

MAGELLAN PETROLEUM CORP /DE/
Form PRER14A
May 24, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

(Amendment No. 1)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

Magellan Petroleum Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Magellan Petroleum Corporation
1775 Sherman Street, Suite 1950
Denver, Colorado 80203
_____, 2016

Dear Magellan Stockholders:

Magellan Petroleum Corporation (“Magellan” or the “Company”) has signed an Exchange Agreement (the “Exchange Agreement”) with One Stone Holdings II LP (“One Stone”) pursuant to which One Stone will transfer to the Company 100% of the outstanding shares of Magellan Series A convertible preferred stock, par value \$0.01 per share (the “Preferred Stock”), in consideration for the assignment to and assumption by One Stone of 100% of the outstanding membership interests in Nautilus Poplar LLC, a wholly owned subsidiary of the Company, and 51% of the outstanding common units in Utah CO2 LLC, a majority-owned subsidiary of the Company, as adjusted by the Cash Amount (as defined in the Exchange Agreement) (the “Exchange”). The Exchange, if consummated, will result in a sale to One Stone of all of Magellan’s interests in the Poplar field in Montana, which is owned by Nautilus Poplar LLC, in consideration for the Preferred Stock and the Cash Amount.

Magellan believes the Exchange will be beneficial to its stockholders. In order to complete the transactions contemplated by the Exchange Agreement, the Magellan stockholders must approve the Exchange and the other transactions contemplated by the Exchange Agreement at an annual and special meeting of stockholders to be held on _____, _____, 2016, at _____ a.m. local time in the Lobby Conference Room of the Denver Financial Center, located at 1775 Sherman Street, Denver, Colorado 80203. In addition, at the annual and special stockholders’ meeting, you and the other stockholders will be asked to vote on (i) the election of the individual named as a director nominee in the enclosed proxy statement to the Company’s Board of Directors for a three-year term; (ii) a non-binding advisory resolution to approve the compensation of the Company’s named executive officers; and (iii) the ratification of the appointment of EKS&H LLLP as the independent registered public accounting firm of the Company for the fiscal year ending June 30, 2016.

This letter and the enclosed proxy statement are being furnished to you in connection with the solicitation of proxies by the Magellan Board of Directors. Only stockholders who hold shares of Magellan common stock or Preferred Stock at the close of business on _____, 2016, the record date for the annual and special meeting, are entitled to vote at the meeting. Attached to this letter is an important document, a proxy statement, containing detailed information about Magellan, One Stone, the proposed Exchange and the other transactions contemplated by the Exchange Agreement, as well as the other matters to be considered at the annual and special stockholders’ meeting. Magellan urges you to read this document carefully and in its entirety.

Magellan’s Board of Directors recommends that you vote (1) “FOR” the approval of the Exchange and the other transactions contemplated by the Exchange Agreement; (2) “FOR” the election of the individual named as a director nominee in the enclosed proxy statement to the Company’s Board of Directors for a three-year term; (3) “FOR” the approval, on a non-binding advisory basis, of the compensation of the Company’s named executive officers; and (4) “FOR” the ratification of the appointment of EKS&H LLLP as the independent registered public accounting firm of the Company for the fiscal year ending June 30, 2016.

Your vote is very important. Whether or not you plan to attend the annual and special meeting, please take the time to complete, sign, date, and return the enclosed proxy card. If you hold your shares in “street name,” you should instruct your broker how to vote in accordance with your voting instruction card.

Please review the proxy statement carefully. In particular, please carefully consider the matters discussed under “Risk Factors” beginning on page 18 of the proxy statement. You can also obtain other information about Magellan from documents it has filed with the U.S. Securities and Exchange Commission.

Sincerely yours,

MAGELLAN PETROLEUM CORPORATION

/s/ J. Robinson West

/s/ J. Thomas Wilson

J. Robinson West

J. Thomas Wilson

Chairman of the Board of Directors

President and Chief Executive Officer

Magellan Petroleum Corporation
1775 Sherman Street, Suite 1950
Denver, Colorado 80203

NOTICE OF ANNUAL AND SPECIAL MEETING OF STOCKHOLDERS

To be held on _____, 2016

To the Stockholders of Magellan Petroleum Corporation:

We will hold an annual and special meeting of the stockholders of Magellan Petroleum Corporation (“Magellan” or the “Company”), a Delaware corporation, on _____, _____, 2016, at _____ a.m. local time in the Lobby Conference Room of the Denver Financial Center, located at 1775 Sherman Street, Denver, Colorado 80203, for the following purposes:

1. To approve the Exchange (as defined below) and the other transactions contemplated by the Exchange Agreement dated as of March 31, 2016 (the “Exchange Agreement”), between Magellan and One Stone Holdings II LP, a Delaware limited partnership (“One Stone”). Under the Exchange Agreement, One Stone will transfer to the Company 100% of the outstanding shares of Magellan Series A convertible preferred stock, par value \$0.01 per share (the “Preferred Stock”), in consideration for the assignment to and assumption by One Stone of 100% of the outstanding membership interests in Nautilus Poplar LLC, a Montana limited liability company and wholly owned subsidiary of the Company, and 51% of the outstanding common units in Utah CO2 LLC, a Delaware limited liability company and majority-owned subsidiary of the Company, as adjusted by the Cash Amount (as defined in the Exchange Agreement) (the “Exchange”);
2. To elect the individual named as a director nominee in the enclosed proxy statement to the Company’s Board of Directors for a three-year term;
3. To approve, on a non-binding advisory basis, the compensation of the Company’s named executive officers;
4. To ratify the appointment of EKS&H LLLP as the independent registered public accounting firm of the Company for the fiscal year ending June 30, 2016; and
5. To transact any other business as may properly come before the annual and special meeting or any adjournments or postponements of the meeting.

Only holders of record of Magellan common stock or Preferred Stock at the close of business on _____, 2016, the record date for the annual and special meeting, are entitled to notice of and to vote at the meeting or any adjournment or postponement of the meeting. The Exchange and the other proposed transactions contemplated by the Exchange Agreement cannot be completed unless Magellan stockholders approve the Exchange Agreement.

Proposal 1 will require the affirmative vote of the majority of the outstanding shares of Magellan common stock and Preferred Stock, voting together as a single class. Proposal 2 will require the affirmative vote of the plurality of the shares of Magellan common stock and Preferred Stock, voting together as a single class. Each of Proposals 3 and 4 will require the affirmative vote of a majority of the shares of Magellan common stock and Preferred Stock, voting together as a single class, present in person or represented by proxy at the annual and special meeting and entitled to vote on the matter.

Magellan's Board of Directors recommends that you vote (1) "FOR" the proposal to approve the Exchange and the other transactions contemplated by the Exchange Agreement; (2) "FOR" the proposal to elect the individual named as a director nominee in the enclosed proxy statement to the Company's Board of Directors for a three-year term; (3) "FOR" the approval, on a non-binding advisory basis, of the compensation of the Company's named executive officers; and (4) "FOR" the proposal to ratify the appointment of EKS&H LLLP as the independent registered public accounting firm of the Company for the fiscal year ending June 30, 2016.

To ensure your representation at the annual and special meeting, please complete and promptly mail your proxy card in the return envelope enclosed, or authorize the individuals named on your proxy card to vote your shares by calling the toll-free telephone number or by using the Internet as described in the instructions included with your proxy card or voting instruction card. This will not prevent you from voting in person, but will help to secure a quorum for the annual and special meeting and avoid added solicitation costs. If your shares are held in "street name" by your broker or other nominee, only that holder can vote your shares, and the vote cannot be cast on any matter other than Proposal 4 unless you provide instructions to your broker. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Your proxy may be revoked at any time before it is voted. Please review the proxy statement accompanying this notice for more complete information regarding the annual and special meeting.

By Order of the Board of Directors,

/s/ Antoine Lafargue

Antoine Lafargue, Corporate Secretary

_____, 2016

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Exchange or the Exchange Agreement or passed upon the fairness or merits of the Exchange, the Exchange Agreement or upon the accuracy or adequacy of the information contained in this proxy statement. Any representation to the contrary is a criminal offense.

YOUR VOTE IS IMPORTANT

WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL AND SPECIAL MEETING, PLEASE VOTE ALL PROXIES YOU RECEIVE. STOCKHOLDERS OF RECORD CAN VOTE ANY ONE OF THREE WAYS:

BY TELEPHONE: CALL THE TOLL-FREE NUMBER ON YOUR PROXY CARD TO VOTE BY PHONE;

VIA INTERNET: VISIT THE WEBSITE ON YOUR PROXY CARD TO VOTE VIA THE INTERNET; OR

BY MAIL: MARK, SIGN, DATE, AND MAIL YOUR PROXY CARD IN THE ENCLOSED POSTAGE-PAID ENVELOPE.

THE METHOD BY WHICH YOU DECIDE TO VOTE WILL NOT LIMIT YOUR RIGHT TO VOTE AT THE ANNUAL AND SPECIAL MEETING. IF YOU LATER DECIDE TO ATTEND THE ANNUAL AND SPECIAL MEETING IN PERSON, YOU MAY VOTE YOUR SHARES EVEN IF YOU HAVE PREVIOUSLY SUBMITTED A PROXY.

IF YOU HOLD YOUR SHARES THROUGH A BANK, BROKER OR OTHER NOMINEE, YOU MUST FOLLOW THE VOTING INSTRUCTIONS PROVIDED BY THE NOMINEE. IN ADDITION, YOU MUST OBTAIN A PROXY, EXECUTED IN YOUR FAVOR, FROM THE NOMINEE TO BE ABLE TO VOTE AT THE MEETING. YOU MAY BE ABLE TO VOTE VIA THE INTERNET OR BY TELEPHONE IN ACCORDANCE WITH THE INSTRUCTIONS THE NOMINEE PROVIDES.

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PRELIMINARY COPY—SUBJECT TO COMPLETION

Magellan Petroleum Corporation
1775 Sherman Street, Suite 1950
Denver, Colorado 80203

PROXY STATEMENT

Annual and Special Meeting of Stockholders to be Held on _____, 2016

The Magellan Petroleum Corporation (“Magellan” or the “Company”) Board of Directors (the “Board”) is soliciting the accompanying proxy for use in connection with an annual and special meeting of stockholders (the “Meeting”) to be held on _____, _____, 2016, at _____ a.m. local time in the Lobby Conference Room of the Denver Financial Center, located at 1775 Sherman Street, Denver, Colorado 80203. The Board is soliciting the proxy in connection with the transactions contemplated by the Exchange Agreement (the “Exchange Agreement”), dated March 31, 2016, between Magellan and One Stone Holdings II LP, a Delaware limited partnership (“One Stone”) and certain other matters to be proposed at the Meeting as discussed below. The Board is seeking the Magellan stockholders’ approval of the proposals set forth in the accompanying letter and notice of annual and special meeting of stockholders, and in this proxy statement.

QUESTIONS AND ANSWERS ABOUT VOTING PROCEDURES
AND THE MEETING

The following questions and answers highlight only selected procedural information from this proxy statement. Magellan urges you to read carefully the remainder of this proxy statement because the questions and answers below do not contain all of the information that might be important to you with respect to the proposals that will be considered at the Meeting. Additional important information is also contained in the annexes to this proxy statement.

Q: Why am I receiving this proxy statement?

Magellan has entered into an Exchange Agreement with One Stone under which One Stone will transfer to Magellan 100% of the outstanding shares of Magellan Series A convertible preferred stock, par value \$0.01 per share (the “Preferred Stock”), in consideration for the assignment to and assumption by One Stone of 100% of the outstanding membership interests (the “Poplar Membership Interests”) in Nautilus Poplar LLC (“Poplar”), a Montana limited liability company and wholly owned subsidiary of Magellan, and 51% of the outstanding common units (the “Purchased Utah CO2 Common Units” and together with the Poplar Membership Interests, the “CO2 Business”) A: in Utah CO2 LLC (“Utah CO2”), a Delaware limited liability company and majority-owned subsidiary of Magellan, as adjusted by the Cash Amount (as defined in the Exchange Agreement) (the “Exchange”). The Exchange, if consummated, will result in a sale to One Stone of all of Magellan’s interest in the Poplar field, which is owned by Poplar, in consideration for the Preferred Stock and the Cash Amount. Magellan’s interest in the Poplar field may be considered to comprise substantially all of its assets. Therefore, in accordance with Delaware law, Magellan stockholders are being asked to vote to approve the Exchange and the other transactions contemplated by the Exchange Agreement.

In addition, Magellan stockholders are being asked at the Meeting to elect a director nominee, to vote on a non-binding proposal to approve the compensation of the Company’s named executive officers (“NEOs”) and to ratify the appointment of the Company’s independent registered public accounting firm.

Q: What are the principal conditions of the proposed Exchange?

The Exchange and the other transactions contemplated by the Exchange Agreement require the approval of A: Magellan stockholders. Magellan is holding the Meeting to obtain the requisite approval. The other principal conditions of the Exchange include the absence of any governmental injunction, judgment or ruling preventing

consummation of the transactions contemplated by the Exchange Agreement, the consent of West Texas State Bank to release a guaranty provided by Magellan of certain indebtedness of Poplar, the accuracy of each party's representations and warranties contained in the Exchange Agreement (subject to certain materiality qualifiers), and each party's compliance with its covenants and agreements contained in the Exchange Agreement in all material respects. For a description of the other terms and conditions of the Exchange, please see "The Exchange Agreement" beginning on page 43 of this proxy statement. A copy of the Exchange Agreement is attached to this proxy statement as Annex A.

Q: Will the proposed transactions result in a change in control of Magellan?

A: No. Magellan is transferring to One Stone substantially all of Magellan's interest in the Poplar field, which is owned by Poplar, in consideration for the Preferred Stock and the Cash Amount, but the ownership interests in Magellan are not changing hands (other than the transfer to Magellan of the Preferred Stock).

Q: Why is the Company proposing to sell at this time 100% of the outstanding membership interests in Poplar and the Purchased Utah CO2 Common Units, which together may be considered to comprise substantially all of Magellan's assets?

A: The dramatic decline in worldwide oil prices beginning in mid-2014 has had a variety of adverse effects on the Company, including by reducing revenues from Poplar's shallow conventional wells. The reduction in Poplar's revenues has caused liquidity constraints for the Company that the Exchange is intended, in part, to address. See "Background of the Exchange" for further details. In particular, the transfer of the West Texas State Bank loan and other liabilities associated with Poplar in the Exchange will substantially strengthen the Company's balance sheet and is expected to improve future liquidity. The special committee of the Board (the "Special Committee") believes that the Exchange and the monetization of some or all of the Company's remaining assets should allow the Company to continue to operate on a limited basis and satisfy its remaining financial obligations for a substantial period of time following the completion of the Exchange. See "Post-Exchange Business Strategy" for a description and discussion of the Company's remaining assets immediately following the Exchange.

The Special Committee also believes that Magellan's public platform is of potential additional value, which could be realized through a merger or similar business combination transaction with another company. Although the terms, timing, and availability of a possible post-Exchange merger or other business combination transaction are uncertain and subject to certain risks, the Special Committee believes that the Exchange may facilitate such a transaction, including by eliminating the Company's debt, the Preferred Stock, and virtually all liabilities associated with Poplar. The Exchange will position Magellan to focus on generating additional value for stockholders by monetizing the Company's international assets and pursuing business combination opportunities, possibly with private companies or international parties interested in accessing the U.S. capital markets. The Special Committee believes that completing the Exchange is likely a pre-condition to the successful completion of any such business combination.

Notwithstanding the proposed sale of what may be considered to comprise substantially all of the Company's assets, resulting in the Company having no substantial operations or ongoing revenue generating capabilities following the Exchange, management believes that following the Exchange, Magellan will not be a "shell company" as defined in Rule 12b-2 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), as it will retain significant non-cash assets for at least some period of time.

Q: What am I voting on?

A: You are voting on (1) a proposal to approve the Exchange and the other transactions contemplated by the Exchange Agreement; (2) a proposal to elect to the Board for a three-year term the individual named as a director nominee in this proxy statement; (3) a non-binding advisory resolution to approve the compensation of the Company's

NEOs; and (4) a proposal to ratify the appointment of EKS&H LLLP (“EKS&H”) as the independent registered public accounting firm of the Company for the fiscal year ending June 30, 2016.

Q: What vote of Magellan stockholders is required to approve these proposals?

In order for the proposals to be voted on at the Meeting, a “quorum” of the shares must be present. A quorum is 33 % of the issued and outstanding shares of Magellan common stock and Preferred Stock. All shares of Magellan common stock and Preferred Stock held by stockholders who are present in person or by proxy will count towards a quorum, including Magellan shares held by stockholders who are present in person at the Meeting but not voting, and Magellan shares for which Magellan has received proxies indicating that their holders have abstained. Shares of Magellan common stock and Preferred Stock held by stockholders who are not present in person or by proxy will not be counted towards a quorum.

The proposal regarding the Exchange and the other transactions contemplated by the Exchange Agreement will require the affirmative vote of the majority of the outstanding shares of Magellan common stock and Preferred Stock, voting together as a single class. Each of the proposals regarding (i) the compensation of the Company’s NEOs (by a non-binding advisory vote) and (ii) the appointment of EKS&H as the independent registered public accounting firm of the Company will require the affirmative vote of the majority of the shares of Magellan common stock and Preferred Stock, voting together as a single class, present in person or represented by proxy at the Meeting and entitled to vote on the matter. The proposal regarding the director election will require the affirmative vote of the plurality of the shares of Magellan common stock and Preferred Stock, voting together as a single class. See “The Meeting—Quorum Required; ‘Broker Non-Votes,’ Abstentions, and Withholding Authority” for a description of the effect of “broker non-votes,” abstentions, and “withhold” votes on the outcome of each vote.

Q: What additional actions must the parties take in connection with completing the Exchange?

Pursuant to the Exchange Agreement, on or before April 15, 2016, Magellan and One Stone must (i) enter into a Secured Promissory Note (the “Secured Promissory Note”) pursuant to which One Stone will make a loan to Magellan in the aggregate amount of \$625,000 (the “Loan Amount”) and (ii) simultaneously enter into a Pledge Agreement (the “Pledge Agreement”) pursuant to which Magellan will pledge, assign, and grant to One Stone a security interest in certain assets of Magellan as collateral for the loan. Magellan is required to use the borrowed amounts to satisfy transaction costs and pay certain outstanding accounts payable. On April 15, 2016, Magellan and One Stone entered into each of the Secured Promissory Note and the Pledge Agreement, copies of which are attached to this proxy statement as Annex B and Annex C, respectively.

In addition, if requested by One Stone, Magellan will (i) form a new Delaware limited liability company (“Newco”), contribute to Newco its membership interests in Poplar and Utah CO2, and contribute its interests in Newco to One Stone at the closing of the transaction and (ii) take or avoid taking certain other actions regarding tax structuring and tax elections.

Q: If the Exchange is completed, as of when will it be given economic effect?

A: If the Exchange is completed, the transfer of Poplar to One Stone will be given economic effect as of September 30, 2015 (the “Effective Date”).

Q: When will the Cash Amount be paid and how is it determined?

At closing, Magellan will pay One Stone cash in an amount equal to the Cash Amount if the Cash Amount is positive, or if the Cash Amount is negative, One Stone will pay the Company an amount equal to the absolute value of the Cash Amount. The Cash Amount equals (i) the Loan Amount plus (if positive) or minus (if negative) (ii) the net revenues and expenses attributable to Poplar after the Effective Date, minus (iii) any transaction costs One Stone has agreed to pay pursuant to the Exchange Agreement that have not been paid on or prior to closing

minus (iv) certain Poplar specified liabilities actually paid by the Company or Poplar prior to closing. At the closing of the transactions contemplated by the Exchange Agreement, the Loan Amount will be deemed to be paid in full as a portion of the exchange consideration, and no amounts under the Secured Promissory Note will be repaid by the Company. If the Exchange is not consummated, the Company will be required to repay this amount. Upon closing of the Exchange, One Stone will assume all assets and virtually all liabilities related to Poplar.

Q: How will One Stone vote the shares of Preferred Stock that it owns?

A: Pursuant to the Exchange Agreement, One Stone is required to vote all shares of Preferred Stock in favor of the proposal to approve the Exchange and the other transactions contemplated by the Exchange Agreement. In connection with the other proposals being considered at the Meeting, One Stone may vote its shares of Preferred Stock however it deems appropriate.

Q: Why am I being asked to cast a non-binding advisory vote on the compensation of the Company's NEOs?

A: In accordance with Section 951 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") and U.S. Securities and Exchange Commission ("SEC") rules, Magellan stockholders are being asked to approve, on a non-binding advisory basis, the compensation of the Company's NEOs disclosed in this proxy statement, as disclosed in "Proposal 3—Non-Binding Advisory Resolution to Approve the Compensation of the Company's Named Executive Officers." This is commonly known as a "say-on-pay" vote, as it gives the stockholders the opportunity to communicate to the Compensation, Nominating and Governance Committee of the Board (the "CNG Committee") and the Board their views on the compensation of the Company's NEOs. This vote is not intended to address any specific item of compensation, but rather the overall compensation of the Company's NEOs and the compensation policies and practices described in this proxy statement.

Q: What will happen if stockholders do not approve the proposal regarding the compensation of the Company's NEOs?

A: The "say-on-pay" vote is advisory only and therefore is not binding on the Company, the CNG Committee, or the Board, and will not be construed as overruling a decision by, or creating or implying any fiduciary duty for, the Company, the CNG Committee, or the Board. Although the vote is non-binding, the CNG Committee, which is responsible for designing and administering the Company's executive compensation program, values the opinions expressed by stockholders in their vote on this proposal and will review the voting results, seek to determine the reasons for any significant negative voting, and take such feedback into consideration when making future compensation decisions for the Company's NEOs.

Q: When and where will the Meeting be held?

A: The Meeting will take place on _____, _____, 2016, at _____ a.m. local time in the Lobby Conference Room of the Denver Financial Center, located at 1775 Sherman Street, Denver, Colorado 80203.

Q: Who can attend and vote at the Meeting?

A: Only holders of record of Magellan common stock and Preferred Stock at the close of business on _____, 2016, the record date for the Meeting, are entitled to vote at the Meeting or any adjournment or postponement of the Meeting. As of the record date, there were _____ shares of Magellan common stock and _____ shares of Preferred Stock issued and outstanding and entitled to vote at the Meeting. Each outstanding share of Magellan common stock and Preferred Stock (on an as-converted basis) on the record date is entitled to one vote on each matter properly brought before the Meeting.

Q: How may I vote at the Meeting?

A: You may vote using any of the following methods:

1. BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope provided. The named proxies

- will vote your stock according to your directions. If you submit a signed proxy card without indicating your vote, the person voting the proxy will vote your stock in favor of the proposals.

2. BY TELEPHONE: Call toll free _____

Vote your proxy 24 hours a day, 7 days a week, until 11:59 p.m. Eastern Standard Time on _____, 2016.

Please have your proxy card and the last four digits of your Social Security Number or Tax Identification Number available. Follow the simple instructions the voice provides you.

3. BY INTERNET: http://www._____

Use the Internet to vote your proxy 24 hours a day, 7 days a week, until 11:59 p.m. Eastern Standard Time on _____, 2016.

