser

At the Closing, Purchaser shall deliver to Seller the following:

(a) a certified copy of the resolution of the board of directors of Purchaser authorizing execution and delivery of the Transaction Agreements and the purchase of the Interests contemplated herein; and

(b) an executed counterpart to the Registration Rights Agreement.

8. INDEMNIFICATION

8.1 Survival

All representations and warranties made by any Party pursuant to this Agreement shall survive until the first anniversary of the Closing, except for the representations and warranties of Sellers in Sections 3.1, 3.2, 3.4 and 3.5 and the representations and warranties of Purchaser in Sections 5.1 and 5.2, which shall survive indefinitely. The covenants and agreements contained herein to be performed or complied with at or after the Closing shall survive the Closing.

8.2 Sellers' Agreement to Indemnify Purchaser

From and after the Closing, subject to the terms and conditions of this Agreement, each Seller shall, severally, indemnify, defend and hold harmless Purchaser and its Affiliates and their respective officers, directors, employees and Representatives (each a **Purchaser Indemnitee**) from and against any and all claims, demands, losses, assessments, fines, penalties, interest, liabilities, damages, reasonable expenses of investigations, reasonable experts' fees, reasonable

disbursements and other reasonable costs (including reasonable attorneys' fees) (all of the foregoing hereinafter referred to collectively as **Damages**) asserted against, resulting to, imposed upon or incurred by any Purchaser Indemnitee, that consist of, arise from or are attributable to a breach of (a) any representation or warranty of such Seller contained in Article 3 or (b) any covenant contained herein to be performed by such Seller.

8.3 Managers' Agreement to Indemnify Purchaser

From and after the Closing, subject to the terms and conditions of this Agreement, the Managers shall, jointly and severally, indemnify, defend and hold harmless the Purchaser Indemnitees from and against any and all Damages asserted against, resulting to, imposed upon or incurred by any Purchaser Indemnitee, that consist of, arise from or are attributable to a breach of any representation or warranty of the Managers contained in Article 4.

8.4 Sellers' Agreement to Indemnify Managers

From and after the Closing, subject to the terms and conditions of this Agreement, the Sellers shall, severally in accordance with the percentage of Total Share Consideration and Cash Consideration allocated to each Seller in accordance with Schedule A, indemnify, defend and hold harmless the Managers from and against any indemnification obligation of the Managers to the Purchaser Indemnitees pursuant to Section 8.3.

8.5 Purchaser's Agreement to Indemnify

From and after the Closing, subject to the terms and conditions of this Agreement, Purchaser shall indemnify, defend and hold harmless Sellers and their Affiliates and their respective officers, directors, employees and Representatives (each a **Seller Indemnitee**) from and against any and all Damages asserted against, resulting to, imposed upon or incurred by any Seller Indemnitee, that consist of, arise from or are attributable to a breach of (a) any representation or warranty of Purchaser contained in Article 4 or (b) any covenant contained herein to be performed by Purchaser.

8.6 Procedures for Resolution and Payment of Claims for Indemnification

(a) Except as provided in Section 8.7, below, if a Person entitled to be indemnified under this Article 8 (the **Indemnitee**) shall incur any Damages or determine that it may incur any Damages, either pursuant to a claim or demand asserted against or sought to be collected from it by a third party (a **Third Party Claim**) or a claim or demand that does not involve a claim or demand being asserted against or sought to be collected from it by a third party and believes that it is entitled to be indemnified against such Damages by a Party hereunder (the **Indemnitor**), such Indemnitee shall deliver to the Indemnitor a notice (an **Indemnitee's Notice**) signed by the Indemnitee, specifying in reasonable detail the nature of such claim or demand and the amount estimated to be involved in each claim or demand for Damages, which amounts may be reasonably modified from time to time by Indemnitee; provided that any failure to give such Indemnitee's Notice will not waive any rights of the Indemnitee, except for a willful failure or to the extent that the rights of the Indemnitor are actually prejudiced.

(b) If a Third Party Claim is made against an Indemnitee, the Indemnitor shall be entitled to participate in the defense thereof and, if it so chooses, to assume the defense thereof with counsel selected by the Indemnitor; provided, however, that such counsel is not reasonably objected to by the Indemnitee. Any Indemnitee shall have the right to employ separate legal counsel in any Third Party Claim and to participate in the defense thereto, but the fees and expenses of such counsel shall not be at the expense of the Indemnitor unless (i) the Indemnitor shall have failed, within thirty (30) days after having received an Indemnitee Notice, to assume the defense of such Claim with counsel reasonably acceptable to the Indemnitee, (ii) the employment of such counsel has been specifically authorized by the Indemnitor or (iii) the named parties to any such action (including, without limitation, any impleaded parties) include both such Indemnitee and the Indemnitor and, in the reasonable judgment of the Indemnitee, joint representation of both would be inappropriate due to actual or potential differing interests, and in that event the reasonable fees and expense of such separate counsel shall be paid by the Indemnitor. Except as otherwise herein provided, the Indemnitor shall not be liable to indemnify an Indemnitee for any settlement of any such action or claim effected without the consent of the Indemnitor (which consent shall not be unreasonably withheld or delayed). If the Indemnitor assumes the defense of a Third Party Claim, the Indemnitee shall agree to any settlement, compromise or discharge of a Third Party Claim that the Indemnitor shall recommend and that by its terms obligates the Indemnitor to pay the full amount of the liability in connection with such claim.

(c) The Indemnitor shall provide the Indemnitee, or vice versa, as the case may be, with copies of all complaints, motions, answers and other pleadings filed or received in connection with any Third Party Claim promptly after filing or receipt thereof.

8.7 Limitation of Liability

(a) Notwithstanding anything to the contrary herein, in no event shall any indemnity pursuant to this Article 8 include any consequential or punitive damages unless and to the extent that such damages have been asserted against the Indemnitee in a Third Party Claim.

(b) Notwithstanding anything to the contrary herein, in no event shall any Seller or Manager be liable under Sections 8.2 and 8.3 for Damages to the extent they exceed the amount of the Purchase Price paid, directly or indirectly, to the benefit of such Seller or Manager.

(c) Notwithstanding anything to the contrary herein, the Parties make no representation or warranty whatsoever, express or implied, except those representations and warranties contained in Articles 3 and 4.

9. MISCELLANEOUS

9.1 Notices

All reports, approvals, and notices required or permitted by this Agreement to be given to a Party (each a**Notice**) shall be given in writing, by personal delivery, telecopy or overnight courier, to the Party concerned at its address as set forth below (or at such other address as a Party may specify by written notice pursuant to this Section 9.1 to the other):

If to Purchaser:

Magellan Petroleum Corporation
7 Custom House St., 3rd Floor

Portland, ME 04101
Fax: (207) 553-2250
Attention: Antoine Lafargue

With a copy to:

Allen & Overy LLP
1221 Avenue of the Americas
New York, NY 10020
Fax: (212) 610-6399
Attention: Mitchell Silk

If to Sellers:

See Schedule A.

All Notices shall be deemed effective, delivered and received if (a) given by personal delivery, or by overnight courier, when actually delivered and signed for, or (b) given by facsimile, when such facsimile is transmitted to the facsimile number specified above and receipt therefor is confirmed.

9.2 Assignment; Binding Effect; No Third-Party Rights

Except as otherwise provided in this Agreement, neither this Agreement nor the rights granted under this Agreement may be assigned or transferred by any Seller or by Purchaser and any attempted assignment, delegation or transfer in violation of this Section 9.2, shall be void and of no force and effect; provided, however, that each of the Sellers may assign any right of payment of the First Production Payout Amount or the Second Production Payout Amount with the prior written consent of the Purchaser (such consent not to be unreasonably withheld). Except as expressly stated in this Agreement, this Agreement is for the sole benefit of the Parties and is not intended to and shall not confer upon any Person other than the Parties any rights or remedies under this Agreement. Except as otherwise provided in this Agreement, this Agreement shall be binding on the permitted successors and assigns of the Parties, each such permitted successor and assign being deemed to be a party to this Agreement in substitution of its respective transferor.

9.3 Entire Agreement

This Agreement contains the entire understanding and agreement between the Parties with respect to the subject matter of this Agreement and supersedes all prior oral and written understandings and agreements relating to the subject matter of this Agreement.

9.4 Expenses

Except as provided in Section 6.3 above, all expenses incurred by a Party or on its behalf in connection with this Agreement or the Transactions or related to the preparation, negotiation, execution and performance of this Agreement or the consummation of the Transactions shall be borne by the Party incurring such expenses.

9.5 Waivers; Amendments

Any waiver by any Party of a breach of any provision of this Agreement shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Agreement. The failure of a Party to insist upon strict adherence to any term of this Agreement on one or more occasions shall not be considered a waiver or deprive that Party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement. Any waiver must be in a writing signed by the waiving Party. This Agreement may only be amended with the written consent of Seller and Purchaser.

9.6 Reformation and Severability

Whenever possible, each provision of this Agreement will be interpreted in such a manner as to be effective and valid under applicable Law, but if any provision of this Agreement is held to be illegal, invalid or unenforceable under Law, then (a) in lieu of such illegal, invalid or unenforceable provision, the Parties shall endeavor in good faith negotiations to agree on a provision as similar to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable, provided that no Party shall be required to agree to any provision that would materially alter any of its rights or obligations under this Agreement and (b) the legality, validity and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby except where the fundamental relationship between the Parties has been materially altered.

9.7 Governing Law

This Agreement (and any claims or disputes arising out of or related to this Agreement or to the Transactions or to the inducement of any Party to enter into this Agreement, whether for breach of contract, tortious conduct, or otherwise and whether predicated on common law, statute or otherwise) shall in all respects be governed by and construed in accordance with the internal laws of the State of Colorado, including all matters of construction, validity and performance, in each case without reference to any conflict of law rules that might lead to the application of the laws of any other jurisdiction.

9.8 Consent to Jurisdiction

Each Party irrevocably submits to the exclusive jurisdiction of (a) the courts of the State of Colorado, and (b) the United States District Court for the District of Colorado, for the purposes of any Proceeding directly or indirectly arising out of, under or in connection with this Agreement or the Transactions. Each Party agrees to commence any such Proceeding either in the United States District Court for the District of Colorado or, if such Proceeding may not be brought in such court for jurisdictional reasons, in the courts of the State of Colorado. Each Party further agrees that service of any process, summons, notice or document by U.S. registered mail to such Party's respective address set forth above shall be effective service of process for any Proceeding in Colorado with respect to any matters to which it has submitted to jurisdiction in this Section 9.8. Each Party irrevocably and unconditionally waives any objection to the laying of venue of any Proceeding directly or indirectly arising out of, under or in connection with this Agreement or the Transactions in (i) the courts of the State of Colorado, or (ii) the United States District Court for the District of Colorado, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such Proceeding brought in any such court has been brought in an inconvenient forum.

9.9 Waiver of Jury Trial

EACH PARTY HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS. EACH PARTY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTY HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.9.

9.10 Counterparts

This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument, and which counterparts may be delivered by facsimile or electronically.

9.11 Headings

The headings in this Agreement are solely for convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.

9.12 Confidentiality Obligations

(a) Each of the Sellers and Managers shall keep confidential, and shall cause its respective Affiliates and Representatives to keep confidential, all information with respect to the Poplar Fields or to the business and operations of Nautilus Technical, Eastern Rider, Nautilus Poplar or the Purchaser, except as required by applicable Law or administrative process, except as specified in this Agreement and except for information that is available to the public on the date of this Agreement or becomes available to the public after the date of this Agreement other than as a result of a breach of this Section 9.12.

(b) The covenant contained in this Section 9.12 shall survive the Closing for a period of five (5) years after the Closing Date.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the day and year first above written.

PURCHASER

MAGELLAN PETROLEUM CORPORATION

By: /s/Antoine Lafargue
Name: Antoine Lafargue
Title: Chief Financial Officer

SELLERS

JTWI, INC.

By: /s/ Thomas J. Wilson
Name: Thomas J. WIlson
Title: President

MONTY HOFFMAN

/s/ Monty Hoffman

GEORGE MAINZER

/s/ George Mainzer

NAING AYE

/s/ Naing Aye

PEBCOR ENTERPRISES, LLC

By: /s/ Elliot L. Trepper
Name: Elliot L. Trepper
Title: President

WAYNE KAHMEYER

/s/ Wayne Kahmeyer

TERRY ROSS

/s/ Terry Ross

MANAGERS

MONTY HOFFMAN

/s/ Monty Hoffman

J. THOMAS WILSON

/s/ J. Thomas Wilson

SCHEDULE A – SELLERS

SCHEDULE B – MANAGERS

SCHEDULE C – NT MEMBER DEBT SETTLEMENT

SCHEDULE D – ASSETS AND FUTURE OBLIGATIONS OF NAUTILUS TECHNICAL AND EASTERN RIDER

SCHEDULE E – DEBT SETTLEMENT

EXHIBIT A – ASSIGNMENT OF MEMBERSHIP INTEREST IN [NAUTILUS TECHICAL GROUP LLC] [EASTERN RIDER LLC]

SCHEDULE 4.2

SCHEDULE 4.5

Note: Pursuant to Item 601(b)(2) of Regulation S-K, the registrant has omitted Schedules A-E, Exhibit A and Schedules 4.2 and 4.5. The registrant will furnish supplementally to the Securities and Exchange Commission such schedules, upon request.

ThomsonsLawyers

SALE AGREEMENT

between

SANTOS QNT PTY LTD
ACN 083 077 196

and

SANTOS LIMITED
ACN 007 550 923

(together the **Santos Entities**)

and

MAGELLAN PETROLEUM (NT) PTY LTD
ACN 009 718 183
(**Magellan**)

Level 7, 19 Gouger Street
Adelaide SA 5000 Australia
T +61 8 8236 1300 • F +61 8 8232 1961

www.thomsonslawyers.com.au

Sydney
Melbourne
Brisbane
Adelaide

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THIS AGREEMENT is made on 14 September 2011

between **SANTOS QNT PTY LTD** ACN 083 077 196 of c/- 60 Flinders Street, ADELAIDE SA 5000 (**SANTOS QNT**)

and **SANTOS LIMITED** ACN 007 550 923 of c/- 60 Flinders Street, ADELAIDE SA 5000 (**SANTOS LTD**)

(together the **Santos Entities**)

and **MAGELLAN PETROLEUM (NT) PTY LTD** ACN 009 718 183 of 10th Floor, 145 Eagle Street, BRISBANE, QUEENSLAND 4000 (**Magellan**)

RECITALS

A. The Magellan Sale Interests are legally and beneficially owned by Magellan.

B. The Santos Sale Interests are legally and beneficially owned by the Santos Entities in the proportions described in Schedule 1.

C. Magellan has agreed to sell the Magellan Sale Interests to Santos QNT and Santos QNT has agreed to buy the Magellan Sale Interests from Magellan on the basis set out in this Agreement.

D. The Santos Entities have agreed to sell the Santos Sale Interests to Magellan and Magellan has agreed to buy the Santos Sale Interests on the basis set out in this Agreement.

NOW IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement, unless the context requires otherwise:

90 Day Average Net Sales means the daily volume of net sales of Petroleum from the Permits forming part of the Mereenie Operating Joint Venture as at the date of this Agreement (being Petroleum Leases Number 4 and 5 as administered under the *Petroleum (Prospecting & Mining) Act* 1981 (NT), as continued in force by the Petroleum Act) and any substitute or renewal leases or licences or other tenements or rights permitting the production of natural gas from the area the subject of those Permits calculated on a 'barrels of oil equivalent basis' (on a conversion rate of 1 barrel of oil being equivalent to 5.816 GJ), averaged over a period of 90 consecutive days.

Accounting Standards means the accounting procedure set out in the relevant Joint Venture Agreement relevant to the Sale Interest.

Adjustment Amount means the Magellan Sale Interests Adjustment Amount or the Santos Sale Interests Adjustment Amount as the context requires.

Adjustment Date means the date which is 10 Business Days after all Adjustment Statements become binding on the Parties under clause 10.

Adjustment Statements means each Adjustment Statement prepared under clause 10, which for the avoidance of doubt will include an Adjustment Statement for the Magellan Sale Interests and an Adjustment Statement for the Santos Sale Interests.

Area D Aggregated Royalty means the 3.25% overriding royalty granted in favour of Jarl Pty Ltd (1.1375%), Exoil NL (0.6825%), Oil Drilling & Exploration (NT) Pty Ltd (0.446875%), Transoil (Qld) Pty Ltd (0.29250%), Port Kembla Oil and Gas Limited (0.203125%) and Canso Resources Limited (0.4875%) in respect of petroleum produced from the Petroleum Lease No. 5 Permit (formerly known as Area D of OP43) which forms part of the Mereenie Operating Joint Venture, by deed dated 1 December 1964.

Area F Aggregated Royalty means the 3.25% overriding royalty granted in favour of Jarl Pty Ltd (0.975%), Exoil NL (0.6825%), Oil Drilling & Exploration (NT) Pty Ltd (0.446875%), Transoil (Qld) Pty Ltd (0.29250%), Port Kembla Oil and Gas Limited (0.203125%) and Canso Resources Limited (0.65%) in respect of petroleum produced from the Petroleum Lease No. 4 Permit (formerly known as Area F of OP56) which forms part of the Mereenie Operating Joint Venture, by deed dated 1 December 1964.

Agreement means this document, including any schedule and annexure to it.

Approved means approved by the relevant Governmental Agency in accordance with section 72 of the Petroleum (Prospecting & Mining) Act (NT); section 93 or section 96 of the Petroleum Act; or section 46 or section 49 of the Energy Pipelines Act (NT) 1983 (as applicable).

Bank Bill Rate in respect of a day on which interest is to be calculated, means the annual percentage rate equivalent to the 3-month bank bill swap rate as published in the most recent Monday edition of *The Australian* newspaper, or if not able to be so determined, then the 3-month bank bill swap rate under the heading "AVERAGE BID RATE" which is quoted on the page numbered "BBSY" (or any page replacing that page) of the Reuters Monitor System at or about 10:00 hours (Sydney time) on that day, or if not able to be so determined, then the 3-month bank bill swap rate until the heading "BID" as published by Bloomberg quoted on page code MMR2 (or any page replacing that page) at or about 10:00 hours (Sydney time) on that day.

Bonus Amount has the meaning set out in 11.1.

Bonus Payment Date means:

(a) in respect of each Royalty Report delivered prior to Completion, the Completion Date; and

(b) in respect of each Royalty Report delivered after Completion, 20 Business Days after delivery of the Royalty Report.

Bonus Period means a period of 20 years from the Effective Date.

Business Day means a day on which the banks are open for business in Adelaide and Perth other than a Saturday, Sunday or public holiday in such place.

Buyer Party means:

(a) in respect of the Magellan Sale Interests, Santos QNT; and

(b) in respect of the Santos Sale Interests, Magellan.

Buyer Warranties means the warranties set out in item 1 of Schedule 5 given by each Buyer Party.

Calculation Time means 11:59pm on the date immediately preceding the Effective Date.

Claim includes any claim, notice, Demand, action, proceeding or litigation (including in respect of any Loss) however arising, whether based in contract, tort or statute and whether involving a third party or a Party .

Completion means completion of the sale and purchase of the Working Interests in accordance with clause 7.

Completion Date means 5 Business Days following the satisfaction of the Conditions, unless otherwise agreed in writing by the Santos Representative and Magellan Representative.

Completion Steps means the steps to be taken on Completion set out in Schedule 4.

Conditions means the conditions set out in Schedule 3.

Consideration means the Magellan Consideration as described in clause 4.1 or the Santos Consideration as described in clause 4.2, as applicable.

Corporations Act means the *Corporations Act 2001 (Cth)*.

Cut-Off Date means 22 June 2012.

Demand means a written notice of, or a demand for, an amount payable, or for any other action.

Dingo Joint Venture means the joint venture for the exploration of gas governed by the Dingo Operating Agreement.

Dingo Operating Agreement means the document titled Amadeus Operating Agreement establishing the Dingo Joint Venture dated 20 November 1986 as set out in item 4.3(a) of Schedule 2.

Duty means any stamp, transaction or registration duties or fee, or similar charge, imposed by any Governmental Agency, and includes any interest, fine, penalty, charge or other amount imposed in respect of the above, but excludes any Tax.

Effective Date means 1 July 2011.

Encumbrance means an interest or power:

(a) reserved in or over an interest in any asset including any retention of title or preferential right; or

(b) created or otherwise arising in or over any interest in any asset under any form of security whatsoever including a bill of sale, contract or set-off, mortgage, charge, lien, pledge, trust or power,

whether registered or unregistered and including, but not limited to, any agreement to grant or create any of the above and any caveat over any Permits or Property Interests.

Environmental Liability means any Loss relating to:

(a) damage to the environment in connection with the operation of the relevant Sale Interests;

(b) environmental clean-up relating to the relevant Sale Interests;

(c) remediation, rehabilitation and reclamation in relation to the relevant Sale Interests; and

(d) contamination of or from, or pollution from, any part of the relevant Sale Interests.

Event means any event, occurrence, transaction, act or omission (or deemed event, occurrence, transaction or omission).

Gas Sales Agreement has the meaning set out in item 3 of Schedule 3.

Governmental Agency means any government or governmental, semi-governmental, administrative, monetary, fiscal or judicial body, department, commission, authority, tribunal, agency or entity and includes a Taxation Authority.

GST means goods and services tax or similar value added tax levied or imposed in Australia under the GST Law or otherwise on a supply.

GST Act means *A New Tax System (Goods and Services Tax) Act 1999 (Cth).*

GST Exclusive Consideration has the meaning set out in clause 19.3.

GST Law has the same meaning as in the GST Act.

Immediately Available Funds means:

(a) cash;

(b) bank cheque; or

(c) telegraphic or other electronic means of transfer of cleared funds into a bank account nominated in advance by the payee.

Independent Accountant means the accountant appointed for the purposes of clause 10.7.

Insolvency Event means the occurrence of any one or more of the following events in relation to any Party to this Agreement:

(a) a meeting has been convened, resolution proposed, petition presented or order made for the winding up of that party;

(b) a receiver, receiver and manager, provisional liquidator, liquidator, or other officer of the Court, or other person of similar function has been appointed in relation to all or any material asset of the party;

(c) a security holder, mortgagee or charge has taken attempted or indicated an intention to exercise its rights under any security of which the party is the security provider, mortgagor or charger; or

(d) an event has taken place with respect to the party which would make, or deem it to be, insolvent under any law applicable to it.

Joint Venture means each of the Mereenie Operating Joint Venture, the Palm Valley Joint Venture, the Dingo Joint Venture and the Mereenie Pipeline Joint Venture, and **Joint Ventures** means all of them.

Joint Venture Agreements means the Mereenie Operating Joint Venture Agreement, the Palm Valley Joint Venture Agreement, the Dingo Joint Venture Agreement and the Mereenie Pipeline Joint Venture Agreement.

Joint Venture Contracts means in respect of each Joint Venture the agreements and contracts detailed in Schedule 2.

Loss means any damage, loss, cost, charge, expense or liability however arising (including contractual, tortuous, legal, equitable loss or loss pursuant to statute).

Magellan means Magellan Petroleum (NT) Pty Ltd ACN 009 718 183.

Magellan Assumed Liabilities means all costs, charges, expenses, taxes, liabilities and obligations in respect of the Santos Sale Interests including all costs, charges, expenses, taxes, liabilities and obligations of the Santos Entities which accrue or relate to the period on and after the Effective Date in respect of such of the Permits, Property Interest, Joint Venture Contracts and Royalty Obligations as are set out in items 3 and 4 of Schedule 2.

Magellan Consideration has the meaning set out in clause 4.1.

Magellan Mereenie Operating Interest means the 35% working interest in the Mereenie Operating Joint Venture held by Magellan consisting of the interests, entitlements, rights, obligations and liabilities, Records and Plant and Equipment described in item 1 of Schedule 2.

Magellan Mereenie Pipeline Interest means the 35% working interest in the Mereenie Pipeline Joint Venture held by Magellan consisting of the interests, entitlements, rights, obligations and liabilities, Records and Plant and Equipment described in item 2 of Schedule 2.

Magellan Representative means the Company Secretary of Magellan from time to time, and who, at the date of execution of this Agreement, is Bruce McInnes, or any other person as notified by Magellan to the Santos Entities.

Magellan Sale Interests means the:

(a) Magellan Mereenie Operating Interest; and

(b) Magellan Mereenie Pipeline Interest,

held by Magellan.

Magellan Sale Interests Adjustment Amount has the meaning set out in item 1 of Schedule 7.

Magellan Sale Interests Base Purchase Price has the meaning set out in item 2.1 of Schedule 1.

Magellan Transfer Documents has the meaning set out in clause 12(a).

Mereenie Operating Agreement means the joint operating agreement establishing the Mereenie Operating Joint Venture dated 27 April 1984 as set out in item 1.3(a) of Schedule 2.

Mereenie Operating Joint Venture means the joint venture for the production of oil and gas from the Mereenie oil and gas field governed by the Mereenie Operating Agreement.

Mereenie Pipeline Agreement means the Mereenie Pipeline Construction Joint Venture Agreement establishing the Mereenie Pipeline Joint Venture dated 26 June 1985 as set out in item 2.3(a) of Schedule 2.

Mereenie Pipeline Joint Venture means the joint venture for the construction and operation of the Mereenie oil pipeline as governed by the Mereenie Pipeline Agreement.

Palm Valley Joint Venture means the joint venture for the production of gas from the Palm Valley gas field governed by the Palm Valley Operating Agreement.

Palm Valley Operating Agreement means the joint operating agreement establishing the Palm Valley Joint Venture dated 2 April 1985 as set out in item 3.3(a) of Schedule 2.

Parties means Santos QNT, Santos Ltd and Magellan and **Party** means any one of them

Petroleum has the meaning set out in section 5(1) of the Petroleum Act.

Petroleum Act means *Petroleum Act (Northern Territory) 1984*.

Permits means the statutory permits, licences or leases set out in items 1.1, 2.1, 3.1 and 4.1 of Schedule 2.

Personnel means the officers, employees, contractors (including sub-contractors and their employees), professional advisers, representatives and agents of a person.

Plant and Equipment means all plant, machinery, spare parts, tools, equipment and tangible chattels (including any pipelines, inventory, wells, wellbores and casing) owned and used by a Seller Party in connection with the relevant Permits as set out in items 1.4, 2.4, 3.4 and 4.4 of Schedule 2.

PRRT Act means the *Petroleum Resource Rent Tax Assessment Act 1987* (Cth).

Property Interests means the registered and unregistered interests in real property owned, occupied or otherwise used by the Joint Ventures as set out in items 1.2, 2.2, 3.2 and 4.2 of Schedule 2.

Records means in respect of each Joint Venture copies of all:

(a) work programmes, budgets, authorisations for expenditure, books of account and records;

(b) operating and technical committee minutes;

(c) geological and geophysical information and data, including cores, cuttings and samples;

(d) feasibility studies and reserves reports;

(e) correspondence with Governmental Agencies, and correspondence with other parties to the Joint Ventures; and

(f) data maps, notes and drawings,

which relate to the Sale Interests and which are in the possession or under the control of the Seller Party.

Registered means registered by the relevant Governmental Agency in accordance with section 10 of the Petroleum (Prospecting & Mining) Act (NT); section 93 or section 96 of the Petroleum Act; or section 46 or section 49 of the Energy Pipelines Act (NT) 1983 (as applicable).

Related Body Corporate has the meaning given to that expression in section 9 of the Corporations Act.

Respective Proportion means, in relation to:

(a) Magellan, 100%; and

(b) the Santos Entities the proportion (expressed as a percentage) that the Santos Sale Interests held by the relevant Santos Entity in the Joint Ventures immediately before Completion bears to the total Santos Sale Interests held by the Santos Entities as set out in item 1 of Schedule 1.

Royalty Obligations means the contractual obligations to pay royalties in respect of the Permits as set out in items 1.4, 2.4, 3.4 and 4.4 of Schedule 2 and all royalties payable to any Government Agency under any applicable law.

Royalty Report means the annual royalty report which must be delivered to the Northern Territory Government identifying the volume of net sales of gas, oil and LPG from the Permits which form part of the Mereenie Operating Joint Venture used to determine the statutory royalties payable on such Permits under the Petroleum Act.

SACB Parties means the parties listed as 'Buyers' under the Port Bonython Crude Oil Sales Agreement (described in item 1.3 of Schedule 2).

Sale Interests means the Magellan Sale Interests and the Santos Sale Interests, as applicable.

Santos Assumed Liabilities means all costs, charges, expenses, taxes, liabilities and obligations in respect of the Magellan Sale Interests including all costs, charges, expenses, taxes, liabilities and obligations of Magellan which accrue or relate to the period on and after the Effective Date in respect of such of the Permits, Property Interest, Joint Venture Contracts and Royalty Obligations as are set out in items 1 and 2 of Schedule 2.

Santos Consideration has the meaning set out in clause 4.2.

Santos Dingo Interest means the 65.6635% working interest in the Dingo Joint Venture held by the Santos Entities consisting of the interests, entitlements, rights, obligations and liabilities, Records and Plant and Equipment described in item 4 of Schedule 2.

Santos Palm Valley Interest means the 47.977% working interest in the Palm Valley Joint Venture held by the Santos Entities consisting of the interests, entitlements, rights, obligations and liabilities, Records and Plant and Equipment described in item 3 of Schedule 2.

Santos Representative means the Manager Oil and Offshore Commercial for the Eastern Australia Business Unit of Santos Limited from time to time, and who, at the date of execution of this Agreement, is Michael Flynn or any other person as notified by the Santos Entities to Magellan.

Santos Sale Interests means the:

(a) Santos Palm Valley Interest; and

(b) Santos Dingo Interest,

held by the Santos Entities in the proportions described in Schedule 1.

Santos Sale Interests Adjustment Amount has the meaning set out in item 2 of Schedule 7.

Santos Sale Interests Base Purchase Price has the meaning set out in item 2.2 of Schedule 1.

Santos Transfer Documents has the meaning set out in clause 12(b).

Seller Warranties means the warranties set out in item 1 and item 2 of Schedule 5 which are given by each Seller Party.

Seller Party means:

(a) in respect of the Magellan Sale Interests, Magellan; and

(b) in respect of the Santos Sale Interests, the Santos Entities in the proportions described in Schedule 1.

Supplier has the meaning set out in clause 19.4.

Tax means any tax, levy, charge, impost, fee, deduction, goods and services tax, compulsory loan or withholding, which is assessed, levied, imposed or collected by any Governmental Agency and includes any interest, fine, penalty, charge, fee or any other amount imposed on, or in respect of any of the above, but excludes any Duty.

Third Party means any person or entity (including a Governmental Agency) other than Santos or Magellan.

Third Party Claim means any Claim made or brought by a Third Party.

Transfer Documents means the Magellan Transfer Documents and the Santos Transfer Documents.

Warranty Claim means any Claim by a Party arising out of a breach of a Seller Warranty.

Wharfage Dispute means the dispute between the South Australian Government and the SACB Parties in respect the wharfage fees payable to the South Australian Government under the Crude Oil Sales and Purchase Agreement (Port Bonython, SA) described in item 1.3 of Schedule 2.

Wharfage Fee Liability has the meaning set out in clause 8.3(a)(iii).

Wharfage Fee Refund has the meaning set out in clause 8.3(a)(iii).

Working Capital means in respect of the Sale Interests the current assets (including any inventories of crude oil) of the Joint Venture less the liabilities of the Joint Venture applicable to the Sale Interest which is to be calculated in accordance with the Accounting Standards.

1.2 **Interpretation**

In this Agreement, unless the context otherwise requires:

(a) Reference to:

(i) one gender includes the others;

(ii) the singular includes the plural and the plural includes the singular;

(iii) a recital, clause, schedule or annexure is a reference to a clause of or recital, schedule or annexure to this Agreement and references to this Agreement include any recital, schedule or annexure;

(iv) any contract (including this Agreement) or other instrument includes any variation or replacement of it and as it may be assigned or novated;

(v) a statute, ordinance, code or other law includes subordinate legislation (including regulations) and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;

(vi) a person or entity includes an individual, a firm, a body corporate, a trust, an unincorporated association or an authority;

(vii) a person includes their legal personal representatives (including executors), administrators, successors, substitutes (including by way of novation) and permitted assigns;

(viii) a group of persons is a reference to any 2 or more of them taken together and to each of them individually;

(ix) a body which has been reconstituted or merged must be taken to be to the body as reconstituted or merged, and a body which has ceased to exist and the functions of which have been substantially taken over by another body must be taken to be to that other body;

(x) an accounting term is to that term as it is used in Accounting Standards unless specified otherwise;

(xi) time is a reference to Adelaide, South Australia time;

(xii) a reference to a day or a month means a calendar day or calendar month;

(xiii) money (including "$", "AUD" or "dollars") is to Australian currency; and

(xiv) any thing (including any amount or any provision of this Agreement) is a reference to the whole and each part of it and a reference to a group of persons is a reference to any one or more of them;

(b) A reference to sell includes to transfer, assign or novate (as the context requires);

(c) Except in respect of clause 11 an agreement, undertaking, representation or warranty of the Santos Entities in their capacity as Seller Parties binds the parties comprising the Santos Entities severally and only in respect of their Respective Proportion and the Santos Sale Interests which they hold and in respect of clause 11 binds them as set out in clause 11.1(b);

(d) No Party enters into this Agreement as agent for any other person (or otherwise on their behalf or for their benefit);

(e) The meaning of any general language is not restricted by any accompanying example, and the words "includes", "including", "such as", "for example" or similar words are not words of limitation;

(f) The words "costs" and "expenses" include reasonable charges, expenses and legal costs on a full indemnity basis;

(g) Where a word or expression is given a particular meaning, other parts of speech and grammatical forms of that word or expression have a corresponding meaning;

(h) Headings and the table of contents are for convenience only and do not form part of this Agreement or affect its interpretation;

(i) If a period of time is specified and dates from a given day or the day of an act or event, it is to be calculated exclusive of that day;

(j) The time between 2 days, acts or events includes the day of occurrence or performance of the second but not the first act or event;

(k) If an act must be done on a specified day which is not a Business Day, the act must be done instead on the next Business Day;

(l) A provision of this Agreement must not be construed to the disadvantage of a Party merely because that Party was responsible for the preparation of the Agreement or the inclusion of the provision in the Agreement; and

(m) All references to units of measurement are references to the units of measurement defined in or for the purposes of the *National Measurement Act 1960* (Cth) (as amended by the *National Measurement Amendment Act 2004* (Cth)) and where any unit of measurement (relevant unit) used in this Agreement would otherwise attract the operation of section 12 of that Act, the relevant unit is deemed to be the Australian legal unit of measurement (as defined by that Act) resulting from the conversion of the relevant unit to an Australian legal unit of measurement using the applicable conversion factor prescribed for the purposes of section 11 of that Act or, where no applicable conversion factor is so prescribed, the conversion factor prescribed by Australian Standard AS/NZS 1376-1996.

2. CONDITIONS

2.1 Conditions Precedent

Completion of the sale and purchase of each of the Magellan Sale Interests and the Santos Sale Interests under this Agreement is subject to and will not proceed unless, and clauses 3, 4, 7, 8, 9, 10, 11 and 12 are of no force and effect until, on or prior to the Cut-Off Date the Conditions have been satisfied or waived.

2.2 Reasonable endeavours

Each Party must:

(a) use its best endeavours to ensure that the Conditions in respect of which it has a power or responsibility under this Agreement as specified in Schedule 3 are satisfied as expeditiously as possible after execution of this Agreement and in any event no later than the Cut-Off Date (unless otherwise agreed in writing by the Santos Representative and the Magellan Representative);

(b) provide all reasonable assistance and information to the other Party (without being obliged to incur any expense in so doing) as is reasonably necessary to satisfy the Conditions.

2.3 **Waiver**

(a) Any Condition that is referred to as being for the benefit of:

(i) Magellan only is only waived if the Magellan Representative notifies the Santos Representative in writing that Magellan waives the Condition; and

(ii) Magellan and the Santos Entities is only waived if both the Magellan Representative and the Santos Representative agree in writing to waive the Condition.

(b) A Condition that is waived in accordance with clause 2.3(a) is effective only to the extent specifically set out in that waiver.

2.4 **Obligations to notify**

If a Party becomes aware:

(a) that a Condition has been satisfied; or

(b) of any facts, circumstances or matters that may result in a Condition not being or becoming incapable of being satisfied,

that Party must promptly notify the other Parties accordingly.

2.5 **Termination**

If both Santos QNT and Santos Ltd on the one hand or Magellan on the other hand have or has (as applicable) complied with their or its (as applicable) obligations under clause 2.2, the Santos Entities or Magellan (as applicable) may terminate this Agreement by giving not less than 2 Business Days' notice to Magellan or the Santos Entities (as applicable) if:

(a) the Conditions are not satisfied, or waived in accordance with clause 2.3 by the Cut-Off Date (unless otherwise agreed in writing by the Santos Representative and the Magellan Representative);

(b) a Condition is or becomes incapable of being satisfied and has not been waived in accordance with clause 2.3; or

(c) a Condition, having been satisfied, does not remain satisfied in all respects at all times before Completion, and has not been waived in accordance with clause 2.3.

2.6 **Rights on termination**

If this Agreement is terminated under clause 2.5 or clause 6 then, in addition to any other rights, powers or remedies provided by law or in equity:

(a) each Party is released from its obligations and liabilities under or in connection with this Agreement and this Agreement will have no further force or effect, other than this clause 2 and clause 20; and

(b) each Party retains the rights, remedies and powers it has in connection with any breach of this Agreement or any Claim or Loss that has arisen before termination.

3. SALE AND PURCHASE

3.1 Agreement to sell Magellan Sale Interests

Magellan agrees to sell all of the Magellan Sale Interests to Santos QNT, and Santos QNT agrees to purchase all of the Magellan Sale Interests from Magellan:

(a) for the Magellan Consideration;

(b) free from all Encumbrances, other than those set out in the Joint Venture Contracts, Permits, Property Interests or Royalty Obligations;

(c) with all rights, including voting rights, attached or accrued to them on or after Completion; and

(d) subject to the provisions of this Agreement.

3.2 Agreement to sell Santos Sale Interests

The Santos Entities agree to sell all of the Santos Sale Interests to Magellan, and Magellan agrees to purchase all of the Santos Sale Interests from the Santos Entities:

(a) for the Santos Consideration;

(b) free from all Encumbrances, other than those set out in the Joint Venture Contracts, Permits, Property Interests or Royalty Obligations;

(c) with all rights, including voting rights, attached or accrued to them on or after Completion; and

(d) subject to the provisions of this Agreement.

3.3 Waiver of pre-emptive rights

Each Party, by its execution of this Agreement, consents to the sale and purchase of the Sale Interests contemplated by clauses 3.1 and 3.2 and irrevocably waives any rights of pre-emption that they have, or may have, in respect of the Magellan Sale Interests or the Santos Sale Interests, whether conferred by the Joint Venture Agreements or otherwise.

3.4 Benefit, Title and Risk

Subject to Completion occurring, Registration taking place and to the terms of this Agreement:

(a) the sale and purchase of the Sale Interests and the transfer of the risk and benefit of the Sale Interests will be deemed to have taken place with effect on and from the Effective Date; and

(b) despite clause 3.4(a), the title, to the Sale Interests will not pass from each Seller Party to the respective Buyer Party until the Completion Date.

4. CONSIDERATION

4.1 Magellan Consideration

In consideration for Magellan transferring the Magellan Sale Interests to Santos QNT Santos QNT will pay to Magellan consideration of:

(a) the Magellan Sale Interests Base Purchase Price; plus

(b) each Bonus Amount (if any) payable during the Bonus Period in accordance with clause 11; plus or minus

(c) the Magellan Sale Interests Adjustment Amount,

(together**Magellan Consideration**).

4.2 Santos Consideration

In consideration for the Santos Entities transferring the Santos Sale Interests to Magellan, Magellan will pay to the Santos Entities consideration consisting of:

(a) the Santos Sale Interests Base Purchase Price; plus or minus

(b) the Santos Sale Interests Adjustment Amount,

(together **Santos Consideration**).

4.3 Satisfaction of Magellan Consideration

(a) On Completion Santos QNT will:

(i) procure the Santos Entities to transfer the Santos Sale Interests to Magellan;

(ii) pay Magellan the Magellan Sale Interests Base Purchase Price; and

(iii) undertake to pay, perform and observe the Santos Assumed Liabilities.

(b) On the Adjustment Date:

(i) if the Magellan Sale Interests Adjustment Amount is a positive amount, Santos QNT must pay such amount to Magellan; or

(ii) if the Magellan Sale Interests Adjustment Amount is a negative amount, Magellan must pay such amount to Santos QNT.

(c) Santos QNT must pay Magellan the Bonus Amount (if any) due on each Bonus Payment Date in accordance with clause 11.

4.4 Satisfaction of Santos Consideration

(a) On Completion Magellan will:

(i) transfer the Magellan Sale Interests to Santos QNT;

(ii) pay the Santos Entities the Santos Sale Interests Base Purchase Price; and

(iii) undertake to pay, perform and observe the Magellan Assumed Liabilities.

(b) On the Adjustment Date:

(i) if the Santos Sale Interests Adjustment Amount is a positive amount, Magellan will pay such amount to the Santos Entities: or

(ii) if the Santos Sale Interests Adjustment Amount is a negative amount, the Santos Entities must pay such amount to Magellan.

4.5 **Set Off**

The Santos Entities may set off any payments owed to Magellan against any payments due by Magellan under this Agreement and vice versa.

4.6 **Payment method**

(a) The payment of any amounts under this Agreement must be made in Immediately Available Funds or in such other manner as the Parties agree in writing.

(b) Time will be of the essence with respect to all payments due by Santos QNT or Magellan under this Agreement.

4.7 **Purchase Price Allocation**

The Parties must confer and use their best endeavours in good faith to agree an allocation of the Magellan Consideration as between the Magellan Sale Interests and an allocation ofthe Santos Consideration as between the Santose Sale Interests within 30 days of execution of this Agreement.

5. BEFORE COMPLETION

5.1 **Conduct before Completion**

Subject to clause 5.2:

(a) From the date of this Agreement until Completion, each Seller Party must:

(i) fulfil its obligations under the Joint Venture Agreements in a timely manner, including without limitation the requirement to vote on resolutions put to the Seller Party as holder of the Sale Interests;

(ii) in the ordinary and normal course undertake all actions required of them as the holder of the Sale Interests;

(iii) to the extent possible having regard to their interest in the relevant Sale Interests ensure that each Joint Venture is carried on as a going concern:

(A) in the ordinary and normal course; and

(B) following normal practice,

unless the relevant Buyer Party otherwise consents in writing.

(b) In complying with clause 5(a), a Buyer Party must not unreasonably withhold its consent to any request from the relevant Seller Party in relation to any matter or thing unless in that Party's reasonable opinion such matter or thing:

(i) negatively impacts on the operation, or reduces the value, of the relevant Sale Interests;

(ii) disrupts or adversely affects the day to day operations of the relevant Joint Venture; or

(iii) prevents or hinders Completion taking place,

but nothing in this clause 5 restricts the Seller Party from doing anything;

(iv) to reasonably and prudently respond to any emergency or disaster (including a situation giving rise to a risk of personal injury or damage to property in respect of the Sale Interests; or

(v) that is reasonably necessary for the Seller Party to meet its legal and contractual obligations in respect of the Sale Interests.

5.2 **Mereenie Operating 3D Seismic**

The Parties acknowledge that for the avoidance of doubt the proposed 3D Seismic work program for the Mereenie Operating Joint Venture will not form part of any work program or budget proposed for the Mereenie Operating Joint Venture in the period between the Effective Date and the Completion Date and accordingly Magellan shall not be liable for, and shall not be required to pay any cash call in respect of the Magellan Sale Interests prior to Completion which relates to, the 3D Seismic work program (and for the avoidance of doubt any liability for such will not form part of Magellan's liabilities referrable to the period up to the Calculation Time for the purposes of clause 9.2(b)).

6. TERMINATION

6.1 **Termination by Santos**

The Santos Entities may terminate this Agreement with immediate effect by notice in writing to Magellan Representative if:

(a) Magellan breaches a material obligation under this Agreement (being a breach of a Seller Warranty or any breach which, if not waived at Completion, constitutes grounds for a Claim where the reasonable estimate of Loss is not less than AU$5,000,000), and either:

(i) Magellan fails to remedy such breach within 10 Business Days of a request by the Santos Representative to remedy the breach; or

(ii) such breach is incapable of remedy;

(b) an Insolvency Event occurs in respect of Magellan; or

(c) anything occurs (except something arising from an act or omission of a Santos Entity) which (alone or together with all other things that have occurred) has, or would be likely to have after Completion, a material adverse effect on the financial condition, assets, operations (as presently carried on), results or prospects of the Magellan Sale Interests having a financial impact of no less than AU$5,000,000.

6.2 **Termination by Magellan**

Magellan may terminate this Agreement with immediate effect by notice in writing to the Santos Representative if prior to Completion:

(a) a Santos Entity breaches a material obligation under this Agreement (being a breach of a Seller Warranty or any breach which, if not waived at Completion, constitutes grounds for a Claim where the reasonable estimate of Loss is not less than AU$5,000,000), and either:

(i) the Santos Entities fail to remedy such breach within 10 Business Days of a request by the Magellan Representative to remedy the breach; or

(ii) such breach is incapable of remedy ; or

(b) an Insolvency Event occurs in respect of a Santos Entity; or

(c) anything occurs (except something arising from an act or omission of a Magellan) which (alone or together with all other things that have occurred) has, or would be likely to have after Completion, a material adverse effect on the financial condition, assets, operations (as presently carried on), results or prospects of the Santos Sale Interests, having a financial impact of no less than AU$5,000,000.

6.3 **No other right to terminate or rescind**

(a) No Party may terminate or rescind this Agreement (including on the grounds of any breach of warranty or misrepresentation which occurs or becomes apparent prior to Completion) except as permitted under clause 2.5 or this clause 6.

(b) For the avoidance of doubt if a Buyer Party is actually aware before Completion of any breach of a Seller Warranty in respect of the relevant Sale Interests they are acquiring and elects to effect Completion, then that Buyer Party will have no right to bring any Claim against the relevant Seller Party for that breach of a Seller Warranty.

7. COMPLETION

7.1 **Time and location of Completion**

Each Completion will take place:

(a) at 4:00pm on the Completion Date; and

(b) at the Adelaide offices of Thomsons Lawyers, 19 Gouger Street, Adelaide,

or such other place, time and date as the Santos Representative and Magellan Representative may agree in writing.

7.2 **Completion**

(a) On or before Completion, each Party must carry out the Completion Steps which it is obliged to carry out it in accordance with Schedule 4.

(b) Completion is taken to have occurred when each Party has performed all its obligations under this clause 7.2 and Schedule 4.

7.3 **Obligations interdependent**

(a) In respect of the Sale Interests, the transactions provided for in clause 7.2 and Schedule 4 are interdependent and are to be carried out contemporaneously, specifically:

(i) the purchase and sale of the Magellan Sale Interests is interdependent with and conditional upon the purchase and sale of the Santos Sale Interests; and

(ii) the purchase and sale of the Santos Sale Interests is interdependent with and conditional upon the purchase and sale of the Magellan Sale Interests.

(b) No delivery, payment or other event referred to in clause 7.2 and Schedule 4 will be regarded as having been made or occurred until all deliveries and payments have been made and all other specified events have occurred. If any one action does not take place then, without prejudice to any rights available to any party a as a consequence:

(i) there is no obligation on any Party to undertake or perform any of the other actions;

(ii) to the extent that such actions have already been undertaken, the Parties must do everything reasonably required to reverse those actions; and

(iii) the Santos Entities and Magellan must each return any documents delivered under clause 7.2 and Schedule 4 and must each repay to the other all payments received by it under clause 7.2 and Schedule 4.

8. ALLOCATION OF LIABILITIES

8.1 **Losses arising before Calculation Time**

(a) Magellan retains and must pay, perform or discharge, and, subject to Completion occurring, must indemnify Santos QNT against, all Loss in respect of the Magellan Sale Interests (including for the avoidance of doubt any Environmental Liability but excluding any Wharfage Fee Liability) which accrue or relate to any period before the Calculation Time.

(b) The Santos Entities retain and must pay, perform or discharge, and, subject to Completion occurring, must indemnify Magellan against, all Loss in respect of the Santos Sale Interests (including for the avoidance of doubt any Environmental Liability) which accrue or relate to any period before the Calculation Time.

8.2 **Losses arising on and after Calculation Time**

Subject to Completion occurring:

(a) Santos QNT is liable for and covenants with Magellan that it must pay, perform or discharge, and must indemnify Magellan against, all Santos Assumed Liabilities and all Loss in respect of the Magellan Sale Interests (including for the avoidance of doubt any Environmental Liability excluding any Wharfage Fee Liability) which accrue or relate to any period on or after the Calculation Time; and

(b) Magellan is liable for and covenants with the Santos Entities that it must pay, perform or discharge, and must indemnify the Santos Entities against, all Magellan Assumed Liabilities and all Loss in respect of the Santos Sale Interests (including for the avoidance of doubt any Environmental Liability) which accrue or relate to any period on or after the Calculation Time.

8.3 **Wharfage Fee Dispute**

(a) The parties acknowledge that:

(i) under the Crude Oil Sales and Purchase Agreement (Port Bonython, SA) (described in item 1.3 of Schedule 2) the parties to the Mereenie Operating Joint Venture are required to reimburse the SACB Parties in full for any wharfage fees adjustment payable by the SACB Parties to the South Australian Government as a result of the Crude Oil Sales and Purchase Agreement (Port Bonython, SA); and

(ii) the SACB Parties are currently in dispute with the South Australian Government as to the amount of wharfage fees which must be paid by the SACB Parties; and

(iii) if there is any variation to the wharfage fees payable by the SACB Parties, this variation will have a retrospective effect and may result in the parties to the Mereenie Operating Joint Venture having an obligation to make an additional payment in respect of the retrospective increase in the price of the wharfage fees (**Wharfage Fee Liability**) or receive a refund in respect of the retrospective decrease in the price of the wharfage fees (**Wharfage Fee Refund**).

(b) The Parties acknowledge that if following Completion:

(i) a Wharfage Fee Liability becomes payable by Santos QNT in respect of the Magellan Sale Interests which relates to the period prior to the Calculation Time, such amount must be reimbursed by Magellan to Santos QNT within 20 Business Days of Santos QNT providing notice to Magellan of the Wharfage Fee Liability; and

(ii) a Wharfage Fee Refund is received by Santos QNT in respect of the Magellan Sale Interests which relates to the period prior to the Calculation Time, such amount is for the full benefit of Magellan and to the extent it is received by Santos QNT after Completion, it must be reimbursed by Santos QNT to Magellan within 20 Business Days of Santos QNT receiving the Wharfage Fee Refund,

and in either case Santos QNT shall provide Magellan with a schedule detailing the calculation of the Wharfage Fee Liability or the Wharfage Fee Refund, as the case may be, together with reasonable supporting documentation in relation to the calculation of the same.

9. ADJUSTMENTS BETWEEN EFFECTIVE DATE AND COMPLETION DATE

9.1 Effective Date Adjustments

The Parties acknowledge and agree that in respect of the period prior to the Completion Date the following adjustments will be required to ensure that:

(a) Magellan assumes the Magellan Assumed Liabilities and Magellan obtains the benefit of the Santos Sale Interests on and from the Effective Date; and

(b) Santos QNT assumes the Santos Assumed Liabilities and Santos QNT obtains the benefit of the Magellan Sale Interests on and from the Effective Date,

even though title to the Santos Sale Interests and Magellan Sale Interests will not pass until Completion.

9.2 Magellan Sale Interests

In respect of the Magellan Sale Interests at Completion:

(a) Magellan will receive credit for all income referable to the period up to the Calculation Time and Santos QNT will retain the benefit of all income referable to any period after the Calculation Time; and

(b) subject to clause 5.2, Magellan will bear the liability for all cash calls and other liabilities under the relevant Joint Venture Agreements referable to (and due for payment in) the period up to the Calculation Time and Santos QNT will bear the liability for all cash calls and other liabilities under the relevant Joint Venture Agreements referable to any period after the Calculation Time;

(c) Santos QNT must account to Magellan for the Working Capital in respect of the Magellan Sale Interests as at the Calculation Time;

9.3 Santos Sale Interests

In respect of the Santos Sale Interests, at Completion:

(a) the Santos Entities will receive credit for all income referable to the period up to the Calculation Time and Magellan will retain the benefit of all income referable to any period after the Calculation Time; and

(b) the Santos Entities will bear the liability for all cash calls under the relevant Joint Venture referable to (and due for payment in) the period up to the Calculation Time and Magellan will retain the liability for all cash calls under the relevant Joint Venture referable to any period after the Calculation Time;

(c) Magellan must account to the Santos Entities for the Working Capital in respect of the Santos Sale Interests as at the Calculation Time.

10. ADJUSTMENT STATEMENTS

10.1 **Preparation of Statement**

Within 1 calendar month after the Completion Date each Buyer Party must prepare and deliver to the Seller Party an Adjustment Statement and all relevant supporting documentation in respect of the relevant Sale Interests.

10.2 **Content of Statement**

Each Adjustment Statement must, in respect of the relevant Sale Interests set out as at the Calculation Time the amounts to be accounted for under clause 9 in the form set out in Schedule 7 and otherwise be prepared in accordance with the Accounting Standards or, to the extent that they do not apply, international financial reporting standards.

10.3 **Adjustment Statement**

(a) The Parties must confer and use their best endeavours to agree on each Adjustment Statement within 7 Business Days after the delivery of the Adjustment Statement by the relevant Buyer Party.

(b) If no Adjustment Statement is received from a Buyer Party, the Seller Party may prepare an Adjustment Statement in accordance with clause 10.2 and deliver the same to the Buyer Party.

10.4 **Agreement**

If the contents of an Adjustment Statement are agreed between the Buyer Party and the Seller Party within the time stipulated in clause 10.3(a), that Adjustment Statement (and Adjustment Amount set out in it) as agreed will be final and binding on the parties.

10.5 **Failure to Agree**

If the Parties do not agree on the value of an item in the Adjustment Statement within the period referred to in clause 10.3:

(a) either Party may by notice in writing given at any time within 5 Business Days after the end of that period (**Referral Notice**) refer any matter in dispute for determination by the Independent Accountant in accordance with clause 10.7; and

(b) any Referral Notice must identify the item (or items) in dispute, the amount in dispute and contain a brief description of the nature of the issues arising and how the party giving the notice contends the issues in dispute ought be determined.

10.6 **No Referral**

If the Parties do not agree on the value of an item within the period referred to in clause 10.3 and no Referral Notice is served pursuant within the period referred to in clause 10.5, the value determined by the Buyer Party (or the Seller Party in accordance with clause 10.3(b)) will be final and binding on the Parties.

10.7 **Determination by Independent Accountant**

(a) Where a dispute is referred to the Independent Accountant for determination pursuant to clause 10.5 or clause 11.6(e) the Parties must use their best endeavours to agree within 5 Business Days of the service of the Referral Notice or notice under clause 11.6(e), as applicable:

(i) the identity of an appropriate person to accept appointment as the Independent Accountant; and

(ii) the terms of the appointment.

(b) The Independent Accountant must be an independent individual certified as an accountant by the Australian Institute of Chartered Accountants and qualified by education, experience and training to determine the matter in dispute.

(c) If the Parties do not agree the Independent Accountant and the terms of the appointment within the period fixed by clause 10.7(a) then either of them may by notice in writing request that the Independent Accountant be nominated by the President of the Institute of Arbitrators and Mediators Australia (**IAMA**) in accordance with the then current "Institute of Arbitrators and Mediators Australia Expert Determination Rules" (**Rules**) as amended by this clause 10.7. The notice requesting the appointment must request that in making the nomination the President have regard to and nominate a person having the attributes required by clause 10.7(b).

(d) The Parties agree that the expert determination of any matter referred to the Independent Accountant will be undertaken by the Independent Accountant in accordance with and will be governed by the Rules (as varied by this clause 10.7).

(e) The Parties must use their reasonable endeavours to enable the Independent Accountant to make his or her determination as quickly as possible and the Independent Accountant must (unless otherwise agreed in writing) make that determination within 2 (two) months of accepting the appointment. For that purpose the Parties must co-operate with the Independent Accountant and each other in fixing a timetable and taking such steps as are required under that timetable or as may otherwise be reasonably directed by the Independent Accountant in order to enable the Independent Accountant to complete the determination with that period.

(f) The written determination by the Independent Accountant of any matter referred is final and binding on the parties (except for manifest error or fraud).

(g) In making any determination the Independent Accountant acts as an expert not as an arbitrator.

(h) The costs of the Independent Accountant must be born in the proportions as is determined by the Independent Accountant having regard to the relative success of the Parties in relation to any matters referred. Each Party will bear their own costs.

(i) Each Party must provide the Independent Accountant with full access to the relevant Joint Venture, their respective books and records and any other information required by the Independent Accountant to complete any determination under this agreement.

10.8 **Interest on Late Payments**

If an Adjustment Amount remains unpaid by the relevant Adjustment Date, such amount shall accrue interest at a rate equal to 2% per annum above the Bank Bill Rate calculated daily from the due date for payment until the date on which the Bonus Amount (including interest) is paid in full. Each day the interest will be capitalised into and from part of the outstanding amount payable. The Party required to pay the relevant Adjustment Amount shall also bear the legal costs of the other Party incurred in connection with the late payment.

11. BONUS PAYMENT

11.1 **Bonus Amount**

(a) During the Bonus Period, if at any time the 90 Day Average Net Sales exceeds a Threshold Level, the Santos Entities must pay a bonus amount to Magellan, determined in accordance with Schedule 6 (**Bonus Amount**) and payable in accordance with this clause 11.

(b) For the avoidance of doubt, the Bonus Amount will be paid by each Santos Entity in proportion to the interests each Santos Entity holds in the Mereenie Operating Joint Venture (as described in item 1 of Schedule 2) post Completion, and liability of the Santos Entities to pay the Bonus Amount under this clause 11 will be several and not joint.

11.2 **Once off payment**

The Bonus Amount is only payable once in respect of each Threshold Level, accordingly once a Threshold Level has been achieved and a Bonus Amount triggered under clause 11.1:

(a) no further payment will be triggered for that Threshold Level; and

(b) the payment of a further Bonus Amount will only be triggered under clause 11.1 once the next Threshold Level has been achieved.

11.3 **Determination of 90 Day Average Net Sales**

(a) During the Bonus Period, the 90 Day Average Net Sales will be determined from the Royalty Report which must be delivered to Magellan by the Santos Entities in accordance with clause 11.3(b).

(b) During the Bonus Period, the Santos Entities must:

(i) deliver the Royalty Report to the Northern Territory Governmental Agency within the periods required by law; and

(ii) where the Royalty Report is delivered under clause 11.3(b)(i):

(A) prior to Completion, on the Completion Date; and

(B) after Completion, no later than one Business Day after delivery of that Royalty Report in accordance with clause 11.3(b)(i),

deliver to Magellan:

(C) the Royalty Report;

(D) sufficient supplementary information and supporting documentation (including daily metering results for volumes of Petroleum measured at the point at which such volumes leave the Permits forming part of the Mereenie Operating Joint Venture and indicating the types of Petroleum constituting such volumes) for verification and support of the calculation of the 90 Day Average Net Sales.

11.4 **Payment Date**

Any Bonus Amount payable by the Santos Entities in Immediately Available Funds under clause 11.1 is a debt due and owing, and must be paid, to Magellan on the Bonus Payment Date following the trigger of the payment under clause 11.1.

11.5 **Records and Information**

The Santos Entities must:

(a) keep true, accurate and complete accounts and records to enable the 90 Day Average Net Sales amount and Bonus Amounts to be calculated in accordance with this clause 11 and verified; and

(b) provide copies of the data required to verify or support the calculation of the 90 Day Average Net Sales in accordance with clause 11.3(b).

11.6 **Audited records**

(a) Magellan shall have the right, at its own expense, upon 30 days' written notice to the Santos Representative and during reasonable working hours to appoint an auditor to perform an audit of the Santos Entities books and records in relation to the calculation of the 90 Day Average Net Sales Amount and Bonus Amounts payable under this clause 11.

(b) An auditor appointed by Magellan pursuant to clause 11.6(a):

(i) must not be a director, officer or employee of Magellan or any Related Body Corporate of Magellan;

(ii) must be independent of Magellan; and

(iii) must be a partner or employee of an internationally recognised accounting firm.

(c) An auditor appointed by Magellan pursuant to clause 11.6(a) may not have access to the books and records of the Santos Entities unless the auditor enters into a confidentiality agreement with the Santos Entitles (on terms reasonably acceptable to the Santos Entitles) that require the auditor to keep all information in the books and records of the Santos Entities confidential and not disclose that information to Magellan, except that the auditor may give Magellan an opinion as to:

(i) whether any 90 Day Average Net Sales amount of any 90 Day Average Net Sales has been incorrectly calculated;

(ii) whether a Bonus Amount is payable or in respect of a Bonus Amount which has already been paid whether a refund is due to the Santos Entities and if so the amount of such payment; and

(iii) the correct amount of any calculation of the any 90 Day Average Net Sales or Bonus Amount payable under this Agreement.

(d) Magellan must provide to the Santos Representative a copy of any opinion provided to it by the auditor, including any opinion identifying a refund of the Bonus Amount, as soon as reasonably practicable after Magellan receives it.

(e) If either Party disputes the opinion provided by the auditor, either Party may at any time within 2 Business Days after delivery of the opinion to the Santos Representative refer the matter to the Independent Accountant for determination in accordance with clause 10.7 (stating the item and amount in dispute).

(f) If no referral to an Independent Accountant is made under clause 11.6(e), the opinion of the auditor will be a final and conclusive determination of the accuracy of the audit accounts and binding on the Parties in the absence of manifest error.

(g) The Parties must pay any amount required to correctly adjust the value of the Bonus Payments:

(i) if no referral is made to the Independent Accountant under clause 11.6(e), in accordance with the opinion of the auditor and within 20 Business Days of the delivery of the opinion of the auditor to the Santos Representative under clause 11.6(d); or

(ii) if a referral is made to the Independent Accountant under clause 11.6(e), in accordance with the determination of the Independent Accountant and within 20 Business Days of the Independent Accountant issuing its determination under clause 10.7.

11.7 **Interest on Late Payments**

Any Bonus Amount which remains unpaid by the due date for payment under clause 11.4, with respect to the Santos Entities, or with clause 11.6(h) with respect to Magellan), as applicable, shall accrue interest at a rate equal to [2%] per annum above the Bank Bill Rate calculated daily from the due date for payment until the date on which the Bonus Amount (including interest) is paid in full. Each day the interest will be capitalised into and from part of the outstanding amount payable. The Party paying the Bonus Amount shall also pay the legal costs of the other Party incurred in connection with the late payment.

11.8 **Example**

A worked example of the Bonus Amounts payable over the Bonus Period is provided in item 3 of Schedule 6.

12. TRANSFERS AND RELEASES

As soon as possible after execution of this Agreement the Parties must use their reasonable endeavours to, with effect from the Completion Date:

(a) execute a transfer, novation, assignment or covenant to perform (as the context requires) of the:

(i) Permits;

(ii) Property Interests;

(iii) Joint Venture Contracts; and

(iv) Royalty Obligations,

in accordance with their terms for the Magellan Sale Interests and the Santos Assumed Liabilities from Magellan to Santos QNT on and from the Effective Date in substantially the same form as set out in Annexure A through to Annexure D (**Magellan Transfer Documents**) or otherwise as required to give effect to the transfer, novation, assignment or covenant to perform (as the context requires) including, without limitation, with respect to an easement in gross executing an extinguishment of easement and causing the relevant registered proprietor to grant a new easement in the name of the Santos Entities (if required); and

(b) execute a transfer, novation, assignment or covenant to perform (as the context requires) of the:

(i) Permits;

(ii) Property Interests;

(iii) Joint Venture Contracts; and

(iv) Royalty Obligations,

in accordance with their terms for the Santos Sale Interests and the Magellan Assumed Liabilities from the Santos Entities to Magellan on and from the Effective Date in substantially the same form as set out in Annexure A through to Annexure D (and in respect of the Joint Venture Contract described in Item 3.3 of Schedule 2 in a form consistent with the form of assignment agreed by all parties with respect to the assignment of that document from Gasgo Pty Limited to Power and Walter Corporation subject to amendment or agreement to reflect the principles of this Agreement between the Parties) (**Santos Transfer Documents**) or otherwise as required to give effect to the transfer, novation, assignment or covenant to perform (as the context requires).

(c) Without limiting clause 12(a) or clause 12(b), the Parties agree that they will, acting reasonably, agree to any amendments required to the Magellan Transfer Documents or Santos Transfer Documents by any party whose consent is required to such Transfer Documents as a condition of granting its consent provided that such amendments are not materially adverse.

13. GENERAL CONDUCT AFTER COMPLETION

13.1 Magellan Sale Interests

(a) If a Permit, Property Interest, Joint Venture Contract or Royalty Obligation in respect of the Magellan Sale Interests has not been transferred to Santos QNT by Completion as contemplated by clause 12 or clause 2.1 and Item 2 of Schedule 3

(including if the conditions precedent to such transfer have not been satisfied), Magellan must:

(i) at the cost of Santos QNT, allow Santos QNT to exercise the rights of and obtain any entitlements or benefits of Magellan under the Permit, Property Interest, Joint Venture Contract or Royalty Obligation, as licensee from Completion until the transfer is completed; and

(ii) make reasonable endeavours to procure that the Permits, Property Interests, Joint Venture Contracts or Royalty Obligations are transferred in accordance with this Agreement as soon as reasonably practical after Completion.

(b) Santos QNT must perform and complete at its expense all of the covenants, terms, conditions, statutory obligations, liabilities or agreements to be observed and performed by Magellan under each Permit, Property Interest, Joint Venture Contract or Royalty Obligation in respect of the Magellan Sale Interests.

(c) Santos QNT will indemnify Magellan and keep Magellan indemnified at all times in respect of any Claim or Loss which Magellan may suffer sustain or incur by reason or on account of any non performance or non observance by Santos QNT on or after Completion of any of the covenants, terms, conditions, statutory obligations or agreements to be observed and performed by Magellan under each Permit, Property Interest, Joint Venture Contract or Royalty Obligation in respect of the Magellan Sale Interests.

13.2 **Santos Sale Interests**

(a) If a, Permit, Property Interest, Joint Venture Contract or Royalty Obligation in respect of the Santos Sale Interests has not been transferred to Magellan by Completion as contemplated by this clause 12 or clause 2.1 and Item 2 of Schedule 3 (including if the conditions precedent to such transfer have not been satisfied), the Santos Entities must:

(i) at the cost of Magellan, allow Magellan to exercise the rights of and obtain any entitlements or benefits of the Santos Entities under the Permit, Property Interest, Joint Venture Contract or Royalty Obligation, as licensee from Completion until the transfer is completed; and

(ii) make reasonable endeavours to procure that the Permits, Property Interests, Joint Venture Contracts or Royalty Obligations are transferred in accordance with this agreement as soon as reasonably practical after Completion.

(b) Magellan must perform and complete at its expense all of the covenants, terms, conditions, statutory obligations, liabilities or agreements to be observed and performed by the Santos Entities under each Permit, Property Interest, Joint Venture Contract or Royalty Obligation in respect of the Santos Sale Interests.

(c) Magellan will indemnify the Santos Entities and keep the Santos Entities indemnified at all times in respect of any Claim or Loss which the Santos Entities may suffer sustain or incur by reason or on account of any non performance or non observance by Magellan on or after Completion of any of the covenants, terms, conditions, statutory obligations or agreements to be observed and performed by the Santos Entities under each Permit, Property Interest, Joint Venture Contract or Royalty Obligation in respect of the Santos Sale Interests.

13.3 **Conduct until the Sale Interests are registered**

(a) Immediately after the Completion Date, and in any event within 3 months after the Completion Date, the Buyer Party must pay any fees necessary for the Registration of this Agreement and such of the Magellan Transfer Documents or Santos Transfer Documents, as applicable, which constitute dealings which must be Registered.

(b) Subject to the parties obtaining the consents and Approvals under clause 12 or clause 2.1 and Items 1 and 2 of Schedule 3, the Buyer Party must ensure that the transfers of the relevant Sales Interests are registered as soon as possible following Completion.

(c) After Completion and until the Sale Interests are Registered in the name of each Buyer Party, the relevant Seller Party must:

(i) if it is the "Operator" under any Joint Venture, convene and attend an operating committee meeting for the relevant Joint Venture; and

(ii) attend and vote at general meetings and take all other action in the capacity of the registered holder of the relevant Sale Interests,

as the Buyer Party may lawfully require from time to time by notice in writing to the relevant Seller Party.

14. AREA D AND AREA F AGGREGATED ROYALTIES

14.1 **Acknowledgement**

The Parties acknowledge that the Area D Aggregated Royalty and the Area F Aggregated Royalty have previously been extinguished, however a formal deed of termination of the Area D Aggregated Royalty and Area F Aggregated Royalty has not been located.

14.2 **Indemnity**

Notwithstanding any other provision of this Agreement, Magellan indemnifies and must keep indemnified the Santos Entities in respect of any Loss suffered or incurred by the Santos Entities arising out of or associated with any Claim for payment of the overriding royalties specified in the Area D Aggregated Royalty or Area F Aggregated Royalty (whether in respect of the period before or after the Completion Date) by Magellan or any Related Body Corporate of Magellan (including Jarl Pty Ltd), whether in respect of the Magellan Sale Interests or any other interests in the Mereenie Operating Joint Venture held by the Santos Entities from time to time.

15. SELLER PARTY WARRANTIES AND INDEMNITY

15.1 **Seller Party**

(a) Each Seller Party severally warrants in their Respective Proportion to the relevant Buyer Party that each Seller Warranty in respect of their Sale Interests is true and correct and is not misleading or deceptive as at the date of this Agreement and immediately prior to Completion.

(b) In respect of each Seller Party each Seller Warranty is a separate warranty in no way limited by any other Seller Warranty and remains in full force and effect following Completion in accordance with its terms.

15.2 **Seller Warranties**

Each Seller Warranty is given severally by each Seller Party and only in respect of that Seller Party.

15.3 **Seller Party indemnity**

Each Seller Party severally indemnifies the relevant Buyer Party in their Respective Proportion, against all Loss and Claims suffered or incurred by the Buyer Party as a result of a breach of a Seller Warranty by that Seller Party, except to the extent that the Seller Warranty or the Seller Party's liability for the Claim or Loss is limited or qualified under clause 16.

15.4 **Effect of payment**

Payment by a Seller Party pursuant to any Claim under this Agreement by the relevant Buyer Party is to be treated as a pro rata reduction of the Consideration for the relevant Sale Interests.

16. LIMITATION OF LIABILITY

16.1 **Exclusion of liability**

The Parties acknowledge and agree that to the maximum extent permitted by law:

(a) all terms, conditions, warranties, indemnities and statements (whether express, implied, written, oral, collateral, statutory or otherwise) which are not expressly set out in this Agreement are excluded and, to the extent they cannot be excluded, each Seller Party disclaims all liability in relation to them (other than a Claim in relation to illegal or fraudulent act or omission of the Seller Party or their Personnel) or arising out of a statutory right or other claim which cannot be excluded by contract); and

(b) a Buyer Party must not make any Claim under or in connection with this Agreement unless it is based solely on and limited to the express provisions of this Agreement.

16.2 **Acknowledgements**

Each Buyer Party acknowledges and agrees that:

(a) it has received independent and professional advice (including legal, accounting, tax and financial advice) concerning this Agreement and has satisfied itself about anything arising from that advice; and

(b) except as expressly set out in this Agreement, the Parties, and any person acting on behalf of or associated with that Party are responsible to each other and have not relied on any statement or representation made, any advice, warranty, undertaking, promise or forecast given or any conduct of any kind engaged in, in relation to the Sale Interests, the Joint Ventures, or this Agreement.

16.3 **Release**

Except for Claims arising under this Agreement, each Party releases the other Parties, from all Claims, whether in tort (including negligence), statute, contract, or otherwise, which arise out of the negotiations for and the subject matter of this Agreement.

16.4 **Maximum aggregate amount**

The maximum aggregate amount that a Buyer Party may recover from the relevant Seller Party or Seller Parties (whether by way of damages or otherwise) for a breach of a Seller Warranty under this Agreement, or a breach of this Agreement is an amount equal to AU$15,000,000 and in respect of the Santos Entities the maximum amount for each Santos Entity will be equal to the relevant Santos Entity's Respective Proportion of the AU$15,000,000.

16.5 **Threshold limit**

A Seller Party is not liable to make any payment (whether by way of damages or otherwise) for any Claim under or pursuant to this Agreement:

(a) unless the amount of each Claim (or Loss to which a Claim relates) exceeds AU$100,000; and

(b) until the aggregate of the amount in 16.5(a) for those Claims (or Loss to which the Claims relate) exceeds AU$250,000, in which event, subject to clause 16.4 the Seller Party will be liable for the whole of that amount, not merely the excess.

16.6 **Time Limits**

(a) Despite any other provision of this Agreement, other than as a result of an illegal, or fraudulent act or omission of the Seller Party or their Personnel, a Seller Party is not liable to make any payment (whether by way of damages or otherwise) for any Claims unless:

(i) notice of a Claim against the Seller Party is given by the relevant Buyer Party to the Seller Party in accordance with clause 17.1; and

(ii) in relation to any Claim by the Buyer Party however arising, notice is given by the Buyer Party to the Seller Party before the date that is 3 years after the Completion Date.

(b) A Buyer Party must give notice under clause 16.6(a)(i), within 60 days of the Buyer Party becoming aware of the existence of a Claim.

(c) The Claim will be taken to be waived or withdrawn and will be barred and unenforceable if within 12 months after the Seller Party has received the notice under clause 16.6(a)(i), the Claim has not been:

(i) admitted or satisfied by the Seller Party;

(ii) withdrawn by the Buyer Party;

(iii) settled between the Seller Party and the Buyer Party; or

(iv) referred to a court of competent jurisdiction by the Buyer Party properly issuing legal proceedings against the Seller Party in relation to the Claim.