Please have your proxy card and the last four digits of your Social Security Number or Tax Identification Number available. Follow the simple instructions to obtain your records and create an electronic ballot.

4. BY ATTENDING THE MEETING IN PERSON

If you hold your shares through a broker or other nominee, you must follow the voting instructions provided to you by your broker or nominee. In addition, to attend the Meeting, you must obtain a proxy, executed in your favor, from the broker or nominee to be able to vote at the Meeting.

Q: Can I revoke or change my proxy?

A: You may revoke your proxy at any time before the vote is taken at the Meeting. If you have not voted through a broker or other nominee, you may revoke your proxy by:

1. giving written notice of revocation no later than the commencement of the Meeting to Magellan's Corporate Secretary, Antoine Lafargue:

if before commencement of the Meeting on the date of the Meeting, by personal delivery to Antoine Lafargue in the Lobby Conference Room of the Denver Financial Center, located at 1775 Sherman Street, Denver, Colorado 80203; and

if delivered before the date of the Meeting, to Antoine Lafargue at Magellan's offices, 1775 Sherman Street, Suite 1950, Denver, Colorado 80203;

2. delivering no later than the commencement of the Meeting a properly executed, later-dated proxy; or
3. voting in person at the Meeting; however, simply attending the Meeting without voting will not revoke an earlier proxy.

Voting by proxy will in no way limit your right to vote at the Meeting if you later decide to attend in person. If your stock is held in the name of a broker or other nominee, you must obtain a proxy, executed in your favor, to be able to vote at the Meeting, and must follow instructions provided to you by your broker or nominee to revoke or change your vote. If no direction is given and the proxy is validly executed, the stock represented by the proxy will be voted in favor of each proposal described herein. The persons authorized under the proxies will vote upon any other business that may properly come before the Meeting according to their best judgment to the same extent as the person delivering the proxy would be entitled to vote. Other than the matters described herein, Magellan does not anticipate that any matters will be raised at the Meeting.

Q: Who can help answer my questions?

A: If you have any questions about how to submit your proxy, or if you need additional copies of this proxy statement or the enclosed proxy card, or if you have any questions about the proposals, you should contact the following:

Antoine Lafargue, Corporate Secretary
Magellan Petroleum Corporation
1775 Sherman Street, Suite 1950
Denver, Colorado 80203
Telephone: (720) 484-2400

SUMMARY

The following is a summary that highlights information contained in this proxy statement. This summary may not contain all of the information that may be important to you. For a more complete description of the Exchange Agreement and the transactions contemplated thereby, Magellan encourages you to read carefully this entire proxy statement, including the attached annexes.

The Parties to the Exchange Agreement Magellan Petroleum Corporation, a Delaware corporation; and
One Stone Holdings II LP, a Delaware limited partnership.

See “The Exchange Agreement” beginning on page 43.

Background of the development of CO₂-enhanced oil recovery (“CQ-EOR”) projects in the Rocky Mountain region.
the Parties Magellan common stock trades on the NASDAQ Capital Market (“NASDAQ”) under the trading symbol “MPET.”

One Stone is an affiliate of One Stone Energy Partners, L.P., a New York-based private equity firm focused on investments in the oil and gas industry. One Stone currently owns all of the outstanding Preferred Stock, which represents approximately 32.6% of the voting power of Magellan’s outstanding capital stock.

See “The Exchange—Background of the Exchange” beginning on page 25.

The Exchange One Stone will transfer to Magellan 100% of the outstanding shares of Preferred Stock, in consideration for the assignment to and assumption by One Stone of 100% of Magellan’s membership interests in Poplar (the “Poplar Membership Interests”) and 51% of the membership interests in Utah CO₂ (the “Purchased Utah CO₂ Common Units”), as adjusted by the Cash Amount (as defined in the Exchange Agreement). Poplar owns Magellan’s interest in the Poplar field, including a CQ-EOR project being developed at the field. Utah CO₂ is an early-stage venture created to develop CO₂-EOR projects in the State of Utah. Utah CO₂ does not currently have any assets or liabilities that are material to Magellan.

If requested by One Stone, Magellan will (i) form Newco, contribute to Newco the Poplar Membership Interests and the Purchased Utah CO₂ Common Units, and in lieu of transferring the Poplar Membership Interests and the Purchased Utah CO₂ Common Units directly to One Stone, transfer Newco to One Stone and (ii) take or avoid taking certain other actions regarding tax structuring and tax elections.

See “The Exchange Agreement” beginning on page 43.

Reasons for the Exchange	<p>Magellan believes that the Exchange will provide significant benefits for Magellan common stockholders, including the elimination of the Company's debt, the Preferred Stock, and virtually all liabilities associated with Poplar. The Exchange will position Magellan to focus on generating additional value for stockholders by monetizing the Company's international assets and pursuing business combination opportunities, possibly with private companies or international parties interested in accessing the U.S. capital markets.</p> <p>See "The Exchange—Background of the Exchange" beginning on page 25 and "Reasons for the Recommendation to Magellan Stockholders by the Magellan Board and Special Committee" beginning on page 29.</p>
Date, Time and Place of the Meeting	<p>_____, _____, 2016, at _____ a.m. local time in the Lobby Conference Room of the Denver Financial Center, located at 1775 Sherman Street, Denver, Colorado 80203.</p>
Record Date	<p>Holders of record of Magellan common stock or Preferred Stock as of _____, 2016, are entitled to one vote per share on each matter brought before the Meeting.</p> <p>See "The Meeting—Date, Time and Place" on page 20.</p>
Proposals to be Considered at the Meeting	<p>(1) To approve the Exchange and the other transactions contemplated by the Exchange Agreement; (2) to elect to the Board for a three-year term the individual named as a director nominee in this proxy statement; (3) to approve, by a non-binding advisory vote, the compensation of the Company's NEOs; and (4) to ratify the appointment of EKS&H as the independent registered public accounting firm of the Company for the fiscal year ending June 30, 2016.</p> <p>See "The Meeting—Purpose; Other Matters" beginning on page 20.</p>
Recommendation of the Magellan Board	<p>"FOR" all four proposals to be considered at the Meeting.</p> <p>See "The Exchange—Reasons for the Recommendation to Magellan Stockholders by the Magellan Board and Special Committee" beginning on page 29.</p>
Regulatory Approvals	<p>None.</p>
Rights of Appraisal	<p>None.</p> <p>See "The Exchange—No Dissenters' or Appraisal Rights" beginning on page 42.</p>
Conditions to Completion of the Exchange	<p>Magellan stockholder approval of the Exchange and the other transactions contemplated by the Exchange Agreement;</p>

Absence of any governmental injunction, judgment or ruling preventing consummation of the transactions contemplated by the Exchange Agreement;

Consent of West Texas State Bank to release a guaranty provided by Magellan of certain indebtedness of Poplar; and

All representations and warranties of the parties shall be true and correct as of the closing of the Exchange (subject to certain materiality qualifiers) and all obligations of the parties to be accomplished at or prior to the closing have been completed.

See “The Exchange Agreement—Conditions to Closing” beginning on page 47.

Opinion of
Magellan’s
Financial
Advisor

Formed to conduct a strategic alternatives process for Magellan, the Special Committee retained Petrie Partners Securities, LLC (“Petrie”) to serve as Magellan’s financial advisor in connection with the Exchange and to provide the Special Committee (solely in its capacity as such) with an opinion with respect to the fairness, from a financial point of view, to Magellan of the Exchange Consideration. For purposes of Petrie’s opinion, the term “Consideration” means the Preferred Stock as adjusted by the Cash Amount. The full text of Petrie’s written opinion, dated March 30, 2016, is attached hereto as Annex D and sets forth the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Petrie in preparing its opinion. This summary and the description of Petrie’s opinion are qualified in their entirety by reference to the full text of the opinion.

See “The Exchange—Opinion of Magellan’s Financial Advisor” beginning on page 32.

Termination
of the
Exchange
Agreement

By mutual written consent of the Board of Magellan and the board of managers of One Stone;

By either party if (i) the Exchange has not been completed by August 1, 2016, subject to certain conditions; (ii) if a governmental injunction, judgment or ruling preventing consummation of the transactions contemplated by the Exchange Agreement is in effect and becomes final and nonappealable, subject to certain exceptions; (iii) the Meeting has concluded and the Magellan stockholders have not approved the transactions contemplated by the Exchange Agreement; (iv) the other party has breached or failed to perform any of its representations, warranties, covenants or agreements set forth in the Exchange Agreement and the breach either cannot be cured or is not cured within 30 days after notice, subject to certain exceptions.

By Magellan if the Magellan Board receives a “superior offer” and determines to accept the offer; however, One Stone will have the right to negotiate with the Magellan Board for a three business day period following notice from Magellan to One Stone of such superior offer prior to Magellan’s acceptance of such superior offer; and provided that if the Magellan Board terminates the Exchange Agreement and enters into a definitive agreement pursuant to a superior offer, Magellan will be obligated to pay a termination fee of \$750,000 to One Stone; and

By One Stone if the Magellan Board withdraws, modifies or qualifies, or proposes publicly to withdraw, modify or qualify, in a manner adverse to One Stone, its recommendation that stockholders approve the Exchange Agreement, or publicly recommends the approval or adoption of, or publicly approves or adopts, or proposes to publicly recommend, approve or adopt, any alternative proposal; and in which case, Magellan will be obligated to pay a termination fee of \$750,000 to One Stone.

See “The Exchange Agreement—Termination Fee” beginning on page 47.

U.S. Federal Income Tax Consequences Not taxable to Magellan stockholders.

See “U.S. Federal Income Tax Consequences” beginning on page 49.

Risk Factors In evaluating the proposals to be considered at the Meeting, holders of Magellan common stock and Preferred Stock should carefully read this proxy statement and especially consider the factors discussed in the section entitled “Risk Factors” beginning on page 18 of this proxy statement.

Share Ownership of Magellan Directors and Executive Officers 886,094 shares (including options to acquire 319,789 shares), or 14.6% of the outstanding Magellan common stock, on an as-converted basis.

Interests of Executive Officers and Directors of Magellan in the Exchange Certain of Magellan’s directors and officers may have interests that differ from, and may be in conflict with, those of the stockholders of Magellan with respect to the Exchange Agreement. In particular, (i) each of Magellan directors Vadim Gluzman and Robert I. Israel is a managing member of One Stone Energy Partners GP, L.L.C., a Delaware limited liability company and the general partner of One Stone; (ii) J. Thomas Wilson, the Company’s President and Chief Executive Officer and a director, has certain potential interests in the operations of Poplar; and (iii) each Magellan director owns shares of Magellan common stock. Each member of the Special Committee and the Board of Magellan was aware of these interests and considered them in making its recommendations in this proxy statement.

There is no compensation payable to any NEO that is based on or otherwise relates to the Exchange.

See "The Exchange-Interests of Magellan Executive Officers and Directors in the Exchange" beginning on page 45.

POST-EXCHANGE BUSINESS STRATEGY

We believe that Magellan's sources of value are embedded in the Company's portfolio of assets. Magellan's strategy is therefore focused on recovering shareholder value by realizing the value of its existing assets.

Immediately following the completion of the Exchange, and excluding the assets that are part of the Exchange, the Company's principal assets will consist of (i) its 100% interest in NT/P82, an offshore block in the Bonaparte Basin, Australia, (ii) approximately 8.2 million shares of the stock of Central Petroleum Limited ("Central Petroleum"), subject to any sales of such shares prior to closing, (iii) a 35% interest in Horse Hill Development Limited, which owns the Horse Hill-1 well in the Weald Basin, onshore United Kingdom, and (iv) 50% interests in Petroleum Exploration and Development Licenses 231, 234, and 243 in the Weald Basin, onshore United Kingdom. With respect to NT/P82, the terms of the offshore license require the Company to conduct a 600 km² 3-D seismic survey over the license area before the expiration date of the permit. On April 27, 2016, Magellan made an application to the National Offshore Petroleum Titles Administrator to amend certain terms of the license, including an 18-month extension of the first term of the license, which was due to expire on May 12, 2016, and a variation of the work commitment. The Company intends to continue its efforts to enter into a farmout agreement with potential partners or to sell its interests in the license. Although the Company has identified several prospects for the license, the Company has been unable in this market environment to finalize a farmout agreement with potential partners. With respect to the Company's interests in the licenses covering the Weald Basin, these licenses are due to expire on June 30, 2016, because the work commitment to drill a well, specifically at Broadford Bridge, has not been met. These licenses are also encumbered by pending litigation with the co-owner of these licenses, Celtique Energie Weald Limited ("Celtique Energie"). With respect to the Horse Hill-1 well, the recent publicly announced results of the flow tests are encouraging, but material risks remain before this well can be assessed as a producing well and reserves estimated.

Based on the preceding considerations, the Special Committee believes that while the monetization of some or all of these assets should allow Magellan to continue to operate on a limited basis and satisfy its remaining financial obligations for a substantial period of time following the completion of the Exchange, none is likely to provide ongoing revenue in the near term. The Special Committee recognizes that there are risks and uncertainties involved in attempting to monetize these assets. The Special Committee also believes that Magellan's public platform is of potential additional value which could be realized through a merger or similar business combination transaction with another company. The Special Committee believes that such a transaction could benefit the stockholders by (i) addressing the Company's current liquidity constraints, (ii) bringing new assets, a new strategy, and a new management team, and (iii) leveraging the Company's existing reporting infrastructure and simplified balance sheet. The Special Committee believes that this strategy can be executed in a timely manner and would permit Magellan's existing shareholders to benefit from the appreciation potential of the new combined entity. Following the Exchange, Magellan will have no debt and limited liabilities, and will therefore, the Special Committee believes, be attractive to private companies and international entities interested in gaining access to the U.S. capital markets.

In addition, to maximize its chances of executing this strategy and identifying an attractive business combination candidate, Magellan is actively seeking to monetize its interests in the Weald Basin licenses and the Horse Hill-1 well and any related assets. The Special Committee believes that converting these assets into cash will make Magellan more attractive to potential merger candidates as we de-risk and clarify the valuation of the Company's remaining assets. In pursuit of this strategy, on May 19, 2016, Magellan sold to Macquarie Bank Limited for AUD \$3.45 million all the Company's rights to certain bonus payments related to the Mereenie field located in the Amadeus Basin in Australia. The potential sale of the Company's interests in the Weald Basin and the related settlement of its litigation with Celtique Energie would further enhance the Company's profile by reducing the uncertainties

associated with those interests. The Company believes that the receipt of proceeds from the monetization of the above-listed assets could be accomplished in the relatively near future and could result in proceeds being received by the Company that are materially greater than the current equity market capitalization of the Company as of the date of this proxy statement, although the amount and timing of such proceeds, if any, are uncertain. The terms, timing, and availability of a possible post-Exchange merger or other business combination transaction are similarly uncertain and subject to numerous risks, including the risk that we will be unable to identify, negotiate, and complete a transaction with a suitable counterparty.

SELECTED UNAUDITED COMBINED FINANCIAL INFORMATION OF THE CO2 BUSINESS

Magellan is providing the following information to aid you in your analysis of the financial aspects of the Exchange. The following selected financial information is derived from Magellan's unaudited combined financial statements as of and for the nine months ended March 31, 2016 and 2015, and Magellan's audited financial statements as of and for the years ended June 30, 2015 and 2014. See "Unaudited Combined Financial Statements of the CO2 Business" beginning on page H-1.

(\$ in thousands)	Nine Months		Year Ended	
	Ended		June 30,	
	March 31,	March 31,	2015	2014
Revenue from oil production	2016	2015	2015	2014
	\$1,559	\$3,543	\$4,459	\$7,601
Net loss attributable to the CO2 Business	\$(13,718)	\$(1,972)	\$(21,034)	\$(1,019)

(\$ in thousands)	March 31, June 30,		
	2016	2015	2014
Total assets	\$24,248	\$37,130	\$48,161
Total liabilities	\$9,976	\$10,002	\$5,261

SELECTED UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth information relating to the Exchange (i) as if the Exchange had become effective on March 31, 2016, with respect to balance sheet data, (ii) as if the Exchange had become effective on July 1, 2015, with respect to statement of operations data for the nine months ended March 31, 2016, (iii) as if the Exchange had become effective on July 1, 2014, with respect to statement of operations data for the fiscal year ended June 30, 2015, and (iv) as if the Exchange had become effective on July 1, 2013, with respect to statement of operations data for the fiscal year ended June 30, 2014. This unaudited pro forma financial information represents the historical results of operations adjusted for the effects of the Exchange as if it occurred at the beginning of the period being presented based on available information.

The following selected financial data is derived from and should be read in conjunction with Magellan's unaudited pro forma condensed consolidated financial statements as of and for the nine months ended March 31, 2016, and for the fiscal years ended June 30, 2015 and 2014. See "Unaudited Pro Forma Condensed Consolidated Financial Information of Magellan Petroleum Corporation" beginning on page F-1.

The unaudited pro forma condensed consolidated balance sheet as of March 31, 2016, and the unaudited pro forma condensed consolidated statement of operations for the nine months ended March 31, 2016, were derived from and should be read in conjunction with the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2016 filed with the SEC on May 13, 2016. The pro forma condensed consolidated statement of operations for the fiscal years ended June 30, 2015, and 2014 were derived from and should be read in conjunction with the Company's audited financial statements included in the Annual Report on Form 10-K for the fiscal year ended June 30, 2015, filed with the SEC on October 13, 2015, which is part of the annual report included in these proxy materials.

The unaudited pro forma financial information, while helpful in illustrating the financial characteristics of Magellan by using certain assumptions, does not reflect the impact of all possible events that may result as a consequence

of the Exchange and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the Exchange would have been had it occurred as of the beginning of such periods.

(\$ in thousands, except shares and per share data)	Historical	Exchange Transaction Pro Forma Adjustments	Pro Forma As Adjusted
Fiscal year ended June 30, 2014:			
Revenue from oil production	\$7,601	\$ (7,601)	\$ —
Net loss attributable to common stockholders from continuing operations	(11,738)	1,685	(10,053)
Loss per common share attributable to common stockholders from continuing operations	\$(2.07)		\$(1.77)
Fiscal year ended June 30, 2015:			
Revenue from oil production	\$4,459	\$ (4,459)	\$ —
Net loss attributable to common stockholders from continuing operations	(44,740)	21,742	(22,998)
Loss per common share attributable to common stockholders from continuing operations	\$(7.83)		\$(4.03)
Nine months ended March 31, 2016:			
Net loss attributable to common stockholders from continuing operations	\$(16,592)	\$ 11,219	\$(5,373)
Loss per common share attributable to common stockholders from continuing operations	\$(0.93)		\$(0.65)
At March 31, 2016:			
Total assets	\$29,453	\$ (24,054)	\$ 5,399
Total liabilities	14,482	(9,976)	4,506
Series A Convertible Preferred Stock	23,501	(23,501)	—
Equity attributable to Magellan Petroleum Corporation	(8,530)	9,423	893
Outstanding common shares	5,762,634		5,762,634
Book value per share	\$(1.48)		\$0.15

COMPARATIVE PER SHARE INFORMATION

The following table sets forth certain historical net loss per share, book value per share and declared cash dividends per share information of Magellan on an unaudited basis and an unaudited pro forma basis after giving effect to the Exchange.

The unaudited pro forma condensed consolidated per share information does not purport to represent what the results of operations or financial position of Magellan would actually have been had the Exchange actually occurred at the beginning of the period shown or to project Magellan's results of operations or financial position for any future period or date. Such pro forma information is derived from, and should be read in conjunction with, the unaudited pro forma condensed consolidated financial information included in this proxy statement as described under "Unaudited Pro Forma Condensed Consolidated Financial Information of Magellan Petroleum Corporation" beginning on page F-1. The historical per share information is derived from, and should be read in conjunction with, the financial statements of Magellan incorporated by reference into this proxy statement. Magellan did not declare any cash dividends related to its equity ownership or common stock during any of the periods presented.

	Historical	Pro Forma As Adjusted	
Magellan Per Common Share Data (as of and for the nine months ended March 31, 2016):			
Basic	\$(2.89)	\$(0.94)	(a)
Diluted	\$(2.89)	\$(0.94)	(a)
Book value (b)	\$(1.48)	\$0.15	
Cash dividends declared	\$0.00	\$0.00	
Magellan Per Common Share Data (as of and for the fiscal year ended June 30, 2015):			
Basic	\$(7.83)	\$(4.03)	(c)
Diluted	\$(7.83)	\$(4.03)	(c)
Book value (b)	\$1.39	N/A	
Cash dividends declared	\$0.00	\$0.00	
Magellan Per Common Share Data (as of and for the fiscal year ended June 30, 2014):			
Basic	\$(2.07)	\$(1.77)	(d)
Diluted	\$(2.07)	\$(1.77)	(d)
Book value (b)	\$8.06	N/A	
Cash dividends declared	\$0.00	\$0.00	

(a) Based on the pro forma net income for Magellan for the nine months ended March 31, 2016, which gives effect to the Exchange as if it occurred on July 1, 2015.

Computed by dividing stockholders' equity at March 31, 2016, June 30, 2015 and June 30, 2014, by the number of (b) outstanding shares of Magellan common stock of 5,762,634, 5,707,638 and 5,697,466, respectively, at the end of such period.

(c) Based on the pro forma net income for Magellan for the fiscal year ended June 30, 2015, which gives effect to the Exchange as if it occurred on July 1, 2014.

(d) Based on the pro forma net income for Magellan for the fiscal year ended June 30, 2014, which gives effect to the Exchange as if it occurred on July 1, 2013.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this proxy statement that address activities, events, or developments with respect to Magellan’s financial condition, results of operations, or economic performance that Magellan expects, believes, or anticipates will or may occur in the future, or that address plans and objectives of management for future operations, are forward-looking statements. The words “anticipate,” “assume,” “believe,” “budget,” “could,” “estimate,” “expect,” “forecast,” “initial,” “intend,” “may,” “plan,” “potential,” “project,” “would,” and similar expressions are intended to identify forward-looking statements. These forward-looking statements about Magellan and its subsidiaries appear in a number of places in this proxy statement and may relate to statements about the following, among other things:

- completion of the Exchange and the other transactions contemplated by the Exchange Agreement;
- strategies for Magellan after the Exchange, including potential future transactions;
- the Cash Amount, as finally determined;
- forward-looking elements of the Magellan Board and Special Committee’s reasons for recommending that Magellan stockholders approve the Exchange and the other transactions contemplated by the Exchange Agreement;
- Magellan’s businesses and prospects;
- projected revenues, operating expenses, earnings before interest, taxes, depreciation and amortization (“EBITDA”), pre-tax cash flows, capital expenditures, production levels, and other financial and operating metrics;
- availability of liquidity and capital resources;
- the disposition of oil and gas properties and related assets;
- the ability to enter into acceptable farmout arrangements;
- progress in developing Magellan’s projects;
- future values of those projects or other interests or rights that Magellan holds; and
- other matters that involve a number of risks and uncertainties that may cause actual results to differ materially from results expressed or implied in the forward-looking statements.