16.7 **Other limits**

A Seller Party is not liable to make any payment (whether by way of damages or otherwise) for any Claim under or pursuant to this Agreement:

(a) in relation to a breach of a Seller Warranty which occurs prior to Completion and which the Buyer Party chooses not exercise its right of termination under clause 6.2;

(b) to the extent that the Claim has arisen as a result of any act after Completion of the Buyer Party or its Personnel;

(c) to the extent that the Claim has arisen as a result of any act by or on behalf of the Seller Party before Completion:

(i) that is required or expressly permitted by any provision of this Agreement; or

(ii) at the written request, or with the prior written agreement of the Buyer Party; or

(d) to the extent that the Claim has been satisfied without Loss to the Buyer Party;

(e) for any Loss which is contingent unless, and until the Loss becomes actual Loss and is due and payable;

(f) arises from a Third Party Claim which is attributable to anything done or not done after Completion by the Buyer Party which was calculated or intended to cause the Third Party Claim to be made;

(g) for any Loss which is recoverable by the Buyer Party under a policy of insurance;

(h) for:

(i) Loss which may reasonably be supposed to have been in the contemplation of the parties, at the date of this Agreement, as the probable result of breach of this Agreement unless that Loss is also Loss which arises naturally or in the usual course of things;

(ii) any loss of generation, production, revenue or profit (other than profit or revenue forming part of Consideration), use, contract, goodwill or reputation, loss opportunity or business opportunity, even if that Loss is Loss which arises naturally or in the usual course of things; or

(iii) punitive or aggravated damages,

howsoever arising (including, but not limited to by the negligence of any Party) suffered or incurred by such Party in respect of any circumstances under, in relation to or in connection with this Agreement, whether arising under contract, at common law, in equity, in tort (including negligence) or under statute (to the maximum extent permitted by law) or otherwise (including negligent misrepresentation or in restitution);

(i) is in respect of any forecast, estimate, projection or other statement made or given by the Seller Party before Completion which relates to the future.

16.8 **Mitigation of Loss**

(a) The Buyer Party must take all reasonable actions to mitigate any Loss which may be the subject of a Claim, except that the Buyer Party will not be required to take any such action in respect of any Claim made pursuant to an indemnity in this Agreement (including but not limited to the indemnities in clause 15.3).

(b) If the Buyer Party does not comply with clause 16.9(a) and compliance with clause 16.9(a) would have mitigated the Loss, the relevant Seller Party is not liable for an amount by which the Loss would have been reduced if such compliance had occurred.

16.9 **Tax benefits or credits received by the Buyer Party**

If any payment in respect of a Claim is made to a Buyer Party by or on behalf of the Seller Party and after the payment is made, the Buyer Party receives any benefit or credit or relief in respect of Tax in relation to the subject matter of the Claim (including payment under any insurance policy) then:

(a) the Buyer Party must immediately notify the Seller Party of the benefit, credit or relief; and

(b) to the extent that the Seller Party has paid to the Buyer Party an amount in respect of a Claim to which that benefit, credit or relief in respect of Tax relates, must immediately pay to the Seller Party an amount equal to the lesser of the amount paid and the amount of the benefit, credit or relief received by the Buyer Party (as the case may be) net of all costs of recovery.

17. PROCEDURE FOR DEALING WITH CLAIMS

17.1 **Notice of Claims**

The Buyer Party must include details in any notice of a Claim against a Seller Party including:

(a) all relevant details then known to the Buyer Party of the Claim and if applicable any other Claims of which the Buyer Party is aware which together with the Claim give rise to the applicable thresholds set out in clauses 16.4 and clause 16.5;

(b) if applicable, all relevant details of the Third Party Claim;

(c) to the extent known to the Buyer Party, details of the facts, matters and circumstance giving rise to the Claim, and

(d) the nature of the Claim and the Buyer Party's estimate of the Loss suffered,

and if the Buyer Party does not materially comply with this clause 17.1 in respect of a Claim, the Seller Party is not liable under the Claim to the extent that the non-compliance has increased the amount of the Claim or prejudiced the ability to defend against or mitigate the Claim.

17.2 **Conduct of Claims**

(a) A Seller Party is, in respect of an act, matter or thing notified by the Buyer Party under clause 17.1 (**Claim Notice**), where that act, matter or thing relates to an

actual or threatened Claim by a Third Party, entitled to elect by the Seller Party giving written notice to the Buyer Party within 20 Business Days of receipt of a Claim Notice to:

(i) take over the conduct of the defence of the Third Party Claim; and

(ii) take such actions as the Seller Party may reasonably decide about it, including the right to negotiate, defend and/or settle the Third Party Claim and to recover costs incurred as a consequence of the Third Party Claim from any person,

provided that the Seller Party must in taking any actions or conducting any proceedings in respect of that Third Party Claim:

(iii) act in good faith;

(iv) afford the Buyer Party the opportunity to consult with the Seller Party on matters of significance in relation to the conduct, negotiation and settlement of the Third Party Claim;

(v) act reasonably in all the circumstances, including having regard to the likelihood of success and the effect of the proceedings or action on the goodwill or reputation of the Buyer Party or the business constituted by the relevant Sale Interest; and

(vi) indemnify, keep indemnified and hold harmless the Buyer Party against all Losses that may be incurred by the Buyer Party as a result of the Seller Party assuming conduct of that Third Party Claim.

(b) If the Buyer Party gives the Seller Party a Claim Notice and the Seller Party does not elect to take over the control of the relevant Third Party Claim, the Buyer Party may take such actions as the Buyer Party may decide, acting reasonably, including the right to negotiate, defend and/or settle the Third Party Claim and to recover costs incurred as a consequence of the Third Party Claim from any person, provided that:

(i) the Buyer Party at reasonable and regular intervals provides the Seller Party with written reports concerning the conduct, negotiation, control, defence and/or settlement of the Third Party Claim and must not settle the Third Party Claim without the prior approval of the Seller Party which must not be unreasonably withheld or delayed;

(ii) the Buyer Party affords the Seller Party the opportunity to consult with the Buyer Party on matters of significance in relation to the conduct, negotiation and settlement of the Third Party Claim; and

(iii) the Seller Party must render to the Buyer Party, at the Buyer Party's expense, all such assistance as the Buyer Party may reasonably require in disputing any Third Party Claim.

18. BUYER PARTY WARRANTIES & INDEMNITY

18.1 **Buyer Warranties**

(a) Each Buyer Party warrants to the respective Seller Party that each Buyer Warranty is true and correct and is not misleading or deceptive as at the date of this Agreement and immediately prior to Completion (unless otherwise stated in Schedule 5).

(b) Each Buyer Warranty is a separate warranty in no way limited by any other Buyer Warranty and remains in full force and effect following Completion in accordance with its terms.

18.2 **Buyer Party indemnity**

Each Buyer Party indemnifies the respective Seller Party against all Loss and Claims suffered or incurred by the Seller Party as a result of a breach of this Agreement (including a breach of any Buyer Warranty) by the Buyer Party.

19. GOODS AND SERVICES TAX AND PETROLEUM RESOURCE RENT TAX

19.1 **Definitions**

In this clause 19:

(a) words used in this clause which have a particular meaning in the GST Law have the same meaning, unless the context otherwise requires; and

(b) any reference to GST payable by, or input tax credit entitlements of, a Party includes any corresponding GST payable by, or input tax credit entitlements of, the representative member of any GST group of which that Party is a member.

19.2 **Supply of a going concern**

(a) The Parties agree that the supplies of the respective Sale Interests under and in accordance with this Agreement each constitute supplies of a going concern for the purpose of the GST Law;

(b) The Seller Parties covenant that they carry on and will continue to carry on until Completion the enterprises to which this clause 19.2 relates;

(c) The Parties warrant that they are registered for GST under the GST Law and covenant that is will continue to be so registered as at Completion;

(d) Notwithstanding the agreement of the Parties in clause 19.2(a), if for any reason and to any extent the supply of the Sale Interests by any Party is not accepted by the Commissioner as a GST-free supply of a going concern:

(i) subject to clause 19.2(d)(ii), the Buyer Party must pay to the Seller Party an amount equal to the amount of the GST payable by the Buyer Party in respect of the sale within 14 days after the Commissioner confirms the Seller Party's liability to GST in an assessment or correspondence; and

(ii) the Buyer Party is not required to pay to the Seller Party an amount under clause 19.2(d)(i) unless and until the Seller Party issues a tax invoice.

19.3 **No GST in any payments**

Unless GST is expressly included, all prices or other sums payable or consideration to be provided under this Agreement for any supply made under or in connection with this Agreement is exclusive of GST (**GST Exclusive Consideration**).

19.4 **Addition of GST**

To the extent that any supply made under or in connection with this Agreement is a taxable supply, the recipient will pay to the party who has or will make the taxable supply (**Supplier**), in addition to the GST Exclusive Consideration, an amount in respect of GST equal to the consideration in respect of the taxable supply multiplied by the rate of goods and services tax.

19.5 **Timing of payment of GST**

The recipient will pay an amount of GST under clause 19.4 to the Supplier, without any set-off, demand or deduction, at the same time and in the same manner as any GST Exclusive Consideration for a supply is required to be paid, or otherwise on demand except that such amount is not required to be paid unless and until the Supplier has issued a tax invoice.

19.6 **Adjustment events**

If an adjustment event to which this clause 19 applies the amount of GST under clause 19.4 paid or payable by the recipient must be recalculated, taking into account any previous adjustments under this clause 19.6 and a payment must be made by the recipient or the Supplier as the case requires and the Supplier must issue the recipient with an adjustment note as soon as practicable after becoming aware of the adjustment event.

19.7 **Payment by reimbursement or indemnity**

If a payment to a Party under this Agreement is a payment by way of reimbursement or indemnity and is calculated by reference to the GST inclusive amount of a loss, cost or expense incurred by that Party, then the payment is to be reduced by the amount of any input tax credit to which that Party is entitled in respect of that loss, cost or expense before any adjustment is made for GST pursuant to clause 19.4.

19.8 **Petroleum Resource Rent Tax**

The Parties acknowledge the proposal of the Australian Government to amend the PRRT Act to extend its operation to onshore Australia including the Sale Interests from 1 July 2012 in accordance with recommendations of the Policy Transition Group Report to the Australian Government dated December 2010 ("the PTG Report") and agree as follows:

(a) to provide any notice required by section 48(3) of the PRRT Act, or any amendment to the PRRT Act to implement the recommendations of the PTG Report having similar affect, in respect of the sale of the Sale Interests;

(b) where:

(i) in respect of the Magellan Sale Interest Magellan is provided with a choice under the PRRT Act, as amended to implement the recommendation of the PTG Report, on the method of determining what is referred to in the PTG Report as the starting base it must prior to making any choice consult with Santos QNT and make the choice in accordance with the reasonable request of Santos QNT; or

(ii) in respect of the Santos Sale Interest, the Santos Entities are provided with a choice under the PRRT Act, as amended to implement the recommendation of the PTG Report, on the method of determining what is referred to in the PTG Report as the starting base they must prior to making any choice consult with Magellan and make the choice in accordance with the reasonable request of Magellan; and

(c) for each Seller Party to provide each Buyer Party with access to any and all information in relation to the Sale Interests which the Buyer Party reasonably considers necessary for determining its position under the PRRT Act, or any amendment to the PRRT Act to implement the recommendations of the PTG Report having similar affect, in respect of the sale of the Sale Interests.

20. CONFIDENTIALITY

20.1 General obligation

(a) Subject to clauses 20.1(b) and 20.2, each Party must keep confidential:

(i) the existence and terms of this Agreement (and any draft of this Agreement); and

(ii) all negotiations in connection with it and the transactions contemplated by it,

and must ensure that their respective Personnel do likewise for a period of 3 years following the Completion Date or termination of this Agreement.

(b) A Party may disclose information:

(i) to any Related Body Corporate of a Party or any officer or employee of it or any Related Body Corporate;

(ii) on a confidential basis to its, and Related Bodies Corporate and advisers (including bankers, and auditors);

(iii) on a confidential basis to a person whose consent is needed in connection with this Agreement only to the extent that the consenting person needs to know the information in order to decide whether to consent;

(iv) if that information is in the public domain (other than because the Party has disclosed it);

(v) with the consent of each other Party;

(vi) in connection with legal or other proceedings relating to this Agreement; or

(vii) to the extent required by any applicable laws or by an authority such as a Governmental Agency, court, tribunal or stock exchange (on which the shares of a Party or its Related Body Corporate are listed for quotation),

(viii) on a confidential basis to any bank or financial institution or investor from whom a Party is bona fide seeking or obtaining finance or who is intending to invest in a Party, and its legal and financial advisers; and

(ix) in any report, prospectus or other instrument issued by a Party or a Related Body Corporate of a Party as required by law.

20.2 **Agreement on press announcements**

(a) No Party will make any public or press announcement or statement concerning this Agreement or Completion without the prior written approval of the other parties, other than any disclosure which is required to be made by any applicable laws or by an authority such as a Governmental Agency, court, tribunal or stock exchange (on which the shares of a Party or its Related Body Corporate are listed for quotation) and in respect of such required disclosure the Party making such disclosure must, to the extent permitted by such law or rules of the stock exchange, give prior notice to and consult with the other Parties as to the timing and form of the disclosure.

(b) The Parties must in good faith agree at or before Completion on the form of any press announcement or public statement that they will each make concerning this Agreement provided that it will be unreasonable to withhold such agreement with respect to any disclosure which is required to be made by any applicable laws or by an authority such as a Governmental Agency, court, tribunal or stock exchange (on which the shares of a Party or its Related Body Corporate are listed for quotation).

20.3 **Continuing obligation**

This clause 20 continues to bind the parties after Completion and after the parties' other obligations under this Agreement terminate.

20.4 **Confidentiality obligations of each Seller Party**

Subject to disclosure in accordance with clauses 20.1(b)(i), 20.1(b)(ii), 20.1(b)(vii),20.1(b)(ix) and 20.2, following Completion, each Seller Party must and must ensure that their Personnel keep confidential, do not disclose to any person, and do not use any confidential information relating to the relevant Sale Interests.

21. REPRESENTATIVES

21.1 **Santos Entities**

The Parties agree that any decision to be made or action to be performed or taken by the Santos Entities including the provision of consent and notice under this Agreement may be given by the Santos Representative for and on behalf of the Santos Entities and Magellan and the Santos Entities must rely on the decisions or actions of the Santos Representative as if they had been given by the Santos Entities themselves.

21.2 **Magellan**

The Parties agree that any decision to be made or action to be performed or taken by Magellan including the provision of consent and notice under this Agreement may be given by the Magellan Representative for and on behalf of Magellan and the Santos Entities and Magellan must rely on the decisions or actions of the Magellan Representative as if they had been given by Magellan themselves.

22. CONTINUING OBLIGATIONS

22.1 **No Merger**

The Seller Warranties, Buyer Warranties, undertakings and indemnities in this Agreement will not merge on Completion.

22.2 **Survival**

The provisions of clauses 20 and 23 of this Agreement survive the expiry or termination of this Agreement. Any other term by its nature intended to survive termination of this Agreement survives termination of this Agreement.

23. GENERAL

23.1 **Notices**

(a) A Notice under this Agreement must be in writing and signed by or on behalf of the sender addressed to the recipient and:

(i) delivered by personal service;

(ii) sent by pre-paid mail; or

(iii) transmitted by facsimile or e-mail,

to the recipient's address set out in this Agreement.

(b) A Notice given to a person in accordance with this clause is treated as having been given and received:

(i) if delivered in person, on the day of delivery;

(ii) if sent by pre-paid mail within Australia, on the third Business Day after posting; and

(iii) if sent by pre-paid airmail to an address outside Australia or from outside Australia, on the fifth Business Day (at the address to which it is posted) after posting;

(iv) if transmitted by facsimile and a correct and complete transmission report is received on the day of transmission, on that day; and

(v) if transmitted by email, on the day of transmission, provided that the sender does not receive an automated notice generated by the sender's or the recipient's email server that the email was not delivered.

(c) A Party may change its address for service by giving Notice of that change to each other Party.

(d) The provisions of this clause 23.1 are in addition to any other mode of service permitted by law.

(e) If a Notice is sent by any method other than pre-paid mail, and that Notice is received:

(i) on a day which is not a Business Day; or

(ii) after 5pm on a Business Day,

that Notice is deemed to be received at 9am on the next Business Day.

(f) A Notice sent or delivered in a manner provided by clause 23.1 must be treated as validly given to and received by the Party to which it is addressed even if the addressee has been liquidated or deregistered or is absent from the place at which the Notice is delivered or to which it is sent.

(g) If the Party to which a Notice is intended to be given consists of more than 1 person then the Notice must be treated as given to that Party if given to any of those persons.

23.2 **Santos Entities address**

The address for service, facsimile number and electronic mail address for the Santos Entities is:

Name : Santos Limited

Attention : Manager Commercial – Mike Flynn

Address : 60 Flinders Street, Adelaide, SA, 5000

Facsimile no : +61 (08) 8116 5287

Email address : Mike.Flynn@santos.com

23.3 **Magellan's address**

The address for service, facsimile number and electronic mail address for Magellan is:

Name : Magellan Petroleum (N.T.) Pty Ltd

Attention : Company Secretary

Address : Level 10, 145 Eagle Street, Brisbane, Queensland, 4000

Facsimile no : +61 7 3224 1699

Email address : BMcInnes@magpet.com.au

23.4 **Duty**

(a) Despite any other provision of this Agreement, each Buyer Party must, in respect of the Sale Interests which they are to acquire in accordance with this Agreement, pay all Duty and other government imposts payable on or in connection with this Agreement and any transaction contemplated by this Agreement, and all instruments of transfer and other documents or instruments executed under or in connection with this Agreement or any transaction contemplated by this Agreement in relation to that Sale Interest, when due.

(b) Each Buyer Party indemnifies the relevant Seller Party against all liability arising from any failure by the Buyer Party to comply with its obligations under clause 23.4(a).

23.5 **Costs**

Except as expressly stated otherwise in this Agreement, each Party must pay its own legal and other costs and expenses of negotiating, preparing, executing and performing its obligations under this Agreement.

23.6 **Governing law and jurisdiction**

(a) This Agreement is governed by and is to be construed in accordance with the laws applicable in South Australia.

(b) Each Party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of the South Australia and any courts which have jurisdiction to hear appeals from any of those courts and waives any right to object to any proceedings being brought in those courts.

23.7 **Severability**

(a) Subject to clause 23.7(b), if a provision of this Agreement is illegal or unenforceable in any relevant jurisdiction, it may be severed for the purposes of that jurisdiction without affecting the enforceability of the other provisions of this Agreement.

(b) Clause 23.7(a) does not apply if severing the provision:

(i) materially alters the:

(A) scope and nature of this Agreement; or

(B) the relative commercial or financial positions of the parties; or

(ii) would be contrary to public policy.

23.8 **Further assurance**

Each Party must promptly do whatever any other Party reasonably requires of it to give effect to this Agreement.

23.9 **Rights, powers and remedies**

(a) Except as expressly stated otherwise in this Agreement, the rights of a Party under this Agreement are cumulative and are in addition to any other rights of that Party.

(b) A Party's failure or delay to exercise a right, power or remedy does not operate as a waiver of that right, power or remedy.

(c) A single or partial exercise or waiver by a Party of a right relating to this Agreement does not prevent any other exercise of that right or the exercise of any other right.

(d) Except as expressly stated otherwise in this Agreement, a Party may exercise a right, power or remedy (including giving or withholding its approval or consent) entirely at its discretion (including by imposing conditions).

(e) In exercising, or deciding not to exercise, a right, power or remedy, a Party is not required to take into account any adverse effect on another Party.

(f) Waiver of a right, power or remedy is effective only in respect of the specific instance to which it relates and for the specific purpose for which it is given.

23.10 **Amendment**

This Agreement may only be varied or replaced by a document executed by the parties.

23.11 **Assignment**

(a) A Party must not:

(i) assign;

(ii) create or allow to exist any third party interest over; or

(iii) or deal with,

any right under this Agreement without the prior written consent of the other parties.

(b) Any purported dealing in breach of clause 23.11(a) is ineffective.

23.12 **Counterparts**

This Agreement may consist of a number of counterparts and, if so, the counterparts taken together constitute one Agreement.

23.13 **Entire understanding**

(a) This Agreement and the Gas Sale Agreement contains the entire understanding between the parties as to the subject matter of this Agreement.

(b) To the extent of any inconsistency between the terms of this Agreement and the terms of the Gas Sale Agreement the terms of this Agreement shall apply.

(c) All previous negotiations, understandings, representations, warranties, memoranda or commitments concerning the subject matter of this Agreement are merged in and superseded by this Agreement and are of no effect. No Party is liable to any other in respect of those matters.

(c) No oral explanation or information provided by any Party to another:

(i) affects the meaning or interpretation of this document; or

(ii) constitutes any collateral agreement, warranty or understanding between any of the parties.

23.14 **Execution by attorney**

Where this Agreement is executed by an attorney, that attorney, by executing, declares that it has no notice of revocation, termination or suspension of the power of attorney under which it executes this Agreement.

23.15 **Time of the Essence**

(a) Time is of the essence of this Agreement.

(b) If the parties agree to vary a time requirement (including in this Agreement), the time requirement so varied is of the essence of this Agreement.

(c) An agreement to vary a time requirement set out in this Agreement must be in writing.

Schedule 1

Sale Interests

1. **SANTOS ENTITIES**

	Santos Ltd		Santos QNT	
	Sale Interest	**Respective Proportion**	**Sale Interest**	**Respective Proportion**
Palm Valley Interests	13.623%	29.4%	34.354%	71.6%
Dingo Interests	30.4288%	46.3%	35.2347%	53.7%

2. **BASE PURCHASE PRICE**

2.1 **Magellan Sale Interests**

Interest	**Value**
Mereenie Operating Interests	AU$27,500,000
Mereenie Pipeline Interests	AU$ 500,000

2.2 **Santos Sale Interests**

Interest	**Value**
Palm Valley Interests	AU$2,900,000
Dingo Interests	AU$ 100,000

Schedule 2

Working Interests

1. **MEREENIE OPERATING JOINT VENTURE**

A 'Working Interest' in the Mereenie Operating Joint Venture consists of the following interests, entitlements, rights, obligations and liabilities (including ownership of all Records and Plant and Equipment):

1.1 **Permits**

(a) Petroleum Lease No 4 dated 18 November 1981 and renewed on 6 November 2002 (as administered under the *Petroleum (Prospecting & Mining) Act* 1981 (NT), as continued in force by the Petroleum Act)

(b) Petroleum Lease No 5 dated 18 November 1981 and renewed on 2 November 2002 (as administered under the *Petroleum (Prospecting & Mining) Act* 1981 (NT), as continued in force by the Petroleum Act)

1.2 **Property Interests**

Brewer Estate Land CT 747 Folio 827 NT Portion 5823 (**Brewer Estate Land**)

1.3 **Joint Venture Contracts**

(a) Mereenie Operating Agreement between Magellan Petroleum (NT) Pty Ltd, United Oil & Gas Co (NT) Pty Ltd, Canso Resources Limited, Oilmin (NT) Pty Ltd, Krewliff Investments Pty Ltd, Transoil (NT) Pty Ltd, Farmout Drillers NL, and International Oil Proprietary dated 27 April 1984

(b) Joint Marketing Agreement between Magellan Petroleum (NT) Pty Ltd, Santos QNT Pty Limited and Santos Limited dated 25 March 2010

(c) Transportation Agreement between Magellan Petroleum (NT) Pty Ltd, United Oil & Gas Co (NT) Pty Ltd, Canso Resources Limited, Farmout Drillers NL, Moonie Oil NL, Transoil NL, and International Oil dated 25 June 1985

(d) Crude Oil Sales and Purchase Agreement (Port Bonython, SA) between Magellan Petroleum (NT) Pty Ltd, Santos Limited, Santos QNT Pty Ltd and the Buyers dated 27 August 2010

(e) Central Land Council Agreement between Magellan Petroleum (NT) Pty Ltd, United Oil & Gas Co (NT) Pty Ltd, Moonie Oil NL, Petromin Pty Ltd, Canso Resources Pty Ltd, Transoil (NT) Pty Ltd, Farmout Drillers NL, Santos Exploration Pty Ltd and Central Land Council dated 28 February 2003

1.4 **Royalty Obligations**

(a) Deed of Overriding Royalty between Magellan Petroleum (NT) Pty Ltd, Mildred M. Hembdt and Ethel A. Hembdt dated 28 December 1961

(b) Royalty Agreement PL4 between United Oil & Gas Co (NT) Pty Ltd, Oilmin (NT) Pty Ltd, Krewliff Investments Pty Ltd, Transoil (NT) Pty Ltd, Farmout Drillers NL, Oilmin NL, Canso Resources Limited, Petromin NL and the Minister of Mines and Energy dated 27 April 1984

(c) Royalty Agreement PL5 between Magellan Petroleum (NT) Pty Ltd, Oilmin (NT) Pty Ltd, Krewliff Investments Pty Ltd, Transoil (NT) Pty Ltd, Farmout Drillers NL, Oilmin NL, Canso Resources Limited and Petromin NL and the Minister of Mines and Energy dated 27 April 1984

1.5 **Plant and Equipment**

A legal and beneficial interest or, where held by the Operator of the Mereenie Operating Joint Venture on trust for the Mereenie Operating Joint Venture, a beneficial interest, in the Plant and Equipment of the Mereenie Operating Joint Venture for the production, gathering, treatment and export of crude oil, condensate and natural gas produced at the Mereenie oil and gas field and including the following:

(a) permanent wellhead facilities for 51 producing and suspended wells;

(b) a Central Treatment Plant (**CTPM**) and Eastern Satellite Station (**ESS**) processing plant;

(c) flowlines and associated compression between the wellhead sites and the CTPM and ESS;

(d) separation, gas dehydration, compression, refrigeration, condensate stabiliser and dew point control facilities at the CTPM and ESS;

(e) water treatment and evaporation ponds at the CTPM and ESS;

(f) oil and gas export pipelines;

(g) liquids storage and truck loading facilities at the CTPM, ESS and at the Brewer Estate facility at the Brewer Estate Land;

(h) artificial lift and gas reinjection facilities;

(i) associated civil works, power generation, water bores, camp, workshops, vehicles and an air strip; and

(j) liquids storage and truck loading facilities at the Brewer Estate Land.

2. **MEREENIE PIPELINE JOINT VENTURE**

A 'Working Interest' in the Mereenie Pipeline Joint Venture which consists of a proportionate interest in the following interests, entitlements, rights, obligations and liabilities (including ownership of all Records and Plant and Equipment):

2.1 **Permits**

Pipeline Licence No 2 dated 22 May 1985 and renewed on 15 June 2006 (as administered under the *Energy Pipelines Act* (NT))

2.2 **Property Interests**

(a) Registered Lease Central Land Council between Uruna, Ntaria, Roulpmaulpma, Hassts Bluff and Ltalaltuma Aboriginal Land Trusts at the direction of the Central

Land Council and Magellan Petroleum (N.T.) Pty ltd, United Oil & Gas Co (N.T.) Pty Ltd, Canso Resources Ltd, Oilmin NL, Petrmin Pty Ltd, Transoil Pty Ltd, Farmout Drillers Pty Ltd and International Oil Proprietary dated 3 June 1985 being [registered Lease No. 163476]

(b) Tnorala Sublease between Magellan Petroleum (NT) Pty Ltd, Santos QNT Pty Ltd, Santos Limited and the Conservation Land Corporation dated 22 May 2008 being registered Lease No. 750620

(c) Tnorala Energy Supply Easement CT 757 Folio 214 NT Portion 937 dated 15 September 2008 being registered Easement No. 750541

2.3 **Joint Venture Contracts**

(a) Pipeline Construction Joint Venture Agreement between Magellan Petroleum (NT) Pty Ltd, United Oil & Gas Co (NT) Pty Ltd, Canso Resources Limited, Moonie Oil NL, Petromin NL, Transoil (NT) Pty Ltd, Farmout Drillers NL and International Oil Proprietary dated 26 June 1985

(b) Transportation Agreement between Magellan Petroleum (NT) Pty Ltd, United Oil & Gas Co (NT) Pty Ltd, Canso Resources Limited, Farmout Drillers NL, Moonie Oil NL, Transoil NL and International Oil dated 15 September 1986

(c) Pipeline Operating and Maintenance Agreement between Farmout Drillers NL and Moonie Oil NL dated 26 June 1985

2.4 **Royalty Obligations**

Nil

2.5 **Plant and Equipment**

A legal and beneficial interest or, where held by the Operator of the Mereenie Pipeline Joint Venture on trust for the Mereenie Pipeline Joint Venture, a beneficial interest, in the Plant and Equipment of the Mereenie Pipeline Joint Venture for the transport of crude oil including the 270 kilometre 200 mm diameter pipeline from the CTPM to the Brewer Estate Land.

3. **PALM VALLEY JOINT VENTURE**

A 'Working Interest' in the Palm Valley Joint Venture consists of the following interests, entitlements, rights, obligations and liabilities (including ownership of all Records and Plant and Equipment):

3.1 **Permits**

Petroleum Lease No 3 dated 9 November 1982 and renewed on 6 November 2003 (as administered under the *Petroleum (Prospecting & Mining) Act* 1981 (NT), as continued in force by the Petroleum Act)

3.2 **Property Interests**

Nil

3.3 **Joint Venture Contracts**

(a) Palm Valley Operating Agreement between Magellan Petroleum (NT) Pty Ltd, CD Resources Pty Ltd, Farmout Drillers NL, Canso Resources Limited, International Oil Proprietary, Pancontinental Petroleum Limited, IEDC Australia Pty Limited, and Amadeus Oil NL dated 2 April 1985

(b) Joint Marketing Agreement between Magellan Petroleum (NT) Pty Ltd, Santos QNT Pty Limited and Santos Limited dated 25 March 2010

(c) Gas Purchase Agreement between Magellan Petroleum (NT) Pty Ltd, CD Resources Pty Ltd, Farmout Drillers NL, Canso Resources Limited, International Oil Proprietary, Pancontinental Petroleum Limited, IEDC Australia Pty Limited, Southern Alloys Venture Pty Limited, Amadeus Oil NL and Gasgo Pty Limited dated 28 June 1985

(d) Central Land Council Agreement between Magellan Petroleum (NT) Pty Ltd, Santos Ltd, Farmout Drillers Pty Ltd, Canso Resources Pty Ltd, Santos Exploration Pty Ltd and Central Land Council

3.4 **Royalty Obligations**

(a) Deed of Overriding Royalty between Magellan Petroleum (NT) Pty Ltd and Jarl Pty Ltd dated 25 September 1964

(b) Deed of Overriding Royalty between Magellan Petroleum Corporation, Mildred M. Hembdt and Ethel A. Hembdt dated 28 December 1961

(c) Royalty Agreement PL3 between Magellan Petroleum (NT) Pty Ltd, Canso Resources Limited, Farmout Drillers NL, C.D. Resources Pty Ltd, Ampolex (PPL) Pty Limited, Santos Limited, Southern Alloys Venture Pty Limited, International Oil Pty Ltd and the Minister of Mines and Energy dated 12 February 1991

3.5 **Plant and Equipment**

A legal and beneficial interest or, where held by the Operator of the Palm Valley Joint Venture on trust for the Palm Valley Joint Venture, a beneficial interest, in the Plant and Equipment of the Palm Valley Joint Venture for the production, gathering, treatment and export of natural gas produced at the Palm Valley gas field and including the following:

(a) permanent wellhead facilities for 9 producing and suspended wells;

(b) a Central Treatment Plant (**CTPPV**);

(c) flowlines between the wellhead sites and the CTPPV;

(d) compression, separation and gas dehydration at the CTPPV;

(e) produced water treatment and reinjection facilities and evaporation pond;

(f) gas export pipeline and metering; and

(g) associated civil works, power generation, camp, vehicles and workshops.

4. DINGO JOINT VENTURE

A Working Interest in the Dingo Joint Venture consists of the following interests, entitlements, rights, obligations and liabilities (including ownership of all Records and Plant and Equipment):

4.1 Permits

Retention Licence No 2 dated 5 May 1992 and renewed on 27 October 2008, 17 February 2004 and 4 February 2009 (as administered under the Petroleum Act)

4.2 Property Interests

Nil

4.3 Joint Venture Contracts

(a) Amadeus Operating Agreement between Magellan Petroleum (NT) Pty Ltd, United Oil & Gas Co (NT) Pty Ltd, Canso Resources Limited, Moonie Oil NL, Transoil NL, Petromin NL, Farmout Drillers NL, CD Resources Pty Ltd, Canada Southern Petroleum Ltd, International Oil Proprietary, Noraust Investments Limited, Pancontinental Petroleum Ltd, Kufpec Australia Pty Ltd, Amadeus Oil NL and Orca Petroleum NL dated 20 November 1986

(b) Sole Risk Agreement between Magellan Petroleum (NT) Pty Ltd, Canso Resources Limited, CD Resources Pty Ltd, Pancontinental Petroleum Ltd, IEDC Australia Pty Limited, Amadeus Oil NL, International Oil Proprietary, Farmout Drillers NL, Apollo International Minerals NL, Orca Petroleum NL, Transoil NL, Oilmin NL and Petromin NL dated 11 April 1985

4.4 Royalty Obligations

(a) Deed of Overriding Royalty between Magellan Petroleum (NT) Pty Ltd and Jarl Pty Ltd dated 25 September 1964

(b) Deed of Overriding Royalty between Magellan Petroleum Corporation, Mildred M. Hembdt and Ethel A. Hembdt dated 28 December 1961

4.5 Plant and Equipment

A legal and beneficial interest or, where held by the Operator of the Dingo Joint Venture on trust for the Dingo Joint Venture, a beneficial interest, in the Plant and Equipment of the Dingo Joint Venture for the exploration for gas and including the permanent wellhead facilities for 2 suspended wells.

Schedule 3

Conditions

No	Condition	Responsibility for satisfaction	For the benefit of
1.	**Dealings Approval** The transfer of the Sale Interests and any related transfers or dealings effected or contemplated by this Agreement have been Approved and such Governmental Agency has confirmed that, subject only to payment of the relevant registration fee, those transfer and dealings will be Registered.	Santos Entities & Magellan	Santos Entities & Magellan
2.	**Transfer of Sale Interests** Obtaining the: (a) consents of third parties where required (or the expiry of the period for consents without objection) under each of the Joint Venture Contracts except those set out in item 1.3(f) and item 3.3(d) of Schedule 2 and Royalty Obligations to the assignment by the Seller Party of the rights and the covenant by the Buyer Party to perform the obligations of the Seller Party in accordance with this Agreement; and (b) agreement and execution of the Transfer Documents by third parties in respect of the Permits, Royalty Obligations and Joint Venture Contracts, except those set out in item 1.3(f) and item 3.3(d) of Schedule 2.	Santos Entities & Magellan	Santos Entities & Magellan
3.	**Gas Sales Agreement** Execution of a gas sales agreement between Magellan and the Santos Entities for the supply by Magellan to the Santos Entities of gas from the Palm Valley Joint Venture on the terms and conditions set out in the Heads of Agreement between the Santos Entities and Magellan dated 21 July 2011 and such other terms agreed between the parties (**Gas Sales Agreement**).	Santos Entities & Magellan	Santos Entities & Magellan
4.	**FIRB** The Treasurer of the Commonwealth of Australia either: (i) ceases to be empowered to make an order under the Foreign Acquisitions and Takeovers Act 1975 (Cth) in relation to the proposed acquisition by Magellan of the Santos Sales Interest; or (ii) gives written advice of a decision by or on behalf of the Treasurer stating unconditionally or on the basis of conditions which are reasonably acceptable to Magellan that there is no objection to the proposed acquisition by Magellan of the Santos Sales Interest	Magellan	Magellan

Schedule 4

Completion Steps

1. **MAGELLAN COMPLETION OBLIGATIONS**

At Completion, Magellan must:

(a) as a Seller Party, deliver to Santos QNT:

(i) (**Transfer Documents**) the Magellan Transfer Documents executed by each party other than the Santos Entities;

(ii) (**Records**) any Records with respect to the Magellan Sale Interests; and

(iii) (**Release**) a full release of the cross guarantees provided by the Santos Entities to Magellan as the holder of the Magellan Sale Interests and the Santos Sale Interests (including charges registered with ASIC with numbers 1150108, 1150109, 1150110, 1150111, 1150112 and244640) together with ASIC Forms 312 (or any other form of document required by law to perfect such discharge and release) completed and signed on behalf of the holder(s) of the charges by a person authorised in writing by Magellan to do so; and

(b) take all action required to give effect to the resignation of Santos as the Operator of the Dingo Joint Venture with effect from the Completion Date.