These statements, wherever they occur in this proxy statement, are necessarily estimates reflecting the best judgment of Magellan’s management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Many of the important factors that will determine these results are beyond Magellan’s ability to control or predict. These forward-looking statements should, therefore, be considered in light of various important factors, including those set forth in this proxy statement. In addition to the risk factors identified elsewhere, important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include, without limitation:

- factors that affect the timing or ability to complete the Exchange and the other transactions contemplated herein;

the risk that cost savings from these transactions may not be fully realized or may take longer to realize than expected; disruption from these transactions, making it more difficult to maintain relationships with vendors, other counterparties, or employees;

potential inability to complete other transactions in a timely manner and on acceptable terms;

the uncertain nature of oil and gas prices in the United States, the United Kingdom, and Australia, including uncertainties about the duration of the currently depressed oil commodity price environment and the related impact on Magellan's revenues, project developments, and ability to obtain financing;

uncertainties regarding Magellan's ability to maintain sufficient liquidity and capital resources to implement Magellan's projects or otherwise continue as a going concern;

Magellan's ability to attract and retain key personnel;

Magellan's limited amount of control over activities on Magellan's non-operated properties;

Magellan's reliance on the skill and expertise of third-party service providers;

the ability of Magellan's vendors to meet their contractual obligations;

the uncertain nature of the anticipated value and underlying prospects of Magellan's U.K. acreage position; government regulation and oversight of drilling and completion activity in the United Kingdom, including possible restrictions on hydraulic fracturing that could affect Magellan's ability to develop unconventional resource projects in the United Kingdom;

the uncertainty of drilling and completion conditions and results;

the availability of drilling, completion, and operating equipment and services;

the results and interpretation of 2-D and 3-D seismic data related to Magellan's NT/P82 interest in offshore Australia and Magellan's ability to obtain an attractive farmout arrangement for NT/P82;

uncertainties regarding Magellan's ability to maintain the NASDAQ listing of Magellan common stock;

risks and uncertainties inherent in management estimates of future operating results, liquidity, and cash flows;

risks and uncertainties associated with litigation matters;

risk factors consistent with comparable companies within the oil and gas industry, especially companies with similar market capitalization and/or employee base; and

and other matters discussed in the "Risk Factors" section of this proxy statement.

Furthermore, forward-looking statements are made based on Magellan management's current assessment available at the time. Subsequently obtained information may result in revisions to Magellan management's expectations and intentions and, thus, Magellan may alter its plans. You are cautioned not to place undue reliance on

these forward-looking statements, which speak only as of the date of this proxy statement. Magellan does not undertake any obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this proxy statement or to reflect the occurrence of unanticipated events, except as required by law.

RISK FACTORS

In addition to the other information included in this proxy statement, including the matters addressed under the caption “Cautionary Statement Concerning Forward-Looking Statements” beginning on page 15 and the Risk Factors section of the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2015, which is part of the annual report included in these proxy materials, you should carefully read and consider the following factors in evaluating the proposals to be voted on at the Meeting and in determining whether to vote for approval of the matters to be considered at the Meeting.

Risks Related to the Exchange

Failure to complete the Exchange could negatively impact the stock price and the future business and financial results of Magellan.

There is no assurance that the conditions to the completion of the Exchange Agreement will be satisfied. If the Exchange is not completed, Magellan will be subject to several risks, including the following:

The current market price of Magellan common stock may reflect a market assumption that the Exchange will occur, and a failure to complete the Exchange could result in negative market perception and a decline in the market price of Magellan common stock;

Certain costs relating to the Exchange Agreement, such as legal, accounting and financial advisory fees associated with the delivery of a fairness opinion, which have already been incurred by Magellan, are payable by Magellan whether or not the Exchange is completed, and the Loan Amount will become repayable by Magellan;

Magellan may be required to pay One Stone a termination fee of \$750,000 if the Exchange Agreement is terminated under certain circumstances;

There will likely be substantial disruption to the business of Magellan and a distraction of its management and employees from day-to-day operations because matters related to the Exchange Agreement may require substantial commitments of time and resources, which could otherwise have been devoted to other opportunities that could have been beneficial to Magellan; and

Magellan would continue to face the risks that it currently faces as an independent company, including limited capital and limited human resources.

In addition, Magellan would not realize any of the expected benefits of having completed the Exchange. If the Exchange is not completed, these risks may materialize and materially adversely affect Magellan’s business, financial results, financial condition and stock price.

Magellan may waive one or more of the conditions to the Exchange without re-soliciting stockholders.

Each of the conditions in the Exchange Agreement to Magellan’s obligations to complete the Exchange may be waived, in whole or in part, by Magellan. The Magellan Special Committee may evaluate the materiality of any such waiver to determine whether amendment of this proxy statement and re-solicitation of proxies is necessary. If the Special Committee were to determine that a waiver would materially alter the relative values of the consideration to be given or received in the Exchange, Magellan would likely re-solicit proxies. In the event that any such waiver

is not determined to be significant enough to require re-solicitation of stockholders, Magellan will have the discretion, subject to limitations under Delaware law, to complete the Exchange without seeking further stockholder approval.

The Exchange Agreement limits Magellan's ability to pursue alternatives to the Exchange.

The Exchange Agreement contains provisions that could adversely impact competing proposals to acquire Poplar or Utah CO2. These provisions generally prohibit Magellan from soliciting any acquisition proposal or offer for a competing transaction and would require Magellan to pay a termination fee of \$750,000 in cash if the Exchange Agreement is terminated in specified circumstances in connection with an alternative transaction. In addition, even if the Magellan Special Committee determines that a competing proposal is superior, Magellan may not exercise its right to terminate the Exchange Agreement unless it notifies One Stone of its intention to do so and gives One Stone at least three business days to propose revisions to the terms of the Exchange Agreement or to make another proposal in response to the competing proposal. See "The Exchange Agreement—Additional Covenants—Non-Solicitation" beginning on page 46.

Magellan agreed to these provisions as a condition to One Stone's willingness to enter into the Exchange Agreement. These provisions, however, might discourage a third party that might have an interest in acquiring Magellan, the Poplar Membership Interests or the Purchased Utah CO2 Common Units from considering or proposing such an acquisition, even if that party were prepared to pay consideration with a higher value than the proposed Exchange consideration. Furthermore, the termination fee may result in a potential competing acquirer proposing to pay a lower price to acquire Magellan, the Poplar Membership Interests or the Purchased Utah CO2 Common Units than it might otherwise have proposed to pay.

Magellan will divest its largest, and only revenue-producing, asset in the Exchange.

In the Exchange, Magellan will sell to One Stone all of its interest in the Poplar field. The Poplar field comprises 84% of Magellan's assets on a book value basis, and is currently Magellan's only revenue-producing asset. In addition, Magellan believes that the Poplar field may have considerably greater value in the future than it does currently, depending on, among other things, the success of additional development efforts and future commodity prices.

Following the completion of the Exchange, Magellan expects to pursue the business strategy described in "Post-Exchange Business Strategy," but there can be no assurance that it will be successful in doing so. In particular, Magellan's ability to complete the additional transactions contemplated by its post-Exchange strategy in a timely manner and on acceptable terms is subject to many risks and uncertainties, including those associated with changes in commodity prices.

THE MEETING

Date, Time, and Place

The Meeting will take place at _____ a.m. local time, on _____, 2016, in the Lobby Conference Room of the Denver Financial Center, located at 1775 Sherman Street, Denver, Colorado 80203.

Purpose; Other Matters

At the Meeting, holders of Magellan shares will be asked to consider and vote upon four proposals. The first proposal will be to approve the Exchange and the other transactions contemplated by the Exchange Agreement. The second proposal will be to elect to the Board for a three-year term the individual named as a director nominee in this proxy statement. The third proposal will be to approve, by a non-binding advisory vote, the compensation of the Company's NEOs. The fourth proposal will be to ratify the appointment of EKS&H as the independent registered public accounting firm of the Company for the fiscal year ending June 30, 2016.

Holders of Magellan shares may also be asked to consider and vote upon such other matters as may properly come before the Meeting, or any adjournment or postponement of the Meeting. As of the mailing date of this proxy statement, the Magellan Board knows of no other matter to be presented at the Meeting. If, however, other matters incident to the conduct of the Meeting are properly brought before the Meeting, or any adjournment or postponement of the Meeting, the persons named in the proxy will vote the proxies in accordance with their best judgment with respect to those matters.

Recommendation of the Magellan Board

The Magellan Board (with the exception of Messrs. Gluzman and Israel, who, as affiliates of One Stone, were not members of the Special Committee and did not participate in any deliberations on behalf of Magellan in connection with the Exchange Agreement or related transactions) has carefully reviewed and considered the terms and conditions of each of the matters to be considered at the Meeting. Based on its review, Magellan's Board, or a committee thereof where appropriate, has approved (i) the transactions contemplated by the Exchange Agreement; (ii) the election to the Board of the individual named as a director nominee in this proxy statement; (iii) the compensation of the Company's NEOs; and (iv) the appointment of EKS&H as the independent registered public accounting firm of the Company. In addition, the Magellan Board, upon the recommendation of the Special Committee, has declared that the Exchange Agreement and the Exchange are fair, advisable, expedient and in the best interests of Magellan and its stockholders (other than One Stone in its capacity as holder of the Preferred Stock). Magellan's Board recommends that you vote (i) "FOR" the proposal to approve the Exchange and the other transactions contemplated by the Exchange Agreement; (ii) "FOR" the proposal to elect to the Board for a three-year term the individual named as a director nominee in this proxy statement; (3) "FOR" the approval, on a non-binding advisory basis, of the compensation of the Company's NEOs; and (4) "FOR" the proposal to ratify the appointment of EKS&H as the independent registered public accounting firm of the Company for the fiscal year ending June 30, 2016.

Record Date, Outstanding Shares, and Voting Rights

Each holder of record of Magellan common stock or Preferred Stock at the close of business on _____, 2016, the record date, is entitled to notice of and to vote at the Meeting. Each such stockholder is entitled to cast one vote for each share of Magellan common stock or Preferred Stock (on an as-converted basis) on each matter properly

submitted for the vote of stockholders at the Meeting. As of the record date, there were _____ shares of Magellan common stock and _____ shares of Preferred Stock issued and outstanding and entitled to vote at the Meeting.

Quorum Required; “Broker Non-Votes,” Abstentions, and Withholding Authority

Quorum Required

A quorum of Magellan stockholders is necessary to hold the Meeting. In accordance with the Company’s by-laws, the holders of 33 % of the total number of shares issued and outstanding and entitled to be voted at the Meeting, present in person or by proxy, will constitute a quorum for the transaction of business. Stockholders are counted as present at the Meeting if they are present in person or have authorized a proxy. The presence of holders of at least _____ shares of Magellan common stock or Preferred Stock will constitute a quorum. Under the Delaware General Corporation Law (the “DGCL”), abstentions and “broker non-votes” are counted as present and are, therefore, included for purposes of determining whether a quorum of shares is present at the Meeting. Shares of Magellan common stock or Preferred Stock held by stockholders who are not present in person or by proxy will not be counted towards a quorum.

Broker Non-Votes, Abstentions and Withhold Votes

Broker non-votes occur when a nominee holding Magellan shares for a beneficial owner returns a properly executed proxy but has not received voting instructions from the beneficial owner, and such nominee does not possess or does not choose to exercise discretionary authority with respect to such shares. Brokers are not allowed to exercise their voting discretion with respect to the approval of matters which are considered “non-routine” under applicable rules without specific instructions from the beneficial owner. Except for Proposal 4, all of the matters to be voted on at the Meeting are considered non-routine. Accordingly, your broker will not be entitled to vote your shares on Proposal 1, 2 or 3 unless you provide instructions on how to vote by filling out the voter instruction form sent to you by your broker with this proxy statement.

Under the DGCL, an “abstention” represents a stockholder’s affirmative choice to decline to vote on a proposal other than the election of directors. With respect to Proposal 2, a stockholder may vote in favor of a particular nominee or may cast a “withhold” vote.

Effects of Broker Non-Votes, Abstentions and Withhold Votes

For Proposals 1, 3 and 4, an abstention will have the same effect as a vote “AGAINST” the proposal. A “withhold” vote may be cast on Proposal 2, but will have no effect on the outcome of the vote. Broker non-votes will have the same effect as a vote “AGAINST” Proposal 1, but will have no effect on the outcome of voting on Proposals 2, 3 or 4.

Voting by Magellan Directors and Executive Officers

As of the record date, the directors and executive officers of Magellan beneficially owned and were entitled to vote _____ shares of Magellan common stock, which represent approximately ___% of the voting power of the Magellan capital stock, including the Preferred Stock, on an as-converted basis. The directors and executive officers of Magellan are expected to vote “FOR” all the proposals being considered at the Meeting.

Adjournment and Postponement

Adjournments and postponements of the Meeting may be made for the purpose of, among other things, soliciting additional proxies. The Meeting may be adjourned by the vote of a majority of Magellan shares present in person or represented by proxy at the Meeting, even if less than a quorum.

Voting of Proxies

Voting by Proxy Card

All Magellan shares entitled to vote and represented by properly executed proxies received prior to the Meeting, and not revoked, will be voted at the Meeting in accordance with the instructions indicated on the proxy card accompanying this proxy statement. If no direction is given and the proxy is validly executed, the stock represented by the proxy will be voted in favor of each proposal described herein. The persons authorized under the proxies will vote upon any other business that may properly come before the Meeting according to their best judgment to the same extent as the person delivering the proxy would be entitled to vote. Magellan does not anticipate that any other matters will be raised at the Meeting.

If you are a holder of record, there are two additional ways to vote your proxy:

Vote by telephone — call toll free _____.

• Vote your proxy 24 hours a day, 7 days a week, until 11:59 p.m. Eastern Standard Time on _____, 2016.

• Please have your proxy card and the last four digits of your Social Security Number or Tax Identification Number available. Follow the simple instructions the voice provides you.

Vote by the Internet — http://www._____

• Use the Internet to vote your proxy 24 hours a day, 7 days a week, until 11:59 p.m. Eastern Standard Time on _____, 2016.

• Please have your proxy card and the last four digits of your Social Security Number or Tax Identification Number available. Follow the simple instructions to obtain your records and create an electronic ballot.

Your telephone or Internet vote authorizes the named proxies to vote your shares in the same manner as if you had marked, signed and returned your proxy card. The law of Delaware, where Magellan is incorporated, allows a proxy to be sent electronically, so long as it includes or is accompanied by information that lets the inspector of elections know that it has been authorized by the stockholder.

If your shares are held in “street name,” your broker or nominee may provide the option of voting through the Internet or by telephone instead of by mail. Please check the voting instruction card provided by your broker or nominee to see which options are available and the procedures to be followed.

Voting by Attending the Meeting

Holders of record of Magellan shares and their authorized proxies may also vote their shares in person at the Meeting. If a stockholder attends the Meeting, he or she may submit his or her vote in person, and any previous votes

or proxies authorized by the stockholder by mail will be superseded by the vote that such stockholder casts at the Meeting.

Revocability of Proxies

You may revoke your proxy at any time before the vote is taken at the Meeting. If you have not voted through your broker, you may revoke your proxy by:

1. giving written notice of revocation no later than the commencement of the Meeting to Magellan's Corporate Secretary, Antoine Lafargue:

if before commencement of the Meeting on the date of the Meeting, by personal delivery to Antoine Lafargue in the Lobby Conference Room of the Denver Financial Center, located at 1775 Sherman Street, Denver, Colorado 80203; and

if delivered before the date of the Meeting, to Antoine Lafargue at Magellan's offices, 1775 Sherman Street, Suite 1950, Denver, Colorado 80203;

2. delivering no later than the commencement of the Meeting a properly executed, later-dated proxy; or

3. voting in person at the Meeting; however, simply attending the Meeting without voting will not revoke an earlier proxy.

Voting by proxy will in no way limit your right to vote at the Meeting if you later decide to attend in person. If your stock is held in the name of a broker or other nominee, you must obtain a proxy, executed in your favor, to be able to vote at the Meeting, and must follow instructions provided to you by your broker or nominee to revoke or change your vote. If no direction is given and the proxy is validly executed, the stock represented by the proxy will be voted in favor of each proposal described herein. The persons authorized under the proxies will vote upon any other business that may properly come before the Meeting according to their best judgment to the same extent as the person delivering the proxy would be entitled to vote. Other than the matters described herein, Magellan does not anticipate that any matters will be raised at the Meeting.

Solicitation of Proxies; Expenses

The entire expense of preparing and mailing this proxy statement and any other soliciting material (including, without limitation, costs, if any, related to advertising, printing, fees of attorneys, financial advisors, and solicitors, public relations, transportation, and litigation) will be borne by Magellan, provided that if the Exchange is completed, One Stone has agreed to reimburse Magellan for certain of its transaction expenses, some of which may relate to this proxy statement and the Meeting. In addition to the use of the mail, Magellan or certain of its employees may solicit proxies by telephone, telegram, and personal solicitation; however, no additional compensation will be paid to those employees in connection with such solicitation. In addition, the Company has engaged The Proxy Advisory Group, LLC, in a non-solicitation stand-by advisory role. In the event Magellan deems it necessary to actively pursue proxy solicitation, The Proxy Advisory Group, LLC, may be retained to assist in the distribution of proxy solicitation materials for a services fee and the reimbursement of customary expenses, which are not expected to exceed \$10,000 in the aggregate. The Company has also retained Broadridge Corporate Issuer Solutions, Inc. ("Broadridge") to provide or coordinate specified telephone and Internet voting, mailing, handling, inspector of election, tabulation, and document hosting services. The estimated fees and expenses payable to Broadridge by the Company for these services are approximately \$25,000, plus per item charges for each registered or beneficial stockholder vote, per document charges for the hosting services, and reimbursement of Broadridge's mailing costs and expenses.

Banks, brokerage houses, and other custodians, nominees, and fiduciaries will be requested to forward solicitation material to the beneficial owners of Magellan common stock that such institutions hold of record, and the Company will reimburse such institutions for their reasonable out-of-pocket disbursements and expenses.

No Exchange of Certificates

There will be no change in stock certificates for Magellan in connection with the Exchange, and Magellan stockholders will keep their existing certificate(s).

Assistance

If you need assistance in completing your proxy card, have questions regarding the Meeting, the proposals to be made at the Meeting or how to submit your proxy, or want additional copies of this proxy statement or the enclosed proxy card, please contact Antoine Lafargue, the Corporate Secretary of Magellan, at (720) 484-2400.

PROPOSAL 1—APPROVAL OF THE EXCHANGE AND THE OTHER TRANSACTIONS CONTEMPLATED BY THE EXCHANGE AGREEMENT

Pursuant to Section 271 of the DGCL, a corporation may sell, lease or exchange all or substantially all of its property and assets as its board of directors deems expedient and for the best interests of the corporation, when and as authorized by the holders of a majority of the outstanding stock of the corporation entitled to vote thereon. The Exchange, if consummated, will result in a sale to One Stone of assets that may be deemed to comprise substantially all of Magellan's property and assets in consideration for the Preferred Stock and the Cash Amount. Therefore, in accordance with Delaware law, Magellan stockholders are being asked to vote to approve the Exchange and the other transactions contemplated by the Exchange Agreement.

The immediately following sections of this proxy statement describe the material aspects of the Exchange and the other transactions contemplated by the Exchange Agreement. You should read carefully this entire document and the other documents to which Magellan refers, including the Exchange Agreement attached as Annex A, as well as the other attached annexes to this proxy statement, for a more complete understanding of the proposed transactions.

Vote Required for Approval

Approval of Proposal 1 will require the affirmative vote of the majority of the outstanding shares of Magellan common stock and Preferred Stock, voting together as a single class. Abstentions and broker non-votes will have the effect of votes "AGAINST" this proposal.

Board Recommendation

THE MAGELLAN BOARD OF DIRECTORS RECOMMENDS THAT THE MAGELLAN STOCKHOLDERS VOTE "FOR" THE APPROVAL OF THE EXCHANGE AND THE OTHER TRANSACTIONS CONTEMPLATED BY THE EXCHANGE AGREEMENT.

THE EXCHANGE

This discussion of the Exchange is qualified in its entirety by reference to the Exchange Agreement, which is attached to this proxy statement as Annex A. Stockholders are encouraged to read the Exchange Agreement carefully and in its entirety, as it is the definitive legal document that governs the Exchange.

Background of the Exchange

The Magellan Board continuously reviews the Company's strategic goals and alternatives, performance and prospects as part of its ongoing evaluation of its business in an effort to enhance shareholder value. From time to time, this review has included consideration of a wide range of possible strategic alternatives. The summary below provides the background of the proposed Exchange.

The Company was founded in 1957 and its assets and operations have changed substantially over the course of its history. In recent years, it has focused on the development of a CO₂-EOR project in the Poplar field. It has also pursued the development of exploration acreage it holds in the Weald Basin, onshore United Kingdom, and an exploration block it holds, NT/P82, in the Bonaparte Basin, offshore Northern Territory, Australia. While Magellan believes that each of these assets may ultimately have considerable value, none currently produces revenue. In order to continue to develop and ultimately monetize the projects, therefore, Magellan has depended on sales of oil production

from shallow conventional wells in the Poplar field, proceeds from sales of certain other assets, and proceeds from financing transactions. Recent financing transactions included the issuance to One Stone of the Preferred Stock in May 2013 for proceeds of approximately \$23.5 million. The Certificate of Designations governing the Preferred Stock provides, among other things, that holders of the Preferred Stock will (i) be entitled to a non-participating liquidation preference in a specified amount currently equal to 110% (and after May 17, 2016, 105%) of the initial purchase price of the Preferred Stock plus accrued and accumulated dividends, or approximately \$29.4 million as of December 31, 2015, if a liquidation event occurs and (ii) will be entitled to a cash payment corresponding to a 20% rate of return on the initial investment in the Preferred Stock if a specified type of change in control event occurs. If such an event occurred on March 31, 2016, the change in control payment would be approximately \$39.4 million. Also pursuant to the Certificate of Designations, One Stone became entitled to appoint two members of the Magellan Board, and Messrs. Gluzman and Israel joined the Board upon the issuance of the Preferred Stock. One Stone is and has since issuance been the sole holder of the Preferred Stock.

A second financing transaction was completed in September 2014, when Poplar entered into a loan agreement with West Texas State Bank. Magellan guaranteed Poplar's obligations under the loan agreement. The amount currently outstanding under the loan agreement is \$5.5 million.

In the last four years, Magellan has focused on the development of the CO₂-EOR project at the Poplar field primarily by implementing a five-well pilot project. In May 2015, Magellan determined that CO₂-EOR is a technically viable technique for recovery of hydrocarbons from the Charles formation at the Poplar field. Based on the results of the CO₂-EOR pilot project, and Magellan's analysis of the data from the pilot as integrated into a reservoir simulation model, Magellan believes that utilization of the CO₂-EOR technique on a full field basis at Poplar could provide access to substantial additional hydrocarbon resources that could result in attractive financial returns from production over a 40-year period, depending on, among other things, the prevailing commodity price environment. In addition, Magellan continued to evaluate other aspects of the Poplar CO₂-EOR project, including potential CO₂ sources and transportation matters and surface facilities requirements.