2. **SANTOS ENTITIES COMPLETION OBLIGATIONS**

At Completion:

(a) Santos QNT as a Buyer Party must pay the Completion Payment to Magellan in Immediately Available Funds;

(b) Each of the Santos Entities, as a Seller Party, must deliver to Magellan:

(i) (**Transfer Documents**) the Santos Transfer Documents executed by each party other than Magellan;

(ii) (**Records**) the Records with respect to the Santos Sale Interests; and

(iii) (**Release**) a full release of the cross guarantees provided by Magellan to the Santos Entities as the holders of the Santos Sale Interests and the Magellan Sale Interests (including charges registered with ASIC with numbers 264487, 502727, 958132 and 1154964) together with ASIC Forms 312 (or any other form of document required by law to perfect such discharge and release) completed and signed on behalf of the holder(s) of the charges by a person authorised in writing by the relevant Santos Entity to do so; and

(c) Santos Ltd must resign as the Operator of the Dingo Joint Venture and transfer all responsibilities as Operator in accordance with the terms of the Dingo Joint venture and take all action required to give effect to that resignation with effect from the Completion Date.

Schedule 5

Warranties

1. **ALL PARTIES**

(a) The Party is duly incorporated and validly exists under the law of its place of incorporation.

(b) The Party has full corporate power and authority to enter into this Agreement and perform its obligations under this Agreement, to carry out the transactions contemplated by this Agreement, and to own its property and carry on its business.

(c) The entry into and performance of this Agreement has been properly authorised by all necessary corporate action of the Party.

(d) This Agreement constitutes a valid and binding obligation of the Party enforceable against the Party in accordance with its terms, except that:

(i) its enforcement is subject to any necessary stamping or registration;

(ii) its enforceability may be limited by applicable bankruptcy, insolvency, reorganisation, moratorium or similar laws affecting the enforcement of creditors' rights generally; and

(iii) its enforceability is subject to the principles of equity (regardless of whether its enforcement is considered in a proceeding in equity or at law), including:

(A) the possible unavailability of specific performance, injunctive relief or any other equitable remedy; and

(B) concepts of materiality, reasonableness, good faith and fair dealing.

(e) The Party is not:

(i) wound up, no resolution for its winding up has been passed and no meeting of members or creditors has been convened for that purpose;

(ii) the subject of a winding up application which has been made to a court, and no event has occurred which would entitle any person to apply to a court to wind up the Party;

(iii) a party to a composition or arrangement with any of its creditors;

(iv) the recipient of a demand under section 459E of the Corporations Act or any corresponding or analogous provision governing the Party in a jurisdiction outside Australia;

(v) in receivership and none of its assets are in the possession of or under the control of a mortgagee or chargee;

(vi) subject to administration under Part 5.3 of the Corporations Act or any corresponding or analogous provision governing the Party in a jurisdiction outside Australia; or

(vii) insolvent (as defined in section 95A of the Corporations Act).

(f) No legal proceedings, arbitration, mediation or other dispute resolution process is taking place, pending or threatened, the outcome of which is likely to have a material and adverse affect on the ability of the Party to perform its obligations under this Agreement.

(g) The Party is not entering into this Agreement as trustee of any trust or settlement.

2. **SELLER PARTY**

(a) The Seller Party is the registered holder and beneficial owner of the relevant Sale Interests.

(b) The Sale Interests relevant to the Seller Party are free from Encumbrances other than those set out in the relevant Joint Venture Contracts, Permits, Property Interests and Royalty Obligations.

(c) No legal proceedings, arbitration, mediation or other dispute resolution process is taking place, pending or threatened, the outcome of which is likely to have a material and adverse affect on the Sale Interests relevant to the Seller Party.

Schedule 6

Bonus Amount

1. **BONUS**

Subject to item 2, the Bonus Amount payable in respect of any Threshold Level will be as determined from the table below.

Threshold Level (90 Day Average Net Sales in BOE per Day)	Bonus Amount (AU$ million)
Less than 2,500	Nil
Greater than or equal to 2,500	5.00
Greater than or equal to 2,750	0.25
Greater than or equal to 3,000	0.25
Greater than or equal to 3,250	0.25
Greater than or equal to 3,500	0.25
Greater than or equal to 3,750	0.25
Greater than or equal to 4,000	0.25
Greater than or equal to 4,250	0.25
Greater than or equal to 4,500	0.25
Greater than or equal to 4,750	0.25
Greater than or equal to 5,000	0.25
Greater than or equal to 10,000	10.00

2. **CLAUSE 9 OF GAS SALES AGREEMENT**

(a) Subject to (b), where the 'Commencement Date' of the Gas Sales Agreement does not occur on or prior to 15 April 2012 and Magellan receives from the Santos Entities a payment of a Deemed Quantity Amount in accordance with clause 9 of the Gas Sales Agreement:

(i) the Bonus Amount specified in item 2.1 of this Schedule for a Threshold Level of 'Greater than or equal to 2,500' will be AU$2,000,000 rather than AU$5,000,000 (the **Bonus Adjustment**); and

(ii) the Bonus Amount specified in item 2.1 of this Schedule for a Threshold Level of 'Greater than or equal to 5,000' will be AU$1,250,000 rather than AU$250,000 (the **Amended Bonus**).

To the extent that the 'Commencement Date' of the Gas Sales Agreement occurs after 15 April 2012 but prior to 31 December 2012, then the increment of the Bonus Adjustment and the Amended Bonus will be pro-rated in accordance with the following formula:

$$\frac{ND}{366}$$

ND = the total number of days in the period commencing on 1 January 2012 and ending on the Day immediately prior to the Commencement Date of the Gas Sales Agreement.

3. **EXAMPLE**

Note the example calculation provided below assumes item 2 of this Schedule does not apply.

3.1 **First Royalty Report**

The delivery of the first Royalty Report identified a 90 Day Average Net Sales varying between 500 and 3,200.

On the Bonus Payment Date following delivery of that Royalty Report, the Santos Entities must make a payment a total payment of AU$5,500,000 consisting of:

(a) AU$5,000,000 as the Threshold Level 'Greater than or equal to 2,500' has been achieved; plus

(b) AU$250,000 as the Threshold Level 'Greater than or equal to 2,750' has been achieved; plus

(c) AU$250,000 as the Threshold Level 'Greater than or equal to 3,000' has been achieved.

3.2 **Following Two Royalty Reports**

The delivery of the next two Royalty Reports identified a 90 Day Average Net Sales of less than 2,000.

No Bonus Amount is payable.

3.3 **Following Three Royalty Reports**

The delivery of the next two Royalty Reports identified a 90 Day Average Net Sales varying between 2,500 and 3,200.

No Bonus Amount is payable as the Bonus Amount has already been paid in respect of the 'Greater than or equal to 2,500' Threshold Level, the 'Greater than or equal to 2,750' Threshold Level and the 'Greater than or equal to 3,000' Threshold Level.

3.4 **Seventh Royalty Report**

The delivery of the seventh Royalty Report identified a 90 Day Average Net Sales varying between 500 and 3,300.

On the Bonus Payment Date following delivery of that Royalty Report, the Santos Entities must make a payment of AU$250,000 as the ‘Greater than or equal to 3,250’ Threshold Level has been achieved.

3.5 Remaining Royalty Reports

The delivery of the remaining Royalty Reports identified a 90 Day Average Net Sales of less than 3,500. No further Bonus Amounts are payable.

Schedule 7

Adjustment Statement

1. **MAGELLAN SALE INTERESTS**

Working Capital in respect of the Magellan Sale Interests as at the Calculation Date
(Note: an excess of assets over liabilities is a positive amount and a deficiency is a negative amount)

Plus cash calls paid by Magellan under the Joint Venture Agreements in respect of the Magellan Sale Interests after the Calculation Time

Less revenue earned in respect of the Magellan Sale Interests after the Calculation Time received by Magellan

= Magellan Sale Interests Adjustment Amount

2. **SANTOS SALE INTERESTS**

Working Capital in respect of the Santos Sale Interests as at the Calculation Date
(Note: an excess of assets over liabilities is a positive amount and a deficiency is a negative amount)

Plus cash calls paid by Santos under the Joint Venture Agreements in respect of the Santos Sale Interests after the Calculation Time

Less revenue earned in respect of the Santos Sale Interests after the Calculation Time received by Seller

= Santos Sale Interests Adjustment Amount

EXECUTED as an agreement

EXECUTED by **SANTOS LIMITED**
ACN 007 550 923
in accordance with Section 127 of the
Corporations Act 2001:

/s/ James L. Baulderstone	/s/ Ben Hughes
Signature of Authorised Representative	Signature of Witness
James L. Baulderstone	Ben Hughes
Signature of Authorised Representative	Signature of Witness

EXECUTED by **SANTOS QNT PTY LTD**
ACN 083 077 196
in accordance with Section 127 of the
Corporations Act 2001:

/s/ James L. Baulderstone	/s/ Ben Hughes
Signature of Authorised Representative	Signature of Witness
James L. Baulderstone	Ben Hughes
Name of Authorised Representative (block letters)	Name of Witness (block letters)

EXECUTED by **MAGELLAN PETROLEUM (NT) PTY LTD**
ACN 009 718 183
in accordance with Section 127 of the
Corporations Act 2001:

/s/ Mervyn Victor Cowie	/s/ Joseph Patrick Morfea
Director	Director
Mervyn Victor Cowie	Joseph Patrick Morfea
Name of Director (BLOCK LETTERS)	Name of Director (BLOCK LETTERS)

Annexure A – Joint Venture Contracts Pro-Forma Transfer

Annexure B – Permits Pro-Forma Transfer

Annexure C – Property Interests – Pro Forma Transfer

Annexure D – Royalty Obligations Pro-Forma Transfer

Note: Pursuant to Item 601(b)(2) of Regulation S-K, the registrant has omitted Annexures A-D. The registrant will furnish supplementally to the Securities and Exchange Commission such annexures, upon request.

Exhibit 10.1

Agreement

Release Agreement

Santos Offshore Pty Ltd
ACN 005 475 589

Magellan Petroleum Australia Limited
ACN 009 728 581

Release Agreement

Date July 21, 2011

Between the parties

Santos Offshore Pty Ltd
ACN 005 475 589
of Santos Centre, Ground Floor, 60 Flinders Street
Adelaide, South Australia 5000
(Santos Offshore)

Magellan Petroleum Australia Limited
ACN 009 728 581
of 10th Floor, 145 Eagle Street
Brisbane, Queensland 4000
(Magellan Australia)

Background

Santos Offshore and Magellan Australia are parties to the Evans Shoal- Assets Sale Deed dated 25 March 2010 (which was subsequently amended by the Deed of Variation dated 31 January 2011 **(Deed of Variation)) (ASD)** pursuant to which Santos Offshore would sell and Magellan Australia would acquire certain interests in respect of the Evans Shoal JOA.

2 Santos Offshore and Magellan Australia are also parties to the Technical Services Agreement for Evans Shoal dated 25 March 2010 (which was also subsequently amended by the Deed of Variation) **(TSA)** pursuant to which Santos Offshore would provide certain services to Magellan Australia.

3 Pursuant to the terms of the ASD, Magellan Australia paid certain amounts into an escrow account **(Escrow Account).**

4 Completion has not occurred.

5 Pursuant to this agreement the parties agree to terminate the ASD and TSA and resolve all outstanding issues in relation to the ASD and TSA.

The parties agree

1 Termination of ASD and TSA

(a) With effect from the time on which the sum referred to in clause 2 shall be unconditionally received by Magellan Australia:

(1) the ASD and TSA will be terminated with immediate effect;

(2) each of Santos Offshore and Magellan Australia waives any right to object to the validity of the termination of the ASD referred to in clause 1(a)(1) whether on the basis that it was not in accordance with clause 6.1 or 6.2 of the ASD or for any other reason whatsoever;

(3) each of Santos Offshore and Magellan Australia waives any right to object to the validity of the termination of the TSA referred to in clause 1(a)(1) whether on the basis that it was not in accordance with clause 21 of the TSA or for any other reason whatsoever;

(4) each of Santos Offshore and Magellan Australia irrevocably and unconditionally releases and discharges the other (and each of their affiliates, officers, agents and directors, past and present) from any claim, action, demand, suit or proceeding for damages, debt, restitution, equitable compensation, account, injunction, specific performance or any other remedy that they may have, whether known or unknown, against the other arising out of or in connection with the ASD the TSA or the transactions contemplated under the ASD or the TSA, whether at common law (including tort), in equity, under statute or otherwise;

(5) each of Santos Offshore and Magellan Australia shall not claim, sue or take any action against the other (or against any of their respective affiliates, officers, agents or directors, past or present) in respect of the matters from which it has released and discharged under clause 1(a)(4); and

(6) each party irrevocably, unconditionally and fully indemnifies the other party and each of its affiliates, officers, agents and directors, past and present, against any Loss (including legal costs and expenses) that they incur, suffer or pay or may incur, suffer or pay arising from or in respect of any claim made against them in respect of the matters from which that party is released and discharged under clause 1(a)(4) by:

(A) in the case of Santos Offshore, the Holding Company of Santos Offshore Pty Ltd or Santos Limited; and

(B) in the case of Magellan Australia, the Holding Company of Magellan Australia or Magellan Petroleum Corporation.

(7) Magellan Australia irrevocably, unconditionally and fully indemnifies Santos Offshore and each of its affiliates, officers, agents and directors, past and present, against any Loss (including legal costs

and expenses) that they incur, suffer or pay or may incur, suffer or pay arising from or in respect of any claim made against them in respect of the matters from which Santos Offshore is released and discharged under clause 1(a)(4) by Young Energy Prize s.a. (or its significant shareholders, affiliates, officers, agents and directors).

(b) Nothing in this clause 1 shall prevent any party from commencing proceedings to enforce their rights under this agreement.

2 Release of the Escrow Account sums

(a) Contemporaneously with the execution and delivery of this agreement each of Magellan Australia and Santos Offshore shall execute and deliver to the Escrow Agent an agreed form of instruction authorising the immediate release to Magellan Australia of A$10 million from the Escrow Account together with all interest in respect of A$10 million that has accrued thereon from the date of deposit of the A$10 million to the date of release of the A$10 million **(Escrow Amount).**

(b) Magellan Australia undertakes to immediately notify Santos Offshore upon it receiving the Escrow Amount into its accounts.

3 General

3.1 Binding obligations

Except as otherwise provided, the parties agree that they intend their respective obligations under this agreement to be legally binding and enforceable.

3.2 Costs and expenses

Each party must pay its own legal costs and expenses for the negotiation, preparation and completion of this agreement.

3.3 Governing law and jurisdiction

(a) This agreement is governed by the laws of South Australia.

(b) Each party irrevocably submits to the exclusive jurisdiction of courts exercising jurisdiction in South Australia in respect of any proceedings arising out of or in connection with this agreement.

3.4 No admission of liability

Nothing in this agreement constitutes an admission of liability by any party to any other party.

3.5 Confidentiality

Unless the parties otherwise agree in writing, the parties must keep the terms of this agreement and any ancillary matter relating to it confidential, except as required by law (and including without limitation as required by the rules of any applicable securities exchange or by any applicable regulatory authority) or as required to obtain legal or financial advice in relation to this agreement or to the matters contemplated by it.

3.6 Securities exchange and press releases

Other than the press release contained in Schedule 1, a party must not, and must ensure that none of its Related Bodies Corporate, (either, a **Releasing Party)** make any release to any applicable securities exchange or press release with respect to the terms of this agreement without:

(a) the other party **(Non Releasing Party)** having been provided with a draft of the release and given a reasonable opportunity to comment on it; and

(b) the Releasing Party having acted reasonably in making any amendments to the release as requested in writing by the Non Releasing Party to the Releasing Party,

provided nothing in this clause 3.6 will prevent a party (or its Related Bodies Corporate) making any disclosure to the extent (and at the time) required by law (and including without limitation as required by the rules of any applicable securities exchange or by any applicable authority), but if a party (or its Related Body Corporate) is so required to make any announcement or to disclose any confidential information, the relevant party must follow the procedure in (a) and (b) above, where practicable and lawful to do so, before the announcement is made or disclosure occurs (as the case may be).

3.7 GST

(a) Any reference in this clause 3.7 to a term defined or used in the *A New Tax System (Goods and Services Tax) 1999* (Cth) is, unless the context indicates otherwise, a reference to that term as defined or used in that Act.

(b) To the extent that GST is payable in respect of any supply made by a party **(Supplier)** to the other party **(Recipient)** under or in connection with this agreement:

(1) the consideration to be provided under this agreement for that supply (unless it is expressly stated to include GST) is increased by an amount equal to the consideration in respect of the taxable supply (exclusive of GST) multiplied by the rate of goods and services tax.

(2) the Recipient must pay the additional amount payable under clause 3.7(b)(1) to the Supplier at the same time as the consideration is otherwise required to be provided.

(3) the Supplier must issue a tax invoice or other documentation required under the applicable law to the Recipient at or before the time of payment of the consideration for the supply as increased on account of GST or at such other time as the parties agree.

(4) whenever an adjustment event occurs the supplier must determine the net GST in relation to the supply (taking into account any adjustment) and if the net GST differs from the amount previously paid under clause 3.7(b)(3), the amount of the difference must be paid by, refunded to or credited to the recipient, as applicable.

(c) If one of the parties to this agreement is entitled to be reimbursed or indemnified for a loss, cost, expense or outgoing incurred in connection with this agreement, then the amount of the reimbursement or indemnity payment must first be reduced by an amount equal to any GST input tax credit to which the party being reimbursed or indemnified (or its representative member) is entitled in relation to that loss, cost, expense or outgoing and then, if the amount of the payment is consideration or part consideration for a supply to which GST is payable, it must be increased on account of GST.

3.8 Entire agreement

This agreement embodies the entire agreement between the parties in respect of the subject matter of the agreement and there is no other understanding, agreement, representation or warranty, whether expressed or implied, in any way extending, modifying or qualifying any of the provisions of this agreement.

3.9 Severability

(a) Any clause in this agreement which is prohibited in any jurisdiction is, in that jurisdiction, ineffective only to the extent of that prohibition.

(b) Any clause in this agreement which is void, illegal or unenforceable in any jurisdiction does not affect the validity, legality or enforceability of that provision in any other jurisdiction or of the remaining provisions in that or any other jurisdiction.

3.10 Counterparts

This agreement may be executed in a number of counterparts, in which case this agreement comprises all the counterparts, taken together.

3.11 Benefits held on trust

Each party holds the benefit of each indemnity, promise and obligation in this agreement expressed to be for the benefit of its affiliates, officers, agents, directors or related bodies corporate on trust for those affiliates, officers, agents, directors or related bodies corporate.

3.12 Notices

(a) Any notice or other communication (including any request, demand, consent or approval) to or by a party to this agreement must be in legible writing and in English addressed as shown below (or as specified to the sender by any party by notice):

Party	Address	Attention	Facsimile	Email
Santos	Ground Floor, Santos Centre, 60 Flinders Street, Adelaide, South Australia 5000 Australia	Christian Paech General Counsel Copy to: David Slocombe Commercial Manager, Western Australia and Northern Territory	+61 8 8116 5287 Copy to: +61 8 9333 9571	Christian.Paech@santos.com Copy to: David.Siocombe@santos.com
Magellan	7 Custom House Street, 3rd Floor, Portland, ME 04101, USA	William H. Hastings, Director Copy to: Antoine Lafargue: Chief Financial Officer and Treasurer	+1 207-553- 2250 +1 207- 553-2250	whhastings@magellanpetroleum.com alafargue@magellanpetroleum.com

(b) If the sender is a company, the notice or communication must be signed by an officer or under the common seal of the sender.

(c) A notice or communication given in accordance with clause 3.12(a) can be relied on by the addressee and the addressee is not liable to any other person for any consequences of that reliance if the addressee believes it to be genuine, correct and authorised by the sender.

(d) Any notice or other communication to or by a party to this agreement is regarded as being given by the sender and received by the addressee:

(1) if by delivery in person, when delivered to the addressee;

(2) if by post, 5 Business Days from and including the date of postage;

(3) if by facsimile transmission, when a facsimile confirmation receipt is received indicating successful delivery; or

(4) if sent by email, when a delivery confirmation report is received by the sender which records the time that the email was delivered to the addressee's email address (unless the sender receives a delivery failure notification indicating that the email has not been delivered to the addressee),

but if the delivery or receipt is on a day that is not a Business Day or is after 5.00pm (addressee's time) it is regarded as received at 9.00am on the following Business Day

(e) A facsimile transmission is regarded as legible unless the addressee telephones the sender within 2 hours after the transmission is received or regarded as received under clause 3.12(c) and informs the sender that it is not legible.

In this clause 3.12, reference to an addressee includes a reference to an addressee's officers, agents or employees.

4 Interpretation

In this agreement :

(a) Unless otherwise defined, capitalised terms used in this agreement have the same meaning as is given to them in the ASD.

(b) Headings and bold type are for convenience only and do not affect the interpretation of this agreement.

(c) The singular includes the plural and the plural includes the singular.

(d) Words of any gender include all genders.

(e) Other parts of speech and grammatical forms of a word or phrase defined in this agreement have a corresponding meaning.

(f) An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and any government agency as well as an individual.

(g) A reference to a clause, party, schedule, attachment or exhibit is a reference to a clause of, and a party, schedule, attachment or exhibit to, this agreement.

(h) A reference to a document includes all amendments or supplements to, or replacements or novations of, that document.

(i) A reference to a party to a document includes that party's successors and permitted assignees.

(j) A reference to an agreement other than this agreement includes a deed and any legally enforceable undertaking, agreement, arrangement or understanding, whether or not in writing.

(k) No provision of this agreement will be construed adversely to a party because that party was responsible for the preparation of this agreement or that provision.

4.2 Interpretation of inclusive expressions

Specifying anything in this agreement after the words 'include' or 'for example' or similar expressions does not limit what else is included.

Executed as an agreement

Signed by
Santos Offshore Pty Ltd
by its authorised representative

sign here /s/ Christian Peach
Authorised representative

print name Christian Peach

sign here /s/ David Lim
Witness

print name David Lim

Signed by
Magellan Petroleum Australia Limited
by

sign here /s/ Bruce McInnis
Corporate Secretary

print name Bruce McInnis

sign here /s/ Rovert J. Mollah
Director

print name Robert J, Mollah

Schedule 1

Press Release

Magellan Petroleum Corporation Announces Resolution of Outstanding Issues Related to Termination of Evans Shoal Transaction

Magellan and Santos have now finalised discussions regarding an appropriate resolution of all remaining issues relating to the non-closure of the Evans Shoal transaction. The Company and Santos have agreed that $10 million of the sums deposited in connection with the Evans Shoal transaction will be returned to the Company and that the Asset Sale Deed should be terminated.

The process of unwinding the Evans Shoal Transaction has allowed the Company and Santos to look at their joint operations in the Northern Territory, Australia. This has lead to productive discussions towards rationalizing and more efficiently exploiting their respective interests in the Amadeus Basin, and creating new commercial opportunities. The Company is working with Santos to satisfactorily conclude these discussions in the near term.

Exhibit 10.2

EXECUTION VERSION

REGISTRATION RIGHTS AGREEMENT

by and among

MAGELLAN PETROLEUM CORPORATION

and

THE HOLDERS LISTED ON THE SIGNATURE PAGES ATTACHED HERETO

Dated as of September 2, 2011

CONTENTS

REGISTRATION RIGHTS AGREEMENT

This **REGISTRATION RIGHTS AGREEMENT,** dated as of September 2, 2011 is made and entered into

BY AND AMONG:

(1) **MAGELLAN PETROLEUM CORPORATION**, a Delaware corporation (the **Company**); and

(2) Those Holders set forth on and executing signature pages to this Agreement and listed on Schedule A (each an **Owner**, and collectively, the **Owners**),

together, the **Parties**.

WHEREAS:

(A) The Company and the Owners are concurrently with this Agreement entering into a Purchase and Sale Agreement, pursuant to which the Company will issue Company Shares valued at, in the aggregate, $1,753,286.22 (as determined in accordance with the Purchase and Sale Agreement) to the Owners, allocated in accordance with the Purchase and Sale Agreement and as set forth on Schedule A (as amended by the Parties from time to time).

(B) The Company wishes to give the Owners certain registration rights in connection with consummation of the Purchase and Sale Agreement.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and obligations set forth herein and in the Purchase and Sale Agreement, the Parties hereby agree as follows:

1. DEFINITIONS

1.1 Certain Defined Terms

As used herein, the following terms shall have the following meanings:

Action means any legal, administrative, regulatory or other suit, action, claim, audit, assessment, arbitration or other proceeding, investigation or inquiry.

Agreement means this Registration Rights Agreement as it may be amended, supplemented, restated or modified from time to time.

Business Day means any day, other than a Saturday, Sunday or a day on which banks or stock exchanges are generally not open for business in New York, New York.

Company has the meaning set forth in the Preamble to this Agreement.

Company Indemnitees has the meaning set forth in Section 2.3(b).

Company Shares means the shares of common stock, par value $0.01 per share, of the Company.

Exchange Act means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated by the SEC from time to time thereunder.

Form S-3 means such form under the Securities Act as is in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC and the offering of shares on a delayed or continuous basis.

Governmental Entity shall mean any court, administrative agency or commission or other governmental authority or instrumentality, whether federal, state, local or foreign and any applicable industry self-regulatory organization.

Holder means each Owner that has acquired Registrable Securities from the Company and has agreed in writing to be bound by the terms hereof and become a Holder for purposes of this Agreement.

Holder Indemnitees has the meaning set forth in Section 2.3(a).

Issuer Free Writing Prospectus means an issuer free writing prospectus, as defined in Rule 433 under the Securities Act, relating to an offer of the Registrable Securities.

Law means any statute, law, code, ordinance, rule or regulation of any Governmental Entity.

Losses has the meaning set forth in Section 2.3(a).

Person means any individual, corporation, limited liability company, limited or general partnership, joint venture, association, joint stock company, trust, unincorporated organization, government or any agency or political subdivisions thereof or any group (within the meaning of Section 13(d)(3) of the Exchange Act) comprised of two or more of the foregoing.

Prospectus means the prospectus included in any Registration Statement (including a prospectus that discloses information previously omitted from a prospectus filed as part of an effective Registration Statement in reliance upon Rule 430A promulgated under the Securities Act), as amended or supplemented by any prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement, any Issuer Free Writing Prospectus related thereto, and all other amendments and supplements to such prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such prospectus.

Registrable Securities means any Company Shares owned by the Holders and issued pursuant to the Purchase and Sale Agreement and any securities which may be issued or distributed in respect thereof by way of stock dividend or stock split or other distribution or in connection with a combination of shares, recapitalization, reorganization, merger, consolidation, reclassification or otherwise or any other securities into which or for which shares of any other successor securities are received in respect of any of the foregoing. As to any particular Registrable Securities, such Registrable Securities shall also permanently cease to be Registrable Securities on the earliest date on which such securities (a) have been effectively registered under the Securities Act and disposed of in accordance with a registration statement, (b) shall have been distributed to the public in accordance with Rule 144 (or any similar provision then in force) or otherwise transferred in a manner that results in the security being so transferred being freely transferable thereafter, (c) shall have been repurchased by the Company, (d) shall have ceased to be outstanding or (e) shall have become freely tradable under Rule 144(k).

Registration Expenses has the meaning set forth in Section 2.5

Registration Notice has the meaning set forth in Section 2.1.

Registration Statement means any registration statement of the Company under the Securities Act which permits the public offering of any of the Registrable Securities pursuant to the provisions of this Agreement, including the Prospectus, amendments and supplements to such registration statement, including post-effective amendments, all exhibits and all material incorporated by reference or deemed to be incorporated by reference in such registration statement.

Purchase and Sale Agreement shall mean the Purchase and Sale Agreement between the Company and the Owners dated as of the day hereof, as such agreement may be further amended or restated from time to time.

Rule 144 means Rule 144 under the Securities Act.

SEC means the United States Securities and Exchange Commission.

Securities Act means the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated by the SEC from time to time thereunder.

Selling Holder means each Holder of Registrable Securities included in a registration pursuant to Section 2.

Shelf has the meaning set forth in Section 2.1.

Shelf Registration Statement means a Registration Statement of the Company filed with the SEC on Form S-3 (or any successor form or other appropriate form under the Securities Act) for an offering to be made on a continuous or delayed basis pursuant to Rule 415 under the Securities Act covering Registrable Securities.

1.2 Construction

Unless the context of this Agreement otherwise clearly requires, (a) references to the plural include the singular, and references to the singular include the plural, (b) references to any gender include the other genders, (c) the words “include,” “includes” and “including” do not limit the preceding terms or words and shall be deemed to be followed by the words “without limitation”, (d) all references to Sections, paragraphs or clauses shall be deemed references to Sections, paragraphs or clauses of this Agreement, (e) the terms “hereof”, “herein”, “hereunder”, “hereto” and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement, (f) the term “or” is not exclusive, (g) the terms “day” and “days” mean and refer to calendar day(s), (h) the word “extent” in the phrase “to the extent” shall mean the degree to which a subject or other thing extends, and such phrase shall not mean simply “if”, (i) any Law defined or referred to herein means such Law as from time to time amended, modified or supplemented, including by succession of comparable successor Laws and references to all attachments thereto and instruments incorporated therein, (j) references to a Person are also to its permitted successors and assigns and (k) the headings and captions in this Agreement and in the table of contents are included for convenience of reference only and shall be ignored in the construction or interpretation of this Agreement.

2. REGISTRATION RIGHTS

2.1 Shelf Registration

The Company shall use its commercially reasonable efforts to file, as soon as reasonably practicable following the date hereof, but in any event prior to October 15, 2011, a Shelf Registration Statement for a Shelf Registration on Form S-3 covering the resale of the Registrable Securities on a delayed or continuous basis (the **Shelf**). The Company shall use commercially reasonable efforts to cause the Shelf Registration Statement to become effective as soon as reasonably practicable thereafter. The Company shall give written notice of the filing of the Shelf Registration Statement at least twenty (20) days prior to filing the Shelf Registration Statement to all Holders of Registrable Securities (the **Registration Notice**) and shall include in such Shelf Registration Statement all Registrable Securities. The Company shall maintain the Shelf in accordance with the terms hereof.

2.2 Registration Procedures

Whenever the Company is required to use its commercially reasonable efforts to effect the registration of any offering of Registrable Securities under the Securities Act as provided in Section 2, the Company shall use its commercially reasonable efforts to effect such registration to permit the sale of such Registrable Securities in accordance with the intended method or methods of disposition thereof, and pursuant thereto the Company shall use its commercially reasonable efforts to cooperate in the sale of the Registrable Securities and shall use its commercially reasonable efforts to, as expeditiously as possible:

(a) Prepare and file with the SEC such amendments and post-effective amendments to the Registration Statement and use its commercially reasonable efforts to cause such Registration Statement to be continuously effective as long as the Registrable Securities have not been sold or until they can be sold under Rule 144 and comply in all material respects with the provisions of the Securities Act with respect to the disposition of all Registrable Securities covered by such Registration Statement, and cause the related Prospectus to be supplemented by any prospectus supplement or Issuer Free Writing Prospectus as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of the securities covered by such Registration Statement, and as so supplemented to be filed pursuant to Rule 424 (or any similar provisions then in force) under the Securities Act.

(b) Notify the Holders as promptly as reasonably practicable, and (if requested by any such Person) confirm such notice in writing, (i) when a Prospectus or any Prospectus supplement, Issuer Free Writing Prospectus or post-effective amendment has been filed, and, with respect to a Registration Statement or any post-effective amendment, when the same has become effective, (ii) of any request by the SEC or any other Governmental Entity for amendments or supplements to a Registration Statement or related Prospectus or Issuer Free Writing Prospectus or for additional information, (iii) of the issuance by the SEC of any stop order suspending the effectiveness of a Registration Statement or the initiation of any proceedings for that purpose, (iv) if the Company becomes aware at any time that the representations and warranties of the Company contained in any underwriting agreement, securities sale agreement, or other similar agreement relating to the offering cease to be true and correct in any material respect, (v) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction, or the

initiation or overt threatening of any proceeding for such purpose, and (vi) of the happening of any event (but not the nature or the details concerning such event) that makes any statement made in such Registration Statement or related Prospectus or any document incorporated or deemed to be incorporated therein by reference or any Issuer Free Writing Prospectus related thereto untrue in any material respect or that requires the making of any changes in such Registration Statement, Prospectus, documents or Issuer Free Writing Prospectus so that, in the case of the Registration Statement, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, not misleading, and that in the case of any Prospectus or Issuer Free Writing Prospectus, it will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(c) Use its commercially reasonable efforts to obtain the withdrawal of any order suspending the effectiveness of a Registration Statement, or the lifting of any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction at the reasonably earliest practical date.

(d) If requested by the Holders, promptly include in a Prospectus supplement, post-effective amendment or Issuer Free Writing Prospectus such information as the Holders may reasonably request in order to permit the intended method of distribution of such securities and make all required filings of such Prospectus supplement, such post-effective amendment or Issuer Free Writing Prospectus as soon as practicable after the Company has received such request.

(e) Furnish or make available to each Selling Holder without charge, such number of conformed copies of the Registration Statement and each post-effective amendment thereto, including financial statements, and such other documents, as Holders may reasonably request in order to facilitate the disposition of the Registrable Securities.

(f) Deliver to each Selling Holder without charge, as many copies of the Prospectus or Prospectuses (including each form of Prospectus and any Issuer Free Writing Prospectus related to any such Prospectuses) and each amendment or supplement thereto as such Persons may reasonably request in connection with the distribution of the Registrable Securities; and the Company, subject to the last paragraph of this Section 2.2, hereby consents to the use of such Prospectus and each amendment or supplement thereto by each of the Selling Holders in connection with the offering and sale of the Registrable Securities covered by such Prospectus and any such amendment or supplement thereto.

(g) Prior to any public offering of Registrable Securities, use its commercially reasonable efforts to register or qualify or cooperate with the Selling Holders and their respective counsel in connection with the registration or qualification (or exemption from such registration or qualification) of such Registrable Securities for offer and sale under the securities or "Blue Sky" laws of such jurisdictions within the United States as the Selling Holders reasonably request in writing (provided, however, that the Company shall not be obligated to qualify as a foreign corporation to do business under the laws of any jurisdiction in which it is not then qualified to file any general consent to service of process) and to use its commercially reasonable efforts to keep each such registration or qualification (or exemption therefrom) effective during the period such Registration Statement is required to be kept effective and to take any other action that may be necessary or advisable to enable such Selling Holders to consummate the disposition of such Registrable Securities in such jurisdiction.

(h) Cooperate with the Selling Holders to facilitate the timely preparation and delivery of certificates (not bearing any legends) representing Registrable Securities to be sold after receiving written representations from each Selling Holder that the Registrable Securities represented by the certificates so delivered by such Selling Holder will be transferred in accordance with the Registration Statement, and enable such Registrable Securities to be in such denominations and registered in such names as the Selling Holders may request at least two (2) Business Days prior to any sale of Registrable Securities.

(i) Upon the occurrence of any event contemplated by Sections 2.2(b)(ii), (b)(iii), (b)(iv), (b)(v) or (b)(vi) above, prepare a supplement or post-effective amendment to the Registration Statement or a supplement to the related Prospectus or any document incorporated or deemed to be incorporated therein by reference or an Issuer Free Writing Prospectus related thereto, or file any other required document so that, as thereafter delivered to the Selling Holders, such Prospectus will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(j) Provide and cause to be maintained a transfer agent and registrar for all Registrable Securities covered by such Registration Statement from and after a date not later than the effective date of such Registration Statement.

(k) Use its commercially reasonable efforts to cause all Registrable Securities covered by such Registration Statement to be authorized to be listed on (i) The Nasdaq Capital Market, so long as securities of the same class issued by the Company are then listed on The Nasdaq Capital Market and (ii) each other national securities exchange, if any, on which securities of the same class issued by the Company are then listed.

(l) Enter into customary agreements and take all such other actions reasonably requested by the Selling Holders to expedite or facilitate the disposition of such Registrable Securities.

(m) Cooperate and assist in any filings required to be made with the Financial Industry Regulatory Authority.

(n) Otherwise use its commercially reasonable efforts to comply with all applicable rules and regulations of the SEC and any applicable national securities exchange, to the extent applicable to the offer and sale of Registrable Securities by the Holders from time to time in accordance with the methods of distribution set forth in the Registration Statement, and make available to its security holders, as soon as reasonably practicable (but not more than 18 months) after the effective date of the registration statement, an earnings statement which shall satisfy the provisions of Section 11(a) of the Securities Act.

Each Selling Holder agrees that, upon receipt of written notice from the Company of the happening of any event of the kind described in Sections 2.2(b)(ii), (b)(iii), (b)(iv), (b)(v) or (b)(vi) hereof, each such Holder will forthwith discontinue disposition of such Registrable Securities covered by such Registration Statement or Prospectus until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 2.2(i) hereof, or until it is advised in writing by the Company that the use of the applicable Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated or deemed to be incorporated by reference in such Prospectus. Each Selling Holder agrees to notify the Company as promptly as reasonably practicable, if any Selling Holder becomes aware at any time that the representations and warranties of such Selling Holder contained in any securities sale agreement or other similar agreement relating to an offering made pursuant to this Agreement cease to be true and correct in any material respect.