Magellan has also recently evaluated other possible opportunities relating to potential CO₂-EOR projects. In particular, it formed with two other parties, and received a 51% membership interest in, Utah CO₂ in December 2014. Utah CO₂ was formed to identify and engage in CO₂-EOR projects in the State of Utah. Utah CO₂ subsequently entered into an agreement pursuant to which it has the right to purchase CO₂ from the Clark Valley Unit in Utah on a long-term basis. Utah CO₂ has pursued potential opportunities to use its access to CO₂ in furtherance of a CO₂-EOR project but to date has not entered into any other significant agreements, and currently Utah CO₂ has no material assets or liabilities. One of the minority interest owners in Utah CO₂ is MI4 Oil & Gas, LLC, which is an affiliate of MI3 Petroleum Engineering, LLC ("Mi3"). Mi3 has advised Magellan on various aspects of the Poplar CO₂-EOR project.

Beginning in mid-2014, worldwide oil prices declined from highs over \$100 per barrel in June 2014 to lows under \$30 per barrel in early 2016. This dramatic decline has had a variety of adverse effects on Magellan, including by reducing revenues from Poplar's shallow conventional wells and the value of all of Magellan's projects. The availability of additional sources of financing and the market value of Magellan's common stock have decreased significantly as well. In mid-2015, as it began to become increasingly apparent that oil prices were not going to recover quickly, Magellan's management and its Board considered various options for addressing the situation, including sales of significant assets or the Company as a whole. Recognizing that One Stone might be interested in participating in any sale process as a buyer, the Magellan Board formed the Special Committee on June 5, 2015. The Special Committee is comprised of independent directors Brendan S. MacMillan, Ronald P. Pettrossi and J. Robinson West, with Mr. West acting as chairperson. The Magellan Board authorized the Special Committee to, among other things, investigate, negotiate and pursue all strategic alternatives reasonably available to the Company, which includes evaluating potential

strategic transactions, soliciting offers regarding potential strategic transactions and negotiating the terms of any such offers, negotiating the terms of any definitive agreements relating to any strategic transaction, approving, or, to the extent required by the DGCL, recommending that the Magellan Board approve, any strategic transaction or execution of definitive agreements or documents relating thereto, engaging any financial, legal or other advisors it deemed appropriate, and taking such other actions as the Special Committee deemed necessary or appropriate in connection with the strategic alternatives review process. In addition, the Special Committee was given the authority to reject any offer, bid or proposal that may arise from or relate to the strategic alternatives review process which it deemed to be inadequate or otherwise not in the best interests of the Company's stockholders, and the Magellan Board resolved to uphold and act in accordance with any such rejection by the Special Committee. The formation of the Special Committee and the commencement of the strategic alternatives review process was announced in a press release issued on July 6, 2015. The Special Committee retained Petrie as its financial advisor and Davis Graham & Stubbs LLP ("DGS") as its legal advisor. The Special Committee understood that DGS represents the Company in certain matters, but also that it has no engagement or other relationship with One Stone.

At the direction of the Special Committee, Magellan and Petrie then began a process of attempting to solicit interest in a business combination or other strategic transaction involving the Company as a whole or a substantial amount of its assets. Petrie contacted 23 companies (including One Stone) over a five-month period, focusing on those Magellan and Petrie believed might have an interest in the Company's CO₂-EOR projects. This process resulted in five introductory meetings, three companies being provided with access to the Company's virtual data room and three companies being provided with technical reviews by Mi3 and data relating to the Poplar CO₂-EOR project. Although discussions were not limited to any particular type of transaction, the initial focus of the Special Committee was on a potential sale of Poplar for cash followed by a dissolution of Magellan, as this approach would have resulted in a payment to One Stone of the aggregate liquidation preference on the Preferred Stock rather than the higher payment required pursuant to a change in control, and therefore potentially greater value being realized by holders of the Magellan common stock. However, none of the contacted companies (except for One Stone as described below) submitted an indicative proposal for a strategic transaction and each terminated discussions by or before January 2016, except that one private company ("Company A") expressed potential interest in a corporate transaction involving Magellan if Poplar, the Preferred Stock and the West Texas State Bank loan were removed from Magellan's corporate structure. This potential transaction with Company A is referred to as the "Black Transaction."

The Special Committee met 29 times between June 15, 2015, and March 30, 2016, and received regular updates from Petrie and management on the status of the process. The Special Committee also received regular updates from management regarding Magellan's constrained liquidity position, and directed management to implement cost-saving measures where appropriate, consistent with the preservation of the future sale value of Poplar. The Special Committee viewed these steps as being part of the strategic alternatives process in light of the potential effect on the process of either failing to maintain the viability of Poplar's operations, on the one hand, or failing to preserve sufficient liquidity to complete the process and a possible strategic transaction, on the other hand.

In early September 2015, at the direction of the Special Committee, Petrie approached One Stone to assess its potential interest in acquiring Poplar, which Magellan and Petrie believed to be the Magellan asset in which One Stone had the greatest interest. Mr. Israel communicated to Petrie that One Stone would be interested in a potential transaction involving an exchange of the Preferred Stock for Poplar or the Poplar field. Mr. Israel indicated that One Stone would not be willing to assume the West Texas State Bank debt as part of the transaction. On September 22, 2015, the Special Committee met to discuss a possible transaction structure in which the One Stone transaction would be completed in conjunction with the proposed Black Transaction, and stockholder approval for both transactions would be sought simultaneously. At the direction of the Special Committee, Petrie pursued negotiations with both One Stone and Company A regarding such a coordinated approach. Mr. Israel expressed to Petrie and to Antoine Lafargue, Magellan's

Chief Financial Officer, that One Stone desired the two transactions to be approached on a combined basis, and the Founding Partner of Company A expressed a similar desire.

For the next several weeks, there were relatively few communications between Magellan or Petrie and either One Stone or Company A, as Company A was engaged in an effort to determine which of its assets it might contribute to the resulting company in a potential business combination transaction with Magellan and to further assess its strategic alternatives and board support for such a transaction. In November 2015, Company A communicated to Petrie that it decided not to pursue the Black Transaction further.

On November 5, 2015, Petrie delivered to One Stone a term sheet for a transaction that involved an exchange of Poplar and Magellan's interest in Utah CO₂ and the transfer of the West Texas State Bank debt and certain Poplar-related liabilities to One Stone in consideration for the Preferred Stock. In preparing the term sheet, the Special Committee considered the value of the Preferred Stock using multiple analyses, including based on book value, liquidation value, and redemption value if converted or upon a change in control, among others. The Special Committee did not assign a single value to the Preferred Stock as a result of these analyses, but instead recognized that the Preferred Stock could have significantly different values in different potential scenarios. In determining the consideration ultimately agreed to in the Exchange, the Special Committee weighed these potential values (in addition to other consideration to be provided) against the potential value of the CO₂ Business, which it believes is similarly subject to significant variation depending on future factual scenarios. The term sheet contemplated an effective date of September 30, 2015, near the time when discussions between the parties began, in order to address Magellan's liquidity issues, to compensate the Company for any net losses attributed to Poplar after that date and to fix a significant portion of the economic terms of the transaction so as to limit changes in the value received by the parties in the transaction based on the passage of time. The term sheet did not contemplate that the transaction would be conditioned on or otherwise connected to the Black Transaction.

A meeting of the Magellan Board was held on November 11, 2015. The Magellan Board discussed, among other things, the status of operations at the Poplar field and the Company's liquidity situation. The Special Committee had discussed prior to the meeting the information it felt was appropriate to share with Messrs. Gluzman and Israel in light of their affiliation with One Stone, and only such information was shared with them.

After this meeting, negotiations were again effectively suspended while One Stone conducted a further financial evaluation of the transaction and sought support for the transaction from its investors, until January 4, 2016, when One Stone provided to Magellan comments on the term sheet. The term sheet indicated that One Stone accepted Magellan's proposal of One Stone assuming the West Texas State Bank debt in the transaction. Shortly thereafter, One Stone indicated its unwillingness to negotiate the transaction further unless it could meet on an unsupervised basis with Mi3, as it expected to engage Mi3 to assist it with the development of the Poplar CO₂-EOR project following the completion of the transaction. Following an analysis of the risks and merits of authorizing such a meeting, the Special Committee approved the meeting on January 13, 2016. It did so primarily because it believed the material economic terms of the transaction had at this point been agreed upon and because it believed that there was no material information concerning the Poplar field and its development of which One Stone was not already aware. Following the meeting, One Stone indicated to management and management reported to the Special Committee during its meeting on February 9, 2016, that One Stone was prepared to re-engage in negotiations with Magellan, as One Stone (i) had become more comfortable in the continuity of its relationship with Mi3 going forward and (ii) had a better understanding of Mi3's professional opinion of the sustainability of the Poplar CO₂-EOR project. These discussions between One Stone and Mi3 did not have any significant impact on subsequent negotiations between Magellan and One Stone.

After working with DGS to draft the Exchange Agreement, Magellan delivered the first draft of the agreement to One Stone on February 5, 2016. This draft included the concept of an initial payment by One Stone that Magellan

would use to satisfy certain outstanding liabilities related to operations at the Poplar field. In a conversation with Mr. West, on or about February 11, 2016, One Stone agreed to this concept subject to Magellan providing some or all of the Company's ownership of the shares of Central Petroleum as collateral for its potential obligation to repay the initial payment. The initial draft of the Exchange Agreement also contemplated that One Stone would indemnify Magellan in the event Magellan became obligated to make certain contingent payments to the Nautilus Sellers, including Mr. Wilson, in the future based on the performance of Poplar. See "Certain Relationships and Related Person Transactions—Relationships and Transactions with J. Thomas Wilson—Nautilus Restructuring Transaction" of this proxy statement for a description of this contingent payment obligation and the Nautilus Sellers. In each of the drafts of the Exchange Agreement described below provided by One Stone or its counsel Vinson & Elkins LLP ("V&E"), One Stone rejected this proposal.

On February 9, 2016, the Special Committee discussed One Stone's request to meet with Mr. Wilson regarding Poplar and the possible involvement of Mr. Wilson in the Poplar CO₂-EOR project following the completion of the Exchange (Messrs. Wilson and Lafargue had previously been instructed by the Special Committee not to have such conversations with any potential buyers without the permission of the Special Committee) and decided to authorize such a meeting once negotiations of the Exchange Agreement were closer to being finalized. On March 25, 2016, Mr. West, with the approval of the Special Committee, authorized Mr. Wilson to hold such a meeting, primarily for the reasons it had permitted the earlier meeting between Mi3 and One Stone as discussed above.

On February 17, 2016, One Stone delivered to Magellan a revised draft of the Exchange Agreement, which One Stone had prepared with the assistance of V&E. Magellan provided comments on this draft to One Stone on February 21, 2016. Magellan and DGS continued to discuss internally the mechanics of the purchase price adjustment in the agreement and to prepare the Magellan disclosure schedule. An initial draft of the disclosure schedule was provided to One Stone on March 8, 2016. On March 5, 2016, Mr. West reported to the Special Committee that One Stone's negotiations were again on hold while One Stone discussed with West Texas State Bank potential amendments to the term loan.

On March 14, 2016, One Stone provided a revised draft of the Exchange Agreement and a draft Pledge Agreement and Secured Promissory Note. V&E and DGS met by telephone to discuss the documents on March 16, 2016. The parties discussed a number of issues regarding the documents, including the interest rate payable under the Secured Promissory Note, the collateral for the loan, and under what conditions the loan amount would be deemed paid in full. DGS provided comments on each document on March 17, 2016. V&E and DGS continued to exchange drafts and discuss the terms of the agreements through the execution of the Exchange Agreement on March 31, 2016. The Special Committee did not assign any specific value to the debt contemplated by the Pledge Agreement and Secured Promissory Note, in significant part because it expects that the Exchange will close, in which case the debt will not be repaid, but will be considered to be additional consideration. Instead, the Special Committee viewed the debt as a mechanism to facilitate the continued operation of Poplar pending closing of the Exchange in a manner acceptable to One Stone, and therefore to facilitate the closing of the Exchange.

With respect to the contingent payment obligation to the Nautilus Sellers, the Special Committee determined on March 28, 2016, not to demand indemnification for this liability. It made this determination primarily because it believes that the obligation is not likely to become due in the foreseeable future and because, after consultation with Mr. Wilson in his capacity as one of the Nautilus Sellers, it believes that there may be an opportunity to terminate the obligation at a small fraction of its total amount.

On March 30, 2016, the Special Committee held a telephonic meeting, with representatives of Petrie and DGS and Messrs. Wilson and Lafargue attending. At this meeting, referring to written materials that had been circulated to

the Special Committee, DGS reviewed with the Special Committee the key terms of the draft Exchange Agreement, the fiduciary duties of the members of the Special Committee and certain provisions of the DGCL relating to the redemption by a corporation of its stock. With respect to the latter subject, Mr. Lafargue provided a report to the Special Committee regarding the Company's "surplus" for Delaware law purposes. Also at this meeting, Petrie presented the analyses underlying its fairness opinion, referring to written materials that had been circulated to the Special Committee prior to the meeting. Petrie then orally delivered its fairness opinion to the Special Committee to the effect that the consideration contemplated in the Exchange Agreement was fair, from a financial point of view, to Magellan, which was followed by delivery of its written opinion dated March 30, 2016. The full text of the written opinion of Petrie, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with such opinion, is attached as Annex D hereto. Following discussion and deliberation, the Special Committee then unanimously (i) determined that it is in the best interests of the Company and its stockholders (other than One Stone in its capacity as holder of the Preferred Stock) to enter into the Exchange Agreement and the Exchange and (ii) recommended that the Board (A) approve the Exchange Agreement and the Exchange, (B) submit the Exchange Agreement to a vote of the stockholders of the Company and (C) recommend adoption of the Exchange Agreement and approval of the Exchange by the stockholders of the Company. Immediately following the Special Committee meeting, the Magellan Board met with the same persons in attendance. Based on the same factors considered by the Special Committee, the Magellan Board adopted each of the foregoing recommendations of the Special Committee.

The Exchange Agreement was executed and delivered by each party on March 31, 2016.

Pursuant to the terms of a master services contract as amended on November 4, 2015, Mi3 was entitled to a payment in the amount of \$100,000, contingent upon the completion of a transaction resulting in the sale of the Poplar field to an unaffiliated third party, in addition to a fixed payment for certain services provided. Because the Exchange Agreement is between the Company and an affiliate of the Company, upon closing of the Exchange, the contingent payment of \$100,000 will not be due to Mi3.

On April 12, 2016, V&E provided final forms of the Pledge Agreement and the Secured Promissory Note for execution by the parties. On April 13, 2016, DGS provided V&E with minor comments on Pledge Agreement. The Pledge Agreement and Secured Promissory Note were executed and delivered by each party on April 15, 2016.

Reasons for the Recommendation to Magellan Stockholders by the Magellan Board and Special Committee
On June 5, 2015, the Magellan Board created the Special Committee, comprised of independent directors Brendan S. MacMillan, Ronald P. Pettirossi, and J. Robinson West, with Mr. West acting as chairperson, and authorized the Special Committee to investigate, negotiate and pursue all strategic alternatives reasonably available to the Company, including by evaluating potential strategic transactions, soliciting offers regarding potential strategic transactions and negotiating the terms of such offers, negotiating the terms of any definitive agreements relating to any strategic transaction, approving, or, to the extent required by the DGCL, recommending that the Board approve, any strategic transaction or definitive agreements or documents relating thereto, engaging any financial, legal or other advisors it deemed appropriate, and taking such other actions as the Special Committee deemed necessary or appropriate in connection with the strategic alternatives review process. In addition, the Special Committee was given the authority to reject any offer, bid or proposal that may arise from or relate to the strategic alternatives review process which it deemed to be inadequate or otherwise not in the best interests of the Company's stockholders, and the Board resolved to uphold and act in accordance with any such rejection by the Special Committee. After careful consideration, the Special Committee unanimously determined that the Exchange is in the best interests of Magellan and the holders of its common stock and unanimously recommended that the Board approve the Exchange Agreement and the Exchange. The Board, without the participation of either Mr. Gluzman or Mr. Israel, then accepted the recommendation of the

Special Committee, approved the Exchange and resolved to recommend that the Company's stockholders approve the Exchange Agreement and the Exchange. This explanation of the reasons of the Special Committee and the Board for recommending the Exchange and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under "Cautionary Statement Regarding Forward-Looking Statements."

The Special Committee and the Board, without the participation of Mr. Gluzman or Mr. Israel, considered the following material factors that it believes support its determinations:

Strategic Considerations and Benefits from Redemption of Preferred Stock and Transfer of Liabilities

the benefit to holders of Magellan common stock resulting from the redemption of the Preferred Stock, including the termination of the liquidation preference associated with the Preferred Stock and the elimination of the potential obligation of Magellan to pay a cash amount to One Stone as the holder of the Preferred Stock corresponding to a 20% rate of return on One Stone's initial investment in the Preferred Stock;

the benefit to holders of Magellan common stock of the transfer of liabilities associated with Poplar, including the \$5.5 million debt owed to West Texas State Bank, which Magellan has guaranteed, operating liabilities associated with Poplar and Utah CO₂ as of September 30, 2015, and ongoing liabilities associated with the operation of Poplar after that date, as low oil prices have resulted in Poplar generating negative cash flow;

that Magellan has few if any alternative means of satisfying the liabilities described in the preceding bullet, giving rise to significant uncertainty as to its ability to continue to conduct operations in the absence of the Exchange or a new financing transaction, the availability of which is uncertain;

that transferring such liabilities in the Exchange, together with the possible monetization of Magellan's other significant assets, is anticipated to result in the Company having sufficient funds to maintain operations on a limited scale for a significant period of time, although the Board also recognized that those monetization transactions may not occur in a timely manner, on the terms expected, or at all;

that the cash amount to be provided by One Stone pursuant to the Exchange Agreement will help Magellan satisfy certain near-term liquidity needs, and that this amount will not be repaid to One Stone if the Exchange closes, but instead will be treated as additional Exchange consideration;

that given the current commodity price environment, realizing the economic potential of the CO₂-EOR project at the Poplar field and the potential creation and development of similar projects using Utah CO₂ would require a substantial period of time and significant additional capital and other resources;

that Magellan, under the direction of the Special Committee, conducted a publicly disclosed and active strategic alternatives process over a lengthy period of time, in which it solicited interest regarding a variety of potential transactions and structures, and that since the formation of the Special Committee in June 2015, Magellan had contacted 23 potentially interested parties regarding a transaction involving a merger or sale of Magellan or its assets and had engaged in discussions with five of those parties;

that One Stone was the only party that was willing to proceed with a transaction involving Magellan or a substantial amount of its assets during the strategic alternatives process;

Opinion of Petrie Partners Securities, LLC

the financial presentation and opinion, dated March 30, 2016, of Petrie to the Special Committee as to the fairness, from a financial point of view and as of the date of such opinion, of the Exchange consideration, which opinion was based upon and subject to the factors, assumptions, limitations and qualifications set forth in its opinion, as more fully described in “Opinion of Magellan’s Financial Advisor” below;

Favorable Terms of the Exchange Agreement

the terms of the Exchange Agreement that permit Magellan to discuss and negotiate an unsolicited acquisition proposal should one be made, and that permit Magellan to terminate the Exchange Agreement in order to accept a “superior proposal,” in each case in certain circumstances;

the fact that the Exchange Agreement allows the Board, under specified circumstances, to change or withdraw its recommendation to the Magellan stockholders with respect to the approval of the Exchange; and

the likelihood, considering the terms of the Exchange Agreement, that the Exchange will be completed.

Risks and Potentially Negative Factors

The Special Committee and the Board also considered a variety of risks and other potentially negative factors concerning the Exchange Agreement and the Exchange, including the following:

the fact that Magellan’s interests in the Poplar field and Utah CO₂, which will be transferred to One Stone in the Exchange, may have substantial value in the future, particularly in a more favorable commodity price environment;

the fact that there may be disruption of Magellan’s operations following the announcement of the Exchange Agreement;

the fact that, while Magellan expects the Exchange will be consummated, there can be no guarantee that all conditions to the parties’ obligations to consummate the Exchange will be satisfied, and, as a result, the Exchange may not be consummated (or such consummation may be delayed) and the risks and costs to Magellan in such event;

the terms of the Exchange Agreement that place restrictions on the conduct of the business of Magellan prior to the completion of the Exchange, which may delay or prevent Magellan from undertaking business opportunities that may arise pending completion of the Exchange;

the costs, time and effort involved in connection with negotiating the Exchange Agreement and completing the Exchange;

the fact that, under certain circumstances, Magellan may be required to pay a termination fee, reimburse One Stone for certain of its expenses and/or repay the Loan Amount, in each case upon termination of the Exchange Agreement in specified circumstances;

the fact that the analyses and projections on which the Board made its determinations are uncertain;

the fact that a conflict of interest existed as a result of One Stone having two affiliated persons on the Magellan Board, although the Special Committee and the Board concluded that this conflict was appropriately addressed during the negotiation process as a result of the authority given to the Special Committee, including its authority not to enter into the Exchange Agreement or any other agreement or transaction with any person, and its exercise of that authority over the course of the strategic alternatives review process; and

the fact that Mr. Wilson is one of the Nautilus Sellers and as such has an interest in the contingent payments potentially due to the Nautilus Sellers in the future, and that he could have a potential role with One Stone in the future relating to Poplar, although the Special Committee and the Board concluded that these potential conflicts of interest were appropriately addressed by the Special Committee in the strategic alternatives review process.

The Magellan Board concluded that the benefits of the transaction to Magellan and its common stockholders outweighed the perceived risks. In view of the wide variety of factors considered, and the complexity of these matters, the Board did not find it useful and did not attempt to quantify or assign any relative or specific weights to the various factors it considered. Rather, the Board viewed the decisions as being based on the totality of the information available to it. In addition, individual members of the Special Committee and the Board may have given differing weights to different factors.

Opinion of Magellan's Financial Advisor

Opinion of Petrie Partners Securities, LLC to the Special Committee

On June 29, 2015, Magellan and Petrie Partners, LLC, an affiliate of Petrie, entered into an engagement letter (such engagement letter was amended in certain respects as of March 14, 2016, and assigned to Petrie) pursuant to which Petrie is acting as financial advisor to Magellan and the Special Committee. On March 30, 2016, at a meeting of the Special Committee, Petrie rendered its oral opinion, subsequently confirmed by delivery of its written opinion, that, as of March 30, 2016, and based upon and subject to the factors, procedures, assumptions, qualifications and limitations set forth in its opinion, the Consideration was fair, from a financial point of view, to Magellan.

The full text of the written opinion of Petrie, dated as of March 30, 2016, which sets forth, among other things, the procedures followed, assumptions made, matters considered and qualifications and limitations on the scope of review undertaken in rendering its opinion, is attached as Annex D to this proxy statement and is incorporated by reference in its entirety into this proxy statement. You are urged to read the opinion carefully and in its entirety. Petrie's opinion was addressed to, and provided for the information and benefit of, the Special Committee in connection with its evaluation of whether the Consideration was fair, from a financial point of view, to Magellan.

In connection with rendering its opinion and performing its related financial analyses, Petrie, among other things: reviewed certain publicly available business and financial information relating to Magellan, including, without limitation, (i) Annual Reports on Form 10-K and related audited financial statements of Magellan for the fiscal years ended June 30, 2014, and 2015, and (ii) the Quarterly Reports for Magellan on Form 10-Q and related unaudited financial statements for the fiscal quarters ended September 30, 2015, and December 31, 2015;

reviewed certain estimates of Poplar's oil and gas reserves, including (i) estimates of proved and probable reserves for Poplar as prepared by Allen & Crouch Petroleum Engineers, Inc. ("Allen & Crouch") as of June 30, 2015, and (ii) estimates of recoverable resources for Poplar through CO₂-EOR operations as prepared by Mi3;

reviewed the Poplar field CO₂ Pipeline Feasibility Report prepared by KLJ Engineering ("KLJ") and the Front End Engineering and Design Technical Report prepared by Nicholas Consulting Group, Inc. ("NCG");

reviewed certain non-public projected financial and operating data relating to Poplar and Utah CO₂ prepared and furnished to Petrie by the management team and staff of Poplar and Utah CO₂ (collectively, the "Magellan Parties");

participated in due diligence meetings and reviewed technical data related to Poplar and Utah CO₂ with Mi3 and the management and staff of the Magellan Parties;

discussed current operations, financial positioning and future prospects of Poplar and Utah CO₂ with the management team of the Magellan Parties;

reviewed historical market prices and trading history of Magellan's common stock;

reviewed the capital structure of the Magellan Parties, including the terms and provisions governing the Preferred Stock;

compared the financial terms of the Exchange with the financial terms of similar transactions that Petrie deemed relevant;

participated in certain discussions and negotiations among the representatives of the Magellan Parties and One Stone and their respective legal advisors;

reviewed the Exchange Agreement; and

reviewed such other financial studies and analyses and performed such other investigations and have taken into account such other matters as Petrie deemed necessary and appropriate.

In rendering its opinion, upon the advice of Magellan, Petrie assumed and relied upon, without assuming any responsibility or liability for or independently verifying the accuracy or completeness of, all of the information publicly available and all of the information supplied or otherwise made available to Petrie by Magellan. Petrie further relied upon the assurances of representatives of the management of Magellan that they were unaware of any facts that would make the information provided to Petrie incomplete or misleading in any material respect. With respect to projected financial and operating data, Petrie assumed, upon the advice of Magellan, that such data has been prepared in a manner consistent with historical financial and operating data and reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management and staff of Magellan at the time relating to the future financial and operational performance of the Magellan Parties. Petrie expressed no view as to any projected financial and operating data relating to the Magellan Parties or the assumptions on which they were based. With respect to the estimates of oil and gas reserves and recoverable resources, Petrie assumed, upon the advice of Magellan, that they were prepared in a manner consistent with historical estimates of oil and gas reserves and recoverable resources and reasonably prepared on bases reflecting the best available estimates and good faith judgments of the management and staff of Magellan, Allen & Crouch and Mi3 relating to the oil and gas properties of the Magellan

Parties. With respect to the Poplar field CO2 Pipeline Feasibility Report prepared by KLJ and the Front End Engineering and Design Technical Report prepared by NCG, Petrie assumed, upon the advice of Magellan, that they were prepared in a manner reflecting best available estimates and good faith and judgments of KLJ and NCG. Petrie expressed no view as to any reserve or potential resource data or estimates relating to the Magellan Parties or the assumptions on which they were based.

Petrie did not make an independent evaluation or appraisal of the assets or liabilities of the Magellan Parties, nor, except for the estimates of oil and gas reserves and recoverable resources referred to above, was Petrie furnished with any such evaluations or appraisals, nor did Petrie evaluate the solvency or fair value of Magellan under any state or federal laws relating to bankruptcy, insolvency or similar matters. In addition, Petrie did not assume any obligation to conduct, nor did Petrie conduct, any physical inspection of the properties or facilities of the Magellan Parties. For purposes of rendering its opinion, Petrie assumed, in all respects material to its analysis, that the representations and warranties of each party contained in the Exchange Agreement were true and correct, that each party will perform all of the covenants and agreements required to be performed by it under the Exchange Agreement and that all conditions to consummation of the Exchange will be satisfied without material waiver or modification thereof. Petrie further assumed, upon the advice of Magellan, that all governmental, regulatory or other consents, approvals or releases necessary for the consummation of the Exchange will be obtained without any material delay, limitation, restriction or condition that would have an adverse effect on Magellan or on the consummation of the Exchange or that would materially reduce the benefits of the Exchange to Magellan.

Petrie's opinion relates solely to the fairness, from a financial point of view, of the Consideration to Magellan. Petrie did not express any view on, and its opinion does not address, the fairness of the proposed Exchange to, or any consideration received in connection therewith by, any creditors or other constituencies of Magellan, nor the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of Magellan, or any class of such persons. Petrie assumed that any modification to the structure of the Exchange would not vary in any material respect from what was assumed in its analysis. Petrie's advisory services and the opinion expressed in its opinion were provided for the information and benefit of the Special Committee in connection with its consideration of the transactions contemplated by the Exchange Agreement, and Petrie's opinion does not constitute a recommendation to any holder of Magellan common stock as to how such holder should vote with respect to any of the transactions contemplated by the Exchange Agreement. Petrie's opinion does not address the relative merits of the Exchange as compared to any alternative business transaction or strategic alternative that might be available to Magellan, nor does it address the underlying business decision of Magellan to engage in the Exchange. Petrie was not asked to consider, and its opinion does not address, the prices at which Magellan common stock will trade at any time, including, without limitation, following the announcement or consummation of the Exchange. Petrie did not render any legal, accounting, tax or regulatory advice and understands that Magellan is relying on other advisors as to legal, accounting, tax and regulatory matters in connection with the Exchange.

Petrie acted as financial advisor to Magellan and the Special Committee, and Petrie will receive a fee from Magellan for its services related to the rendering of its opinion, regardless of the conclusions expressed in its opinion. In addition, Magellan agreed to reimburse Petrie's expenses, and Petrie will be entitled to receive a success fee if the Exchange is consummated. In addition, Magellan has agreed to indemnify Petrie for certain liabilities possibly arising out of Petrie's engagement. During the two-year period prior to the date of its written opinion, no material relationship existed between Petrie and its affiliates (including those individuals employed by Petrie and participating in Petrie's evaluation), on the one hand, and Magellan or One Stone and their respective affiliates, on the other hand, pursuant to which Petrie or any of Petrie's affiliates received compensation as a result of such relationship. Petrie may provide financial or other services to Magellan and One Stone in the future and in connection with any such services may

receive customary compensation for such services. Furthermore, in the ordinary course of business, Petrie or its affiliates may trade in the debt or equity securities of Magellan for their own accounts and, accordingly, may at any time hold long or short positions in such securities.

Petrie's opinion was rendered on the basis of conditions in the securities markets and the oil and gas markets as they existed and could be evaluated on March 30, 2016, and the conditions and prospects, financial and otherwise, of Magellan as they were represented to Petrie as of March 30, 2016, or as they were reflected in the materials and discussions described above. Regardless of any subsequent developments, Petrie does not have any obligation to update, revise or reaffirm its opinion.

Set forth below is a summary of the material financial analyses performed and reviewed by Petrie with the Special Committee in connection with rendering its oral opinion on March 30, 2016, and the preparation of its written opinion letter dated March 30, 2016. Each analysis was provided to the Special Committee. In connection with arriving at its opinion, Petrie considered all of its analyses as a whole, and the order of the analyses described and the results of these analyses do not represent any relative importance or particular weight given to these analyses by Petrie. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data that existed on March 30, 2016, and is not necessarily indicative of current market conditions.

The following summary of financial analyses includes information presented in tabular format. These tables must be read together with the text of each summary in order to understand fully the financial analyses performed by Petrie. The tables alone do not constitute a complete description of the financial analyses performed by Petrie. Considering the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Petrie's financial analyses.

Reference Value Analyses

Petrie performed a series of analyses utilizing the following methodologies to arrive at enterprise value reference ranges for the Magellan Parties.

Discounted Cash Flow Analysis

Petrie performed a discounted cash flow analysis of the Magellan Parties' projected future cash flows to determine indicative reference value ranges based on the present value of the future before-tax cash flows expected to be generated from the Magellan Parties' (a) proved and probable reserves based on the Allen & Crouch reserve report, (b) recoverable resources for Poplar through CO₂-EOR operations as prepared by Mi3, and (c) 51% interest in Utah CO₂.

Petrie evaluated four scenarios in which the principal variable was oil price. The four price case scenarios represent long-term potential future benchmark prices per barrel of oil. Adjustments were made to these prices to reflect location and quality differentials. One scenario was based on New York Mercantile Exchange ("NYMEX") five-year strip pricing as of March 24, 2016, for the calendar years 2016 through 2020, escalated annually at the rate of 3% after 2020. The other three scenarios were based on 2016 benchmark prices of \$30.00, \$45.00 and \$60.00 per barrel of oil, respectively, and were escalated annually starting in 2016 at the rate of 3%. Applying various before-tax discount rates ranging from 7.0% to 20.0%, depending on reserve category, to the before-tax cash flows of the proved

and probable reserve estimates and estimates of recoverable resources, Petrie determined the following implied enterprise value reference ranges for the Magellan Parties.

	NYMEX			
	Strip	\$30.00	\$45.00	\$60.00 Oil
	(March 24, Oil	Oil		
	2016)			
(\$ in millions)	Low	High	Low	High
Magellan Parties Implied Enterprise Value	\$ 1.6	\$ 5.1	\$ 0.0	\$ 0.0 \$ 4.1 \$ 8.1 \$ 24.5 \$ 32.9

Comparable Property Transaction Analysis

Petrie reviewed selected publicly available information for 26 transactions involving oil and gas properties in the Williston Basin announced between 2013 and 2015, as well as 13 transactions involving enhanced oil recovery ("EOR") projects announced between 2010 and 2015, each of which had a transaction value greater than \$10 million. Petrie reviewed all transactions with publicly available information that it deemed to have certain characteristics that are similar to those of the Magellan Parties, although Petrie noted that none of the selected companies that participated in the selected transactions, or the assets involved in the selected transactions, were directly comparable to the Magellan Parties or their assets.

Comparable Property Transactions

Date Announced	Buyer	Seller
Williston Basin:		
12/31/15	Samson Oil & Gas Limited	Oasis Petroleum Inc.
10/21/15	Resource Energy Partners LLC	American Eagle Energy Corporation
09/15/15	Energy 11 LP	Kaiser-Francis Oil Company
10/09/14	SM Energy Company	Magnum Hunter Resources Corporation
09/30/14	Formation Energy LP	Magnum Hunter Resources Corporation
08/01/14	Vitesse Energy LLC	EnerVest Management Partners, Ltd.
08/01/14	Emerald Oil, Inc.	Liberty Resources II LLC
07/29/14	Undisclosed	Sundance Energy Australia Ltd.
07/17/14	Lime Rock Resources	MDU Resources Group, Inc.
05/27/14	Undisclosed	U.S. Energy Corp.
05/06/14	Triangle Petroleum Corporation	Marathon Oil Corporation; QEP Resources, Inc.
04/18/14	Vitesse Oil LLC; Vitesse Energy LLC	Undisclosed
03/07/14	American Eagle Energy Corporation	USG Properties Bakken I, LLC
01/09/14	Emerald Oil, Inc.	Kodiak Oil & Gas Corp.
11/19/13	Enduro Resource Partners	Magnum Hunter Resources Corporation
11/15/13	Black Ridge Oil & Gas Inc.	CP Exploration, LLC
10/24/13	Versa Energy LLC	Golden Eye Resources LLC
09/09/13	NextEra Energy Resources	Emerald Oil Inc.
09/02/13	Oasis Petroleum Inc.	Magnum Hunter Resources Corporation; Undisclosed
08/12/13	American Eagle Energy Corporation	USG Properties Bakken I, LLC
08/05/13	Triangle Petroleum Corporation	Kodiak Oil & Gas Corp.
08/02/13	Emerald Oil, Inc.	Undisclosed
07/13/13	Synergy Offshore LLC	Quicksilver Resources Inc.
06/27/13	Halcon Resources Corporation	Resolute Energy Corporation
06/17/13	Natural Resource Partners L.P.	Abraxas Petroleum Corporation
06/01/13	Triangle Petroleum Corporation	Undisclosed
Enhanced Oil Recovery:		
03/31/15	Denbury Resources Inc.	Undisclosed
03/03/15	KKR & Co. L.P.; Fleur de Lis Energy L.L.C.	Anadarko Petroleum Corporation
05/06/14	Atlas Resource Partners, L.P.	Merit Energy Company, LLC
05/05/14	Memorial Production Partners LP	Merit Energy Company, LLC
03/10/14	Legacy Reserves LP	SM Energy Company; Celero Energy II, LP; Caprock Land & Cattle, LLC
06/22/13	Breitburn Energy Partners LP	Whiting Petroleum Corporation; Undisclosed
06/01/13	Kinder Morgan Energy Partners, L.P.	Legado Resources LLC
01/15/13	Denbury Resources Inc.	ConocoPhillips
06/01/12	Trinity CO2 Investments LLC	Sandridge Energy, Inc.
05/01/12	Denbury Resources Inc.	Undisclosed
04/27/12	Southern San Joaquin Production, LLC	NiMin Energy Corp.
09/30/11	Undisclosed	El Paso Corporation
04/16/10	Milagro Exploration LLC; Denbury Resources Inc.; EnergyQuest Resources LP	Venoco, Inc.

For the 26 Williston Basin transactions reviewed, the multiples of proved reserves ranged from \$1.78 to \$24.73 per barrel of oil equivalent, with a mean and a median of \$9.23 and \$7.37 per barrel of oil equivalent, respectively; and multiples of production ranged from \$21,662 to \$134,757 per daily barrel of net oil production, with a mean and a median of \$53,021 to \$58,673 per daily barrel, respectively. For the 13 EOR transactions, the multiples of proved reserves ranged from \$1.60 to \$14.99 per barrel of oil equivalent, with a mean and a median of \$6.56 and \$5.27 per barrel of oil equivalent, respectively; and multiples of production ranged from \$29,957 to \$116,195 per daily barrel of net oil production, with a mean and a median of \$57,717 to \$63,560 per daily barrel, respectively.

Based on the multiples evidenced in these transactions and Petrie's judgment as to the comparability of each transaction versus the assets of the Magellan Parties, Petrie applied relevant transaction multiples to calculate an implied enterprise value reference range.

With respect to the Poplar field, Petrie applied transaction multiples ranging from \$5.00 to \$7.00 per barrel of oil of proved and proved developed reserves and \$50,000 to \$70,000 per barrel of oil of net production per day.

Based on the application of these transaction multiples, Petrie determined an implied enterprise value reference range of \$16.4 million to \$24.9 million for the Magellan Parties.

Capital Market Comparison Analysis

Petrie performed a capital market comparison analysis of the Magellan Parties by reviewing the market values and trading multiples of the following eight publicly traded companies that Petrie deemed comparable as a peer group for the Magellan Parties, as applicable:

Magellan Parties Peer Group

▲ Abraxas Petroleum Corporation

● Contango Oil & Gas Company

◆ Denbury Resources Inc.

♠ Northern Oil & Gas, Inc.

Ⓜ Resolute Energy Corporation

Ⓜ Ring Energy, Inc.

♠ Triangle Petroleum Corporation

♠ VAALCO Energy, Inc.

Although the peer group companies were compared to the Magellan Parties, as applicable, for purposes of this analysis, no entity included in the capital market comparison analysis is identical to the Magellan Parties because of differences between the business mixes and other characteristics of the peer group companies, on the one hand, and the Magellan Parties, as applicable, on the other hand. In evaluating the peer group, Petrie relied on publicly available filings and equity research analyst estimates. These estimates are based in part on judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters. Many of these matters are beyond the control of the Magellan Parties, such as the impact of competition on the businesses

of the Magellan Parties, as well as on the industry generally, industry growth and the absence of any adverse material change in the financial condition and prospects of the Magellan Parties or the industry or in the markets generally. All peer group multiples were calculated using closing stock prices on March 24, 2016. Peer group EBITDA and production were based on available historical financial and operational data as March 24, 2016. Peer group estimates of EBITDA were based on FactSet research analyst consensus estimates as of March 24, 2016. Peer group reserves are as of December 31, 2015, as disclosed in publicly filed year-end annual reports on Form 10-K. For each of the peer group entities, Petrie calculated the following:

Enterprise Value/LTM EBITDA, which is defined as market value of equity, plus debt and the book value of preferred stock, less cash (“Enterprise Value”), divided by EBITDA for twelve month period ended December 31, 2015 (“LTM EBITDA”);

Enterprise Value/2016E EBITDA, which is defined as enterprise value divided by estimated EBITDA for the calendar year 2016 (“2016E EBITDA”)

Enterprise Value/Proved Reserves, which is defined as enterprise value divided by proved reserves;

Enterprise Value/Current Production, which is defined as enterprise value divided by average daily production for the most recent historical quarter reported (“Current Production”).

The minimum, mean, median and maximum trading multiples for the Magellan peer group are set forth below.

Magellan Peer Group

Measure	Minimum	Mean	Median	Maximum
Enterprise Value/LTM EBITDA	2.1x	6.3x	4.6x	17.9x
Enterprise Value/2016E EBITDA	2.7x	9.3x	8.2x	20.9x
Enterprise Value/Proved Reserves (\$/Boe)	\$ 5.77	\$ 13.85	\$ 14.30	\$ 25.24
Enterprise Value/Current Production (\$/Boepd)	\$ 15,218	\$ 50,880	\$ 51,657	\$ 89,641

Based upon its review of the peer group, Petrie selected enterprise value multiple ranges for Magellan of 8.0x – 10.0x to LTM EBITDA, \$10.00 – \$15.00 per Boe of proved reserves and \$50,000 - \$60,000 per Boepd of current production. From the implied enterprise value reference range for each metric, Petrie determined an implied enterprise value reference range of \$17.5 million to \$25.0 million for the Magellan Parties.

The Consideration

Petrie compared the enterprise value reference ranges for the Magellan Parties to a range of value calculated for the Consideration. The range of value for the Consideration was calculated using the market value, book value, liquidation value and cash redemption value for the Preferred Stock and then adjusted by the value of the West Texas State Bank loan, the Magellan Parties accounts payable, other net working capital and the Cash Amount to determine enterprise value.

(\$ in millions)	Market Value (March 24, 2016)	Book Value	Liquidation Value	Cash Redemption Value
Consideration Enterprise Value	\$ 10.4	\$ 34.4	\$ 37.1	\$ 48.3

Miscellaneous

The foregoing summary of certain material financial analyses does not purport to be a complete description of the analyses or data presented by Petrie. In connection with the review of the Exchange by the Special Committee, Petrie performed a variety of financial and comparative analyses for purposes of rendering its opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary described above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Petrie's opinion. In arriving at its fairness determination, Petrie considered the results of all the analyses and did not draw, in isolation, conclusions from or with regard to any one analysis or factor considered by it for purposes of its opinion. Rather, Petrie made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all the analyses. In addition, Petrie may have given various analyses and factors more or less weight than other analyses and factors and may have deemed various assumptions more or less probable than other assumptions. As a result, the ranges of valuations resulting from any particular analysis or combination of analyses described above should not be taken to be the view of Petrie with respect to the actual value of the assets or liabilities of the Magellan Parties. No company reviewed or considered in the above analyses for comparison purposes is directly comparable to Magellan, and no transaction reviewed or considered is directly comparable to the Exchange. Furthermore, Petrie's analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies or transactions used, including judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Petrie, Magellan and its other advisors.

Petrie prepared these analyses solely for the purpose of providing an opinion to the Special Committee as to the fairness, from a financial point of view, of the Consideration to Magellan. These analyses do not purport to be appraisals or to necessarily reflect the prices at which the business or securities actually may be sold. Any estimates contained in these analyses are not necessarily indicative of actual future results, which may be significantly more or less favorable than those suggested by such estimates. Accordingly, estimates used in, and the results derived from, Petrie's analyses are inherently subject to substantial uncertainty, and Petrie assumed no responsibility if future results are materially different from those forecasted in such estimates.

The issuance of the fairness opinion was approved by Petrie's opinion committee.

The Consideration was determined through arm's-length negotiations between the Special Committee and One Stone and was approved by the Special Committee. Petrie provided advice to the Special Committee during these negotiations. Petrie did not, however, recommend any specific amount of Consideration to the Special Committee or Magellan or that any specific amount of Consideration constituted the only appropriate consideration for the Exchange. Petrie's opinion to the Special Committee was one of many factors taken into consideration by the Special Committee in deciding to approve the Exchange. Consequently, the analyses as described above should not be viewed as determinative of the opinion of the Special Committee with respect to the Consideration or of whether the Special Committee would have been willing to agree to different consideration.

Under the terms of Petrie's engagement letter with Magellan, Petrie provided Magellan and the Special Committee financial advisory services and a fairness opinion in connection with the Exchange. Pursuant to the terms of that engagement letter, Magellan has agreed to pay Petrie customary fees for its services in connection with its engagement, including a success fee that is payable to Petrie if the Exchange is consummated. Petrie also earned a fairness opinion fee of \$300,000 upon delivery of its fairness opinion to the Special Committee (and would have earned the opinion fee, regardless of the conclusion regarding fairness expressed in the opinion). As a result, the total compensation earned by Petrie prior to the date hereof is \$300,000, which will be credited against Petrie's success fee of \$750,000. In addition, Magellan has agreed to reimburse Petrie for its reasonable out-of-pocket expenses (including reasonable legal fees, expenses and disbursements) incurred in connection with its engagement and to indemnify Petrie and its affiliates and their respective directors, officers, employees, agents and controlling persons from and against certain liabilities and expenses arising out of its engagement and any related transaction.

Petrie was engaged to act as a financial advisor to Magellan and the Special Committee based on its qualifications, experience and reputation. Petrie is a nationally recognized investment banking firm and is regularly engaged in the valuation of businesses in connection with mergers and acquisitions, leveraged buyouts, competitive sales processes, private placements and other purposes.

Projected Summary Financial Results of Poplar and Utah CO2

Magellan provided to Petrie certain reports developed by independent firms regarding reserves and operating costs at Poplar as well as management's own estimates of certain prospective operating costs. Petrie utilized such information in the preparation of its opinion described immediately above in "Opinion of Magellan's Financial Advisor," and Petrie was authorized by Magellan's management to rely on that data for purposes of its analysis and opinion. The prospective oil production, operating expenses, and capital costs for the proved and probable reserves related to Poplar were based upon the reserve report prepared by Allen & Crouch as of June 30, 2015. Estimates of recoverable resources for Poplar through CO₂-EOR operations, prospective oil production and CO₂ volume requirements were based upon the report prepared by Mi3 as of July 30, 2015, estimates of capital costs related to CO₂-EOR operations were based upon the reports prepared by KLJ and NCG dated August 12, 2015, and September 16, 2015, respectively, and assumptions regarding operating expenses and other issues were provided to Petrie by the Company. Estimates of CO₂ volumes for Utah CO2 were provided to Petrie by Magellan. A quantitative summary of the reserve and cost projections provided to Petrie is set forth below in tabular format.