2.3 Indemnification

(a) Indemnification by the Company

The Company shall indemnify and hold harmless, to the fullest extent permitted by Law, (i) each Selling Holder whose Registrable Securities are covered by such Registration Statement or Prospectus, the officers, directors, general partners, managing members and managers of each of them, each Person who controls (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) each such Holder and the officers, directors, general partners, managing members and managers of each such controlling person (collectively, **Holder Indemnitees**), from and against any and all losses, claims, damages, liabilities, expenses (including, without limitation, costs of preparation and reasonable attorneys' fees and any other reasonable fees or expenses incurred by such party in connection with any investigation or Action), judgments, fines, penalties, charges and amounts paid in settlement (collectively, **Losses**), as incurred, arising out of or based upon any untrue statement (or alleged untrue statement) of a material fact contained in any applicable Registration Statement (or in any preliminary or final Prospectus contained therein, any document incorporated by reference therein or Issuer Free Writing Prospectus related thereto) or any other offering circular, amendment of or supplement to any of the foregoing, or based on any omission (or alleged omission) to state therein (in the case of a final or preliminary Prospectus, in light of the circumstances under which they were made) a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, that the Company shall not be liable to any Holder Indemnitee in any such case to the extent that any such Loss arises out of or is based on (i) any untrue statement or omission by a Holder Indemnitee, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such Registration Statement (or in any preliminary or final Prospectus contained therein, any document incorporated by reference therein or Issuer Free Writing Prospectus related thereto), offering circular, amendment of or supplement to any of the foregoing or other document in reliance upon and in conformity with written information furnished to the Company by any Holder Indemnitee specifically for inclusion in such document, (ii) a Holder Indemnitee's failure to deliver a copy of the relevant current Prospectus or any amendments or supplements thereto or any Free Writing Prospectus after such Holder Indemnitee has been furnished with copies thereof in advance of the time of first sale or (iii) a Holder's sale of securities during the occurrence of an event described in Sections 2.2(b)(ii), 2.2(b)(iii), 2.2(b)(iv), 2.2(b)(v) or 2.2(b)(vi) hereof, after reasonable notice thereof. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of any Holder Indemnitee or any other Holder. The foregoing indemnity agreement is in addition to any liability that the Company may otherwise have to each Holder Indemnitee.

(b) Indemnification by Selling Holders

In connection with any Registration Statement in which a Holder is participating by registering Registrable Securities, such Holder shall furnish to the Company in writing such information as the Company reasonably requests specifically for use in connection with any Registration Statement or Prospectus and agrees to indemnify and hold harmless, to the fullest extent permitted by Law, the Company, the officers, directors, general partners, managing members and managers of the Company, and each Person who controls (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) the Company and the officers, directors, general partners, managing members and managers of each such controlling person (collectively, the **Company Indemnitees**), from and against all Losses, as incurred, arising out of or based on (i) any untrue statement (or alleged untrue statement) of a material fact contained in any such Registration Statement (or in any preliminary or final Prospectus contained therein, any document incorporated by reference therein or Issuer Free Writing Prospectus

related thereto) or any other offering circular or any amendment of or supplement to any of the foregoing, or any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of a final or preliminary Prospectus, in light of the circumstances under which they were made) not misleading, in each case solely to the extent that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such Registration Statement (or in any preliminary or final Prospectus contained therein, any document incorporated by reference therein or Issuer Free Writing Prospectus related thereto), offering circular, or any amendment of or supplement to any of the foregoing or other document in reliance upon and in conformity with written information furnished to the Company by a Holder expressly for inclusion in such document, (ii) a Holder's failure to deliver a copy of the relevant current Prospectus or any amendments or supplements thereto or any Free Writing Prospectus after such Holder has been furnished with copies thereof in advance of the time of first sale or (iii) by a Holder's sale of securities during the occurrence of an event described in Sections 2.2(b)(ii), 2.2(b)(iii), 2.2(b)(iv), 2.2(b)(v) or 2.2(b)(vi) hereof, after reasonable notice thereof; and provided, however, that the liability of each Selling Holder hereunder shall be limited to the net proceeds received by such Selling Holder from the sale of Registrable Securities covered by such Registration Statement.

(c) Conduct of Indemnification Proceedings

If any Person shall be entitled to indemnity hereunder (an **indemnified party**), such indemnified party shall give prompt notice to the party from which such indemnity is sought (the **indemnifying party**) of any claim or of the commencement of any Action with respect to which such indemnified party seeks indemnification or contribution pursuant hereto; provided, however, that the delay or failure to so notify the indemnifying party shall not relieve the indemnifying party from any obligation or liability except to the extent that the indemnifying party has been actually prejudiced by such delay or failure. The indemnifying party shall have the right, exercisable by giving written notice to an indemnified party promptly after the receipt of written notice from such indemnified party of such claim or Action, to assume, at the indemnifying party's expense, the defense of any such Action, with counsel reasonably satisfactory to such indemnified party; provided, however, that an indemnified party shall have the right to employ separate counsel in any such Action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless: (i) the indemnifying party agrees to pay such fees and expenses; (ii) the indemnifying party fails promptly to assume, or in the event of a conflict of interest cannot assume, the defense of such Action or fails to employ counsel reasonably satisfactory to such indemnified party, in which case the indemnified party shall also have the right to employ counsel and to assume the defense of such Action; or (iii) in the indemnified party's reasonable judgment, after receiving advice of counsel, a conflict of interest between such indemnified and indemnifying parties may exist in respect of such Action; provided, further, however, that the indemnifying party shall not, in connection with any one such Action or separate but substantially similar or related Actions in the same jurisdiction, arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one firm of attorneys (together with one local counsel in any jurisdiction in which the Action is filed) at any time for all of the indemnified parties, or for fees and expenses that are not reasonable. Whether or not such defense is assumed by the indemnifying party, such indemnified party will not be subject to any liability for any settlement made without its consent (but such consent will not be unreasonably withheld or delayed). The indemnifying party shall not consent to entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by all claimants or plaintiffs to such indemnified party of a release, in form and substance reasonably satisfactory to the indemnified party, from all liability in respect of such claim or litigation.

(d) Contribution

(i) If the indemnification provided for in this Section 2.3 is unavailable to an indemnified party in respect of any Losses (other than in accordance with its terms), then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such Losses, in such proportion as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and such indemnified party, on the other hand, in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. The relative fault of such indemnifying party, on the one hand, and indemnified party, on the other hand, shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been taken by, or relates to information supplied by, such indemnifying party or indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent any such action, statement or omission.

(ii) The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 2.3(d) were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding anything to the contrary contained in this Section 2.3(d), an indemnifying party that is a Selling Holder shall not be required to contribute any amount in excess of the amount by which the net proceeds from the sale of the Registrable Securities sold by such Selling Holder exceeds the amount of any damages that such indemnifying party has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

2.4 Rule 144

The Company covenants that it will use its commercially reasonable efforts to file the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the SEC thereunder and to take such further action as the Holders may reasonably request, all to the extent required from time to time to enable the Holders to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (a) Rule 144 or Regulation S under the Securities Act, as such Rules may be amended from time to time, or (b) any similar rule or regulation hereafter adopted by the SEC.

2.5 Registration Expenses

In connection with the registration effected in accordance with this Section 2, the Company shall pay all reasonable (a) registration, and filing fees (including fees and expenses (i) with respect to filings required to be made with all applicable securities exchanges and/or the Financial Industry Regulatory Authority and (ii) of compliance with securities or Blue Sky laws), (b) printing, distributing, mailing and delivery expenses for any Registration Statement, any Prospectus, transmittal letters, securities certificates and other documents relating to the performance of and compliance with this Agreement, (c) messenger, telephone and delivery expenses of the Company, (d) fees and disbursements of counsel for the Company, and (e) fees and disbursements of all independent certified public accountants and any other persons, including special experts retained by the Company (the **Registration Expenses**), but

excluding fees and disbursements of counsel for the Selling Holders. In connection with the registration effected in accordance with this Section 2, Selling Holders shall pay all fees and disbursements of counsel for the Selling Holders and (ii) and any stock transfer taxes. For the avoidance of doubt, the Company shall bear all of its internal expenses (including all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit, the fees and expenses incurred in connection with the listing of the securities to be registered on any securities exchange on which similar securities issued by the Company are then listed and rating agency fees and the fees and expenses of any Person, including special experts, retained by the Company.

2.6 Holder Information

Any Holder proposing to sell any Registrable Securities in any registration shall furnish to the Company such information regarding such Holder and the distribution proposed by such Holder as the Company may reasonably request in writing and as shall be required in connection with any registration, qualification or compliance referred to in this Agreement. Any Holder proposing to sell any Registrable Securities in any registration shall enter into customary agreements and take all such other actions reasonably requested by the Company to expedite or facilitate the disposition of such Registrable Securities.

3. MISCELLANEOUS

3.1 Notices

All notices, requests, claims, demands and other communications required or permitted to be given under this Agreement shall be in writing and shall be delivered by hand, sent by fax or sent by overnight courier service and shall be deemed given, effective and received if (a) given by personal delivery, or by overnight courier, when actually delivered and signed for, or (b) given by facsimile, when such facsimile is transmitted to the facsimile number specified below and receipt therefor is confirmed to the Party concerned at its address set forth below (or at such other address as a Party may specify by written notice pursuant to this Section 3.1 to the other):

if to a Holder, to:

See Schedule A

if to the Company, to:

Magellan Petroleum Corporation
7 Custom House St., 3rd Floor
Portland, ME 04101
Fax: (207) 553-2250
Attention: Antoine Lafargue

with a copy to:

Allen & Overy LLP
1221 Avenue of the Americas
New York, NY 10020
Fax: (212) 610-6399
Attention: Mitchell Silk

3.2 Amendment and Waiver

(a) Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each Party, or in the case of a waiver, by the Party against whom the waiver is to be effective.

(b) Any waiver of any term or condition of this Agreement shall not be construed as a waiver of any subsequent breach, or a subsequent waiver of the same term or condition or a waiver of any other term or condition, of this Agreement. The failure of any Party to assert any of its rights hereunder shall not constitute a waiver of any of such rights. No failure or delay by any Party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. Other than as expressly set forth herein, the rights and remedies provided in this Agreement shall be cumulative and not exclusive of any rights or remedies provided by Law.

3.3 Successors and Assigns

The provisions of this Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns; provided that a Party may only assign, delegate or otherwise transfer its rights or obligations under this Agreement to a transferee of the Registrable Securities in connection with a transaction exempt from registration under the Securities Act. Any attempted assignment in violation of this Section 3.3 shall be void.

3.4 Remedies

(a) Each Party acknowledges that monetary damages would not be an adequate remedy in the event that any of the covenants or agreements in this Agreement is not performed in accordance with its terms, and it is therefore agreed that, in addition to and without limiting any other remedy or right it may have, the non-breaching Party will have the right to an injunction, temporary restraining order or other equitable relief in any court of competent jurisdiction enjoining any such breach or threatened breach and enforcing specifically the terms and provisions hereof. Each Party agrees not to oppose the granting of such relief in the event a court determines that such a breach has occurred, and to waive any requirement for the securing or posting of any bond in connection with such remedy.

(b) All rights, powers and remedies provided under this Agreement or otherwise available in respect hereof at law or in equity shall be cumulative and not alternative, and the exercise or beginning of the exercise of any thereof by any Party shall not preclude the simultaneous or later exercise of any other such right, power or remedy by such Party.

3.5 Governing Law

This Agreement (and any claims or disputes arising out of or related to this Agreement or to the inducement of any Party to enter into this Agreement, whether for breach of contract, tortious conduct or otherwise and whether predicated on common law, statute or otherwise) shall in all respects be governed by and construed in accordance with the Laws of the State of New York, including all matters of construction, validity and performance, in each case without reference to any conflict of law rules that might lead to the application of the Laws of any other jurisdiction. Each Party irrevocably and

unconditionally waives any objection to the application of the Laws of the State of New York to any action, suit or proceeding arising out of this Agreement and further irrevocably and unconditionally waives and agrees not to plead or claim that any such action, suit or proceeding should not be governed by the Laws of the State of New York.

3.6 Consent to Jurisdiction

(a) Each Party irrevocably submits to the exclusive jurisdiction of (a) the Supreme Court of the State of New York, New York County, and (b) the United States District Court for the Southern District of New York, for the purposes of any proceeding directly or indirectly arising out of, under or in connection with this Agreement or the Transactions. Each Party agrees to commence any such proceeding either in the United States District Court for the Southern District of New York or, if such Proceeding may not be brought in such court for jurisdictional reasons, in the Supreme Court of the State of New York, New York County. Each Party further agrees that service of any process, summons, notice or document by U.S. registered mail to such Party's respective address set forth above shall be effective service of process for any proceeding in New York with respect to any matters to which it has submitted to jurisdiction in this Section 3.6. Each Party irrevocably and unconditionally waives any objection to the laying of venue of any proceeding directly or indirectly arising out of, under or in connection with this Agreement in (i) the Supreme Court of the State of New York, New York County, or (ii) the United States District Court for the Southern District of New York, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such proceeding brought in any such court has been brought in an inconvenient forum.

3.7 WAIVER OF JURY TRIAL

EACH PARTY HEREBY EXPRESSLY AND IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) DIRECTLY OR INDIRECTLY RELATING TO ANY DISPUTE ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT. Each Party (a) certifies that no representative, agent or attorney of the other Party has represented, expressly or otherwise, that such other Party would not, in the event of litigation, seek to enforce the foregoing waiver and (b) acknowledges that it and the other Party have been induced to enter into this Agreement, as applicable, by, among other things, the mutual waivers and certifications in this Section 3.7.

3.8 Counterparts

This Agreement may be signed in any number of counterparts (including by facsimile or other electronic signature), each of which shall be an original, with the same effect as if the signatures were upon the same instrument. This Agreement shall become effective when each Party shall have received a counterpart of this Agreement signed by the other Party.

3.9 Severability

If any provision of this Agreement (or any portion thereof) or the application of any such provision (or any portion thereof) to any Person or circumstance shall be held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement (or the remaining portion thereof) or the application of such provision to any other Person or circumstances. Upon such determination that any term or other

provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby are completed as originally contemplated to the greatest extent possible.

3.10 Entire Agreement

This Agreement constitutes the entire agreement and understanding between the Parties with respect to the subject matter of this Agreement and supersedes all prior agreements and understandings, both oral and written, between the Parties with respect to the subject matter of this Agreement.

3.11 Termination

This Agreement shall terminate at such time as there are no Registrable Securities, except for the provisions of Sections 2.3 and 2.5 and this Section 3, which shall survive such termination.

SIGNATORIES

IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the day and year first above written.

COMPANY

MAGELLAN PETROLEUM CORPORATION

By: /s/ Antoine Lafargue
Name: Antoine Lafargue
Title: Chief Financial Officer

HOLDERS

JTWI, INC.

By: /s/ John T. Wilson
Name: John T. Wilson
Title: President

MONTY HOFFMAN

/s/ Monty Hoffman

GEORGE MAINZER

/s/ George Mainzer

NAING AYE

/s/ Naing Aye

PEBCOR ENTERPRISES

By: /s/ Elliot L. Trepper
Name: Elliot L.Trepper
Title: President

WAYNE KAHMEYER

/s/ Wayne Kahmeyer

TERRY ROSS

/s/ Terry Ross

SCHEDULE A

HOLDERS

Holder	Address	Company Shares
JTWI, Inc.	700 E. 9th St. Suite 200 Denver, CO 80203 P: (310) 279-2480 F:	
Monty Hoffman	6565 W. Hoover Pl. Littleton, CO 80123 P: (303) 921-1716 F:	
George Mainzer	5808 S. Kenton St. Englewood, CO 80111-3985 P: (3030) 721-7987 F:	
Naing Aye	5905 El Diente Ct. Golden, CO 80401 P: (303) 384-3857 F:	
Pebcor Enterprises	550 E. 12th Ave. Apt 1905 Denver, CO 80203 P: (303) 534-1839 F:	
Wayne Kahmeyer	6835 Winter Ridge Ct. Castle Rock, CO 80108-3668 P: (303) 884-5680 F:	
Terry Ross	P.O. Box 1428 Poplar, MT 59255-1428 P: (406) 768-7021 F:	

Exhibit 10.3

DATED 14-SEP-2011

MAGELLAN PETROLEUM (N.T) PTY. LTD.

ABN 95 009 718 183

(Seller)

and

SANTOS LIMITED

ABN 80 007 550 923

and

SANTOS QNT PTY. LTD.

ABN 33 083 077 196

(each a Buyer)

GAS SUPPLY AND PURCHASE AGREEMENT

GAS SUPPLY AND PURCHASE AGREEMENT

Dated 14 September 2011

Parties

MAGELLAN PETROLEUM (N.T) PTY. LTD. ABN 95 009 718 183 of 145 Eagle Street, Brisbane, Queensland, 4000 (the **Seller**)

SANTOS QNT PTY. LTD. ABN 33 083 077 196 of Ground Floor, Santos Centre, 60 Flinders Street, Adelaide, South Australia, 5000 **(Santos QNT)** and

SANTOS LIMITED ABN 80 007 550 923 of Ground Floor, Santos Centre, 60 Flinders Street, Adelaide, South Australia, 5000 **(Santos),** (the **Buyers**)

RECITALS

A. The Buyers and the Seller have entered into the Sale and Purchase Agreement. Upon completion of the transactions contemplated in the Sale and Purchase Agreement, the Seller will be the sole beneficial owner of gas recovered from the Palm Valley Gas Field.

B. The Seller is willing to sell gas recovered from the Palm Valley Gas Field to the Buyers at the Delivery Point, to meet part of the requirements of the Buyers' customers under Concession GSPAs.

C. The Buyers wish to take delivery of, and pay for, natural gas at the Delivery Point.

D. The Parties are entering into this Agreement to set out the terms and conditions under which the purchase and sale of Gas may take place.

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement the following expressions have the meaning stated unless the context otherwise requires:

Access Arrangement means the Access Arrangement for the Pipeline approved by the Australian Energy Regulator on 27 July 2011 pursuant to th*e National Gas (Northern Territory) Law,* as may be amended with the approval of the Australian Energy Regulator from time to time.

ACQ means:

(a) in each of the Contract Years during the Supply Period, the quantity (in PJ) determined as follows:

1.71 ÷ 365 x ND

where:

ND = the number of Days during the relevant Contract Year; and

(b) in each of the Contract Years during the Recovery Period, the amount which is the greater of:

(i) the lesser of:

(A) $\frac{2.5}{365} \times ND$ (in PJ)

where:

ND = the number of Days during the relevant Contract Year (determined as at the last Day of the Supply Period); and

(B) the quantity (Q) of Gas (in PJ) which is the amount calculated on the last Day of the Supply Period as follows:

$$Q = \left(\frac{CCQ - DG}{Y} \right) \times ND$$

where:

CCQ = the Combined Contract Quantity (in PJ); and

DG = the aggregate quantity of Gas delivered by the Seller to the Buyers during the Supply Period (calculated on the last Day of the Supply Period) (in PJ);

Y = the total number of Days during the Recovery Period (determined as at the last Day of the Supply Period); and

ND = the number of Days during the relevant Contract Year (determined as at the last Day of the Supply Period); and

(ii) 1.71÷ 365 x ND (in PJ)

where:

ND = the number of Days during the relevant Contract Year (determined as at the last Day of the Supply Period).

Affected Party is defined in clause 16.1.

Agreement means the agreement constituted by this document, including the Recitals and Attachments.

Appointing Party is defined in clause 15.4(b).

Attachments mean any schedules, exhibits and other attachments to this Agreement.

Bank Bill Rate in respect of a day on which interest is to be calculated, means the annual percentage rate equivalent to the 3-month bank bill swap rate as published in the most recent Monday edition of *The Australian* newspaper, or if not able to be so determined, then the 3-month bank bill swap rate under the heading "AVERAGE BID RATE" which is quoted on the page numbered "BBSY" (or any page replacing that page) of the Reuters Monitor System at or about 10:00 hours (Sydney time) on that day, or if not able to be so determined, then the 3-month bank bill swap rate under the heading "BID" as published by Bloomberg quoted on page code MMR2 (or any page replacing that page) at or about 10:00 hours (Sydney time) on that day.

Business Day means a day when trading banks are open for business in Adelaide, South Australia, excluding a Saturday, Sunday or public holiday.

Buyer Related Entity is defined in clause 10.1 (c)(i).

Buyer's Default Notice is defined in clause 17.2(a).

Buyers' Facilities means the:

(a) wells, pipelines, plant and machinery, equipment and other facilities at or relating to the Mereenie Gas Field or relating to the transportation of Gas for delivery to Concession GSPA customers; and

(b) the easements, permits and licences necessary associated with the wells, pipelines, plant and machinery, equipment and other facilities described in paragraph (a),

utilised by each of the Buyers (or a Related Body Corporate).

Buyers' Representative is described in clause 19.2.

Buyer's Termination Notice is defined in clause 17.2(b).

Carbon Costs means the net costs which are incurred by the Seller or by a Related Body Corporate of the Seller as a result of any person:

(a) acquiring Carbon Instruments;

(b) paying any Carbon Tax; or

(c) meeting any other Government Requirement,

which instrument, tax or requirement is fairly attributable to the acquisition, recovery, production, processing, transportation, receipt, making available for delivery, delivery, compression, supply or sale of Gas in connection with this Agreement, together with associated administrative and incidental costs.

Carbon Instrument means an Emissions Permit or Carbon Offset.

Carbon Offset means any permit, authorisation, licence, allowance or consent (however named and however acquired) which reduces its holder's liability to surrender Emissions Permits pursuant to the Emissions Trading Legislation.

Carbon Tax means a tax, royalty, excise, levy, fee, rate, charge or cost levied, charged or imposed on the Seller or any third party by any Government Authority, or other body authorised by law to impose that Carbon Tax, the rate of which, in relation to a quantity of a substance, is set at least in part by reference to the potential emissions of any greenhouse gas from the combustion or other use of that quantity of the substance.

Change of Law means:

(a) any law, regulation, rules, code, or sub-code being introduced, amended or repealed in whole or in part;

(b) any Impost which was not in force as at the Contract Execution Date being imposed;

(c) the rate at which any Impost is levied being varied from the rate prevailing as at the Contract Execution Date;

(d) the basis on which any Impost is levied or calculated being varied from the basis on which it is levied or calculated as at the Contract Execution Date; or

(e) a variation in the interpretation or administration of the common law, a law or a regulation by a governmental agency or body or a court or tribunal,

except to the extent that such imposition, amendment, repeal, variation or introduction relates to income tax, GST, and except to the extent that any such law, regulation, rules, code, sub-code, Impost, rate, basis or variation entails or relates to a Carbon Cost or Emissions Trading Legislation.

Combined Contract Quantity or **CCQ** is 25.65 PJ of Gas.

Commencement Date is defined in clause 7.1.

Completion has the meaning given in the Sale and Purchase Agreement.

Concession GSPA means, subject to clause 4(c), an agreement for the supply of gas by a Buyer to a customer of the Buyer where the sole source of gas to be made available to the customer is, or is intended to be at the date the agreement is entered into, gas recovered from the Mereenie Gas Field and/or the Palm Valley Gas Field (or other fields in accordance with clause 6.1 (b)).

Condition Date is defined in clause 2(a).

Condition is defined in clause 2(a).

Confidential Information means the contents of this Agreement and any other information obtained as a result of the operations contemplated by this Agreement (including information concerning the operations, dealings, transactions, contracts or commercial or financial affairs of any Party), but excluding information which is or becomes part of the public domain through no fault of the Party receiving the information or which is lawfully obtained by a Party from external sources (together with interpretations thereof) or otherwise known by a Party prior to receiving it from the other Party.

Confirmed Daily Nomination is defined in clause 8.3(b).

Consequential Loss Clause is defined in clause 4(b)(ii).

Contract Execution Date means the date of execution of this Agreement by the Parties.

Contract Year means a continuous 12-Month period during the Supply Period or the Recovery Period commencing at 08:00 hours on the 1st of January each year and ending immediately prior to the next anniversary thereof, except that in respect of the first and final Contract Years of the Supply Period and the first and final Contract Years of the Recovery Period a Contract Year shall mean:

(a) for the first Contract Year of the Supply Period, the period commencing on the Commencement Date and ending immediately prior to 08:00 hours on the 1st of January in the succeeding year;

(b) for the final Contract Year of the Supply Period, the period commencing at 08:00 hours on the 1st of January of the last Contract Year and ending on the last day of the Supply Period;

(c) for the first Contract Year of the Recovery Period, the period commencing at the end of the Supply Period and ending immediately prior to 08:00 hours on the 1st of January in the succeeding year; and

(d) for the final Contract Year of the Recovery Period, the period commencing at 08:00 hours on the 1st of January of the last Contract Year and ending on the last day of the Recovery Period.

Corporations Act means the *Corporations Act 2001* (Cth).

Customer Nominated Quantity means the quantity which is 80% of the aggregate of all quantities of gas properly nominated by the Buyers' customers under the Concession GSPAs for a Day.

Customer Payment is defined in clause 8.6(a).

Customer Quantity is defined in clause 8.6(a).

Customers means the Buyer and every other buyer of gas from the Seller taking delivery of gas at the Delivery Point or where the primary source of gas to be made available to the buyer is, or is intended to be at the date the agreement is entered into, gas recovered from the Palm Valley Gas Field in so far as that buyer has a gas supply agreement with the Seller.

Daily Capacity Forecast Quantity or **DCFQ** is defined in clause 8.2(j).

Daily Contract Quantity or **DCQ** means the daily rate expressed in TJ/d as given in clause 8.1(a).

Daily Nomination is defined in clause 8.3(a).

Day is a period of 24 hours commencing at 08:00 hours on such day.

Deemed Quantity is defined in clause 9.3.

Deemed Quantity Amount is defined in clause 9.2(a).

Defaulting Party means a Party defaulting in the performance of an obligation under this Agreement.

Default Notice is defined in clause 17.3.

Delivered Quantity is defined in clause 7.3(b).

Delivery Point means the Primary Delivery Point or any alternative delivery point agreed by the Parties in writing from time to time in accordance with clause 6.3(b).

Direct Loss means Loss that is not Excluded Loss.

Dispute has the meaning given in clause 24.1.

Dispute Notice has the meaning given in clause 24.1.

Emissions Permit means a permit, authorisation, licence, allowance or consent (however named and however acquired) which enables its holder to emit into the atmosphere a specified quantity or intensity of greenhouse gases without incurring a liability for a financial or other penalty pursuant to the Emissions Trading Legislation.

Emissions Trading Legislation means any law for the establishment of a greenhouse gas emissions trading scheme which includes a requirement for the surrender of Carbon Instruments in specified circumstances, and includes all regulations, legislative instruments, orders, determinations, directives and guidelines (however named) made under that law.

Excluded Loss means any indirect or consequential Loss and includes (whether constituting direct or indirect Loss) loss of profit, loss of income, loss of goodwill, loss of generation, loss of production, loss of use, loss of contract, loss of business opportunity, and punitive or aggravated damages.

Expert means an expert appointed in accordance with clause 24.4(a).

Field Delivery Station means the facilities owned by the Seller in the area of the Palm Valley Petroleum Lease for delivering Gas into the existing inlet flange of the Pipeline.

Financial Default means a failure to comply with a financial obligation under this Agreement (including, without limitation, a failure by a Party to make a payment when due) or the occurrence of an Insolvency Event.

Force Majeure is defined in clauses 16.1 and 16.2.

Future Nomination Days is defined in clause 8.2(f)(ii)(A).

gas means any mixture of hydrocarbons and non-combustible gases in a gaseous state consisting primarily of methane.

Gas means gas:

(a) which meets the Specifications; or

(b) which is deemed to meet the Specifications under clause 12.1.

Gas Field means the Palm Valley Gas Field or if clause 6.1 (b) applies, any other gas field nominated by the Seller under that clause.

Gas Price means the price for Gas under this Agreement calculated under clause 10.
GJ means gigajoule.

Government Authority means any Commonwealth, State or Local Government authority or department, body or instrumentality or any other public, municipal or statutory authority, body or corporation.

Government Requirement means a requirement of any law or Government Authority relating to greenhouse gas emissions, including requiring energy efficiency improvements or the sequestration of greenhouse gases.

greenhouse gas has the same meaning as in the *National Greenhouse and Energy Reporting Act 2007* (Cth).

GST has the meaning given to that term in the GST Law.

GST Act means the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) and related imposition Acts.

GST Exclusive Consideration has the meaning given to it in clause 11.4(b).

GST Law has the meaning given to it in the GST Act.

1AMA means the Institute of Arbitrators & Mediators Australia.

IAMA Arbitration Rules means the "Institute of Arbitrators & Mediators Australia Arbitration Rules".

IAMA Expert Determination Rules means the "Institute of Arbitrators & Mediators Australia Expert Determination Rules".

Impost means any tax (including petroleum resource rent tax and environmental tax but excluding income tax, capital gains tax, withholding taxes, GST, Carbon Tax or penalties), royalty (whether based on value, profit or otherwise), excise, levy, fee, rate, charge or duty imposed by the Commonwealth, or any state or any governmental agency, or other body authorised by law to impose that Impost, that directly or indirectly leads to or gives rise to any increase or adjustment of any amount which is or may become payable directly or indirectly by the Seller in respect of the exploration, storage, use, recovery, production, processing, transportation upstream of any Delivery Point, supply or sale of Gas sold and Made Available pursuant to this Agreement or in connection with any other activity upstream of the Delivery Point, but does not include any tax, royalty, excise, levy, fee, rate, charge or duty to the extent that it entails or relates to a Carbon Cost.

Insolvency Event occurs in relation to a Party if:

(a) it is (or states that it is) an insolvent under administration or insolvent (each as defined in the Corporations Act);

(b) it has had a Controller (as defined in the Corporations Act) appointed or is in liquidation, in provisional liquidation, under administration or wound up or has had a Receiver (as defined in the Corporations Act) appointed to any part of its property; or

(c) it is subject to any arrangement, assignment, moratorium or composition, protected from creditors under any statute or dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved by the other Parties).

Inventory Gas means any quantity of Gas deemed to be Inventory Gas pursuant to clause 8.6(b) or clause 9.5.

Invoice is defined in clause 15.1.

Loss means any liability, loss, cost, expense or damage, whether present or future, fixed or unascertained, actual or contingent.

Make Available, Making Available, Made Available means, as the context requires:

(a) the tender for delivery of Gas by the Seller to the Buyer on a given Day;

(b) the actual delivery of Gas at the Delivery Point; or

(c) the tender or actual delivery of Gas that would have occurred but for the Buyer's acts or omissions that prevented or limited the Seller's ability to tender or deliver Gas.

Make-up Gas is defined in clause 8.6(c).

Maintenance means carrying out repairs, testing, upgrades, maintenance, well hookups or statutory inspections of Buyers' Facilities or Seller's Facilities, as applicable.

Mereenie Gas Field means the natural gas reservoir or series of reservoirs within the Mereenie Petroleum Lease.

Mereenie Petroleum Lease means Petroleum Leases Number 4 and 5 held by the Buyers (as at the Commencement Date) under the Petroleum Act and any substitute or renewal leases or licences or other tenements or rights permitting the production of natural gas from the area the subject of the Petroleum Leases Number 4 and 5.

Meter Station means the Pipeline Operator's measuring equipment located immediately downstream of the Delivery Point.

Month means a period during the Term commencing at 08:00 hours on the first day of a calendar month and ending immediately before 08:00 hours on the first day of the next calendar month, except that in respect of the first and final Months of the Term, a Month must mean:

(a) for the first Month of the Term, the period commencing on the Commencement Date and ending immediately prior to 08:00 hours on the first day of the next calendar month; and

(b) for the final Month of the Term, the period commencing at 08:00 on the first day of the calendar month in which the Term ends and ending on the last day of the Term.

Nominated Alternate Field Annual Quantity has the meaning given in clause 6.1(b).

Nominated Alternate Field Daily Quantity means, in respect of any Day, the quantity (in PJ) which is the Nominated Alternate Field Annual Quantity divided by the number of Days in the then current Contract Year.

Nomination Day means the Day to which a daily nomination under clause 8.3(c) relates.

Palm Valley Gas Field means the gas reservoir or series of reservoirs within the Palm Valley Petroleum Lease.

Palm Valley Petroleum Lease means Petroleum Lease Number 3 held by the Seller (as at the Commencement Date) under the Petroleum Act and any substitute or renewal lease or licence or other tenement or rights permitting the production of natural gas from the area the subject of the Petroleum Lease Number 3.

Party means a party to this Agreement and **Parties** has a corresponding meaning.

Percentage Interest means:

(a) Santos QNT 93.75%; and

(b) Santos 6.25%,

as may be varied from time to time by joint notice in writing by the Buyers to the Seller, including in accordance with clause 1.4(d).

Petroleum Act means *Petroleum Act 1984* (NT) and the *Petroleum (Mining and Prospecting) Act* (NT), as continued in force under section 119 of the *Petroleum Act 1984* (NT).

Pipeline means the Amadeus Gas Pipeline as defined in the Access Arrangement.

Pipeline Operator means the operator of the Pipeline from time to time and which, as at the Contract Execution Date, is APT Pipelines NT Pty Ltd ACN 075 733 336.

PJ means petajoule.

Planned Maintenance Allowance is defined in clause 13.2(a).

Prevailing DCFQ is defined in clause 8.2(g).

Primary Delivery Point means the existing inlet flange of the Pipeline immediately downstream of the Field Delivery Station.

Quarter means the three (3) month period (or part thereof) ending on 31 March, 30 June, 30 September and 31 December in each Contract Year.

Reasonable and Prudent Operator means a person conducting its operations in a proper and workmanlike manner in accordance with all relevant laws and regulations and any direction of any Government Authority having jurisdiction over those obligations and/or operations and in accordance with the methods and practices customarily considered to be good and prudent practice and exercising that degree of diligence and foresight reasonably and ordinarily exercised and made by experienced and skilled persons engaged in good practices in relation to:

(a) gas field and pipeline operations, in the case of the Seller; and

(b) oil field, gas field and pipeline operations, and gas supply operations, in the case of a Buyer.

Recovery Period is defined in clause 7.3.

Related Body Corporate has the same meaning as in the Corporations Act.

Related Party has the same meaning as in the Corporations Act.

Related Party GSPA is defined in clause 10.1 (c).

Related Persons means Related Bodies Corporate of a Party and officers, employees, agents, contractors, advisers and financiers of that Party and of Related Bodies Corporate of that Party.

Relevant Agreement is defined in clause 4(b)(i).

Relevant Price is defined in clause 9.4.

Sale and Purchase Agreement means the Sale Agreement between the Seller, Santos QNT and Santos, dated on or about the date of this Agreement.

Seller's Default Notice is defined in clause 17.1 (a).

Seller's Facilities means the:

(a) wells, pipelines, plant and machinery, equipment and other facilities (including the Field Delivery Station) upstream of the Delivery Point at or relating to the Gas Field and the delivery of Gas at the Delivery Point; and

(b) the easements, permits and licences necessary to produce and gather gas safely from the Gas Field, treat it and separate liquids from that gas for the purpose of producing Gas, compress and pipe Gas to the Field Delivery Station and to test, measure and deliver such Gas at or to the Delivery Point,

utilised by the Seller (or a Related Body Corporate).

Seller's Representative is described in clause 19.1.

Seller's Termination Notice is defined in clause 17.1(c).

Shortfall Gas means, subject to clause 8.2(h) and clause 8.2(i), for a Buyer in respect of a Day the quantity of Gas up to, but not exceeding, that Buyer's DCQ for that Day which the Seller fails to Make Available on that Day as a result of breaching its Supply Obligation. To avoid doubt, Shortfall Gas does not include any Gas which the Seller is excused from delivering under this Agreement, including due to Force Majeure (described in clause 16.1), planned Maintenance (described in clause 13.2(a)), unplanned Maintenance (described in clause 13.2(b)) and the operational tolerances (described in clause 8.1 (b)).

Specification Gas means gas Made Available hereunder that does not conform to the Specifications.

Specifications means:

(a) the specifications and requirements set out in the Schedule in the columns marked "Component" and "Limits", unless the Specifications are broadened under clause 12.1; and

(b) provided they are not more restrictive than (a) above, any other gas specifications specified as applying to the Delivery Point from time to time in the contract (if any) entered into by the Buyer or its customers to ship gas acquired under this Agreement from the Delivery Point.

Supply Obligation is defined in clause 8.5(a).

Supply Period has the meaning given in clause 7.2.

Term means the period commencing at 08:00 hours on the Commencement Date and ending at 08:00 hours on the last day of the Recovery Period.

TJ means terajoule.

TJ/d means TJ per Day.

Ultimate Holding Company has the meaning given to that term in the Corporations Act.

Unplanned Maintenance Allowance is defined in clause 13.2(b).

Upfront Payment is defined in clause 8.6(a).

Weekly Nomination means a weekly nomination provided by the Buyers in accordance with clause 8.3(c), as may be amended by the Buyers in accordance with that clause.