Poplar Field

(\$ in millions)	3	2016E	2017E	2018E	2019E	Remainder	Total
	Months Ended 2015E						
Production (MMBo)	0.0	0.2	0.2	0.2	0.3	3.2	4.1
Operating cash flow	\$ (0.0)	\$ 0.2	\$ 1.3	\$ 2.3	\$ 2.7	\$ 53.4	\$59.9
Capital expenditures	\$ 1.4	\$ 4.8	\$ 4.1	\$ 3.7	\$ 1.6	\$ 3.0	\$18.6

Poplar Field CO₂-EOR

(\$ in millions)	3	2016E	2017E	2018E	2019E	Remainder	Total
	Months Ended 2015E						
Production (MMBo)	0.0	0.0	0.0	0.1	0.7	79.1	79.9
Operating cash flow	\$ 0.0	\$ 0.0	\$ 0.0	\$(15.1)	\$(9.5)	\$ 1,515.6	\$ 1,491.0
Capital expenditures	\$ 0.0	\$ 0.0	\$ 101.5	\$ 117.8	\$ 83.5	\$ 416.2	\$ 719.1

Utah CO₂ LLC

	3 Months Ended 2015E	2016E	2017E	2018E	2019E	Remainder	Total
CO ₂ Sold (Bscf)	0.0	0.0	10.0	10.0	10.0	370.0	400.0

Key Assumptions

	3	2016E	2017E	2018E	2019E
	Months Ended 2015				
WTI (\$ per Bbl)	\$ 41.99	\$ 39.72	\$ 44.82	\$ 46.67	\$ 47.95

The projections were not prepared with a view toward public disclosure or compliance with the guidelines of the SEC or the American Institute of Certified Public Accountants. Magellan's independent public accountants have not examined nor compiled the projections, and have not expressed an opinion or assurance with respect to the figures. Magellan has not warranted the accuracy or reliability of the projections to anyone, including One Stone. Magellan makes no representation that the financial forecasts will be achieved and undertakes no obligation, and has no intent, to update or revise the projections after the date they were made. The projections are inherently forward-looking statements subject to risks and uncertainties.

Listing of Magellan Common Stock

Shares of Magellan common stock currently trade on the NASDAQ Capital Market under the symbol "MPET." On May 17, 2016, Magellan received a letter from the Listing Qualifications Department of the NASDAQ indicating that, based upon the Company's reported stockholders' equity for the quarter ended March 31, 2016 and the market value of its listed securities or net income from continuing operations as of May 17, 2016, the Company did not comply with NASDAQ Stock Market Rules 5550(b)(1), (b)(2) or (b)(3). The letter also indicated that the Company has until July 1, 2016 to submit a plan to regain compliance. If the plan is accepted, the Company may be provided with 180 calendar days, or until November 13, 2016, in which to regain compliance.

No Dissenters' or Appraisal Rights

Under Delaware law, Magellan stockholders will not be entitled to dissenters' or appraisal rights in connection with the transactions contemplated by the Exchange Agreement.

Interests of Magellan Executive Officers and Directors in the Exchange

Certain of Magellan's directors and officers may have interests that differ from, and may be in conflict with, those of the stockholders of Magellan with respect to the Exchange Agreement. First, each of Magellan directors Vadim Gluzman and Robert I. Israel is a managing member of One Stone Energy Partners GP, L.L.C., a Delaware limited liability company and the general partner of One Stone, the holder of the Preferred Stock and counterparty to the Exchange Agreement. Neither Mr. Gluzman nor Mr. Israel (i) served on Magellan's Special Committee that conducted the strategic alternatives process that resulted in the negotiation and execution of the Exchange Agreement or (ii) participated in any Board meeting at which the Exchange Agreement was considered and approved. Second, J. Thomas Wilson, the Company's President and Chief Executive Officer and a director, has certain potential interests in the operations of Poplar. See "Certain Relationships and Related Person Transactions—Relationships and Transactions with J. Thomas Wilson—Nautilus Restructuring Transaction" for information about such interests. In addition, One Stone expressed an interest in retaining Mr. Wilson to advise it in some capacity in connection with the operation and development of the Poplar field following the completion of the Exchange. Third, each Magellan director owns shares of Magellan common stock. See "Security Ownership of Certain Beneficial Owners and Management of Magellan" for information about the shares of Magellan common stock held by each Magellan director. The Board of Magellan and the Special Committee was aware of these interests and considered them in making its recommendations in this proxy statement.

There is no compensation payable to any NEO that is based on or otherwise relates to the Exchange.

THE EXCHANGE AGREEMENT

This section of this proxy statement is a summary of the material provisions of the Exchange Agreement, a copy of which is attached to this proxy statement as Annex A. Because the description is a summary, it does not necessarily contain all of the information about the Exchange Agreement that may be important to you. You should refer to the full text of the Exchange Agreement, which is hereby incorporated by reference into this proxy statement, for details of the Exchange and the terms and conditions of the Exchange Agreement.

The Exchange

Magellan and One Stone entered into the Exchange Agreement on March 31, 2016. The Exchange Agreement provides that, upon the terms and subject to the conditions set forth in the Exchange Agreement, One Stone will transfer to Magellan 100% of the outstanding shares of Preferred Stock in consideration for the assignment to and assumption by One Stone of the Poplar Membership Interests and the Purchased Utah CO2 Common Units, as adjusted by the Cash Amount. The Exchange, if consummated, will result in a sale to One Stone of substantially all of Magellan's interest in the Poplar field, which is owned by Poplar, in consideration for the Preferred Stock and the Cash Amount.

The Cash Amount and the Loan Documents

Determination of the Cash Amount

At closing, Magellan will pay One Stone cash in an amount equal to the Cash Amount if the Cash Amount is positive, or if the Cash Amount is negative, One Stone will pay the Company an amount equal to the absolute value of the Cash Amount. The Cash Amount equals (i) the Loan Amount plus (if positive) or minus (if negative) (ii) the net revenues and expenses attributable to Poplar after the Effective Date, minus (iii) any transaction costs One Stone has agreed to pay pursuant to the Exchange Agreement that have not been paid on or prior to closing minus (iv) certain specified liabilities of Poplar and Utah CO2 that were actually paid by the Company or Poplar prior to closing. At the closing, the Loan Amount will be deemed to be paid in full as a portion of the exchange consideration and no further amounts under the Secured Promissory Note will be repaid by the Company. If the Exchange is not consummated, the Company will be required to repay this amount. Upon closing of the Exchange, One Stone will assume all assets and virtually all liabilities related to Poplar and Utah CO2. These liabilities include amounts owed to certain vendors and, as of the signing of the Exchange Agreement, approximately \$5.5 million owed by Poplar under a loan agreement with West Texas State Bank.

The Loan Documents

On or before April 15, 2016, Magellan and One Stone will (i) enter into a Secured Promissory Note pursuant to which One Stone will make a loan to Magellan in an amount equal to the Loan Amount (i.e., \$625,000) and (ii) simultaneously enter into a Pledge Agreement pursuant to which Magellan will pledge, assign and grant to One Stone a security interest in certain assets of Magellan, as collateral for the loan. Magellan is required to use the borrowed amounts to satisfy transaction costs and pay certain outstanding accounts payable. No interest will be payable under the Secured Promissory Note unless the Exchange Agreement is terminated (subject to certain conditions), in which case interest will accrue from the termination date of the Exchange Agreement at a rate per annum equal to the Prime Rate (as published in The Wall Street Journal) plus 1%. The Loan Amount will be secured by a pledge of Magellan's ordinary shares in Magellan Petroleum Australia Pty Ltd. Forms of the Secured Promissory Note and the Pledge Agreement are attached to this proxy statement as Annex B and Annex C, respectively.

Completion and Effectiveness of the Exchange

The parties will complete the transactions contemplated by the Exchange Agreement when all of the conditions to completion of the transactions, as provided in the Exchange Agreement, are satisfied or waived. The parties anticipate closing the transactions as soon as possible after approval by the Magellan stockholders of the proposal regarding the transactions contemplated by the Exchange Agreement.

Representations and Warranties

The Exchange Agreement contains mutual representations and warranties made by each of Magellan and One Stone regarding aspects of their respective businesses, financial condition and structure, as well as other facts pertinent to the Exchange. These representations and warranties are made only as of a specific date, are subject to materiality, knowledge and other similar qualifications in many respects and will not survive after closing.

Representations made by Magellan in the Exchange Agreement include the following:

- due organization, organizational power, and qualification to do business;
- capitalization and due authorization of outstanding equity;
- authorization in connection with the Exchange Agreement and related agreements;
- limited operations of Utah CO₂;
- non-contravention of the Exchange Agreement with organizational documents and material agreements;
- absence of required governmental consents or filings in connection with the Exchange Agreement;
- accuracy of financial statements and absence of material changes after latest audited financial statements;
- absence of undisclosed liabilities or brokerage fees;
- legal title to owned oil and gas properties, validity of and absence of default under leases to leased oil and gas properties, full payment of all royalties and rents;
- conduct of operations in the ordinary course of business and in compliance with applicable laws, including tax, property and environmental laws, and maintenance of necessary government permits;
- absence of material legal proceedings;
- absence of commitments to make certain material expenditures;
- absence of material hydrocarbon prepayments, material gas imbalances, participating hydrocarbons, hedges, futures or similar instruments, or preferential rights or consent rights with respect to the Poplar properties;
- regulatory, insurance and employee matters;
- material contracts;

- absence of non-consent, undisclosed non-current payments or undisclosed royalties;
- compliance with and exemption from securities laws;
- receipt of the fairness opinion;
- compliance of benefit plans with applicable law; and
- required stockholder approval to adopt the Exchange Agreement.

Representations made by One Stone in the Exchange Agreement include the following:

- due organization, organizational power, and qualification to do business;
- authorization in connection with the Exchange Agreement and related agreements;
- non-contravention of the Exchange Agreement with organizational documents and material agreements;
- absence of required governmental consents or filings in connection with the Exchange Agreement;
- ownership of the Preferred Stock;
- absence of brokerage fees; and
- certain investment representations and acknowledgements.

The full text of the representations and warranties can be reviewed in Articles II and III of the Exchange Agreement.

Conduct of Magellan Pending Closing

As set forth in Section 4.2 of the Exchange Agreement, Magellan has agreed that until the closing, without the written consent of One Stone, which may not be unreasonably withheld, delayed or conditioned, and subject to certain other exceptions, it will cause each of Poplar and Utah CO2, and if formed, Newco, to (i) conduct its business in the ordinary course of business consistent with past practice, (ii) use commercially reasonable efforts to maintain and preserve intact its business organization and the goodwill of its business partners and retain the services of its present officers and key employees and (iii) use commercially reasonable efforts to comply in all material respects with applicable laws and material contracts. In particular, Magellan has agreed to cause each of Poplar and Utah CO2, and if formed, Newco, not to, except as disclosed in the applicable disclosure schedules to the Exchange Agreement and subject to certain other exceptions:

- issue or redeem equity or declare dividends;
- issue notes or other debt securities or enter into borrowing agreements or other financing arrangements;
- sell or otherwise dispose of any the Poplar properties with a fair market value in excess of \$50,000 in the aggregate;
- make capital expenditures in excess of \$50,000 in the aggregate for any fiscal year;
- merge with any entity or acquire assets outside the ordinary course of business;

- make any loans to any person;
- enter into, terminate or amend certain material agreements;
- make certain accounting and tax-related changes;
- amend its organizational documents;
- adopt a plan of liquidation, dissolution, restructuring or other reorganization;
- fail to use commercially reasonable efforts to maintain insurance; or
- enter into certain litigation settlements.

See Section 4.2 of the Exchange Agreement for the full list of activities that Magellan is prohibited from engaging in prior to closing.

Additional Covenants

Included among the obligations of the parties are the following:

Magellan is obligated to file this proxy statement with the SEC and give notice of and convene a special meeting of the stockholders as provided in this proxy statement to approve the Exchange and the other transactions contemplated by the Exchange Agreement;

- Magellan and One Stone shall use commercially reasonable efforts to consummate the closing of the Exchange;

all fees and expenses incurred in connection with the transactions contemplated by the Exchange Agreement are the obligation of the respective party incurring such fees; however, if the Exchange is consummated, each of Magellan and One Stone will be responsible for 50% of the combined total, reasonable, out-of-pocket documented transaction fees and expenses incurred by Magellan (i) relating to the fairness opinion, (ii) paid to the outside legal counsel of Magellan in connection with the review, evaluation, negotiation, documentation and performance of the Exchange Agreement, and (iii) relating to the Meeting, this proxy statement and other required filings, subject to a maximum obligation by One Stone of \$400,000 in the aggregate;

if requested by One Stone, Magellan will (i) form Newco, contribute to Newco the Poplar Membership Interests and the Purchased Utah CO2 Common Units, and in lieu of transferring the Poplar Membership Interests and the Purchased Utah CO2 Common Units directly to One Stone, transfer Newco to One Stone; and (ii) take or avoid taking certain other actions regarding tax structuring and tax elections;

One Stone is required to vote all shares of Preferred Stock in favor of the proposal regarding the transactions contemplated by the Exchange Agreement at the Meeting and will not transfer any shares of Preferred Stock prior to the Exchange; and

effective as of the closing, One Stone shall release and discharge, and cause Poplar and Utah CO2 to release and discharge, Magellan from any and all contractual obligations associated with any contracts

in which Poplar or Utah CO2 is a party prior to the closing, including the West Texas State Bank loan, subject to certain conditions.

Non-Solicitation

The Exchange Agreement provides that Magellan will not (i) solicit, facilitate, encourage or induce any inquiries or proposals that could reasonably be expected to lead to or constitute the submission of an alternative exchange for or acquisition of the assets of Poplar, Utah CO2 or Newco with a person or entity other than One Stone (an "Alternative Proposal"), (ii) furnish or discuss any non-public information in connection with an Alternative Proposal, (iii) approve, recommend or enter into any agreement relating to an Alternative Proposal, or (iv) withdraw or modify the recommendation to vote for the proposed Exchange.

However, Magellan's non-solicitation obligations are qualified by "fiduciary out" provisions which provide that Magellan may take certain otherwise prohibited actions with respect to an unsolicited Alternative Proposal if the Board determines that the failure to take such action would be reasonably likely to be inconsistent with its fiduciary duties and certain other requirements are satisfied. Magellan shall promptly advise One Stone of any Alternative Proposal. Magellan may recommend to its stockholders that it accept the Alternative Proposal under circumstances set forth in Section 4.3 of the Exchange Agreement. In particular, if at any time prior to stockholder approval of the Exchange Agreement Magellan's Board receives an Alternative Proposal that (i) the Board deems to be bona fide and (ii) the Board, after consultation with its financial and legal advisors, determines to be more favorable to Magellan stockholders from a financial point of view than the transactions contemplated by the Exchange Agreement (a "Superior Proposal"), then the Board may change its recommendation that the Magellan stockholders approve the Exchange Agreement and may enter into negotiations and execute a definitive agreement with respect to the Superior Proposal, subject to (x) providing three business days' notice to One Stone of the Superior Proposal and (y) at One Stone's request, negotiating in good with faith with One Stone during such three business day period in connection with an alternative transaction.

Termination Fee

A termination fee of \$750,000 will be payable by Magellan in the following circumstances:

(A) an Alternative Proposal has been publicly proposed and not withdrawn at the date of the Meeting, (B) either party terminates the Exchange Agreement because (1) the Exchange has not occurred by August 1, 2016, or (2) Magellan stockholders do not approve the Exchange, and (C) Magellan enters into a definitive agreement with respect to, or consummates a transaction that constitutes, an Alternative Proposal within 12 months of the termination of the Exchange Agreement (except that references to 20% in the definition of "Alternative Proposal" in the Exchange Agreement shall be deemed references to 50%);
the Exchange Agreement is terminated by One Stone if the Magellan Board changes its recommendation that the Magellan stockholders vote in favor of the Exchange; or
the Exchange Agreement is terminated by Magellan in order to accept a Superior Proposal.

Conditions to Closing

Conditions to Magellan's and One Stone's obligations to effect the Exchange, as set forth in the Exchange Agreement, include the following:

Magellan stockholder approval of the Exchange and the other transactions contemplated by the Exchange Agreement;
Absence of any governmental injunction, judgment or ruling preventing consummation of the transactions contemplated by the Exchange Agreement;
Consent of West Texas State Bank to release Magellan's guaranty of indebtedness owed by Poplar to West Texas State Bank; and
All representations and warranties of the parties shall be true and correct as of the closing of the Exchange (subject to certain materiality qualifiers) and all obligations of the parties to be accomplished at or prior to the closing have been completed.

Termination of the Exchange Agreement

The Exchange Agreement may be terminated for reasons that include the following:

By the mutual written consent of the Board of Magellan and the board of managers of One Stone;

By either party if (i) the Exchange has not been completed by August 1, 2016, subject to certain exceptions; (ii) if a governmental injunction, judgment or ruling preventing consummation of the transactions contemplated by the Exchange Agreement is in effect and becomes final and nonappealable, subject to certain exceptions; (iii) the Meeting has concluded and the Magellan stockholders have not approved the transactions contemplated by the Exchange Agreement, in which case the Company will be required to reimburse One Stone for all documented out-of-pocket fees and expenses incurred by One Stone in connection with the Exchange Agreement and the transactions contemplated thereby, subject to a maximum of \$200,000 in the aggregate; (iv) the other party has breached or failed to perform any of its representations, warranties, covenants or agreements set forth in the Exchange Agreement and the breach either cannot be cured or is not cured within 30 days after notice, subject to certain exceptions.

By Magellan if the Magellan Board receives a Superior Proposal and determines to accept the Superior Proposal; however, One Stone will have the right to negotiate with the Magellan Board for a three business day period following notice from Magellan to One Stone of such Superior Proposal prior to Magellan's acceptance of such Superior Proposal; and

By One Stone if the Magellan Board withdraws, modifies or qualifies, or proposes publicly to withdraw, modify or qualify, in a manner adverse to One Stone, its recommendation that stockholders approve the Exchange Agreement, or publicly recommends the approval or adoption of, or publicly approves or adopts, or proposes to publicly recommend, approve or adopt, any Alternative Proposal.

U.S. FEDERAL INCOME TAX CONSEQUENCES

Neither Magellan nor its stockholders will incur any federal income tax consequences as a result of the Exchange and the other transactions contemplated in the Exchange Agreement.

PROPOSAL 2—ELECTION OF DIRECTOR TO THE COMPANY’S BOARD

In accordance with the Company’s by-laws, one director is to be elected at the Meeting to hold office for a term of three years, expiring with the 2018 annual meeting of stockholders. The Company’s by-laws provide for three classes of directors who are to be elected for terms of three years each and until their successors shall have been elected and shall have been duly qualified. Pursuant to the Company’s by-laws, the Board has adopted a resolution to set the number of directors at six. The nominee for election at the Meeting, Brendan S. MacMillan, is currently serving as a director of the Company. Mr. MacMillan has consented to being named in this proxy statement as a nominee for election as a director and will serve as a director, if elected.

Under the DGCL, the election of directors requires a plurality of the votes of the shares present in person or represented by proxy and entitled to vote on the election of directors at the Meeting. The term “plurality” means that the nominees receiving the greatest number of votes will be elected. Proxies may be voted only for the number of nominees named by the Board. Withhold votes and broker non-votes will have no effect on the outcome of the vote on this proposal.

Background Information About the Nominee and Other Directors

The following sets forth certain information about (i) the Company’s nominee for election as a director at the Meeting to hold office for a term expiring at the 2018 annual meeting of stockholders, (ii) each director whose term of office continues beyond the Meeting, and (iii) each director designated by the holders of Preferred Stock. The information presented includes, with respect to each such person: (a) the year during which he first became a director of the Company; (b) his other positions with the Company, if any; (c) his business experience for at least the past five years; (d) any other director positions held currently or at any time during the past five years with any company with a class of securities registered pursuant to Section 12 of the Exchange Act, or subject to the requirements of Section 15(d) of the Exchange Act, or any company registered as an investment company under the U.S. Investment Company Act of 1940, as amended; (e) information regarding involvement in certain legal or administrative proceedings, if applicable; (f) his age as of the date of this proxy statement; and (g) the experience, qualifications, attributes, or skills that led to the conclusion that the person should serve as a director for the Company. Unless otherwise indicated, all companies referred to with respect to a director’s business experience are principally engaged in the oil, natural gas, and/or mineral exploration, development, and production business, or investments related thereto. There are no family relationships among any of Magellan’s directors or executive officers.

Director Nominee to Hold Office for a Term Expiring at the 2018 Annual Meeting of Stockholders

Name	Director Positions Held Since	Other Positions Held with the Company	Age and Business Experience
Brendan S. MacMillan	2013	Member of the Audit, CNG and Special Committees	<p>Mr. MacMillan (age 48) is the founder and operator of several private corporations and partnerships in the United States and Canada focused on energy and natural resource investments in private and public debt and equity. Mr. MacMillan has been engaged in these activities as a private equity principal since October 2008. Mr. MacMillan currently serves as President of Highlands Pacific LLC, the general partner of Highlands Pacific Partners LP, which he founded in June 2011. Mr. MacMillan is also the founder and a principal of CuVeras LLC, founded in November 2011, Bull River Security Holdings Ltd., founded in February 2012, and Bull River Lending Corp., founded in April 2012. Prior to starting these companies, from October 2004 until October 2008, Mr. MacMillan focused on the energy, natural resource, and industrial sectors in his role as Vice President for the Capital Group Companies, a group of investment management companies that serves as the manager of the American Funds, with over \$1 trillion under management. Mr. MacMillan currently serves as a director of Bull River Lending Corp. and Bull River Security Holdings Ltd. Mr. MacMillan received a B.A. degree with High Honors from Wesleyan University in 1991 with a focus on subjects applicable to oil and gas, an M.B.A. degree with a concentration in Finance from Stanford University's Graduate School of Business in 1995, and a CFA charter in 1999.</p> <p>Mr. MacMillan was selected to serve on Magellan's Board for his 20 years of consulting and investment experience in the energy and natural resource sectors, his experience as a director, and his expertise in finance and investment management.</p>

Directors Continuing in Office with Terms Expiring at the 2016 Annual Meeting of Stockholders

Name	Director Since	Other Positions Held with the Company	Age and Business Experience
Ronald P. Pettirossi	1997	Chairman of the Audit Committee, Member of the Special Committee	<p>Mr. Pettirossi (age 73) has been President of ER Ltd., a financial accounting and reporting consulting company, since 1995. Mr. Pettirossi was a director of Magellan Petroleum Australia Limited (“MPAL”) from August 2004 until shortly after MPAL was converted to Magellan Petroleum Australia Pty Ltd (MPA) in April 2013, allowing the Company to alter this subsidiary’s board structure and reduce related compensation expense. Mr. Pettirossi is a former audit partner of EY LLP and worked with public and privately held companies for 31 years.</p> <p>Mr. Pettirossi was selected to serve on Magellan’s Board for his education, professional training, and skills in financial accounting and reporting, including his 31 years of practice with EY LLP, his work as a financial consultant, and his status as both a CPA and an “audit committee financial expert,” as defined by SEC regulations.</p>

Name	Director Positions Held Since with the Company	Other	Age and Business Experience
J. Robinson West	2010 Chairman of the Board and Special Committee, Member of the Audit Committee		<p>Mr. West (age 69) is currently Senior Advisor for the Energy and National Security Program at the Center for Strategic and International Studies (CSIS), an independent bipartisan research institute specializing in foreign policy and defense issues and international economics. Mr. West has served in this position since October 2013. Mr. West was the founder and Chairman of the Board of PFC Energy, Inc. (“PFC”), a global consulting firm now owned by IHS Inc. (NYSE: IHS) that specializes in providing information, insight, and analytical products and services for oil and gas operators, national oil companies, service companies, investors, governments, and other stakeholders, and Mr. West served as Chairman of PFC from 1984 to 2013. Before founding PFC in 1984, Mr. West served in the Reagan Administration as Assistant Secretary of the Interior for Policy, Budget, and Administration (1981–83), with responsibility for U.S. offshore oil policy. Prior to that, he served in the Ford Administration as Deputy Assistant Secretary of Defense for International Economic Affairs (1976–77) and on the White House staff (1974–76). Mr. West is currently a member of the National Petroleum Council and the Council on Foreign Relations. He also currently serves as a director of Paragon Offshore plc (NYSE: PGN), a global provider of standard specification offshore drilling rigs, Repsol S.A., an integrated energy company with upstream and downstream operations around the world, and Stewart & Stevenson, a designer, manufacturer, and provider of specialized equipment and aftermarket parts and services for the oil and gas and other industries. Mr. West served as a director of Cheniere Energy, Inc. (NYSE: LNG), a Houston-based energy company primarily engaged in businesses related to liquefied natural gas (“LNG”), from 2001 to 2010, as a director of Key Energy Services, Inc. (NYSE: KEG), an oil and natural gas well service company based in Houston, Texas, from 2001 to May 2014, and as a director of Lambert Energy Advisors, a U.K.-based financial advisory firm to the energy industry, from 2002 to 2010. Mr. West received his B.A. degree from the University of North Carolina at Chapel Hill and his J.D. degree from Temple University.</p> <p>Mr. West was selected to serve on Magellan’s Board for his extensive experience as a consultant to companies in the international oil and gas industries, his U.S. government service related to energy policy matters, and his broad knowledge of board leadership and corporate governance.</p>

Director Continuing in Office for a Term Expiring at the 2017 Annual Meeting of Stockholders

Name	Director Since	Other Positions Held with the Company	Age and Business Experience
J. Thomas Wilson	2009	President and CEO	<p>Mr. Wilson (age 64) has served as the Company's President and CEO since September 2011. Previously, he served as Senior Consultant to the Company from July 2009 to September 2011. From July 2009 to January 2011, Mr. Wilson also served as First Vice President of Young Energy Prize S.A. ("YEP"), a significant stockholder of the Company from July 2009 to October 2012, and Mr. Wilson served on YEP's board of directors from November 2007 to November 2008. Mr. Wilson is a veteran in the energy sector, with a strong background in geology and international business development. Mr. Wilson began his career as a geologist with Shell Oil Company before joining Apache Corporation, where he held various management positions and led Apache's entry into international markets. After his work at Apache, Mr. Wilson served as president of Anderman International, which during his tenure developed the Chernogorskoye field in western Siberia. This property became the core asset of Khantiy Mantsisk Oil Corporation ("KMOC"), for which Mr. Wilson served as the first president. KMOC was later sold to Marathon Oil Corporation and then sold to Lukoil. With his extensive experience in Russian oil and gas, Mr. Wilson joined the management team of Yamal Energy Partners, which developed the South Tambey field, possibly the first Russian-led LNG project in the Russian Republic, which was later sold to Gazprom. Mr. Wilson also serves as a director of Central Petroleum Limited (ASX: CTP), a junior exploration and production company that operates one of the largest holdings of prospective onshore acreage in Australia. The Company currently has a significant investment in Central Petroleum's stock. Mr. Wilson holds a B.S. degree in Zoology and Geology from Northern Arizona University and an M.S. degree in Geology from the University of Southern California.</p> <p>Mr. Wilson was selected to serve on Magellan's Board for his strong geology background, his extensive employment history with major companies in the energy field, his operational and business development skills with respect to projects such as LNG production and gas development in Europe and Asia, his experience as an investor and entrepreneur in various private oil and gas entities and ventures, and in light of his position as the Company's President and CEO.</p>

Directors Designated by the Holder of the Preferred Stock

Two directors, Vadim Gluzman and Robert I. Israel, were designated by One Stone to serve on Magellan's Board pursuant to the provisions of the Certificate of Designations governing the Preferred Stock. Under these provisions, so long as One Stone holds Preferred Stock representing at least 15% of the outstanding Magellan common stock (assuming full conversion of the Preferred Stock), One Stone has the right to elect two individuals to serve on Magellan's Board.

Upon the closing of the Exchange, One Stone will transfer to the Company 100% of the outstanding shares of Preferred Stock, and One Stone representatives Messrs. Gluzman and Israel will resign from the Magellan Board.

Name	Director Since	Other Positions Held with the Company	Age and Business Experience
Vadim Gluzman	2013	Member of the CNG Committee	<p>Mr. Gluzman (age 53) is currently a Managing Member of One Stone Energy Partners, a private equity fund focused on investments in the oil and gas industry in the United States and abroad. He has held that position since 2012. From 1997 to 2012, Mr. Gluzman worked for OAO LUKOIL, a major international vertically integrated oil and gas company, becoming a vice president of OAO LUKOIL in 2004, and was President of Lukoil Americas Holding. Prior to joining Lukoil in 1997, he worked as a chemical engineer for Teknor Apex Company, an international custom compounder of advanced polymer materials, and at the Moscow Institute of Chemical Technologies. Mr. Gluzman holds a Master's degree in chemical technologies from the Moscow Institute of Chemical Technologies.</p> <p>Mr. Gluzman has over 15 years of high-level oil and gas industry and related corporate finance experience, and his broad oil and gas industry knowledge and technical background make him a valuable member of Magellan's Board and Magellan's CNG Committee.</p>
Robert I. Israel	2013	Chairperson of the CNG Committee	<p>Mr. Israel (age 66) is currently a Managing Member of One Stone Energy Partners, a private equity fund focused on investments in the oil and gas industry in the United States and abroad. He has held that position since 2010. From 2000 to 2010, Mr. Israel was a partner at Compass Advisers, LLP, a transatlantic strategic advisory and private investment firm, where he was the head of the firm's energy practice. From 1991 to 2000, Mr. Israel was the head of the Energy Department of Schroder & Co., Inc., a multinational investment banking and asset management company.</p> <p>Mr. Israel is currently a director of the following companies: Brasoil, a company engaged in oil and gas exploration and production in Brazil; BlueCrest Energy LLC, a privately held oil and gas exploration and development company operating in Alaska; and API, Inc., a company that manufactures secure equipment for U.S. and foreign government agencies. Mr. Israel holds an M.B.A. degree from Harvard University and a B.A. degree from Middlebury College.</p> <p>Mr. Israel, with over 30 years of corporate finance experience, has a strong business and financial background, especially in the natural resources sector. Mr. Israel's corporate finance experience and his public company board experience, as well as his oil and gas industry knowledge, make him a valuable member of Magellan's Board and Magellan's CNG Committee.</p>

Director Compensation and Related Matters

The following table sets forth the compensation paid by the Company to its directors during the fiscal year ended June 30, 2015. Unless indicated otherwise, the numbers of shares, prices per share, exercise prices per share, and share ownership guidelines in the tables below and in this proxy statement have been adjusted to reflect the one share-for-eight shares reverse split of Magellan common stock completed on July 10, 2015.

Company Board Fees for Fiscal Year 2015

Director Compensation Table

Name	Fees				Total
	Earned or Paid in Cash	Stock Awards (1)(2)	Option Awards (3)	All Other Compensation (4)	
Vadim Gluzman (5)	\$43,000	\$35,000	\$ —	\$ 9,000	\$87,000
Robert I. Israel (6)	\$43,000	\$35,000	\$ —	\$ 9,000	\$87,000
Brendan S. MacMillan (7)	\$53,000	\$35,000	\$ —	\$ 9,000	\$97,000
Ronald P. Pettrossi (8)	\$86,000	\$—	\$ —	\$ 9,000	\$95,000
J. Robinson West (9)	\$70,000	\$35,000	\$ —	\$ 9,000	\$114,000
Milam Randolph Pharo (10)	\$15,653	\$35,000	\$ —	\$ 4,025	\$54,678

All directors other than J. Thomas Wilson, due to his compensation as President and CEO, were eligible to receive a base annual cash retainer of \$35,000 for their Board service during fiscal year 2015, as prorated to reflect the period of applicable Board service by the director during fiscal year 2015. Under the terms of the Board's compensation policy for non-employee directors adopted on May 27, 2009, as amended and restated through November 6, 2012, each non-employee director was eligible to receive an annual award of shares of Magellan common stock under the 2012 Omnibus Incentive Compensation Plan (the "2012 Omnibus Plan"), with a value equal to \$35,000, with the determination of the exact number of shares to be made on July 1 or on the date of the subsequent annual stockholders' meeting ("Stock Award"). In either case, the number of shares to be awarded is determined using the fair value of the shares as of July 1. In addition, there is an annual cash award alternative to the annual Stock Award whereby a non-employee director may elect to receive \$35,000 in cash to exercise previously awarded options to acquire Magellan common stock, the exercise price of which is at least equal in value to the Magellan common stock eligible for receipt by the director pursuant to the Stock Award (with the difference in the value of the options and \$35,000 to be paid in cash, referred to as a Make-Up Payment). On July 3, 2015, the Special Committee of the Board determined that the directors' annual Stock Award under this policy would be deferred and revisited in a few months after a strategic alternatives review process by the Special Committee has advanced further and the Company's liquidity issues have been addressed.

On July 1, 2014, an annual Stock Award of 2,006 shares was awarded to each of Messrs. Gluzman, Israel, MacMillan, Pharo, and West under the 2012 Omnibus Plan. The number of shares awarded was determined by using the closing price of \$17.44 per share as reported by NASDAQ on July 1, 2014. On July 10, 2014, Mr. Pettrossi exercised options to purchase 2,734 shares at an exercise price of \$12.80 per share, pursuant to Mr. Pettrossi's election to receive \$35,000 in cash in lieu of the annual Stock Award on July 1, 2014, in order to exercise previously awarded options. See Note 1 above and Note 8 below. In addition, on October 31, 2014, Mr. West was awarded 6,250 restricted shares for service as Chairman of the Board. The shares awarded to Mr. West have the following vesting schedule, based on continuing service as Chairman: (i) 2,084 shares on October 31, 2015; (ii) 2,083 shares on October 31, 2016; and (iii) 2,083 shares on October 31, 2017.

The amounts shown in the "Stock Awards" and "Option Awards" columns represent the aggregate grant date fair value of the equity awards made during the fiscal year ended June 30, 2015, calculated in accordance with the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") Topic 718. As of June 30, 2015, the

Company's directors held the following unexercised stock option awards (whether or not exercisable) and unvested restricted stock awards:

Unexercised Stock Options and Unvested Restricted Stock Awards as of June 30, 2015

Name	Unexercised Stock Options	Unvested Restricted Stock Awards
Vadim Gluzman	—	—
Robert I. Israel	—	—
Brendan S. MacMillan	—	—
Ronald P. Pettrossi	10,156	(a) —
J. Robinson West	31,250	6,250 (b)
Milam Randolph Pharo	—	—

(a) On November 28, 2015, 7,031 of these options expired without exercise.

(b) On October 31, 2015, 2,084 of these shares of restricted stock became fully vested.

The amounts reported include medical reimbursement payments.

Under the Company's medical reimbursement plan for all outside directors, the

(4) Company reimburses certain directors for the cost of their medical premiums up to \$750 per month. During fiscal year 2015, the aggregate cost of this reimbursement was \$49,025.

(5) Amounts reported include the annual retainer of \$35,000, an \$8,000 annual fee for service on the CNG Committee, and a \$9,000 annual medical

reimbursement.

Amounts reported include the annual retainer of \$35,000, an \$8,000 annual

- (6) fee for service as Chairperson of the CNG Committee, and a \$9,000 annual medical reimbursement.

Amounts reported include the annual retainer of \$35,000, a \$10,000 annual fee for service

- (7) on the Audit Committee, an \$8,000 annual fee for service on the CNG Committee, and a \$9,000 annual medical reimbursement.

- (8) Amounts reported include the annual retainer of \$35,000, a cash payment of \$35,000 pursuant to an election to receive cash in lieu of the annual Stock Award on July 1, 2014, in order to exercise previously awarded

options, a
\$16,000 annual
fee for service
as Chairperson
of the Audit
Committee, and
a \$9,000 annual
medical
reimbursement.

(9) Amounts
reported include
the annual
retainer of
\$35,000, a
\$25,000 annual
fee for service
as the Chairman
of the Board, a
\$10,000 annual
fee for service
on the Audit
Committee, and
a \$9,000 annual
medical
reimbursement.

(10) Mr. Pharo's
service on the
Board ceased
on
December 11,
2014. Amounts
reported include
the annual
retainer of
\$35,000 and
\$9,000 annual
medical
reimbursement
(with the annual
amounts
prorated to
reflect the
period of
service during
the fiscal year
ended June 30,
2015).

In connection with the Company's acquisition of a significant investment in Central Petroleum (ASX: CTP) stock as a result of the Company's sale of its assets in the Amadeus Basin of onshore Australia to Central Petroleum in March 2014, the Company became entitled to appoint one director to the Central Petroleum board of directors. The Company has designated J. Thomas Wilson to serve on the Central Petroleum board of directors, for which Mr. Wilson receives standard director compensation from Central Petroleum for his services as a member of Central Petroleum's board of directors.

Non-Employee Directors' Compensation Policy

Non-employee directors of the Board receive annual compensation as set forth in the table below. The following compensation amounts took effect on July 1, 2009, and reflect the results of the CNG Committee's compensation study undertaken in 2008.

Compensation Type	Amount
Annual Board Member, cash retainer	\$35,000
Annual Stock Award (1)	\$35,000
Chairman of the Board, cash fee (2)	\$25,000
Chairperson of the Audit Committee, cash fee	\$16,000
Chairperson of the CNG Committee, cash fee	\$8,000
Member of the Audit Committee, cash fee	\$10,000
Member of the CNG Committee, cash fee	\$8,000

(1) See Note 1 to the Director Compensation Table above.

In addition, on October 31, 2014, Mr. West was awarded 6,250 restricted shares for service as Chairman of the (2) Board. The shares have the following vesting schedule, based on continuing service as Chairman: (i) 2,084 shares on October 31, 2015; (ii) 2,083 shares on October 31, 2016; and (iii) 2,083 shares on October 31, 2017.

Medical Reimbursement Plan

Under the Company's medical reimbursement plan for all outside directors, the Company reimbursed certain directors the cost of their medical premiums, up to \$750 per month. During fiscal year 2015, the aggregate cost of this reimbursement plan was \$49,025.

Share Ownership Guidelines

In conjunction with the non-employee directors' compensation policy, the Board has also adopted share ownership guidelines for non-employee directors. Under the guidelines, each non-employee director is to own a minimum of 12,500 shares of Magellan common stock, and shares purchased in the open market or received as annual equity awards under the 1998 Stock Incentive Plan or the 2012 Omnibus Plan are credited toward satisfaction of the guidelines. New directors are allowed time to meet the guidelines, and all directors serving on the Board since 2009 were allowed to satisfy the guidelines by July 1, 2013. Messrs. MacMillan, Pettrossi, and West currently meet the guidelines, and the Board has also determined that Messrs. Gluzman and Israel satisfy the guidelines in view of the fact that they are managing members of One Stone Energy Partners GP, L.L.C., the general partner of One Stone, which has a significant equity investment in the Company through its ownership of shares of the Preferred Stock and which has designated Messrs. Gluzman and Israel to serve on Magellan's Board.

Corporate Governance

Director Independence

Magellan common stock is listed on the NASDAQ Capital Market under the trading symbol "MPET." NASDAQ listing rules require that a majority of the Company's directors be "independent directors," as defined by NASDAQ corporate governance standards. Generally, a director does not qualify as an independent director if the director has, or in the past three years has had, certain material relationships or affiliations with the Company, its external or internal auditors, or is an employee of the Company.

The Board is currently comprised of six directors: Vadim Gluzman, Robert I. Israel, Brendan S. MacMillan, Ronald P. Pettrossi, J. Robinson West, and J. Thomas Wilson. On October 23, 2014, the Board adopted a resolution that, in accordance with the by-laws, provides that the number of directors shall be six, effective at the 2014 annual meeting. The Board has made its annual determination regarding the independence of its members, concluding that

each of Messrs. Gluzman, Israel, MacMillan, McCann, Pettirossi, and West are “independent” for purposes of NASDAQ listing standards, and that each of the three members of the Audit Committee are also “independent” for purposes of Section 10A(m)(3) of the Exchange Act. The Board has determined that Mr. Wilson could not, in light of his current position as the Company’s President and Chief Executive Officer (“CEO”), be considered an “independent director” under NASDAQ listing standards. In addition, the Board previously determined that Mr. Pharo could not, in light of his employment and compensation by the Company during the past three years, be considered an “independent director” under NASDAQ listing standards. The Board based these determinations primarily on a review of Company records and the responses of the directors and executive officers to questions regarding employment and compensation history, affiliations, family, and other relationships, together with an examination of those companies with whom the Company transacts business. With respect to Mr. West, the Board considered the following factors in establishing his status as an independent director under NASDAQ listing rules: (i) Mr. West’s service as a non-employee director of Lambert Energy Advisors, a financial advisory firm to the energy industry, which is based in London, United Kingdom, and which was retained by MPAL, the Company’s subsidiary, in 2010 to conduct an advisory assignment with respect to certain of MPAL’s assets owned in the United Kingdom; and (ii) Mr. West’s service until May 2014 as a non-employee director of Key Energy Services Inc. (“Key”), which performed contract drilling rig services for the Company in Poplar during the second quarter of the fiscal year ended June 30, 2014. No contract fees were paid by the Company to Key during the fiscal year ended June 30, 2015. The total contract fees paid by the Company to Key during the fiscal year ended June 30, 2014, was \$2.2 million. As of June 30, 2015, and June 30, 2014, respectively, the Company had no unpaid contract fees related to Key.

Board Leadership Structure; Executive Sessions

J. Thomas Wilson, Magellan’s President and CEO, is a member of the Board, with a current term expiring at the 2017 annual meeting of stockholders. J. Robinson West, who has served on the Board since 2010, has also served as the independent Chairman of the Board since December 8, 2010. Walter McCann served as Lead Independent Director until his retirement from the Board in December 2013. The Board has determined that a replacement Lead Independent Director is not currently necessary due to the decreased size of the Board and the independence of the Chairman of the Board.

As set forth above, the separate roles of Chairman of the Board and President/CEO are not held by the same person. The division of responsibilities between the roles of Chairman and President/CEO are based upon an ongoing understanding between the Chairman, the President/CEO, and the full Board that reflects that the Board exercises independent oversight over the Company. In accordance with NASDAQ listing rules, the Company’s independent directors have regularly scheduled executive sessions, without management present. The executive sessions are presided over by the Chairman of the Board, or in his absence, another independent director.

The Board believes that having different individuals serving in the separate roles of Chairman of the Board and President/CEO is in the best interest of stockholders because it provides the appropriate balance between Company and industry expertise in strategy development, and independent oversight of management.

Board Role in Risk Oversight

The Board has an active role, as a whole and at the committee level, in overseeing management of the Company’s risks. The Board regularly receives reports from members of senior management on areas of material risk to the Company, including operational, financial, legal, regulatory, environmental, and strategic and reputational risks. The full Board or an appropriate committee receives these reports from the appropriate executive so that it may understand and oversee the strategies to identify, manage, and mitigate risks. When it is a committee receiving the report, the chairperson of that committee makes a report on the discussion to the full Board at its next meeting. The Board’s CNG

Committee is responsible for overseeing the management of risks relating to the Company's executive compensation plans and arrangements. The Audit Committee oversees management of financial, legal, and regulatory risks. The CNG Committee manages risks associated with the independence of the Board and potential conflicts of interest, in conjunction with a special committee of directors, if and when constituted from time to time.

Code of Conduct and Business Ethics

Magellan previously adopted a Code of Conduct for the Company (the "Code of Conduct"), which was originally named the Standards of Conduct. The Board amended the Code of Conduct on October 23, 2014. The Code of Conduct summarizes the compliance and ethical standards and expectations Magellan has for all of Magellan's officers, directors, and employees, including Magellan's President and CEO and senior financial officers, with respect to their conduct in connection with Magellan's business. Magellan's Code of Conduct constitutes Magellan's code of ethics within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and the NASDAQ listing standards. Under the Code of Conduct, all directors, officers, and employees must demonstrate a commitment to ethical business practices and behavior in all business relationships, both within and outside of the Company. All directors, officers, and employees who have access to confidential information are not permitted to use or share that information for stock trading purposes or for any other purpose. Any waivers of or changes to the Code of Conduct must be approved by the Board and appropriately disclosed under applicable law and regulations.

The Code of Conduct is available on the Company's website, <http://www.magellanpetroleum.com>, under the heading "About Us—Corporate Governance." Magellan intends to provide disclosure regarding waivers of or amendments to the Code of Conduct by posting such waivers or amendments to the website in the manner provided by applicable law.

Standing Board Committees

Audit Committee

The Company's Board maintains an Audit Committee that is currently composed of the following directors: Messrs. MacMillan, Pettirossi (Chairperson), and West. The functions of the Audit Committee are set forth in its written charter, as amended on October 23, 2014 (the "Audit Charter"). The Audit Charter is also posted on the Company's website, <http://www.magellanpetroleum.com>, under the heading "About Us—Corporate Governance."

Under its charter, the Audit Committee is responsible for assisting the Board in overseeing the integrity of the Company's financial statements, including (1) selecting, evaluating, and, where appropriate, replacing the Company's independent registered public accounting firm (the "Outside Auditor"); (2) approving the level of compensation of the Outside Auditor; (3) providing oversight of the work of the Outside Auditor (including resolution of disagreements between management and the Outside Auditor regarding financial reporting); (4) preapproving all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company (or its subsidiaries) by the Outside Auditor, subject to certain de minimis exceptions for non-audit services; (5) assessing the Outside Auditor's independence on an annual basis; and (6) reviewing with the Outside Auditor and management the adequacy and effectiveness of the accounting and internal control over financial reporting of the Company. The Audit Committee has the authority to institute special investigations and to retain outside advisors as it deems necessary in order to carry out its responsibilities.

The Board has determined that all of the members of the Audit Committee are "independent," as defined by the rules of the SEC and the NASDAQ, that each of the members of the Audit Committee is financially literate, and

that Mr. Pettirossi is an “audit committee financial expert,” as such term is defined under SEC regulations, by virtue of having the following attributes through relevant education and/or experience:

- i. an understanding of generally accepted accounting principles and financial statements;
- ii. the ability to assess the general application of such principles in connection with the accounting for estimates, accruals, and reserves; experience preparing, auditing, analyzing, or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company’s financial statements, or experience actively supervising one or more persons engaged in such activities;
- iii. an understanding of internal control over financial reporting; and
- iv. an understanding of audit committee functions.