1.2 **Interpretation**

In this Agreement, unless the context otherwise requires:

(a) words importing the singular include the plural and vice versa;

(b) words importing any gender include the other gender;

(c) references to clauses or Attachments by number are references to clauses in or attachments to this Agreement;

(d) references to any Party or person mean and include a reference to that Party or person, its successors, permitted assigns and permitted transferees;

(e) references to any statute include a reference to that statute as amended, modified or replaced from time to time and include orders, ordinances, regulations, directions, rules and by-laws made under or pursuant to that statute;

(f) a reference to $ or dollar is to Australian dollars;

(g) all references to units of measurement are references to the units of measurement defined in or for the purposes of the *National Measurement Act 1960* (Cth) (as amended by the *National Measurement Amendment Act 2004* (Cth)) and where any unit of measurement (relevant unit) used in this Agreement would otherwise attract the operation of section 12 of that Act, the relevant unit is deemed to be the Australian legal unit of measurement (as defined by that Act) resulting from the conversion of the relevant unit to an Australian legal unit of measurement using the applicable conversion factor prescribed for the purposes of section 11 of that Act or, where no applicable conversion factor is so prescribed, the conversion factor prescribed by Australian Standard AS/NZS 1376-1996;

(h) a reference to this Agreement or any other agreement, deed or instrument includes that agreement, deed or instrument as amended, novated, supplemented, varied or replaced from time to time and includes any authorised assignment thereof;

(i) words importing natural persons include any corporation, partnership, association, trust, government or semi-government authority, agency or instrumentality;

(j) clause headings and the table of contents are for the purposes of convenience and reference only and shall not form part of this Agreement or affect its construction or interpretation;

(k) reference to time is to Australian Central Standard Time;

(l) the words “include”, “includes” and “including” are not words of limitation and are deemed to be followed by the phrase “without limitation”; and

(m) any numerical calculation which results in more than five decimal places shall be rounded to five decimal places by being rounded up if the decimal place following the fifth decimal place is greater than or equal to 5, and rounded down if the decimal place following the fifth decimal place is less than 5.

1.3 **Separate Agreements**

This Agreement will be construed as a separate agreement between the Seller on the one hand and each of the Buyers on the other hand for the purchase by such Buyer of its Percentage Interest of Gas in accordance with the terms and conditions of this Agreement.

1.4 **Several Liability**

(a) The rights, liabilities and obligations of each Buyer under this Agreement (including its liability and undertakings in respect of any warranty, covenant or undertaking) in respect of, or in connection with, the purchase of Gas shall be several and not joint nor joint and several and shall be in proportion to its Percentage Interest.

(b) Each Buyer shall be liable only for the performance of its obligations under this Agreement and neither Buyer shall be responsible for the obligations of the other Buyer.

(c) The failure of a Buyer to carry out its obligations under this Agreement shall not release the other Buyer from any of its obligations to the Seller, or the Seller from any of its obligations to the other Buyer.

(d) Subject to clause 1.4(e), the Buyers may at any time by joint notice to the Seller change the Percentage Interests of the Buyers in accordance with clause 23.

(e) The aggregate amount of the Percentage Interests shall be 100% at all times.

1.5 **No Partnership**

Nothing in or arising out of or in connection with this Agreement shall, for any purpose, constitute or be deemed to constitute a partnership between each Buyer, or each Buyer and the Seller, or create a trust in favour of a Party, or cause a Party to be responsible for the debts of another Party.

1.6 **Common Stream**

Gas delivered by the Seller pursuant to this Agreement may be delivered in a common stream if it is being delivered by the Seller at the same Delivery Point and, subject to clause 1.4 (Several Liability), clause 16 (Force Majeure) and clause 17 (Default and Termination) when delivered in a common stream to the Buyers at the same Delivery Point on the same Day, the Seller shall be deemed to have delivered and each Buyer shall be deemed to have taken, the delivered quantity of Gas as measured under clause 14.1 in proportion to the Confirmed Daily Nomination of each Buyer subject to the Seller's curtailments pursuant to this Agreement.

2. CONDITIONS PRECEDENT

(a) This Agreement, other than this clause and clauses 1 (Definitions and Interpretation), 20 (Governing Law), 21 (Notices, Representatives and Execution), 22 (Confidentiality), 23 (Assignment), 24 (Dispute Resolution) and 25 (General), will be subject to Completion occurring under the Sale and Purchase Agreement **(Condition)** on or prior to 29 June 2012 **(Condition Date).**

(b) The Condition is for the benefit of the Seller and the Buyers and may only be waived by agreement of all of them in writing.

(c) Each Party may but is not obliged to waive or consent to extend the Condition Date in its sole discretion, provided that each Party agrees that the Condition Date will be deemed to be extended if the date by which Completion is required to occur under the Sale and Purchase Agreement is extended under the terms of that agreement.

(d) If the Condition is not satisfied or waived by the Condition Date (as may be extended in accordance with clause 2(c)), a Party may terminate this Agreement by notice to the other Parties (except where the non-satisfaction is as a result of any breach of this Agreement by the Party giving notice), in which case this Agreement will terminate and no Party will be under any further liability to the other Parties except in relation to:

(i) a pre-existing breach of this Agreement; or

(ii) its obligations under clause 22 (Confidentiality),

which obligations shall survive the termination of this Agreement.

(e) Without limiting clause 17.4, clause 2(d) survives termination of this Agreement.

3. WARRANTIES

3.1 Seller

The Seller represents and warrants that:

(a) it has full corporate power and authority to enter into this Agreement;

(b) it will have title to all Gas delivered to each Buyer by the Seller under this Agreement; and

(c) all Gas delivered and sold to each Buyer by the Seller shall be free from any lien, charge, encumbrance or adverse claim.

3.2 Buyers

Each Buyer represents and warrants that:

(a) it has full corporate power and authority to enter into this Agreement; and

(b) on and following the Commencement Date, it will have unencumbered rights to take delivery of Gas Made Available and buy Gas Made Available from the Seller under this Agreement.

3.3 Implied Warranties

To the full extent permitted by law, the Parties agree that any warranties that might otherwise be implied regarding the quality of Gas, its fitness for any particular purpose and its merchantability, other than those expressly stated in this Agreement, are excluded and shall form no part of this Agreement among the Parties.

4. CONCESSION GSPAs

(a) Each Buyer must use its reasonable endeavours to enter into one or more Concession GSPAs with an average aggregate daily contract quantity for each day during the Term of not less than its Percentage Share of 5.86 TJ on terms that are not materially inconsistent with prevailing market conditions at that time.

(b) If:

(i) a Buyer enters into an agreement for the supply of gas by the Buyer to a customer of the Buyer that, but for this clause 4(b) and clause 4(c), would be a Concession GSPA **(Relevant Agreement);** and

(ii) the Relevant Agreement contains a clause (or clauses) under which the Buyer may be liable to the customer for any consequential or indirect loss suffered or incurred by the customer as a result of a default by the Buyer **(Consequential Loss Clause),** and for the purpose of this clause 4 a Consequential Loss Clause will include a clause under which the Buyer is liable to pay liquidated damages to its customer for a failure by the Buyer to supply gas to the Customer.

then:

(iii) the Buyer must within 10 Days of execution of the Relevant Agreement notify the Seller that it has entered into the Relevant Agreement and provide the Seller with a summary of the key terms of the Relevant Agreement which provide the risk profile of the Relevant Agreement, including:

(A) a description of the Consequential Loss Clause(s) (in reasonable detail to identify the nature and scope of the liability regime it provides for);

(B) volumes to be supplied under the Relevant Agreement; and

(C) confirmation of the impact of the Relevant Agreement on the Gas Price payable under this Agreement, compared to the Gas Price applicable as at the date of the Buyer's notice (but not including the price payable for the volumes under the Relevant Agreement); and

(iv) the Seller must, within 5 Days of the Buyer's notice under clause 4(b)(iii), notify the Buyer whether it elects to exclude the Relevant Agreement from the Concession GSPAs contemplated by this Agreement.

(c) If the Seller excludes a Relevant Agreement by giving notice in accordance with clause 4(b)(iv), that Relevant Agreement is deemed not to be a Concession GSPA for all purposes under this Agreement. If the Seller fails to give notice in accordance with clause 4(b)(iv), then the Relevant Agreement will be deemed to be a Concession GSPA for all purposes of this Agreement.

(d) If a Buyer enters into a Relevant Agreement that contains a Consequential Loss Clause but does not provide the Seller with notice in accordance with clause 4(b)(iii), the Buyer will not be able to bring a claim under this Agreement for any consequential or indirect loss recoverable under that Consequential Loss Clause.

5. SALE AND PURCHASE

(a) During the Term the Seller agrees to Make Available and sell Gas to each Buyer at the Delivery Point in accordance with the terms and on the conditions of this Agreement.

(b) During the Term each Buyer agrees to take delivery of, purchase and pay for Gas from the Seller at the Delivery Point in accordance with the terms and on the conditions of this Agreement.

6. TRANSPORTATION AND DELIVERY POINT

6.1 Gas Field

(a) Subject to clause 6.1(b), the Seller is obliged to Make Available Gas in accordance with and subject to the terms of this Agreement from and utilising the Palm Valley Gas Field and the associated Seller's Facilities.

(b) Subject to clause 6.1 (c), the Seller may, but is not obliged to, include as part of Gas Made Available in accordance with and subject to the terms of this Agreement to the Buyers at the Delivery Point Gas produced from and utilising another gas field nominated by the Seller, provided that Gas is produced by the Seller and is processed by the Seller's Facilities (or is swapped for Gas produced by the Seller as described in clause 6.3(b)(i)), upon notice to the Buyers (and including a nominated quantity of Gas which may be delivered with respect to the relevant gas field in a Contract Year, which amount may be amended from time to time by the Seller by notice to the Buyer **(Nominated Alternate Field Annual Quantity))** and at no additional cost to the Buyers. If so, such other nominated gas field shall be considered a Gas Field (in addition to the Palm Valley Gas Field) for the purposes of this Agreement, unless and until the Seller provides a further notice stating that it will Make Available Gas

at the Delivery Point under this Agreement only from the Palm Valley Gas Field.

(c) A notice given by the Seller under clause 6.1(b) nominating an alternative gas field, or the Nominated Alternate Field Annual Quantity, only has effect in respect of a Day if the notice has been given to the Buyer by the latest time by which the Seller must notify the Buyer of its Confirmed Daily Nomination in accordance with clause 8.3(b) for that Day.

6.2 **Transportation**

(a) The Seller shall be responsible for and shall arrange for Gas to be Made Available under this Agreement at the Delivery Point.

(b) Each Buyer shall be responsible for, and shall make and maintain, or use reasonable endeavours to procure that its customers under Concession GSPAs make and maintain, throughout the Term appropriate arrangements for, the transport of all Gas delivered to the Buyer by the Seller at the Delivery Point under this Agreement from the Delivery Point, at no cost to the Seller (subject to clause 8.5(b)).

6.3 **Delivery Point**

(a) The Gas that the Seller Makes Available to each Buyer pursuant to clause 5 shall be delivered to each Buyer at the Delivery Point.

(b) Any proposal to use a delivery point that is not the Primary Delivery Point, will require the consent of both the Seller and a Buyer (such consent not to be unreasonably withheld, and provided that it will be unreasonable of the Buyer to withhold such consent if:

(i) such alternative delivery point is on the Pipeline;

(ii) the Gas to be Made Available by the Seller is Gas from, or swapped with Gas delivered into the pipeline known as the Alice Springs Gas Pipeline from, the gas reservoir or series of reservoirs within the Dingo Retention Lease (being Retention Lease Number 2 held by the Seller (as at the Commencement Date) under the Petroleum Act and any substitute or renewal lease or licence or other tenement or rights permitting the production of natural gas from the area the subject of the Retention Lease Number 2);

(iii) the Buyer will incur no additional cost as a result of delivery to that alternative delivery point (and, to the extent that the Buyer may be required to enter into any additional agreement with the Pipeline Operator as a result of accepting such delivery point, to the extent the Buyer is able to enter such additional agreement on terms which are not materially and adversely inconsistent with the terms of its prevailing agreement with the Pipeline Operator (if any) at that time (as determined by the Buyer, acting reasonably)); and

(iv) delivering Gas at such alternative delivery point will not cause the Buyer to be in breach of any Concession GSPA.

6.4 **Title and Risk**

Subject to clause 12, custody, title and risk in delivered Gas shall pass from the Seller to each Buyer at the Delivery Point.

7. COMMENCEMENT DATE AND TERM

7.1 Commencement Date

(a) The date for commencement of deliveries of Gas (Commencement Date) is the later of:

(i) the Day after the Day on which Completion occurs under the Sale and Purchase Agreement;

(ii) the Day on which the Buyers first deliver gas under a Concession GSPA; or

(iii) the Day of 16 January 2012.

(b) Each Buyer must give the Seller at least 20 Days prior notice of the occurrence of the event specified in clause 7.1(a)(ii).

7.2 Supply Period

The **Supply Period** means the period commencing at 08:00 hours on the Commencement Date and ending at 08:00 hours on the Day that is 15 years after the Commencement Date.

7.3 Recovery Period

The **Recovery Period** means the period commencing at the end of the Supply Period and ending at 08:00 hours on the earlier of:

(a) the Day that is 17 years after the Commencement Date; or

(b) the Day that the aggregate volume of Gas Made Available by the Seller to the Buyers during the period since the Commencement Date **(Delivered Quantity)** is equal to the CCQ.

7.4 Termination Date

Unless terminated earlier, this Agreement will terminate at the end of the Term. Clauses 2(d), 3, 18, 20, 22, 24, 25.3 and the rights and obligations hereunder that by their nature are intended to survive termination shall remain in effect to the fullest extent permitted by law until all obligations have been extinguished and all disputes have been resolved.

8. GAS QUANTITIES AND NOMINATIONS

8.1 Daily Contract Quantities

(a) **The Daily Contract Quantity or DCQ** in respect of each Buyer for a Day during the Term, is equal to the Buyer's Percentage Interest of the least of:

(A) the quantity which is the ACQ for the relevant Contract Year divided by the number of Days in that Contract Year;

(B) the Customer Nominated Quantity, if notified by the Buyers' Representative to the Seller no later than 13:00 hours on the previous Day in accordance with clause 8.3(c); or

(C) the DCFQ for that Day.

(b) The Seller's obligation to Make Available the DCQ shall be subject to a +/-2% daily operational tolerance or as prescribed by the Pipeline Operator, whichever is the greater. The Buyer shall:

(i) in the case of the Seller Making Available less than the DCQ but within the daily operational tolerance—take and pay for the actual decreased quantities of Gas delivered; and

(ii) in the case of the Seller Making Available more than the DCQ but within the daily operational tolerance—take and pay for the DCQ and for the Seller's excess quantities delivered.

Such daily operational tolerances shall not be counted towards any subsequent Day's DCQ.

(c) So far as practicable on any Day, the Seller must deliver and each Buyer must take delivery of Gas at a uniform rate throughout each Day, unless otherwise agreed to by the Parties (each acting reasonably having regard to the operating and commercial characteristics of the Seller's Facilities, the Pipeline and the Meter Station).

(d) The Parties agree to work together, in good faith, to meet the requirements of customers under a Concession GSPA having regard at all times to optimising operational efficiencies. The Parties acknowledge and agree that nothing in this clause 8.1 (d) affects the rights or obligations of the Parties under an express provision of this Agreement.

8.2 **Capacity and Demand Forecasts**

(a) Not later than 6 Months prior to the start of each Contract Year (or 31 October 2011 in the case of the first Contract Year), each Buyer must provide a non-binding, best estimate of its forecast of the quantity of Gas that Buyer is required to make available to its customers under all Concession GSPAs on each Day during the period of 12 Months commencing at the start of that Contract Year.

(b) No later than 3 Months prior to the start of each Contract Year (or 20 Days in the case of the first Contract Year) the Parties must meet to discuss:

(i) the Seller's Maintenance requirements and any known scheduled Days during which the Seller plans to take Planned Maintenance Allowance in that Contract Year;

(ii) the Buyer's Maintenance requirements and any known scheduled Days during which the Buyer plans to perform planned Maintenance in that Contract Year;

(iii) the quantities of Gas the Seller is capable of Making Available under this Agreement from the Gas Field;

(iv) optimising operational efficiencies with respect to the Gas Field and the Mereenie Valley Gas Field; and

(v) the Buyer's long term supply and demand forecasts.

(c) Not later than 2 Months prior to the start of each Contract Year (or 10 Days in the case of the first Contract Year), the Seller must, based on the information provided by each Buyer in accordance with clause 8.2(a) and exchanged during the meeting pursuant to clause 8.2(b), provide:

(i) a binding, best estimate of its forecast of the quantity of Gas the Seller will Make Available under this Agreement to the Buyers from the Gas Field in each Day during that Contract Year (and the sum of such quantities for that Contract Year must not exceed the ACQ for that Contract Year but may be less than the ACQ for that Contract Year); and

(ii) a non-binding, best estimate of its forecast of the quantity of Gas the Seller is capable of Making Available under this Agreement to the Buyers from the Gas Field in each Day during the period of 24 Months commencing at the end of that Contract Year.

(d) Not later than 2 Months prior to the start of each Quarter (other than the first Quarter of a Contract Year), the Seller may amend its binding, best estimate of its forecast of the quantity of Gas the Seller will Make Available under this Agreement to the Buyers from the Gas Field on each Day during that Quarter and the remainder of that Contract Year.

(e) In relation to the first Contract Year of the Recovery Period only, the Seller may, not later than 7 Days prior to the end of the Supply Period, amend its binding and non-binding forecasts provided by the Seller in accordance with clause 8.2(c) in relation to the first Contract Year of the Recovery Period to take into account the Seller's best estimate of the ACQ for that Contract Year.

(f) If, at any time during the Term either:

(i) the Buyers enter into a Concession GSPA for the supply of gas during a period covered by a forecast provided under clause 8.2(c), then:

(A) the Buyers must notify the Seller of entry into that Concession GSPA and the average daily contract quantity of gas to be made available by the Buyers under it; and

(B) the Seller may amend its forecast or forecasts for that period within 90 days of receiving such notice from the Buyers; or

(ii) a customer increases any daily nomination under a Concession GSPA as notified by the Buyers to the Seller under clause 8.3(c), then:

(A) the Buyers must notify the Seller of that amended daily nomination as soon as practicable and by no later than 13.00 hours on the Day prior to the relevant Nomination Day and any other amended nominations under that Concession GSPA for . future Days **(Future Nomination Days)**; and

(B) the Seller may, by notice to the Buyers, increase (but not decrease) its DCFQ for the Nomination Day by no later than 14:00 hours on the Day prior to the Nomination Day and for any Future Nomination Day by no later than 14:00 hours on the Day prior to such Future Nomination Day.

(g) Subject to clause 8.2(i), no later than 14:00 hours on the Day prior to a Nomination Day, the Seller may, by notice to the Buyers, decrease its DCFQ for the Nomination Day **(Prevailing DCFQ)** by an amount not exceeding 10% of the DCFQ applicable immediately prior to the Seller's notice.

(h) Subject to clause 8.2(i), if on a Day the Seller delivers to that Buyer a quantity of Gas that is less than 90% of the Buyer's Percentage Interest of the Prevailing DCFQ for that Day in breach of its Supply Obligation, then, the Prevailing DCFQ for that Day will be used instead of the DCFQ for that Day for the purpose only of calculating the quantity of Shortfall Gas (if any) in respect of the Buyer on that Day, notwithstanding clause 8.2(g), but subject clauses 8.1(b), 13.2,16, 17.1(b).

(i) Clauses 8.2(g) and (h) cease to apply if:

(i) a Buyer enters into any "park and loan agreement" with the Pipeline Operator and that Buyer enters into a side arrangement with the Seller (at the Seller's absolute discretion) to allow the Seller to utilise the services under the "park and loan agreement" at the Seller's cost (but for the sake of certainty, only such costs which relate to the services utilised by the Seller); or

(ii) the Seller (at the Seller's absolute discretion) enters into a "park and loan agreement" with the Pipeline Operator, with effect from the commencement of such service under such an agreement.

(j) The quantity of Gas on a Day specified in a binding forecast provided by the Seller under clause 8.2(c)(i) (as may be amended in accordance with clause 8.2(d), clause 8.2(e), clause 8.2(f) or clause 8.2(g)) is the **Daily Capacity Forecast Quantity** or **DCFQ**.

(k) Any forecast made by a Party under this Agreement must be made in good faith.

8.3 **Nominations**

(a) On each Day, each Buyer is deemed to have nominated a quantity of Gas from the Seller equal to the Buyer's DCQ at the Delivery Point for the following Day **(Daily Nomination).**

(b) Subject to clauses 8.1(b), 13.2, 16, 17.1(b), to facilitate each Parties' operations, but without affecting the determination of the DCQ, or the Supply Obligation, for a Day, the Seller must confirm a quantity up to the Daily Nomination for the Buyer (the **Confirmed Daily Nomination)** at the Delivery Point by notice no later than 14:00 hours on the Day prior to the Day on which Gas is to be Made Available by the Seller.

(c) To facilitate each Parties' operations, but without limiting clause 8.3(a), by no later than 13:00 hours on each Friday before the week commencing on the following Monday, each Buyer will by notice to the Seller provide the Seller with notice of its Percentage Interest of the Customer Nominated Quantity for each Day in that week in respect of which the Customer Nominated Quantity is less than the amount calculated under clause 8.1(a)(A) for that Day **(Weekly Nomination)**. The Buyer must confirm the Customer Nominated Quantity with respect to any such Day in that week by no later than 13:00 hours on the Day prior to that Day to take into account any changes to the Customer Nominated Quantity on that Day.

(d) To avoid doubt, notwithstanding a nomination under clause 8.3(c), clause 8.1(a) will determine the amount of each Buyer's DCQ for any Day and clause 8.3(a) will determine the Buyer's Daily Nomination for any Day.

8.4 **Payment Obligation**

In each Month of the Term, each Buyer shall pay the Seller:

(a) an amount equal to the Gas Price multiplied by the quantity of Gas Made Available by the Seller to, and taken by, that Buyer in accordance with this Agreement as measured under clause 14 during the Month;

(b) any amounts to be paid or reimbursed by the Buyer under clauses 11.1, 11.2 or 11.3 for the Month,

in accordance with clause 15.

8.5 **Supply Obligation**

(a) Subject to clauses 8.1(b), 8.5(i), 13.2, 16 and 17.1(b), the Seller shall Make Available to each Buyer that Buyer's DCQ on each Day of the Term **(Supply Obligation).**

(b) Subject to clauses 8.5(d), 8.5(e) and 12.2, if the Seller breaches its Supply Obligation in respect of a Day, then the Seller must pay to the Buyer in accordance with clause 15.2 any verifiable Loss suffered or incurred by the Buyer under:

(i) one or more of the Concession GSPAs (taking into account any benefit received by the Buyer from the customer to offset such Loss); or

(ii) any agreement with the Pipeline Operator (taking into account any benefit received by the Buyer from the Pipeline Operator to offset such Loss).

in respect of the quantity (being all or part of the quantity of Shortfall Gas) that the Buyer is unable to supply that customer or customers, or deliver to the Pipeline Operator, in accordance with the terms of the Concession GSPA or Concession GSPAs or any agreement with the Pipeline Operator (as applicable), as a result and (where relevant) to the proportionate extent of the breach of the Supply Obligation by the Seller.

(c) Each Buyer shall notify the Seller in writing of any amounts due to the Buyer pursuant to clause 8.5(b), together with reasonable documentation to substantiate the amounts due to the Buyer.

(d) Subject to clause 8.5(e), each Buyer must use reasonable endeavours to:

(i) where the Buyer has been notified that the Seller will be unable to meet its Supply Obligation, consult with, and in good faith discuss with, such Concession GSPA customers as the Buyer considers appropriate (acting reasonably), and the Seller, a reduction in deliveries of Gas under that Concession GSPA without liability of the Buyer to the relevant customer (and provided that the Seller shall not be excused from its Supply Obligation if the Buyer fails to perform the obligations in this clause 8.5(d)(i)); and

(ii) replace the quantity of Shortfall Gas in respect of that Buyer, and meet its gas supply obligations to its customers under the Concession GSPAs, from Gas recovered from the Mereenie Gas Field.

(e) For the purposes of determining the Buyer's obligation under clause 8.5(d)(ii):

(i) the Buyer will not have failed to meet its obligations under clause 8.5(d)(ii) to the extent that:

(A) its ability to supply customers under a Concession GSPA from Gas recovered from the Mereenie Gas Field is prevented, hindered or delayed by reason of Force Majeure, or Maintenance (to the extent such Maintenance could not reasonably be rescheduled in the circumstances); or

(B) the Buyer would be required to incur any cost in meeting its obligation under clause 8.5(d)(ii) in addition to the reasonable incremental increase in the costs of production of Gas from the Mereenie Gas Field; and

(ii) subject to clause 8.5(e)(i), the Buyer will have failed to meet its obligations under clause 8.5(d) if it has the capacity on a Day, acting as a Reasonable and Prudent Operator and having regard to the length of any prior notice given by the Seller, to the meet the gas supply obligations to its customers under a Concession GSPA from Gas recovered from the Mereenie Gas Field.

(f) To the extent a Buyer replaces the quantity of Shortfall Gas in respect of that Buyer in accordance with clause 8.5(d), the Seller will have no liability to the Buyer in respect of the quantity of Shortfall Gas replaced by the Buyer.

(g) Subject to clause 12, the Parties agree that the amounts payable under clause 8.5(b):

(i) represent the actual costs likely to be incurred by the Buyer as a result of a breach by the Seller of its Supply Obligation;

(ii) constitute the full extent of the Seller's aggregate liability to the Buyer for a breach by the Seller of its Supply Obligation and are not a penalty; and

(iii) are the sole and exclusive remedy of the Buyer in respect of a breach by the Seller of its Supply Obligation,

and that a breach by the Seller of its Supply Obligation will not of itself constitute a Financial Default or other default under this Agreement.

(h) The Supply Obligation of the Seller during any period when the Seller is unable to Make Available its delivery commitments from the Gas Field, shall rank ahead of all other delivery commitments of the Seller to its other Customers provided that, to the extent that the Gas Field is constituted by any gas field other than the Palm Valley Gas Field, the Supply Obligation will:

(i) rank ahead of all other delivery commitments of the Seller in relation to the Palm Valley Gas Field; and

(ii) only rank ahead of all other delivery commitments of the Seller in relation to that other gas field only to the extent of the Nominated Alternate Field Daily Quantity with respect to that other gas field on that Day.

(i) If:

(i) there is any quantity of Shortfall Gas in respect of a Buyer on a Day; and

(ii) the Parties agree (acting reasonably) that the quantity of Shortfall Gas is minor (relative to the DCQ applicable for that Day and having regard to the operational capacities of the Seller's Facilities, the Pipeline and the Meter Station), then:

(iii) the Seller may Make Available to the Buyer a quantity of Gas over the subsequent 3 Days (in addition to the applicable DCQ for each of such Days) equal (in aggregate) to that quantity of Shortfall Gas; and

(iv) the Buyer will use reasonable endeavours to take, and will consult with the Seller to accommodate the taking of, delivery of such additional quantity of Gas and will pay the Gas Price for that Gas delivered to the Buyer.

(j) Nothing in clause 8.5(i) reduces the quantity of Shortfall Gas in respect of the Buyer on a Day or affects the Seller's liability under this clause 8.5 in respect of that Shortfall Gas.

8.6 **Make-up Gas**

(a) If the customer (or customers) of the Buyer under each Concession GSPA pays an amount to it by way of an annual shortfall charge **(Customer Payment)** that is calculated by reference to a quantity of gas the customer of the Buyer has not taken during the Contract Year **(Customer Quantity)**, then, within ten (10) Business Days of the Buyer receiving the Customer Payment from the customer, the Buyer must pay to the Seller:

(i) if:

$$(0.8 \times TOP) < (ADCFQ - ASG)$$

an amount equal to the lesser of:

(A) $\left\{\left[\left(ADCFQ - ASG\right) - \left(0.8 \times ACDQ\right)\right] \times \left(\frac{CQ}{TCQ}\right)\right\} \times \left(\frac{CP}{CQ}\right)$; and

(B) $\left\{\left[\left(0.8 \times TOP\right) - \left(0.8 \times ACDQ\right)\right] \times \left(\frac{CQ}{TCQ}\right)\right\} \times \left(\frac{CP}{CQ}\right)$;

or

(ii) if:

$$\left(0.8 \times TOP\right) \geq \left(ADCFQ - ASG\right)$$

an amount equal to zero,

(Upfront Payment), where:

CP = the Customer Payment (in $);

CQ = the Customer Quantity (in PJ, expressed to 3 decimal places);

TCQ = the aggregate of each Customer Quantity under all Concession GSPAs (in PJ, expressed to 3 decimal places);

ADCFQ = the aggregate of the Buyer's Percentage Interest of the DCFQ for each Day in that Contract Year (in PJ, expressed to 3 decimal places);

ASG = the aggregate of any Shortfall Gas in respect of the Buyer during that Contract Year (in PJ, expressed to 3 decimal places);

ACDQ = the aggregate quantity of Gas delivered by the Buyer to its customers under all Concession GSPAs during that Contract Year (in PJ, expressed to 3 decimal places); and

TOP = the Buyer's Percentage Interest of the aggregate of the agreed minimum (or "take or pay") quantities of Gas under all Concession GSPAs during that Contract Year (in PJ, expressed to 3 decimal places).

(b) The Upfront Payment paid by a Buyer to the Seller will be converted to a quantity of Gas by dividing that Upfront Payment by the Gas Price applicable at the date the payment is made in accordance with clause 8.6(a) and such quantity of Gas determined is deemed to be Inventory Gas.

(c) Each Buyer may recover Gas (**Make-up Gas**) from:

(i) its Inventory Gas accrued under clause 8.6(b) (but excluding any Inventory Gas under clause 9.5) on any Day during a Contract Year when a customer of the Buyer takes gas which it has paid for, but not taken (having paid the Customer Payment to the Buyer in accordance with the relevant Concession GSPA); or

(ii) its Inventory Gas accrued under clause 9.5 (but excluding any Inventory Gas under clause 8.6(b)) on any Day during a Contract Year after the Buyer has taken a quantity of Gas equal to 80% of its Percentage Interest of the ACQ for that Contract Year.

(d) If the Buyer becomes entitled to recover Make-up Gas in accordance with clause 8.6(c), then:

(i) the Buyer may nominate to take Make-up Gas under this Agreement by notice to the Seller specifying that part or all of its Daily Nomination which it wishes to take as Make-up Gas. For the avoidance of doubt, this does not increase the quantity of the Daily Nomination; and

(ii) the Seller must deliver the nominated Make-up Gas in accordance with clause 8.5.

(e) The Buyer must use reasonable endeavours to consult with the Seller during each Contract Year as to the likelihood and timing of Days on which the Buyer intends to take Make-up Gas in the circumstances contemplated in clause 8.6(c)(i).

(f) No additional payment, charge or cost shall be payable by the Buyer to the Seller in respect of Make-up Gas that is recovered by the Buyer, including any Carbon Costs that may be imposed on or incurred by the Seller in respect of that Make-up Gas delivered to the Buyer, except to the extent that the Buyer is able to pass through such Carbon Costs to its customers under a Concession GSPA in accordance with clause 11.3.

(g) Make-up Gas taken by a Buyer reduces the Buyer's Inventory Gas accrued under clause 8.6(b) or clause 9.5, as applicable.

(h) If:

(i) each of:

(A) any Inventory Gas accruing under clause 8.6(b) (but excluding any Inventory Gas under clause 9.5 and any quantity in relation to which a customer of the Buyer to which the Upfront Payment (and Customer Payment) relates has forfeited the right to take gas in accordance with the terms of the Concession GSPA) **(Outstanding Inventory Gas)** remains at the end of the Contract Year in respect of which the Buyer pays the Seller the Upfront Payment or any subsequent Contract Year; and

(B) a volume of Outstanding Inventory Gas is taken by a customer of the Buyer to which the Upfront Payment (and Customer Payment) related as make-up gas under its Concession GSPA **(Taken Volume)**; or

(ii) any Outstanding Inventory Gas remains on termination or expiry of this Agreement **(Termination Volume)**,

the Seller must either:

(iii) pay the Buyer in accordance with clause 15.2 an amount equal to the value of the Taken Volume or the Termination Volume, as applicable (determined by applying the prevailing Gas Price determined under clause 10.1); or

(iv) deliver to the Buyer, at no cost to the Buyer, a quantity of gas (including from sources other than the Gas Field but provided it is delivered at the Delivery Point) equal to the Taken Volume or Termination Volume over a periodland at a rate (and on such other terms and conditions) as the Parties may agree. If the Parties are not able to agree on such terms and conditions within 20 Business Days of the Seller notifying the Buyer of its intention to deliver Gas to the Buyer in accordance with this clause 8.6(h)(iv), then the Seller must instead make the payment to the Buyer in accordance with clause 8.6(h)(iii),

and, on receipt of a payment by the Seller in accordance with clause 8.6(h)(iii) or clause 8.6(h)(iv) or delivery of gas by the Seller in accordance with clause

8.6(h)(iv) (as applicable), the Taken Volume or Termination Volume (as applicable) to which such payment or delivery relates shall no longer form part of the volume of Inventory Gas or Make-up Gas for the purposes of this Agreement.

(i) Within 10 Business Days after the end of each Month, the Seller must notify each Buyer in writing of the quantity of Make-up Gas delivered to the Buyer during the Month and the remaining quantity of that Buyer's Inventory Gas available as at the end of the Month.

9. PAYMENT PRIOR TO CONCESSION GSPAS

9.1 When this clause takes effect

This clause 9 only takes effect if the Commencement Date does not occur on or before 15 April 2012.

9.2 Deemed Quantity Amount

(a) Each Buyer will be liable to pay the Seller an amount **(Deemed Quantity Amount)** calculated in accordance with the following formula:

$DQA = DQ \times RP$

where:

DQA = the Deemed Quantity Amount (in $);

DQ = the Deemed Quantity for that Buyer calculated in accordance with clause 9.3 (in GJ); and

RP = the Relevant Price for the Deemed Quantity calculated in accordance with clause 9.4 (in $/GJ).

(b) The Deemed Quantity Amount is payable by each Buyer on or before 15 January 2013.

9.3 Deemed Quantity

The Deemed Quantity or **DQ** (in GJ) in respect of each Buyer is calculated in accordance with the following formula:

$$DQ = \left[(TQ \times PI) \times \left(\frac{ND}{366} \right) \right]$$

where:

DQ = the Deemed Quantity in respect of a Buyer;

TQ = 460,000 GJ

PI = the Percentage Interest of that Buyer; and

ND = the total number of Days in the period commencing on 1 January 2012 and ending on the earlier of (i) 31 December 2012; and (ii) the Day immediately prior to the Commencement Date

9.4 Relevant Price

The Relevant Price is calculated in accordance with the following formula:

$$RP = \frac{Y}{Z}$$

where:

RP = the Relevant Price for the Deemed Quantity Amount (in $/GJ);

Y = $2,000,000; and

Z = 460,000 GJ

9.5 **Deemed Quantity to be Inventory Gas**

(a) Subject to clause 9.5(b), upon payment of the Deemed Quantity Amount by the Buyer, the Deemed Quantity in respect of the Buyer will be deemed to be Inventory Gas for the account of the Buyer, which may be recovered by the Buyer as Make-up Gas during the Term in accordance with clause 8.6 (but, for the sake of certainty, clause 8.6(h) does not apply to such Inventory Gas).

(b) The Seller shall have no obligation to Make Available Inventory Gas credited to the account of the Buyer pursuant to clause 9.5(a) as Make-up Gas or otherwise unless and until the Term commences in accordance with this Agreement.

9.6 **Prices exclusive of GST**

Except as provided under clause 11.4, the Deemed Quantity Amount is exclusive of GST.

10. **PRICE**

10.1 **Gas Price Calculation**

(a) Subject to clauses 10.1(b) and 10.1(c), the price payable by each Buyer under this Agreement in any Month "n" during the Term shall be calculated in accordance with the following formula:

$$GP_n = \frac{1}{TQ_n} \times \left[\sum_{a=1}^{x} MQ_a \times (P_a - AF_a) \right]$$

where:

GP_n = the Gas Price for Month "n" (in $/GJ);

x = is the total number of Concession GSPAs in force for the entirety or part of Month "n";

a = is the number of the relevant Concession GSPA in force for the entirety or part of during Month "n";

MQa = the total quantity of gas delivered under Concession GSPA "a" during Month "n" but not including Make-up Gas or Inventory Gas (in GJ);

Pa = the price payable for gas delivered under Concession GSPA "a" during Month "n" (in $/GJ);

AFa = if Concession GSPA "a" was entered into after 30 June 2012, an administration fee of $0.10/GJ, or otherwise zero; and

TQn = the aggregate quantity of gas delivered under all the Concession GSPAs in force during Month "n" but not including Make-up Gas or Inventory Gas (and provided that TQn must be the sum of MQa for all Concession GSPAs for the Month) (in GJ).

(b) For the purposes of calculating the Gas Price under clause 10.1(a), the following items shall be excluded from the value of "P_a":

(i) any additional charge, component of the price, or cost incorporated into the price, directly relating to the Buyer paying the cost of transporting the gas delivered under Concession GSPA "a" on the Pipeline to the delivery point under that Concession GSPA;

(ii) Carbon Costs passed through to the customer, or incorporated into the price, under Concession GSPA "a" that were not passed through to the Buyers by the Seller under this Agreement;

(iii) Imposts passed through to the customer, or incorporated into the price, under Concession GSPA "a" that were not passed through to the Buyers by the Seller under this Agreement (as reflected in an invoice issued pursuant to clause 15.1); and

(iv) GST.

(c) For the purposes of calculating the Gas Price under clause 10.1(a), if:

(i) a Buyer enters into any Concession GSPA with a Related Body Corporate or Related Party of any of the Buyers (excluding any entity where the only relationship to the Buyers is through common directors) **(Buyer Related Entity)**; or

(ii) any Concession GSPA is not on terms satisfying the "arm's length principle" (being, the principle applied by the Australian Taxation Office to ensure the proper allocation of income and expenses between parties for the purposes of income tax assessment),

(together, a **Related Party GSPA**), the value of "P_a" for the Related Party GSPA will be deemed to be:

(iii) the price payable under the Concession GSPAs where a third party or Buyer Related Entity is paying an "arm's length" market price; or

(iv) if the Concession GSPA does not meet the description in clause 10.1(c)(iii), the price paid by the ultimate purchaser of the relevant Gas or the price that would satisfy the "arm's length principle".

(d) The Buyers' Representative must notify the Seller of the Gas Price for Month "n" within 3 Business Days of the end of Month "n".

10.2 **Prices Exclusive of GST, Carbon Costs and Imposts**

Except as provided under clauses 11.1 and 11.4, the Gas Price is exclusive of GST, Carbon Costs and Imposts. Buyer shall pay such GST, Carbon Costs and Imposts as provided in clauses 11.1, 11.3 and 11.4 in addition to the Gas Price.

11. IMPOSTS AND GST

11.1 **Imposts**

(a) All Imposts levied or imposed upstream of the Delivery Point in respect of the Gas Made Available under this Agreement shall be borne by the Seller and all Imposts levied or imposed at or downstream of the Delivery Point in respect of Gas taken by the Buyer under this Agreement shall be paid by the Buyers.

(b) If a Change of Law occurs or a Carbon Cost arises after the Contract Execution Date, then the amount determined in accordance with clause 11.2 or 11.3 (as the case requires) shall be reflected in each subsequent monthly invoice issued pursuant to clause 15.1.

(c) The Seller shall notify each Buyer in writing of any amounts to be reimbursed pursuant to the provisions of this clause 11.1.

11.2 **Change of Law**

(a) To the extent that a Change of Law directly or indirectly:

(i) changes the costs of the Seller in respect of the acquisition, recovery, production, transportation upstream of each Delivery Point, processing, Making Available for delivery, or sale of its Gas in connection with this Agreement; or

(ii) leads to a change in the value of the benefits gained by the Seller from those activities (except by the operation of this clause),

each Buyer must reimburse to the Seller, or the Seller must reimburse to or credit each Buyer, the amount of the change in costs or benefits attributable to the Change of Law, to the extent only that the Buyer is able to pass through or recover (as a credit or otherwise) the amount of the change to or from its customers under a Concession GSPA.

(b) The Buyers have no liability to reimburse the Seller pursuant to the provisions of this clause to the extent the Seller is to be reimbursed or compensated for, the increased costs or decreased benefits attributable to the Change of Law under another provision of this Agreement, including through the calculation of the Gas Price under clause 10.1.

(c) The Seller shall notify each Buyer in writing of any amounts to be reimbursed by the Buyer pursuant to the provisions of this clause.

11.3 **Carbon Costs**

(a) Each Buyer must reimburse to the Seller the amount of any Carbon Costs which are incurred from time to time by the Seller, to the extent only that the Buyer is able to pass through the amount of the Carbon Costs to its customers under a Concession GSPA.

(b) Each Buyer must, in negotiating a Concession GSPA, use its reasonable endeavours to pass through the amount of the Carbon Costs to its customers under a Concession GSPA.

(c) The Buyers have no liability to reimburse the Seller pursuant to the provisions of this clause to the extent the Seller is to be reimbursed or compensated for any Carbon Costs under another provision of this Agreement, including through the calculation of the Gas Price under clause 10.1.

11.4 **GST**

(a) Terms capitalized but not defined in this clause 11.4(a) and in clause 15.1 have the meanings given to such terms in the GST Law. **Supplier** means the Party making a supply.

(b) Unless expressly stated otherwise, all prices or other sums payable or consideration to be provided in accordance with this Agreement are exclusive of GST **(GST Exclusive Consideration**).

(c) The GST Exclusive Consideration for any Taxable Supply made under or in connection with this Agreement is increased by an amount (the **Grossed Up Amount**) equal to the consideration applicable to the Taxable Supply (exclusive of GST) multiplied by the rate of the goods and services tax.

(d) A Supplier will provide Tax Invoices, Adjustment Notes and other reasonable documentation and information with regard to the amount due for any Grossed Up Amount. A Recipient is not obliged to pay the Gross Up Amount unless the Supplier has provided a Tax Invoice or Adjustment Note, as the case may be, to the Recipient.

(e) If there is an Adjustment Event in relation to a Supply which results in the amount of GST on a Supply being different from the amount in respect of GST paid by the Recipient to the Supplier, as appropriate:

(i) the Recipient must pay the Supplier the amount by which the amount of GST on the Supply exceeds the amount paid by the Recipient to the Supplier; or

(ii) the Supplier must refund to the Recipient the amount by which the amount paid by the Recipient to the Supplier exceeds the amount of GST on the Supply.

(f) To the extent that a Party is required to reimburse or indemnify the other Party for costs incurred or Losses suffered by the other Party, those costs and Losses do not include any amount in respect of GST for which the other Party, or Representative Member if the other Party is a member of a GST Group, is entitled to claim an Input Tax Credit.

12. GAS QUALITY

12.1 Specifications

(a) The Seller must ensure that gas supplied to the Delivery Point under this Agreement meets the Specifications.

(b) If, during the Term, the Pipeline Operator varies the gas specifications applicable to the Delivery Point as authorised or required to do so under any law (including any licence or authorisation), which results in a broader specification for gas being delivered at a Delivery Point for any of the elements of the gas specification than as set out in the Specifications, the relevant specification set out in the Specifications will be taken to be amended to reflect that broader specification.

(c) Each Buyer and the Seller shall each notify the others immediately when it becomes aware that gas which may be Made Available by the Seller at the Delivery Point, will be Off Specification Gas, and shall identify the nature of the deficiency. As soon as practicable following receipt of such notice, the Seller must also provide each Buyer with an estimate as to when the Seller expects to be able to rectify the delivery of Off Specification Gas.

(d) Within 2 hours of receiving or giving a notice in accordance with clause 12.1(c) (as the case may be), each Buyer must notify the Seller whether it will accept or reject the delivery of the Off Specification Gas.

(e) A Buyer may reject Off Specification Gas by notice to the Seller where the Buyer receives no notice that it is taking delivery of Off Specification Gas.

(f) If a Buyer notifies the Seller that it rejects the delivery of Off Specification Gas, the Seller must use its best endeavours to cease delivering that Off Specification Gas to the Delivery Point.

(g) Any Off Specification Gas which a Buyer agrees to accept, or in respect of which the Buyer fails to accept or reject in accordance with clause 12.1(d), for delivery at the Delivery Point shall be deemed to meet the Specifications.

12.2 Seller's liability for Off Specification Gas

(a) Any gas delivered by the Seller at the Delivery Point that does not, or is not deemed in accordance with clause 12.1 to meet the Specifications:

(i) is deemed to have not been Made Available by the Seller to the Buyer under this Agreement; and

(ii) to avoid doubt, constitutes Shortfall Gas to which clause 8.5 applies.

(b) Off Specification Gas rejected by the Buyer which is not delivered to the Buyer constitutes Shortfall Gas to which clause 8.5 applies.

(c) Without limiting clause 12.2(a), the Seller will reimburse the Buyers in accordance with clause 15.2 an amount equal to the verifiable Loss suffered or incurred by the Buyers pursuant to the terms of a Concession GSPA or the Buyers' agreement with the Pipeline Operator, as a direct result of the Buyer taking, without having accepted, or in respect of which the Buyer fails to accept or reject in accordance with clause 12.1(d), Off Specification Gas from the Seller at the Delivery Point.

(d) Each Buyer shall notify the Seller in writing of any amounts due to the Buyer pursuant to clause 12.2(c), together with reasonable documentation to substantiate the amounts due to the Buyer.

13. PERMITTED INTERRUPTIONS AND MAINTENANCE

13.1 Maintenance Programmes

The Seller and the Buyers shall regularly communicate in relation to the timing of planned Maintenance programmes. The Seller shall provide the Buyers with at least 20 Business Days' notice of planned Maintenance (including the duration of that planned Maintenance) and shall notify the Buyers of unplanned Maintenance as soon as practicable.

13.2 Maintenance Allowance

(a) During each Contract Year of the Term, the Seller is entitled to up to the equivalent of ten (10) Days of DCQ (or pro rata part thereof for any Contract Year which does not equal 12 Months) of planned Maintenance, during which the Seller shall be relieved of its obligations to Make Available Gas under this Agreement **(Planned Maintenance Allowance)**, to the extent those obligations to Make Available Gas are affected, in part or in whole, by planned Maintenance affecting the Palm Valley Gas Field only.

(b) During each Contract Year of the Term, the Seller is entitled to a total of the equivalent of an additional five (5) Days of DCQ (or pro rata part thereof for any Contract Year which does not equal 12 Months) to conduct any unplanned Maintenance during which the Seller shall be relieved of its obligations to Make Available Gas under this Agreement **(Unplanned Maintenance Allowance)**, to the extent those obligations to Make Available Gas are affected, in part or in whole, by unplanned Maintenance affecting the Palm Valley Gas Field only.

(c) In the case of planned Maintenance or unplanned Maintenance, the Seller and the Buyers shall use reasonable endeavours to mitigate the impact of the Maintenance on the Parties, including by, to the extent practicable, coordinating periods of planned Maintenance between the Parties.

14. MEASUREMENT

14.1 Measurement

The quantity and quality of Gas delivered to the Delivery Point shall be determined from measurements made at the relevant Meter Station in accordance with the metering requirements specified in the Access Arrangement, which shall also determine the standards, methods and procedures for metering and designing, installing, operating, maintaining and testing the Meter Station unless otherwise agreed by the Parties and the Parties shall be bound by such determination.

14.2 **Calibration**

If a Buyer proposes, or becomes aware that the Pipeline Operator proposes, to conduct a test of the accuracy of the measuring equipment at the Meter Station the Buyer will provide reasonable notice of the time and nature of such a test and use its reasonable endeavours to obtain the Pipeline Operator's permission for a representative of the Seller to observe the test and an adjustment resulting from such test. If, after notice, the Seller fails to have a representative present, the result of the test will nevertheless be considered accurate.

14.3 **Correction**

If, at any time, any of the measuring equipment at the Meter Station is found to be out of service or registering inaccurately, the readings of that equipment must be corrected in accordance with the correction procedures specified in the Access Arrangement.

14.4 **Metering Information**

Each Buyer must send to the Seller copies of all measuring and testing charts, measuring data and measuring information relating to the Meter Station promptly after receiving them from the Pipeline Operator and the Seller will cause to be sent to each Buyer upon request, copies of such information kept or obtained by the Seller.

14.5 **Seller's Proration**

(a) If, on a Day, the Seller does not have a quantity of Gas available for delivery at the Delivery Point equal to the total quantity of Gas properly nominated by all Customers for that Day, then the Seller will, with respect to a Gas Field being used to supply the Buyer and one or more other Customers, allocate the available quantity of Gas from that Gas Field as between the Buyers and the other Customers such that it first meets each Buyer's DCQ ahead of any allocations to the other relevant Customers provided that, to the extent that the Gas Field is constituted by any gas field other than the Palm Valley Gas Field:

(i) the Seller shall allocate the available quantity of Gas from the Palm Valley Gas Field such that it first meets each Buyer's DCQ; and

(ii) in relation to that other gas field, the Seller shall only be required to allocate the available quantity of Gas from that other gas field such that it first meets each Buyer's Percentage Interest of the Nominated Alternate Field Daily Quantity with respect to that other gas field on that Day.

To avoid doubt, nothing in this clause 14.5(a) requires the Seller to allocate to a Buyer on a Day a quantity of Gas greater than that Buyer's DCQ on that Day.

(b) For the avoidance of doubt nothing in this clause 14.5 relieves the Seller from its Supply Obligation under clause 8.5 of this Agreement.

15. BILLING AND PAYMENT

15.1 **Invoice**

Within ten (10) Business Days after receiving the notice from the Buyers' Representative under clause 10.1(d) in respect of a Month, the Seller shall deliver to each Buyer a Tax Invoice **(Invoice)** in respect of the previous Month which shall include the following if applicable:

(a) details of the quantity of Gas accepted for delivery or otherwise taken by the Buyer on each Day during the Month as measured in accordance with clause 14;

(b) details of Gas Made Available by the Seller but not accepted for delivery or otherwise not taken by the Buyer;

(c) details of any Shortfall Gas;

(d) the amounts payable by the Seller to the Buyer under clause 8.5(b) in respect of the Month prior to the Month in respect of which the Invoice is issued, to the extent not previously paid to the Buyer;

(e) the Gas Price as calculated in clause 10;

(f) any amounts reimbursable by the Buyer under clauses 11.1, 11.2 or 11.3;

(g) the amount of GST payable by the Buyer pursuant to clause 11.4;

(h) any other amounts payable by the Buyer to the Seller, or the Seller to the Buyer, under this Agreement; and

(i) the net sum payable to the Seller by the Buyer or vice versa.

15.2 **Payment**

(a) Subject to clause 15.3, within twenty (20) Business Days after receipt of each Invoice, the Buyer shall pay the total sum payable in the Invoice by it to the Seller. All payments shall be made by telegraphic transfer or electronic funds transfer to an account nominated by the Seller pursuant to clause 19.4 without set-off or deduction of any kind.

(b) For any amounts payable by the Seller to a Buyer under this Agreement that have not been or will not be included in an Invoice, the Buyer may invoice the Seller for such amount and, subject to clause 15.3, within twenty (20) Business Days after receipt of a Buyer's invoice, the Seller shall pay the total sum payable in the Buyer's invoice to the Buyer. All payments shall be made by telegraphic transfer or electronic funds transfer to an account nominated by the Buyer pursuant to clause 19.4 without set-off or deduction of any kind.

(c) For disputed amounts in a Buyer's invoice issued in accordance with clause 15.2(b), clause 15.3 shall apply except that it shall be amended such that a reference to the Buyer will become a reference to the Seller and a reference to the Seller will become a reference to the Buyer.

15.3 **Notification of Disputed Amounts**

(a) Whenever any sum in the Invoice issued under this clause is bona fide disputed, the Buyer shall pay the entire amount of the Invoice on or before its due date and, within twenty (20) Business Days after the Invoice receipt date, notify the Seller as to the sum in dispute and provide particulars as to the reason for the Invoice dispute, and the following provisions will apply.

(b) Upon receipt of the notice of the Invoice dispute, the Seller shall, within five (5) Business Days, provide such reasonable information as the Buyer shall require to verify the Invoice.

(c) Within two (2) Business Days after the receipt of the information referred to in clause 15.3(b), the Buyer and the Seller shall communicate with each other in a bona fide attempt to resolve the Invoice dispute prior to the due date for the payment or as soon as possible if the due date for payment has passed.

(d) If the Invoice dispute is resolved, whether by agreement or pursuant to a decision by a court of competent jurisdiction, in a manner that results in either Party being required to pay or refund an amount to the other Party, then the

Seller shall issue an amended Invoice within two (2) Business Days after such agreement or decision and, within five (5) Business Days after issue of the amended Invoice the payment or refund required to be made to give effect to the agreement or decision plus interest at a rate equal to 2% per annum above the Bank Bill Rate from the original due date of the affected Invoice shall be made.

(e) The accuracy of any statement, allocation, charge, payment calculation or determination made pursuant to the provisions of this Agreement shall be conclusively presumed to be correct after two (2) years from the end of the Contract Year in which the statement, allocation, charge, payment calculation or determination was generated or prepared, if not challenged (claimed) in writing under this clause 15.3 prior thereto. For the avoidance of doubt, all claims shall be deemed waived unless they are made in writing within two (2) years from the end of the Contract Year in which the statement, allocation, charge, payment calculation or determination was generated or prepared.

15.4 **Auditing records**

(a) Each Party shall have the right, at its own expense, upon thirty (30) days' written notice and during reasonable working hours to appoint an auditor to perform an audit of the other Party's books and records in relation to:

(i) in the case of the Seller, any amount due to the Buyer under this Agreement, including:

(A) any amount due under clause 8.5(b);

(B) the Gas Price calculated by the Buyers' Representative in accordance with clause 10.1;

(C) any Upfront Payment paid by a Buyer to the Seller in accordance with clause 8.6(a);

(D) any amount due under clause 8.6(h);

(E) any amount due under clause 12.2(c); and

(ii) in the case of the Buyers:

(A) the amounts passed-through to, or payable by, each of them under clause 11; and

(B) the allocations under clauses 8.5(h) and 14.5.

(b) An auditor appointed by a Party **(Appointing Party)** pursuant to clause 15.4(a):

(i) must not be a director, officer or employee of the Appointing Party or any Related Body Corporate of the Appointing Party;

(ii) must be independent of the Appointing Party; and

(iii) must be a partner or employee of an internationally recognised accounting firm.

(c) An auditor appointed by an Appointing Party pursuant to clause 15.4(a) may not have access to the books and records of any other Party unless the auditor enters into a confidentiality agreement with the other Party (on terms reasonably acceptable to the other Party) that requires the auditor to keep all information in the books and records of the other Party confidential and not disclose that information to the Appointing Party, except that the auditor may be instructed by the Appointing Party to give it an opinion as to:

(i) whether any amount calculated or allocated under this Agreement has been incorrectly calculated; and

(ii) the correct amount of any calculation or allocation under this Agreement.

(d) The Appointing Party must provide to the other Parties a copy of any opinion provided to it by the auditor as soon as reasonably practicable after the Appointing Party receives it.

(e) If any Party disagrees with the auditor's opinion, the disagreement will be dealt with as a Dispute capable of reference to an Expert for determination in accordance with clause 24.

15.5 **Interest on Late and Disputed Payments**

Any amount which remains unpaid by the due date for payment and has not been disputed in good faith under clause 15.3 shall accrue interest at a rate equal to 2% per annum above the Bank Bill Rate calculated daily from the due date for payment until the date on which the amount (including interest) is paid in full. Each day the interest will be capitalised into and form part of the outstanding amount payable. The paying Party shall also pay the legal costs of the other Party incurred in connection with the late payment.

16. FORCE MAJEURE

16.1 **No Breach**

Except with regard to a Party's obligation to make payment(s), and without regard to the inclusion or exclusion of any references to this clause 16 or any other limiting language in this Agreement, neither the Seller nor the Buyers shall be liable to the other for failure to perform an obligation to Make Available Gas or to accept delivery of the Gas Made Available, as applicable, to the extent such failure was caused by Force Majeure. The Party or Parties claiming Force Majeure is referred to in this clause as the **Affected Party**. The term **Force Majeure** as employed herein shall only include the events or circumstances the cause of which is not reasonably within the control of the Affected Party, and which that Affected Party is not reasonably able to prevent or overcome by the exercise of a standard of diligence, prudence and foresight consistent with that of a Reasonable and Prudent Operator. Notwithstanding anything to the contrary in this Agreement, Force Majeure shall not excuse a failure to make payment when due under this Agreement.

16.2 **Definition of Force Majeure**

Subject at all times to the events and circumstances set out below meeting the requirements of Force Majeure in clause 16.1 above, Force Majeure includes but is not limited to:

(a) physical events constituting acts of God, including without limitation, landslides, lightning, earthquakes, fires, storms or storm warnings, cyclones, floods, washouts, explosions and natural disasters;

(b) serious accidental damage which causes a partial or complete failure or interruption to, loss, or breakdown of the Seller's Facilities;

(c) serious accidental damage which causes a partial or complete failure, or interruption to, loss, or breakdown of the Buyers' Facilities;

(d) acts of others such as strikes, lockouts, industrial or labour disturbances, work bans, blockades or picketing on a national or regional basis, riots, sabotage, malicious damage, insurrections or wars (declared on undeclared), civil commotion, malicious damage, act of public enemy, blockages;

(e) actions or inactions by, or any new or amended court order, law, statute, ordinance, regulation, or policy of, any Federal or State court, government tribunal or authority or other organization with regulatory powers having jurisdiction which is not in force as at the date of execution of this Agreement, or a variation or change after the date of execution of this Agreement in the interpretation of or the scope of application of an existing court order, law, statute, ordinance, regulation, or policy of, any Federal or State court, government tribunal or authority or other organization with regulatory powers having jurisdiction;

(f) a partial or complete shutdown of any of the Seller's Facilities or site for health, safety, environmental, breakdown or other emergency reasons, which continue for a period greater than five (5) consecutive Days;

(g) a partial or complete shutdown of any of the Buyers' Facilities or site for health, safety, environmental, breakdown or other emergency reasons, which continue for a period greater than five (5) consecutive Days; and

(h) interruption and/or curtailment of firm transportation by the Pipeline Operator not caused by the Affected Party or any partial or complete failure, breakdown or shutdown of the Pipeline.

The Affected Party shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

16.3 **Specific Exclusions**

Notwithstanding clause 16.2, neither the Seller nor the Buyers shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances:

(a) economic hardship, to include, without limitation, the Seller's ability to sell Gas at a higher or more advantageous price than the Gas Price and the Buyer's ability to purchase Gas at a lower or more advantageous price than the Gas Price;

(b) the curtailment of any "Interruptible Service" or "Negotiated Service" (as defined in the Access Arrangement) unless "Firm Service" (as defined in the Access Arrangement) is also curtailed; and

(c) lack of funds or the inability to use funds for any reason.

16.4 **Industrial Disturbances**

Notwithstanding anything to the contrary herein, the Parties agree that the settlement of strikes, lockouts, industrial or labour disturbances, work bans, blockades or picketing on a national or regional basis, shall be within the sole discretion of the Affected Party.

16.5 **Notification and Mitigation of Force Majeure**

(a) In the event of a dispute, the onus shall be on the Affected Party claiming relief under clause 16.1 to establish that the events or circumstances constitute Force Majeure.

(b) The Party whose performance is prevented by Force Majeure shall provide notice to the other Party. Initial notice may be given orally; however, written notice with reasonably full particulars of the event or occurrence and an estimate of the time period for which the Force Majeure event is likely to last is required as soon as reasonably possible, provided that a Party shall not lose its right to be relieved from liability by reason of Force Majeure if it fails to perform the obligations in this clause 16.5 in a timely manner.

(c) Upon providing written notice of Force Majeure to the other Party, and subject to the Affected Party complying with clause 16.5(d), the Affected Party shall be relieved of its obligation, from the onset of the Force Majeure event, to Make Available Gas, or to accept delivery of Gas Made Available, as applicable, to the extent and for the duration of Force Majeure.

(d) The Affected Party shall take appropriate measures to mitigate or remove the effects of Force Majeure and, within the shortest possible time, resume performance under this Agreement.

(e) The Affected Party must provide to the other Party reasonable updates on the nature of the event and the steps being taken to try to rectify the event during the occurrence of the event.

16.6 **Termination by Reason of Force Majeure**

(a) Should a Force Majeure event occur which causes or results in the complete or substantial inability of the Affected Party to perform obligations under this Agreement for an aggregate period of 180 days or more in any eighteen (18) month period, the Party not claiming the benefit of the Force Majeure may give notice of termination to the Affected Party and this Agreement shall (unless the Parties subsequently agree otherwise) terminate ten (10) days after receipt by the Affected Party of such notice regardless of whether the Force Majeure terminates in the meantime. The Parties agree that if:

(i) the Seller does not Make Available for delivery at least an average of 75% of the DCQ prevailing at the time for a period of 180 days or more in any eighteen (18) month period, this would constitute a "substantial inability" of the Seller to perform its obligations; and

(ii) a Buyer does not take delivery of at least an average of 75% of that Buyer's DCQ prevailing at the time for a period of 180 days or more in any eighteen (18) month period, this would constitute a "substantial inability" of that Buyer to perform its obligations.

(b) If any Party has a bona fide belief that an event of Force Majeure cannot be, or is unlikely to be, cured within a period of 180 days from the date of the notice of the Force Majeure, then the Parties shall meet as soon as possible (on a date set by notice from any Party to the other Parties setting a reasonable date for a meeting which shall not be less than ten (10) days nor more than thirty (30) days after receipt of such notice) to discuss the Force Majeure event and the Affected Party must advise the other Party of the likely period required to cure the Force Majeure and recommence performance.

(c) If a Party terminates this Agreement as a result of a Force Majeure event, each Party's liability shall be limited to any claims or right to damages as expressly provided in this Agreement which have accrued prior to termination and no Party shall be liable for any other Loss arising out of, in relation to or in connection with the termination or as a consequence of termination under this Agreement, in tort (including negligence), under statute (to the extent permitted), in equity or otherwise (including negligent misrepresentation or in restitution).

16.7 **End of Force Majeure**

(a) The Affected Party shall:

(i) recommence the performance of its obligations under this Agreement immediately upon the cessation of the event or effects of Force Majeure; and

(ii) give notice to the Parties immediately upon the cessation of the event or effects of Force Majeure.

(b) Under no circumstances will an event of Force Majeure result in the extension of the Term.

17. DEFAULT AND TERMINATION

17.1 Default by Buyer

(a) If a Buyer has committed a Financial Default or a default under clause 23.1(a) and such default is not excused under this Agreement, the Seller may give a notice to the Buyer specifying reasonable details of the default **(Seller's Default Notice)** and, without limiting any rights of the Seller under this Agreement in respect of the default, thereafter the Parties may confer to discuss the cause, effect of and prospects for curing the default.

(b) Upon the Buyer's receipt of the Seller's Default Notice, the Seller may at any time after the date of the Buyer's receipt of the Seller's Default Notice, reduce or suspend deliveries of Gas to that Buyer during the continuation of such default until the default is cured or this Agreement is terminated.

(c) If the default by the Buyer has extended beyond the date of the Seller's Default Notice for a period of more than ten (10) Business Days for a Financial Default or more than thirty (30) Business Days for a default under clause 23.1(a), then the Seller may by written notice (Seller's Termination Notice) terminate this Agreement effective at any time following the tenth (10th) Business Day for a Financial Default or the thirtieth (30th) Business Day for default under clause 23.1(a) from the Buyer's receipt of the Seller's Termination Notice as may be stated in the Seller's Termination Notice provided that termination will not occur if the default is cured prior to the effective date of such termination as stated in the Seller's Termination Notice.

(d) Termination of this Agreement as to any one Buyer shall not terminate, impair, or diminish the obligations or rights of the other Buyer under this Agreement, and this Agreement shall remain in full force and effect as between the Seller and such non-defaulting Buyer. No default as to any one Buyer shall be interpreted or deemed to be a default by the other Buyer or to give rise to any rights or remedies against the non-defaulting Buyer.

17.2 Default by the Seller

(a) If the Seller has committed a Financial Default or a default under clause 23.1 (a) and such default is not excused under this Agreement, any affected Buyer may give a notice to the Seller specifying reasonable details of the default **(Buyer's Default Notice)** and thereafter those Parties may confer to discuss the cause, effect of and prospects for curing the default.

(b) The Buyer may by written notice **(Buyer's Termination Notice)** terminate this Agreement effective at any time following the tenth (10th) Business Day for a Financial Default or the thirtieth (30th) Business Day for a default under clause 23.1 (a) from the relevant Seller's receipt of the Buyer's Termination Notice as may be stated in the Buyer's Termination Notice; provided that termination will not occur if the default is cured prior to the effective date of such termination as stated in the Buyer's Termination Notice.

17.3 Other Defaults and Remedies

(a) If a Party commits a default of an obligation under this Agreement (other than a Financial Default or a default under clause 23.1(a)) and such default is not excused under this Agreement, the non-defaulting Party may give a notice to such Defaulting Party specifying reasonable details of the default **(Default Notice)** and the Defaulting Party must diligently seek to cure the default (if it is rectifiable).

(b) The non-defaulting Party's remedies in respect of a default other than Financial Default or default under clause 23.1 (a) include claims for Direct Loss (excluding damages of the type disallowed under clause 18), specific performance and injunction, but for avoidance of doubt a Party may only terminate this Agreement for Financial Default or default under clause 23.1(a), and all other termination rights at law or in equity are hereby excluded. Notwithstanding anything to the contrary, in the event of a default which is compensable under both this clause 17.3 and under either or both of clauses 8.5 and 12.2, the cumulative damages payable under this clause 17.3 and under any one or more of clauses 8.5 and 12.2 shall not, in the aggregate, exceed the amounts due and payable under clauses 8.5 and 12.2, whichever one or both may be applicable.

17.4 **Survival**

Notwithstanding termination of this Agreement for any reason, clauses 2(d), 3, 8.6(h), 18, 20, 22, 24 and 25.3 and the rights and obligations hereunder that by their nature are intended to survive termination shall remain in effect to the full extent permitted by law until all obligations have been extinguished and all disputes have been resolved.

18. LIMITATION OF LIABILITY

(a) Subject to clause 18(b), but notwithstanding any other term or condition of this Agreement, the liability of a Party for Loss arising out of any matter or circumstance giving rise to a claim in connection with this Agreement is limited to Direct Loss and no Party is liable to any other Party in respect of, and each Party covenants to the other Parties that it shall not make any claim or enforce, any liability or indemnity against any other Party for any Loss other than Direct Loss, howsoever arising (including, but not limited to, by the negligence of any Party) suffered or incurred by such Party in respect of any circumstances under, in relation to or in connection with this Agreement, whether arising under contract, at common law, in equity, in tort (including negligence) or under statute (to the maximum extent permitted by law) or otherwise (including negligent misrepresentation or in restitution).

(b) Clause 18(a) does not apply to, diminish or limit a Party's obligation to pay or reimburse the specified damages or amounts due as set out in clauses 8.4, 8.5(b), 8.6(h), 9.2, 11.1, 11.4 and 12.2(c).

(c) This clause 18 survives termination of this Agreement.

19. SELLER'S AND BUYERS' REPRESENTATIVES

19.1 **Seller's Representative**

(a) The Seller appoints the Operations Director of the Seller from time to time (and who, as at the date of execution of this Agreement, is Mervyn Cowie) as its Seller's Representative. The addresses of the Seller's Representative for service of notices are as follows:

Commercial or Administrative Matters
Attention: Company Secretary

Telephone +61 7 3224 1600

Facsimile +61 7 3224 1699

Operational Matters
Attention: Operations Director

Telephone +61 7 3224 1600

Facsimile +61 7 3224 1699

Email mcowie@magpet.com.au;
and
magadmin@magpet.com.au

(b) The Seller's Representative shall have the administrative function to:

(i) administer this Agreement for the Seller and coordinate the procedures hereunder with each Buyer;

(ii) render Invoices to each Buyer; and

(iii) send notices on behalf of the Seller under this Agreement.

(c) All notices, payments and communications in connection with this Agreement made by a Buyer to the Seller's Representative shall be deemed to have been made by that Buyer to the Seller.

19.2 **Buyer**

(a) Each Buyer hereby appoints the Manager Commercial – Oil & Offshore of Santos Limited as the Buyers' Representative. The addresses of the Buyers' Representative for service of notices are as follows:

Commercial or Administrative Matters
Attention: Manager Commercial – Oil & Offshore
Telephone +61 8 8116 7558

Facsimile +61 8 8116 7578

Operational Matters
Attention: Manager Commercial – Oil & Offshore
Telephone +61 8 8116 7558

Facsimile +61 8 8116 7578

Email mike.flynn@santos.com

(b) The Buyers shall appoint a Buyers' Representative which shall have authority to manage:

(i) the receipt of delivered Gas at the Delivery Point;

(ii) other operational and administrative matters under this Agreement; and

(iii) the issuing of notices as specified in this Agreement.

19.3 **Change of Representatives**

Each Party may from time to time change its nominated Representative by notice to the other Parties.

19.4 **Transfer of Funds**

The account details for each Party shall be notified to each other Party within seven (7) days after the Commencement Date and may be changed by that Party giving written notice to the other Parties.

20. GOVERNING LAW

20.1 **Governing law**

The laws of South Australia, exclusive of any conflicts of laws principles that could require the application of any other law, shall govern this Agreement for all purposes, including any controversy or claim arising between or among the Parties.

20.2 **Jurisdiction**

Each Party irrevocably submits to the exclusive jurisdiction of the courts of South Australia and the Northern Territory of Australia for the resolution of any disputes under, in relation to or in connection with this Agreement.

21. NOTICES, REPRESENTATIVES AND EXECUTION

21.1 **Notices to Representatives**

Notices to the Seller and the Buyers shall be in writing and are to be addressed to and served on the Seller's Representative or the Buyers' Representative by hand delivery, mail, facsimile or email as provided in clause 21.2.

21.2 **Notices**

(a) Subject to clause 21.2(b), notices:

(i) shall be given to the addresses in clause 19;

(ii) must be signed by an officer or under the common seal of the sender;

(iii) are regarded as being given by the sender and received by the addressee:

(A) if by delivery in person, when delivered to the addressee;

(B) if by post, two (2) Business Days from and including the date of postage; or

(C) if by facsimile transmission, when transmitted to the addressee provided a transmission report is printed by the transmitting facsimile machine indicating that the facsimile was received by the recipient, provided that if a facsimile transmission is received after 17:00 hours on any Business Day or at any time on a day which is not a Business Day, the facsimile transmission will be deemed to have been received at 09:00 hours on the following Business Day.

(b) In the case of operational matters only (including making, varying or confirmation nominations in accordance with clause 8,2), notices:

(i) shall be given to the Seller's Representative (Operational Matters) or the Buyers' Representative (Operational Matters), as the case may be, by email to the email addresses in clause 19; and

(ii) are regarded as being given by the sender and received by the addressee when the addressee's email system logs the email message as having been received, provided that if an email is received after 17:00 hours on any Business Day or at any time on a day which is not a Business Day, the email will be deemed to have been received at 09:00 hours on the following Business Day.

22. CONFIDENTIALITY

22.1 Confidential Information to be kept Confidential

Subject to clause 22.2, during the term of this Agreement and for a period of three (3) years after termination of this Agreement, each Party must, and must procure that its Related Persons, keep all Confidential Information in confidence and not disclose the Confidential Information.

22.2 Permitted Disclosure

Subject to clause 22.3, the restrictions imposed by clause 22.1 do not apply to the disclosure of Confidential Information in any of the following circumstances:

(a) with the prior written consent of the other Parties;

(b) to any Related Body Corporate of a Party or any officer or employee of a Related Body Corporate or any legal counsel or auditor of a Party or any legal counsel or auditor of any Related Body Corporate;

(c) to any bona fide intended assignee of a Party (including an entity with whom a Party and/or its Related Bodies Corporate are conducting bona fide negotiations directed toward a merger, consolidation or the sale of a majority of its or a Related Body Corporate's shares) upon obtaining a similar undertaking of confidentiality from that assignee in favour of all the Parties;

(d) to independent advisers, consultants and contractors of any Party whose duties reasonably require disclosure, provided those advisers consultants and contractors have made a similar undertaking of confidentiality to that Party;

(e) to any bank or financial institution or investor from whom a Party is seeking or obtaining finance, or who is intending to invest in a Party, and its legal and financial advisers, provided such bank or institution or investor is bona fide in its intentions and it and any of its legal and financial advisers have made a similar undertaking of confidentiality to that Party;

(f) to the extent required by any applicable laws or regulations having jurisdiction over a Party or the rules or regulations of any recognised stock exchange on which shares in the capital of such Party or any Related Body Corporate of that Party are listed for quotation, whether such listing takes place before or after the Contract Execution Date;

(g) in any report, prospectus or other instrument issued by a Party or a Related Body Corporate of that Party as required by securities laws governing that Party or Related Body Corporate; or

(h) to the extent required for the purpose of any litigation arising from this Agreement provided that, prior to such disclosure, reasonable notice of the intention to make such disclosure of the information is given to the Party to whom the information is proprietary.

22.3 Limitation of Permitted Disclosure

Each Party shall limit any disclosure of information pursuant to clause 22.2 to such information which is reasonably required to be disclosed in the circumstances. In respect of a disclosure pursuant to clauses 22.2(f) and 22.2(g), to the extent permitted by law or the rules of any stock exchange, a Party shall consult with the other Parties in respect of the action that will be taken to limit the disclosure and to preserve to the maximum extent possible the confidentiality of the information. In respect of any disclosure pursuant to clause 22.2, the relevant Party shall notify the receiver of the confidential nature of the information and of the Party's obligations under this clause 22 in respect of such information. Each Party shall be liable and

responsible for any breach of confidentiality by a Person to whom it has disclosed the information under clauses 22.2(a), 22.2(b), 22.2(c), 22.2(d) and 22.2(e).

22.4 **Third Party Demand for Information**

If a Party is served with any demand, subpoena or is a party to any proceedings seeking or requiring the discovery, disclosure or production of any information, documents or agreements including (without limitation) any information which is proprietary to any other Party, the first mentioned Party shall, at the expense of the other Party and to the extent permitted by law:

(a) forthwith give a copy and notify the other Party of any such demand, subpoena or other proceedings;

(b) comply with all reasonable directions issued by the other Party in respect of the protection or the dissemination of such information, documentation and agreements (whether or not confidential);

(c) upon receiving written notice from the other Party, without limiting any rights of the Seller under this Agreement in respect of the default, the Parties shall meet and determine the actions to be taken, including to preserve to the maximum extent reasonably possible the secrecy of any information, with regard to the conduct of any negotiations, dissemination or proceedings relating to such information, documentation and agreements (whether confidential or not);

(d) not otherwise do anything to prejudice the protection of such information, documents and agreements or which is inconsistent with this clause; and

(e) continue to consult with the other Parties and keep those Parties fully informed in relation to all matters referred to in this clause 22.4.

For the avoidance of doubt, nothing in this clause limits the right of a Party to disclose information pursuant to clause 22.2(f) or clause 22.2(g).

22.5 **Urgent Relief**

Nothing in this Agreement shall operate to prevent a Party from seeking urgent injunctive relief in respect of any breach or threatened breach of this clause 22.

23. ASSIGNMENT

23.1 **Restriction on Assignment**

(a) Subject to clause 23.1 (b), a Party may not assign or novate all or part of its rights or obligations under this Agreement to any person without the approval of the other Parties, such approval not to be unreasonably withheld or delayed where:

(i) the proposed assignee or transferee is technically and financially capable of undertaking and discharging the obligations of the assignor to the extent of the proposed assignment provided; and

(ii) in case of assignment or novation by the Seller, such assignee or transferee has appropriate rights and the ability to supply Gas as required by this Agreement.

(b) A Party may, without the consent of the other Parties, assign or novate all or any of its rights and obligations under this Agreement to:

(i) a Related Body Corporate wholly owned by the Ultimate Holding Company of that Party; or

(ii) as part of, in connection with or as a result of, a corporate reconstruction, amalgamation, merger, demerger or disaggregation of a Party or of a corporation:

(A) which is the Ultimate Holding Company of the Party; and

(B) whose shares are listed on a stock exchange; or

(iii) in the case of assignment or novation by a Buyer, to any person that has or obtains a legal or beneficial interest in the Mereenie Gas Field;

(iv) in case of assignment or novation by the Seller, to any person that has or obtains a legal or beneficial interest in the Palm Valley Gas Field; or

(v) to a financial institution for the purpose of securing repayment of any financial indebtedness.

(c) For the avoidance of doubt, notwithstanding clauses 23.1(a) and 23.1(b), one Buyer does not require the consent of the other Buyer to assign or novate all or part of its rights or obligations under this Agreement.

23.2 **Deed of Covenant**

(a) Any assignment or novation permitted under this clause 23 shall not take effect until the assignee or transferee has executed a deed of covenant in favour of the non-assigning Party (which may be by way of deed poll) agreeing to comply with, observe and perform the provisions of this Agreement affected by the assignment or novation, such deed to be in a form approved by the non-assigning Party acting reasonably unless the consent of that non-assigning Party is not required under this clause 23 (in which case approval is not required).

(b) With effect from the effective date of the assignment or novation:

(i) the assignor or transferor shall be released from the assigned or transferred obligations and liabilities under this Agreement without prejudice to any rights, obligations and liabilities which have accrued up to such time; and

(ii) the assignee or transferee shall assume the assigned or transferred obligations and liabilities (but without any obligation in respect of the period prior to the effective date of the assignment or transfer).

24. DISPUTE RESOLUTION

24.1 **Disputes**

Subject always to clause 22.5, if any dispute or difference arises between the Parties under this Agreement that cannot be resolved between the Parties **(Dispute)**, then a Party may by notice to the other Parties specifying the nature of the Dispute (together with reasonable supporting documentation) **(Dispute Notice)**, request that the dispute be resolved in accordance with this clause 24.

24.2 **Senior Representatives to Resolve**

On receipt of a Dispute Notice, senior representatives of each Party with authority to resolve the Dispute shall promptly meet to seek to resolve the Dispute in a timely manner.

24.3 **Dispute Resolution**

If the senior representatives cannot resolve the dispute within ten (10) Business Days of service of the Dispute Notice the matter shall (unless the Parties otherwise agree) be finally determined by:

(a) an Expert in accordance with clause 24.4 (where the Dispute relates to a technical or financial matter); or

(b) arbitration in accordance with clause 24.5 (where the Dispute relates to legal rights or obligations under this Agreement, including a Dispute arising out of or in connection with this agreement or its formation).

24.4 **Expert Determination**

(a) Where a Dispute is referred to an Expert, the Parties shall agree to the identity of such person and the terms of appointment or, in default of agreement on such appointment (and its terms) within twenty (20) Business Days of the service of the Dispute Notice, on the application of either party as to the appointment (and its terms), by the Chairman for the time being of IAMA.

(b) No person is to be appointed to act as an Expert unless he or she is qualified by education, experience and training to determine the matter in Dispute.

(c) The Parties agree that:

(i) the Dispute is to be resolved according to the IAMA Expert Determination Rules, current as at the date the Expert is appointed; and

(ii) they must abide by, and must procure the Expert's agreement to resolve the Dispute according to, the IAMA Expert Determination Rules and the terms of this clause 24.4.

(d) The Parties must use their reasonable endeavours to ensure that the Expert makes his or her determination as quickly as possible. The Expert must make his or her determination in writing, giving the reasons for his or her determination, and must be issued within 2 (two) months of the Expert's appointment.

(e) In making such determination the Expert shall act as an expert and not as an arbitrator and his decision shall (in the absence of manifest error or fraud) be final and binding on the Parties.

(f) Each Party shall bear the costs and expenses of all counsel and other advisers, witnesses and employees retained by it and the costs and expenses of the Expert shall be borne by the Parties in the proportions he may direct or, in the absence of direction, equally.

(g) Subject to any rule of law or of any regulatory body or any provision of any contract or arrangement entered into prior to the date of this Agreement to the contrary, the Buyer and the Seller shall afford as soon as reasonably practicable upon request to the other and their respective agents and to the Expert all facilities and access to their respective premises, personal papers, books, accounts, records, returns and other documents as may be in their respective possession or under their respective control as may be required by the Expert to make his determination.

24.5 **Arbitration**

(a) The arbitral tribunal shall be composed of one arbitrator.

(b) The arbitrator shall be appointed by agreement between the Parties or, in default of agreement, within twenty (20) Business Days of service of the Dispute Notice by the Chairman for the time being of IAMA in accordance with the IAMA Arbitration Rules.

(c) The seat of the arbitration shall be Adelaide, South Australia.

(d) The language to be used in the arbitral proceedings shall be English.

(e) The arbitration shall be conducted under the IAMA Arbitration Rules in force as at the date of the commencement of the arbitration.

(f) The Parties must use their reasonable endeavours to ensure that the arbitration is conducted as quickly as possible. The award of the tribunal must be reasoned and in writing and must be issued within 3 (three) months of completion of the hearing or as soon as possible thereafter.

(g) Unless otherwise determined by the tribunal, each Party will bear its own costs arising out of or in connection with the arbitration.

(h) In the event of default by any Party in respect of any procedural order made by the tribunal, the tribunal shall have the power to proceed with the arbitration and to deliver its award.

(i) All awards shall be final and binding on the Parties. By agreeing to arbitration under this clause the Parties waive irrevocably their right to any form of appeal, review or recourse to any court or other judicial authority, insofar as such waiver may be validly made.

25. GENERAL

25.1 Entire Agreement

This Agreement constitutes the full agreement among the Parties and supersedes all prior negotiations, representations, proposals, understandings and agreements, whether oral or written, regarding the subject matter of this Agreement.

25.2 Amendment

A purported modification, variation or amendment of this Agreement will not have any force or effect until it is in writing and executed by the Party against whom such amendment is sought to be enforced. Any amendment, modification or variation by or in favour of one Buyer must be offered by the Seller to the other Buyer in writing. Such offer must remain available for acceptance for a period of not less than thirty (30) Days.

25.3 Waiver

Any waiver or relaxation by a Party partly or wholly of any provision or right under this Agreement:

(a) is valid only if in writing and signed by that Party;

(b) applies to a particular occasion only;

(c) is restricted to its written terms and is not continuing nor of general application unless expressed so to be; and

(d) does not constitute a waiver or relaxation of any other term or condition.

Any such waiver by the Seller in favour of one Buyer must be offered or made available by the Seller to the other Buyer in writing. Such offer shall remain available for acceptance for a period of thirty (30) Days from the earliest time that such Buyer may benefit from such waiver.

25.4 Further assurances

The Parties must do all things, and execute all documents, reasonably necessary to give full effect to this Agreement.

25.5 **Severability**

If a provision or provisions of this Agreement shall be held illegal or unenforceable by any court or administrative body of competent jurisdiction, such determination shall not affect the remaining parts of this Agreement, which shall remain in full force and effect as if such illegal or unenforceable provision had not been included.

25.6 **Counterparts**

This Agreement may be executed in counterpart, in which case once a counterpart signed by each Party has been exchanged for a counterpart signed by the other Parties, each signed counterpart is to be regarded as one and the same as an original agreement signed by all Parties.

Executed as an Agreement.

EXECUTED by **MAGELLAN PETROLEUM (N.T) PTY. LTD.** ABN 95 009 718 183 in accordance with section 127(1) of the Corporations Act:	
Signature of Director	Signature of Director / ~~Secretary~~
Joseph Patrick Morgera	Marvyn Victor Cowie
Name of Director (block letters)	Name of Director / ~~Secretary~~ (block letters)

SIGNED for **SANTOS QNT PTY. LTD.**
ABN 33 083 077 196 by its duly authorised representative:

Signature of Authorised Representative

Signature of Witness

Name of Authorised Representative
(block letters)

Name of Witness
(block letters)

Executed as an Agreement.

EXECUTED by **MAGELLAN PETROLEUM (N.T.) PTY. LTD.**
ABN 95 009 718 183 in accordance with
section 127(1) of the Corporations Act:

Signature of Director	Signature of Director / Secretary
Name of Director (block letters)	Name of Director / Secretary (block letters)

SIGNED for **SANTOS QNT PTY. LTD.**
ABN 33 083 077 196 by its duly authorised
representative:

/s/ Christian John Paech	/s/ David Knox
Signature of Witness Christian John Paech General Counsel	Signature of Authorised Representative David Knox
Name of Witness (block letters)	Name of Authorised Representative (block letters)

SIGNED for **SANTOS LIMITED**
ABN 80 007 550 923 by its duly authorised representative:

/s/ Christian John Paech

Signature of Witness
Christian John Paech
General Counsel

Name of Witness
(block letters)

/s/ David Knox

Signature of Authorised Representative

Name of Authorised Representative
(block letters)

SCHEDULE – GAS SPECIFICATION

COMPONENT	UNITS	LIMITS	
		Minimum	Maximum
Gross Heating Value	MJ/sm^3	33.0	42.0
Wobbe Index	MJ/sm^3	44.0	51.0
Cricondentherm	Deg C		10.0
Water Content	Mg/sm^3		80.0
Nitrogen	Mol %		11.0
Carbon Dioxide	mol %		5.0
Total Inerts	mol %		12.0
Hydrogen Sulphide	ppm (wt)		10.0
Total Sulphur	Mg/sm^3		50.0
Oxygen	mol %		0.2
Mercury	Mg/sm^3		0.2
Solids size	microns		10
Methanol	Mg/sm^3		1.0
Glycols	Mg/sm^3		1.0
Radioactivity	Bq/sm^3		8,000
Receipt Temperature	Deg C		60.0
Delivery Temperature	Deg C		60.0

Exhibit 10.4

EXECUTION COPY

AMENDED EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into as of the 28th day of September, 2009, between and among MAGELLAN PETROLEUM CORPORATION, a Delaware corporation ("Magellan") ("the Company") and Susan M. Filipos, an individual residing at 546 Elmwood Road, Pownal, Maine 04069 (the "Employee"). The parties amended this Agreement on August 16, 2011 and these changes are specifically incorporated into the original Agreement as set forth below.

W I T N E S S E T H

WHEREAS, the Employee will commence employment with the Company and will serve as the Company's Controller, effective as of October 1, 2009 (the "Effective Date"); and

WHEREAS, the Employee has been advised by the Company that Employee's execution and delivery of this Agreement is a condition of employment with the Company; and

WHEREAS, in exchange for employment with the Company, the Employee is willing to enter into this Agreement with the Company; and

WHEREAS, the Employee and the Company (the "Parties") have determined it in their best interests to enter into this Agreement; and

WHEREAS, the Parties will be entering into a non-qualified stock option award agreement (the "Option Agreement") dated as of the Effective Date;

NOW, THEREFORE, in consideration of the foregoing, the Company and the Employee covenant and agree as follows:

1. Employment.

1.1 Employment. The Company hereby agrees, as of the Effective Date, to employ the Employee, and the Employee 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 At-Will Status. The Company hereby shall employ the Employee as an at-will employee. As such, the Employee's employment shall be at the will of either party. The Company may terminate this Agreement and the Employee's employment, at any time for any reason, either with or without Cause (as defined herein), and either with or without prior notice. Similarly, the Employee may terminate this Agreement and the Employee's employment, at any time for any reason, either with or without cause, and either with or without prior notice. In the event the Company elects to terminate this Agreement by oral notice, termination shall be effective immediately upon the conveyance of such oral notice, and in the event the Company elects to terminate this Agreement by written notice, termination shall be effective as provided in Section 14.3 hereof, unless a later effective date is specified in the oral or written notice. In the event the Employee elects to terminate this Agreement, either by oral or written notice, and such termination is not effective immediately, the Employee's right to continue to render

services and to be paid regular compensation through the effective date of termination specified in the Employee's notice shall be at the sole discretion of the Company, and the Company reserves the right to establish an earlier termination date in its sole discretion.

1.3 Termination Benefits. Upon termination of Employee's employment with the Company for any reason, the obligations of Company under this Agreement shall cease and Employee shall forfeit all right to receive any compensation or other benefits under this Agreement, except the amounts specified in Sections 6, 7 or 8 of this Agreement, if any.

2. Duties.

2.1 Office. As of the Effective Date, the Employee will assume the position of Controller of the Company, shall report directly to the Company's Chief Financial Officer ("CFO") and shall have such duties as are appropriate to her positions with the Company, and will have such authority as required to enable the Employee to perform these duties. Consistent with the foregoing, the Employee shall comply with all reasonable instructions of the CFO and the Company's President and Chief Executive Officer ("CEO"). It is the intention of the Parties that the Employee will devote all of her business time and attention and best efforts to the affairs of the Company and its subsidiaries and her duties. Nothing in this Agreement shall prevent the Employee from (i) participating in charitable, civic, educational, professional, community or industry affairs or, with prior written approval of the Board, serving on the board of directors or advisory boards of other companies; and (ii) managing the Employee's and the Employee's family's personal investments so long as such activities do not materially interfere with the performance of the Employee's duties hereunder or create a potential business conflict or the appearance thereof.

2.2 Office Location. The Employee shall be based at the Company's office located in Portland, Maine, for purposes of the Employee's performance of services hereunder. The Employee shall be available to travel to the Company's offices or other business facilities in the United Kingdom and in Australia from time to time, up to four (4) times each year.

3. Compensation and Benefits.

3.1 Salary. Effective April 1, 2011, the Company shall pay the Employee a base salary at an annual rate of One Hundred and Thirty-Five Thousand Dollars ($135,000). Beginning July 1, 2012 and effective each July 1st thereafter, the Employee's salary shall be increased by a percentage amount equal to the percentage increase in the Bureau of Labor Statistics' announced Consumer Price Index for All Urban Consumers, All Items (the "CPI-U"), unadjusted, for the 12-month period ending June 30th of the calendar year immediately preceding the July 1st on which such salary increase is scheduled to take effect. The Company's CFO shall conduct an annual performance evaluation of the Employee and may recommend that the Board, in its sole and absolute discretion, increase the Employee's base salary in light of the Employee's performance, inflation, changes in the cost of living and other factors deemed relevant by the Company. The Employee's base salary shall be paid in U.S. dollars ($) by means of wire transfers to a U.S. account designated by the Employee, in accordance with the Company's standard pay practices, but not less frequently than monthly.

3.2 Equity Awards.

(a) On the Effective Date, the Employee will be granted by the Board a non-qualified stock option (the "Stock Options") under the Company's 1998 Stock Incentive Plan, as amended to date (the "Stock Incentive Plan"), which Stock Options will entitle the Employee to purchase an aggregate of one hundred and fifty thousand (150,000) shares of common stock of the Company, par value $.01 per share (the "Common Stock"), at an exercise price per share of not less than the "fair market value" of a share of Common Stock at the time of grant, as determined in accordance with the terms of the Stock Incentive Plan. The terms and conditions of the Stock Options are set forth in the Option Agreement, the form and content of which is substantially similar to the option agreements evidencing other awards made under the Stock Incentive Plan.

(b) Future awards of equity under the Incentive Plan (or any successor plan), if any, shall only be made by the Board in its sole discretion, after receipt of a recommendation by the Compensation Committee.

3.3 Benefit Programs. The Employee 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), 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 coverages, short-term and long-term disability.

3.4 Vacations and Holidays. The Employee shall be entitled to vacation leave of four (4) 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 Employee shall be entitled to such holidays as are established by the Company for all employees.

3.5 Computer Equipment; Parking Space. The Company shall, at its sole cost and expense, provide the Employee with a computer laptop and a blackberry (or similar device) with foreign service capability, for her use while serving as the Company's Controller. The Company shall provide a parking space for the Employee's use at or nearby the main office location of the Company offices in Portland, Maine.

3.6 Insurance Coverage. For a period of eighteen (18) months following the commencement of the Employee's employment by the Company, the Company shall reimburse the Employee's COBRA payments, up to a maximum of $1,121 per month. Thereafter, the Company shall reimburse the Employee a maximum of $13,000 per year for family health insurance coverage, which shall consist of medical, prescription and dental benefits, provided however, that the reimbursements provided for in this sentence shall cease at such time as the Employee becomes a participant in the health insurance plan available to all of the Company's employees. Reimbursements under this Section 3.6 shall be made monthly, but in any event no later than the end of the year following the year in which such expenses were incurred by Employee. The expenses eligible for reimbursement during Employee's taxable year may not affect the expenses eligible for reimbursement in any other year, and the right to reimbursement is not subject to liquidation or exchange for another benefit.

4. Business Expenses. The Employee shall be entitled to prompt reimbursement for all reasonable, documented and necessary expenses incurred by the Employee in performing her services hereunder in accordance with the policies of the Company, provided that the Employee properly accounts therefor 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 shall be construed to mean "Separation from Service" as so defined.

6. Terminations of Employment by the Company.

6.1 Termination by the Company Other Than For Disability or Cause.

(a) The Company may terminate the Employee's employment at any time for any reason other than (i) by reason of the Employee's Disability (as defined in Section 6.2) or (ii) for Cause (as defined in Section 6.3), by giving the Employee notice of termination in the manner specified in Section 1.2 above.

(b) In the event of such a termination of employment by the Company without Cause or by reason of the Employee's Disability, then the Company shall pay to the Employee each of the following amounts:

(i) her base salary pursuant to Section 3.1 through the date of such termination of employment, plus her base salary for the period of any vacation time earned but not taken for the year of termination of employment;

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

(iii) any reimbursement amounts owing under Section 3.6 or 4 hereof; and

(iv) a severance amount equal to one year's base salary, based upon the Employee's then-current base salary without further increase. The amount of the severance benefit shall be paid to the Employee as follows:

(A) A payment of one half of her then current base salary (the "Initial Severance Payment") shall be made to the Employee on the first (1st) date of the calendar month following the Employee's Separation from Service.

(B) The remaining one half of her then current base salary (the "Remaining Payment") shall be divided into six (6) equal amounts and paid to the Employee in installments on the first day of each the six (6) succeeding months following the date on which the Company makes the Initial Severance Payment.

(C) Notwithstanding the foregoing, if the Employee is a "specified employee" of the Company at the time of her Separation from Service, the Initial Severance Payment shall be made on the first date of the seventh (7th) month following the Employee's Separation from Service, and the Remaining Payments shall be made pursuant to subparagraph (B) above, beginning with the eighth (8th) month following the Employee's Separation from Service. The term "specified employee" as used herein shall have the meaning given to such term in Section 409A of the Code and the applicable regulations issued thereunder.

6.2 Termination Due to Disability.

(a) If the Employee incurs a Disability, as defined in Section 6.2(b), the Company may terminate the Employee's employment by giving the Employee notice in the manner specified in Section 1.2 hereof. In the event of such termination of the Employee's employment because of Disability, the Employee shall be entitled to receive (i) her base salary pursuant to Section 3.1 through the date of such termination of employment, plus her base salary for the period of any vacation time earned but not taken for the year of termination of employment; (ii) any other compensation and benefits to the extent actually earned by the Employee under any other benefit plan or program of the Company as of the date of such termination of employment, such compensation and benefits to be paid at the normal time for payment of such compensation and benefits to the extent not previously paid, and (iii) any reimbursement amounts owing under Section 3.6 or 4 hereof.

(b) For purposes of this Agreement, the Employee shall be considered to have incurred a "Disability" if and only if the Employee shall be unable to perform the duties of her 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 Employee or her legal representative.

6.3 Termination for Cause.

(a) The Company may terminate the Employee's employment immediately for Cause for any of the following reasons: (i) an act or acts of dishonesty or fraud by the Employee relating to the performance of her services to the Company; (ii) a breach by the Employee of her duties or responsibilities under this Agreement resulting in significant demonstrable injury to the Company or any of its subsidiaries; (iii) the Employee's conviction of a felony or any crime involving moral turpitude; (iv) the Employee's material failure (for reasons other than death or Disability) to perform her 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 Employee has been given written notice of the acts or omissions constituting such failure or insubordination and the Employee has failed to cure such conduct, where susceptible to cure, within twenty days following such notice; or (v) a breach by the Employee of any provision of

any material policy of the Company where the Employee has been given written notice of breach and the Employee has failed to cure such conduct, where susceptible to cure, within twenty days following such notice; (vi) or any breach of her obligations under Section 12 of this Agreement.

(b) The Company shall exercise its right to terminate the Employee's employment for Cause by giving the Employee written notice of termination specifying in reasonable detail the circumstances constituting such Cause. In the event of such termination of the Employee's employment for Cause, the Employee shall be entitled to receive only (i) her base salary pursuant to Section 3.1 earned through the date of such termination of employment plus her base salary for the period of any vacation time earned but not taken for the year of termination of employment, such base salary to be paid in a lump sum no later than the next payroll date following the Employee's date of termination to the extent not previously paid; (ii) any other compensation and benefits to the extent actually earned by the Employee under any other benefit plan or program of the Company as of the date of such termination of employment, such compensation and benefits to be paid at the normal time for payment of such compensation and benefits to the extent not previously paid; and (iii) any reimbursement amounts owing under Section 3.6 or 4 hereof.

7. Voluntary Termination of Employment by the Employee.

(a) Good Reason. The Employee may terminate her employment for Good Reason by giving the Company a written notice of termination at least 30 days before the date of such termination (or such lesser notice period as the Company may agree to) specifying in reasonable detail the circumstances constituting such Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without the Employee's written consent: (i) a material negative change in the scope of the authority, functions, duties or responsibilities of Employee'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 corporation shall not constitute Good Reason; (ii) any reduction in the Employee's base salary under Section 3.1 hereof; (iii) the Company materially changing the geographic location in which the Employee must perform services from the Portland, Maine metropolitan area (a "Geographic Relocation"); or (iv) any material breach by the Company of any provision of this Agreement without the Employee having committed any material breach of the Employee's obligations hereunder (including Section 14 hereof), in each case of (i), (ii), (iii) or (iv), which breach is not cured by the Company within thirty (30) days following written notice thereof to the Company of such breach. If an event constituting a ground for termination of employment for Good Reason occurs, and the Employee fails to give notice of termination within sixty (60) days after the occurrence of such event (other than a Geographic Relocation), the Employee shall be deemed to have waived her right to terminate employment for Good Reason in connection with such event (but not for any other event for which the sixty (60) day period has not expired). 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.

(b) In the event of the Employee's termination of her employment for Good Reason (other than a Geographic Relocation), the Employee shall be entitled to receive the Severance Benefits described in Section 6.1(b)(iv) of this Agreement. In order to receive the Severance

Benefits described in Section 6.1(b)(iv) of this Agreement due to a Geographic Relocation, the Employee must continue her employment with the Company through the filing of all Forms 10-Q and 10-K, as applicable, relating to the three fiscal quarters ending after the announcement to Company staff of the Geographic Relocation ("Financial Reporting Obligations"), consistent with the terms of this Agreement. The Employee would still be eligible to receive the Severance Benefits described in Section 6.1(b)(iv) of this Agreement if she terminates her employment due to a Geographic Relocation consistent with the provisions of Section 7(a) of this Agreement as of the last business day of the second fiscal quarter ending after the announcement to Company staff of a Geographic Relocation and continues to fulfill the Financial Reporting Obligations pursuant to mutually agreeable terms negotiated between the Employee and the Company. The Employee shall perform the Financial Reporting Obligations from the Company's Portland, Maine office or from another site designated by the Company which is in close proximity to Portland, Maine.

(c) The Employee may terminate her employment at any time and for any reason, by giving the Company notice in the manner specified in Section 1.2 above. In the event of the Employee's termination of her employment pursuant to this Section 7(c), the Employee shall be entitled to receive only: (i) her base salary pursuant to Section 3.1 earned through the date of such termination of employment plus her base salary for the period of vacation time earned but not taken for the year of termination of employment, such base salary to be paid in a lump sum no later than the next payroll date following the Employee's date of termination to the extent not previously paid; (ii) any other compensation and benefits to the extent actually earned by the Employee under any other benefit plan or program of the Company as of the date of such termination of employment, such compensation and benefits to be paid at the normal time for payment of such compensation and benefits to the extent not previously paid; and (iii) any reimbursement amounts owing under Section 3.6 or 4 hereof.

8. Termination of Employment By Death.

(a) In the event of the death of the Employee during the course of her employment hereunder, the Employee'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: (i) the Employee's base salary pursuant to Section 3.1 hereof earned through the date of the Employee's death plus the Employee's base salary for the period of vacation time earned but not taken for the year of the Employee's death, such base salary to be paid in a lump sum no later than the next payroll date following the Employee's date of termination to the extent not previously paid; (ii) any other compensation and benefits to the extent actually earned by the Employee under any other benefit plan or program of the Company as of the date of such termination of employment, such compensation and benefits to be paid at the normal time for payment of such compensation and benefits to the extent not previously paid; and (iii) any reimbursement amounts owing under Section 3.6 or 4 hereof.

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

9. Conditions to Payment of Severance Benefits. The Company's obligation to pay to the Employee the Remaining Payments described in Section 6.1(b)(iv)(B) and 7(b) hereof shall be subject to (i) the Employee's compliance with the provisions of Section 12 hereof; (ii) delivery to the Company of the Employee's resignations from all officer, directorships and fiduciary positions, if any, with the Company and its employee benefit plans; and (iii) the Employee'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").

10. 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 Employee or her 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 Employee continues to receive compensation and benefits consistent with those described in Section 3 hereof.

11. [Intentionally omitted]

12. Employee's Obligations.

(a) Confidentiality. The Employee agrees that she shall not, directly or indirectly, use, make available, sell, disclose or otherwise communicate to any person, other than in the course of the Employee's employment and for the benefit of the Company, either during the period of the Employee'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 Employee during the Employee'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 Employee; (ii) becomes known to the public subsequent to disclosure to the Employee through no wrongful act of the Employee or any representative of the Employee; or (iii) the Employee is required to disclose by applicable law, regulation or legal process (provided that the Employee 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 Employee's obligation to maintain such disclosed information in confidence shall not terminate where only portions of the information are in the public domain.

(b) Non-Solicitation. In the event that the Employee receives payment of the severance benefits described in Sections 6.1 and 7(b) hereof, the Employee agrees that for the two (2) year period following the date of termination hereof the Employee 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 Employee is not affiliated). For the avoidance of doubt, if a managerial level employee on her or her own initiative contacts the Employee for the primary purpose of securing alternative employment, any action taken by the Employee thereafter shall not be deemed a breach of this Section 12(b).

(c) Non-Competition. The Employee acknowledges that the Employee performs services of a unique nature for the Company that are irreplaceable, and that the Employee's performance of such services to a competing business will result in irreparable harm to the Company. Accordingly, in the event that the Employee receives severance benefits under Sections 6.1 and 7(b) hereof, the Employee agrees that for a period of two (2) years following the date of termination, the Employee will not, directly or indirectly, become connected with, promote the interest of, or engage in any other business or activity competing with the business of the Company within the geographical area in which the business of the Company is conducted. The Employee specifically acknowledges that the geographic area to which the covenants contained in this Section 12(c) shall apply everywhere in the world where the Company or its subsidiaries (i) own or otherwise hold oil, gas or other mineral resources or assets; (ii) are otherwise actively engaged in the business of extracting and selling oil, gas or other mineral resources or assets, or (iii) have definitive plans for (i) or (ii) within the twelve (12) months following the date of the Employee's termination of employment with the Company.

(d) Non-Disparagement. Each of the Employee and the Company (for purposes of this Section 12(d), "the Company" shall mean only (i) the Company and (ii) the executive officers and directors thereof and not any other employees) agrees not to make any public statements by press release or otherwise 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 12(d).

(e) Return of Company Property and Records. The Employee agrees that upon termination of the Employee's employment, for any reason whatsoever, the Employee 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 Employee 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 Employee during the Employee's employment with the Company.

(f) Cooperation. The Employee agrees that, following termination of the Employee's employment for any reason, the Employee 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 Employee was involved during the Employee's employment, including any litigation. The Company shall compensate the Employee for any lost wages (or, if the Employee is not then employed, provide reasonable compensation as determined by the Compensation Committee) and expenses associated with such cooperation and assistance.

(g) Assignment of Inventions. The Employee 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 Employee, or under which the Employee acquires the right to grant licenses or to become licensed, alone or jointly with others, which have arisen or which arise out of the Employee's employment with the Company, or relate to any matters directly pertaining to, the business of the Company or any of its subsidiaries. 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 Employee'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 Employee 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.

(h) 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 12 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 12 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 12 shall survive the termination or expiration of the Employee's employment with the Company and shall be fully enforceable thereafter.

13. 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, 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 Portland, Maine.

14. General Provisions.

14.1 No Duty to Seek Employment. The Employee 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 Employee hereunder shall be reduced or suspended if the Employee accepts subsequent employment, except as expressly set forth herein.

14.2 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 Employee and any deductions and withholdings required by applicable laws.

14.3 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
7 Custom House Street, 3rd Floor
Portland, ME 04101
Attn: President and CEO
Facsimile: (207) 553-2250

With a copy to: Leslie K. Klenk, Esq.
Bernstein Shur
100 Middle Street, P.O. Box 9729t
Portland, ME 04104-5029
Facsimile: (860) 774-1127

To the Employee: Susan M. Filipos
546 Elmwood Road
Pownal, Maine 04069
Facsimile: (207) ___-_____

With a copy to: Richard G. Moon, Esq.
Verrill Dana, LLP
One Portland Square
P.O. Box 586
Portland, ME 04112-0586
Facsimile: (207) 774-7499

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.

14.4 Covenant to Notify Management. The Employee shall abide by the ethics policies of the Company as well as the Company's other rules, regulations, policies and procedures. The Employee agrees to comply in full with all governmental laws and regulations as well as ethics codes applicable. In the event that the Employee 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 Employee 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 Employee understands that the Employee is precluded from filing a complaint with any governmental agency or court having jurisdiction over wrongful conduct unless the Employee has first notified the Company of the facts and permits it to investigate and correct the concerns.

14.5 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 Employee 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.

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

14.7 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.

14.8 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 14.8,

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 Employee, and any attempt to alienate, transfer, assign or attach such benefits shall be void. Notwithstanding the foregoing provisions of this Section 14.8, the Company may assign or delegate its rights, duties and obligations hereunder to any affiliate or to any person or entity which succeeds to all or substantially all of the business of the Company or one of its subsidiaries through merger, consolation, reorganization, or other business combination or by acquisition of all or substantially all of the assets of the Company or one of its subsidiaries without the Employee's consent.

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

14.10 Statute of Limitations. The Employee and the Company hereby agree that there shall be an eighteen (18) month statute of limitations for the filing of any requests for arbitration or any lawsuit relating to this Agreement or the terms or conditions of Employee's employment by the Company. If such a claim is filed more than eighteen (18) months subsequent to the Employee's last day of employment it shall be precluded by this provision, regardless of whether or not the claim has accrued at that time.

14.11 Right to Injunctive and Equitable Relief. The Employee's obligations under Section 12 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 Employee breaches such obligations. Therefore, the Employee 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 Employee and the rights and remedies of the Company under Section 12 and this Section 14.11 are cumulative and in addition to, and not in lieu of, any obligations, rights, or remedies as created by applicable law. In the event that the Company is not successful in obtaining any injunctive and/or equitable relief it seeks, the Employee shall be entitled to payment or reimbursement as appropriate of the Employee's reasonable attorney's fees and costs incurred in opposing the Company's claims. The Employee agrees that the terms of this Section 14.11 shall survive the term of this Agreement and the termination of the Employee's employment.

14.12 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.

14.13 Entire Agreement. This Agreement, along with Exhibit A attached hereto, and the Option Agreement (Exhibit B), 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 and the Option Agreement, is 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 and the Option Agreement, constitutes the complete and exclusive statement of their terms and that no extrinsic evidence may be introduced in any judicial proceeding involving such agreements.

14.14 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 Employee for any taxes or interest that may be assessed by the IRS pursuant to Section 409A of the Code.

14.15 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 Employee has hereunto set her hand as of the day and year first above written.

MAGELLAN PETROLEUM CORPORATION

By: /s/ Antoine Lafargue
Name: Antoine Lafargue
Title: Chief Financial Officer

EMPLOYEE

/s/ Susan M. Filipos
Susan M. Filipos

EXHIBIT A

TERMINATION, VOLUNTARY RELEASE AND WAIVER OF RIGHTS AGREEMENT

I, Susan M. Filipos, 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 an employee of Magellan Petroleum Corporation ("the Company"), and concurrently and unconditionally agree to sever my relationship as an employee of the Company, in consideration for the voluntary payment to me by the Company of the termination benefits set forth in Sections 6.1(b)(iv)(B) and 7(b) of the Employment Agreement dated as of September 28, 2009, as amended and restated on August _____, 2011, by and between me and the Company (the "Employment Agreement"), which is made a part hereof.

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 an employee 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 an employee of the Company except as set forth in my Employment Agreement (and specifically not as a shareholder or director), accepting the aforestated 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 Termination, Voluntary Release and Waiver of Rights Agreement (the "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 one percent (1%) of the outstanding publicly traded stock of any company.

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:

(b) The payment of the consideration 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.

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

(d) I will have seven (7) 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 (7) days.

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

(f) 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 paragraph number 2 above. 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 the agreement set forth herein, all Remaining Payments previously paid under Sections 6.1(b)(iv)(B) and 7(b) of the Employment 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. 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 agrees 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. 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. 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. 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 14 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 oral or written statements or reveal any information to any person, company, or agency which is disparaging or damaging to the reputation or business of the Company, its subsidiaries, directors, officers or affiliates, or 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.

Ninth. Termination of Agreement. Notwithstanding anything to the contrary in this Agreement, this Agreement may be terminated by the Company and all obligations to pay further Remaining Payments under Sections 6.1(b)(iv)(B) and 7(b) of the Employment Agreement shall cease, if: (a) the undersigned is terminated for "Cause" prior to the undersigned's separation date; or (b) facts are discovered after the undersigned's separation date that would have supported a termination for "Cause" had such facts been discovered prior to the undersigned's separation date.

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 or (ii) 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, Susan M. Filipos, warrant that I am competent to execute this Termination, Voluntary Release and Waiver of Rights Agreement and that I accept full responsibility thereof.

I, Susan M. Filipos, 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, Susan M. Filipos, 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 _____.

STATE OF MAINE)

: ss. _____, 20____

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:

Exhibit 31.1

RULE 13a-14(a) 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 officers 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 officers 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.

Dated: November 14, 2011

/s/ John Thomas Wilson
John Thomas Wilson
President and Chief Executive Officer

Exhibit 31.2

RULE 13a-14(a) 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 officers 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 officers 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.

Dated: November 14, 2011

/s/ Antoine J. Lafargue

Antoine J. Lafargue
Chief Financial Officer and Treasurer

Exhibit 32.1

SECTION 1350 CERTIFICATIONS

In connection with the Quarterly Report of Magellan Petroleum Corporation (the "Company") on Form 10-Q for the period ended September 30, 2011 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 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 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 result of operations of the Company.

Date: November 14, 2011

By: /s/ John Thomas Wilson
John Thomas Wilson
President and Chief Executive Officer

Exhibit 32.2

SECTION 1350 CERTIFICATIONS

In connection with the Quarterly Report of Magellan Petroleum Corporation (the "Company") on Form 10-Q for the period ended September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Antoine J. Lafargue, Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 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 result of operations of the Company.

Date: November 14, 2011

By: /s/ Antoine J. Lafargue
Antoine J. Lafargue
Chief Financial Officer and Treasurer