As described in the Audit Committee’s written charter, the Audit Committee maintains and oversees procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, auditing, or other matters; and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting, auditing, or other matters.

Compensation, Nominating and Governance Committee

The CNG Committee is comprised of Messrs. Gluzman, Israel (Chairperson), and MacMillan. The functions of the CNG Committee are set forth in its written charter, as amended on August 14, 2013 (the “CNG Charter”). The CNG Charter is posted on the Company’s website, [http:// www.magellanpetroleum.com](http://www.magellanpetroleum.com), under the heading “About Us—Corporate Governance.”

Under its charter, the CNG Committee is responsible for assisting the Board in overseeing the Company’s management compensation policies and practices, including (a) recommending to the Board for its determination the compensation of Mr. Wilson, the Company’s President and CEO, and the Company’s other executive officers; (b) reviewing and recommending to the Board for its approval management incentive compensation policies and programs and exercising discretion in the administration of such programs; and (c) reviewing and recommending to the Board for its approval equity compensation programs for directors, officers, employees, and consultants and exercising discretion in the administration of such programs, including the 2012 Omnibus Plan. The CNG Committee’s nominating and corporate governance duties include, among other things, (i) developing and recommending to the Board the criteria for membership on the Board and identifying, screening, and reviewing individuals qualified to serve as directors, based on such membership criteria; (ii) recommending to the Board candidates for nomination for election or re-election by the stockholders; (iii) reviewing annually with the Board the composition of the Board as a whole, including whether the Board reflects the appropriate balance of independence, sound judgment, business specialization, technical skills, diversity, and other desired qualities; (iv) reviewing and recommending to the Board adoption of corporate governance policies and principles for the Company; (v) reviewing annually the relationships between directors, the Company, and members of management and recommending to the Board whether each director qualifies as “independent” under all applicable SEC, NASDAQ, and other independence rules; and (iv) monitoring and recommending the functions of the various committees of the Board.

As more fully described under the heading “Named Executive Officer Compensation” below, the Company’s 2015 NEOs referenced herein are Mr. Wilson, President and CEO since September 27, 2011; Antoine J. Lafargue, Senior Vice President and Chief Financial Officer (“CFO”), Treasurer, and Corporate Secretary since June 2015 and CFO and Treasurer since August 2010; and Matthew R. Ciardiello, former Vice President and CFO, Treasurer and Corporate Secretary from October 31, 2014, through June 19, 2015, who resigned from the Company effective as of June 19, 2015.

The Board, acting upon recommendations of the CNG Committee, and the Special Committee are ultimately responsible for determining the types and amounts of compensation paid to the Company’s NEOs. In fulfilling its role, the Board considers the Company’s performance and strategic objectives in determining, on an annual basis, whether any corresponding adjustments to an executive officer’s compensation levels is warranted, in light of the attainment of these performance objectives. The CNG Committee has the authority to retain outside consultants to assist the Committee in performing its responsibilities under its charter.

During the fiscal year ended June 30, 2015, none of the NEOs determined or approved any element or component of his own base salary or any other aspects of his or her own compensation. The President and CEO may participate in the current and future fiscal years in recommending the amount or form of compensation to be paid to the Company’s executive officers who report to him.

Special and Ad Hoc Committees

The Board currently has a Special Committee, which is comprised of Messrs. Pettrossi, West (Chairperson) and MacMillan, as discussed further below.

The functions of the Special Committee are set forth in its written charter, as approved on June 5, 2015 (the “Special Committee Charter”). Under its charter, the Special Committee is responsible for conducting a strategic alternatives review process, including by considering, and potentially implementing, related amendments to the compensation of the Company’s executive officers, with a goal of taking such actions as may be in the best interest of the stockholders, including (a) considering, investigating, negotiating, and pursuing all strategic alternatives reasonably available to the Company (the “Strategic Alternatives Review Process”); (b) notwithstanding anything to the contrary in the CNG Committee Charter, having the full power of the Board to consider, negotiate, implement and approve any and all changes in the compensation arrangements of the Company’s executive officers if the Special Committee believes that such changes would be necessary or advisable to facilitate, or otherwise in connection with, the Strategic Alternatives Review Process; (c) retaining, at the expense of the Company, financial, legal, and other advisors, and making or causing to be made such public disclosures and filings with the SEC as the Special Committee may deem necessary or appropriate to properly conduct the business of the Special Committee and to comply with applicable law; and (d) keeping confidential all information received by it until publicly disclosed by the Company.

Pursuant to the Special Committee Charter, the members and Chairperson of the Special Committee are not entitled to compensation for service on the Special Committee.

Communications with Directors

Any stockholder wishing to communicate with the Board generally, Mr. West, Chairman of the Board, or another Board member may do so by contacting the Corporate Secretary at the address, telephone number, facsimile number, or e-mail address listed below:

Magellan Petroleum Corporation
1775 Sherman Street, Suite 1950
Denver, Colorado 80203
Attention: Corporate Secretary
Telephone: (720) 484-2400
Facsimile: (720) 570-3859
Website: <http://www.magellanpetroleum.com>
E-mail: IR@magellanpetroleum.com

All communications will be forwarded to the Board, Mr. West, or another Board member, as applicable. The Corporate Secretary has been authorized by the Board to screen frivolous or unlawful communications or commercial advertisements.

Stockholders also may communicate with management by contacting the Corporate Secretary using the above contact information.

Director Attendance at Annual Meetings

All directors attended the last annual stockholders' meeting held on December 11, 2014. Although directors are not required to attend annual or special stockholders' meetings, all current directors are expected to attend the Meeting, except for Messrs. Gluzman and Israel.

The Board Nomination Process

The CNG Committee identifies director nominees based primarily on recommendations from management, Board members, stockholders, and other sources. The CNG Committee identifies nominees who possess qualities such as personal and professional integrity, sound business judgment, and petroleum industry or financial expertise. Because of the small size of the Company and the Board, in lieu of a formal written policy, the Board and the CNG Committee believe that it is important to consider diversity for Board and management positions and that it is essential that diverse viewpoints are represented on the Board. Accordingly, the Board and the CNG Committee consider the age and diversity of individual candidates (broadly construed to mean a variety of opinions, perspectives, personal and professional experiences and backgrounds, such as gender, race, and ethnicity differences, as well as other differentiating characteristics) in making their selections for nominees to the Board.

The Company requires that a majority of the directors meet the criteria for independence required under applicable laws and regulations and NASDAQ listing standards. Accordingly, the Board considers the applicable NASDAQ independence standards as part of its process in evaluating director nominees. In accordance with these standards, an independent director must be determined by the Board to be free of any relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Finally, the Board also evaluates other factors that it may deem to be in the best interests of the Company and its stockholders. The Board does not currently employ an executive search firm, or pay a fee to any other third party, to locate qualified candidates for director positions.

Because of the small size of the Company and the Board, in lieu of a formal written policy, the Board and CNG Committee will consider any director candidates recommended to the Board by stockholders. All candidates submitted by stockholders or a stockholder group will be reviewed and considered in the same manner as all other candidates. Stockholders who wish to recommend a prospective director nominee for consideration by the Board at

the 2016 annual meeting of stockholders must notify the Corporate Secretary in writing at the Company's offices at 1775 Sherman Street, Suite 1950, Denver, Colorado 80203 no later than October 10, 2016 (assuming the 2016 annual meeting of stockholders will be held on or about December 9, 2016).

The Corporate Secretary will forward all such stockholder recommendations on to the Board for its consideration. Any such recommendation should provide whatever supporting material the stockholder considers appropriate, but should include at a minimum such background and biographical material as will enable the Board to make an initial determination as to whether the nominee satisfies the Board membership criteria set forth above. A stockholder or stockholder group that nominates a candidate for the Board will be informed of the status of his, her or its recommendation after it is considered by the Board. No stockholder nominations were received by the Board during the Company's fiscal year ended June 30, 2015.

If a stockholder wishes to nominate a candidate for election to the Board at the 2016 annual meeting of stockholders, he or she must follow the rules contained in Article II, Section 3 of the Company's by-laws, described below under the heading "Future Stockholder Proposals—Nominations of Persons for Election to the Board of Directors."

Report of the Audit Committee Addressing Specific Matters

On October 29, 1999, the Board adopted a formal, written charter for the Audit Committee of the Company. The Charter was most recently amended on October 23, 2014. The charter is available on the Company's website, <http://www.magellanpetroleum.com>, under the heading "About Us—Corporate Governance." Each member of the Audit Committee is an "independent director" for purposes of applicable SEC rules and NASDAQ listing standards.

In connection with the preparation and filing of the Company's audited financial statements for the fiscal year ended June 30, 2015 (the "audited financial statements"), the Audit Committee performed the following functions:

The Audit Committee reviewed and discussed the audited financial statements with senior management and EKS&H, the Company's independent registered public accounting firm for the fiscal year ended June 30, 2015. The review included a discussion of the quality, not just the acceptability, of the Company's accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the forward-looking statements.

The Audit Committee also discussed with EKS&H the matters required to be discussed by Public Company Accounting Oversight Board ("PCAOB") Auditing Standard No. 16, Communications with Audit Committees.

The Audit Committee received the written disclosures and the letter from EKS&H required by applicable requirements of the PCAOB regarding EKS&H's communications with the Audit Committee concerning independence, and discussed with EKS&H its independence from the Company and considered the compatibility of the auditors' non-audit services to the Company, if any, with the auditors' independence.

The Audit Committee reviewed and discussed the report prepared by Hein & Associates LLP related to the Company's Sarbanes-Oxley Section 404 documentation and management's conclusion about the Company's internal controls over financial reporting as of June 30, 2015.

Based upon the functions performed, the Audit Committee recommended to the Board, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2015, for filing with the SEC.

Respectfully submitted by the Audit Committee of the Board of Directors,

Ronald P. Pettirossi (Chairperson)

Brendan S. MacMillan

J. Robinson West

Board and Committee Meetings Held During the 2015 Fiscal Year

Fifteen meetings of the Board, eight meetings of the Audit Committee, five meetings of the CNG Committee, and two meetings of the Special Committee were held during the fiscal year ended June 30, 2015. During the fiscal year ended June 30, 2015, all of the directors attended at least 75% of (i) the total number of meetings of the Board (held during the period for which he was a director), and (ii) the total number of meetings held by all committees of the Board on which he served (during the periods that he served).

Vote Required for Approval

Approval of Proposal 2 will require the affirmative vote of the plurality of the shares of Magellan common stock and Preferred Stock, voting together as a single class, present in person or represented by proxy at the Meeting and entitled to vote on the matter. Abstentions and broker non-votes will have no effect on this proposal.

Board Recommendation

THE MAGELLAN BOARD OF DIRECTORS RECOMMENDS THAT THE MAGELLAN STOCKHOLDERS VOTE TO ELECT BRENDAN S. MACMILLAN TO THE BOARD OF DIRECTORS OF THE COMPANY.

PROPOSAL 3—NON-BINDING ADVISORY RESOLUTION TO APPROVE OF THE COMPENSATION OF THE COMPANY’S NAMED EXECUTIVE OFFICERS

Background

Pursuant to Section 951 of the Dodd–Frank Act, Magellan stockholders are being asked to approve, on a non-binding advisory basis, the compensation of the Company’s NEOs disclosed in this proxy statement in accordance with SEC rules. This is commonly known as a “say-on-pay” vote, as it gives the stockholders the opportunity to communicate to the CNG Committee and the Board their views on the compensation of the Company’s NEOs. This vote is not intended to address any specific item of compensation, but rather the overall compensation of the Company’s NEOs and the compensation policies and practices described in this proxy statement.

The “say-on-pay” vote is advisory only and therefore is not binding on the Company, the CNG Committee, or the Board, and will not be construed as overruling a decision by, or creating or implying any fiduciary duty for, the Company, the CNG Committee, or the Board. Although the vote is non-binding, the CNG Committee, which is responsible for designing and administering the Company’s executive compensation program, values the opinions expressed by stockholders in their vote on this proposal and will review the voting results, seek to determine the reasons for any significant negative voting, and take such feedback into consideration when making future compensation decisions for the Company’s NEOs.

Executive Officers

Below are the executive officers of the Company, including their names, their ages, their positions with the Company, and their business experience during the last five years.

J. Thomas Wilson (age 64), who is also a director, has served as the Company’s President and CEO since September 27, 2011. For information regarding Mr. Wilson’s business experience, see “Director Continuing in Office for a Term Expiring at the 2017 Annual Meeting of Stockholders—J. Thomas Wilson” above.

Antoine J. Lafargue (age 41) has served as the Company’s Senior Vice President and CFO, Treasurer, and Corporate Secretary since June 2015. From October 2014 to June 2015, Mr. Lafargue served as the Company’s Senior Vice President of Strategy and Business Development and Chief Commercial Officer, and from August 2010 to October 2014, Mr. Lafargue served as the Company’s Vice President, CFO and Treasurer. Previously, Mr. Lafargue served in a number of senior financial management positions in the United States and Europe, including with private equity and investment banking firms, focusing on investments in the energy and infrastructure sectors. Mr. Lafargue holds master’s degrees in Finance from the Ecole Supérieure de Commerce de Paris and in Social and Political Sciences from the Institut d’Études Politiques, both located in France.

The Company’s by-laws provide that officers are elected by the Board for a term of one year, or until their successors are elected and qualified, provided that any officer may be removed at any time by the Board. No family relationships exist between any of the Company’s directors or officers.

Named Executive Officer Compensation

Overview

At the beginning of this section, executive officer compensation objectives, programs, and policies are discussed. Later, you will find more specific information about the compensation earned or paid in the fiscal year

ended June 30, 2015, to (i) J. Thomas Wilson, the Company's President and CEO, (ii) Antoine J. Lafargue, the Company's Senior Vice President and CFO, Treasurer and Corporate Secretary, and (iii) Matthew R. Ciardiello, the Company's former Vice President and CFO, Treasurer and Corporate Secretary, from October 31, 2014, through June 19, 2015, who resigned from the Company effective as of June 19, 2015, who are collectively referred to as the named executive officers or NEOs for the 2015 fiscal year. That information includes a discussion of the material terms of the plans and arrangements under which the NEOs are or were compensated, and the Executive Compensation Tables for the NEOs.

Board Oversight of Executive Compensation; Role of the Special Committee

Under its charter and notwithstanding anything to the contrary in the charter of the CNG committee, effective with its formation on June 5, 2015, the Special Committee has the full power of the Board to consider, negotiate, implement and approve any and all changes in the compensation arrangements of the Company's executive officers if the Special Committee believes that such changes would be necessary or advisable to facilitate, or otherwise in connection with, the Strategic Alternatives Review Process. Such changes may include (i) amendments to the employment agreements of such officers, (ii) grants of awards to such officers under the Company's equity compensation plans (and the Special Committee is hereby designated the administrator of each such plan to the extent it is necessary for it to approve any such grants), and (iii) grants of cash, cash-based or other awards, with each such amendment or grant to be subject to such terms and conditions as the Special Committee may deem appropriate.

Board Oversight of Executive Compensation; Role of the CNG Committee

The Company's executive compensation program has been developed and is continually monitored by the Board, acting on the recommendation of the CNG Committee. The CNG Committee has responsibilities and powers related to compensation matters and certain specified corporate governance matters.

Under its charter, the CNG Committee is responsible for assisting the Board in overseeing the Company's management compensation policies and practices, including (i) determining and recommending to the Board for its approval the compensation of the Company's President and CEO and other executive officers; (ii) reviewing and recommending to the Board for its approval management incentive compensation policies and programs and exercising discretion in the administration of such programs; and (iii) reviewing and recommending to the Board for its approval equity compensation programs for directors, officers, employees, and consultants, and exercising discretion in the administration of such programs.

The Board, acting upon recommendations of the CNG Committee, is ultimately responsible for determining the types and amounts of compensation paid to each of the NEOs. In fulfilling its role, the Board considers the Company's performance and strategic objectives in determining, on an annual basis, whether any corresponding adjustments to the NEOs' compensation levels are warranted, in light of the attainment of these performance objectives.

The CNG Committee and the Board have the authority to retain outside consultants to assist the Board in performing these responsibilities, including reviewing selected peer group data when benchmarking is utilized to determine any material element of executive compensation. In July 2014, the CNG Committee engaged Bachelder & Dowling, P.A. ("Bachelder") to assist the CNG Committee in reviewing the Company's executive compensation framework, and on October 31, 2014, the CNG Committee approved a new incentive compensation program for the Company's executive officers. The CNG Committee determined that at the time of the development of the new incentive compensation program, it was not necessary to utilize a peer group to benchmark the compensation of the Company's executives and that the definition of specific performance-based goals under the program aligned with the Company's particular strategic and operational milestones was appropriate.

In July 2013, the CNG Committee also engaged Bachelder to assist the CNG Committee in developing an executive stock incentive program. On October 15, 2013, based upon recommendations from Bachelder, the CNG Committee adopted a new executive stock incentive program for executives and certain other key employees.

Bachelder has not provided any services to the Company other than those requested by the CNG Committee and related to Bachelder's engagement as an independent consultant to the CNG Committee, and Bachelder has not provided, directly, or indirectly through affiliates, any human resources outsourcing services for the Company. The Company believes that the total consulting fees paid to Bachelder do not represent a significant percentage of Bachelder's total revenues, and that Bachelder does not own a significant number of shares of Magellan common stock. In addition, no partner, associate, or other employee of Bachelder has any known personal relationship with any of the Company's officers, directors, stockholders, or employees that the CNG Committee believes would present a potential conflict of interest or impair Bachelder's independence with respect to providing consulting services regarding the compensation of the Company's executive officers. After consideration of the foregoing factors, the CNG Committee believes that the work of Bachelder did not raise any potential conflicts of interest.

During the fiscal year ended June 30, 2015, none of Mr. Wilson, Mr. Lafargue, or Mr. Ciardiello determined or approved any element or component of his own base salary or any other aspects of his own compensation.

Objectives of Compensation Program

The Company's executive compensation program is designed to motivate and reward NEOs in a fiscally responsible manner, while aligning the executives' interests with those of the stockholders and prudently conserving cash resources to fund the Company's growth plans and strategic objectives. The oil and gas exploration and production industry has historically been highly competitive, a trend that has increased significantly in the last decade. As a result, experienced professionals have significant career mobility. Magellan is a smaller company in a highly competitive industry that competes for executive talent with a large number of exploration and production companies, many of which have significantly larger market capitalization than the Company. The Company's ability to motivate and reward its executive officers and other key employees is essential to maintaining a competitive position in the oil and gas industry. The Board believes that the Company's comparatively smaller size, relatively small executive management team, current liquidity constraints, and the uncertainty related to the Strategic Alternatives Review Process pose unique challenges for the Company and, therefore, are substantial factors in the design of the Company's executive compensation program.

In light of the foregoing factors, the Board, through the CNG Committee, also strives to maintain compensation programs that are generally competitive within the independent oil and gas industry in the United States. The award of base salary, annual cash bonuses, equity-based awards, and benefit packages to NEOs are approved by the Board after such matters are initially reviewed and approved by the CNG Committee and thereafter recommended by the CNG Committee to the Board for approval. The Board has utilized a compensation strategy by which the Company's executive officers will be paid base salaries that are generally lower than salaries prevailing in the marketplace for similarly situated companies and will receive awards of equity compensation to supplement their cash salaries. Despite the Company's small market capitalization, equity compensation permits the Company to attract talented executives and to offer attractive overall compensation packages by permitting executive officers to participate in the future growth of the Company (through an increase in the price of the stock acquired through the equity awards) in lieu of receiving a higher up-front base salary and cash bonus. The use of equity compensation as a component of an executive officer's overall compensation package is consistent with the Company's objectives to (i) motivate and reward executive officers in a fiscally responsible manner; (ii) align the interests of executive officers with those of stockholders; and (iii) conserve cash resources to fund the Company's growth plans and strategic objectives (together, the "Compensation Objectives").

Periodically, the CNG Committee (i) reviews the executive compensation program to assess whether the program remains competitive with those of similar companies, (ii) considers the program's effectiveness in creating adequate incentives for executive officers to find, acquire, develop, and produce oil and gas reserves in a cost-effective manner, and identify and execute strategic transactions, and (iii) determines what changes, if any, are appropriate in light of the Company's overall performance and ability to attract and retain talented executive officers.

The Board may, in addition to base salaries, authorize annual cash bonuses and equity-based awards in the future for executive officers based upon the attainment of the Company's operational and strategic goals. Except with respect to market-based and performance-based option grants, the Company has not adopted specific target or performance levels which would automatically result in increases or decreases in executive officer compensation. Instead, compensation determinations are based upon a consideration of many factors, including those described below. Relative weights or rankings have not been assigned to these factors. Specific elements of the Company's performance and individual performance that are considered in setting compensation policies and making compensation decisions include the following factors:

- the cyclical nature of the oil and gas business and industry trends in the North American, U.K., and Australian oil and gas markets;

- the growth in the quantity and value of the Company's proved oil and natural gas reserves, volumes of oil and natural gas produced by the Company, and the executives' ability to replace oil and natural gas produced with new oil and natural gas reserves;

- the Company's oil and gas finding costs and operating costs, cash flow used in operations, annual revenues, and (loss) earnings per share;

- the market value of Magellan common stock on the NASDAQ exchange;

- the extent to which management has been successful in finding and creating opportunities to participate in acquisition and farm-in transactions and exploitation and drilling ventures having quality prospects;

- management's ability to formulate and maintain sound budgets for the Company's business activities and overall financial condition;

- the success of the Company's acquisition and exploration activities, and the achievement by management of specific tasks and goals set by the Board from time to time;

- the effectiveness of compensation packages in motivating management to remain in the Company's employ; and

- the ability of management to effectively implement risk management practices.

In addition to considering these performance elements, the Board considers each NEO's longevity of service and his or her individual performance, leadership, and business knowledge.

Overview of Compensation for J. Thomas Wilson, President and Chief Executive Officer

Mr. Wilson's Employment Agreement with the Company, as amended and restated as of October 31, 2014 (the "Amended 2014 Wilson Agreement"), provides for an annual base salary of \$300,000, subject to an annual cost of living increase effective each January 1 during the term of the Amended 2014 Wilson Agreement. Mr. Wilson's current annual base salary is \$300,000. Under the Amended 2014 Wilson Agreement, Mr. Wilson received a

performance and retention bonus of \$90,000 on January 15, 2015, and shall be eligible to receive such other bonus awards, if any, as shall be determined by the Board in its sole discretion, after receipt of a recommendation by the CNG Committee of the Board. If the Company terminates Mr. Wilson's employment without Cause or he resigns for Good Reason (both as defined in the Amended 2014 Wilson Agreement), and except in the case of non-renewal, Mr. Wilson will be entitled to receive a severance benefit equal to the amount of base salary that Mr. Wilson would have received if he remained employed for 12 months following his termination, based upon his then-current base salary without further increase, and a continuing "medical benefit," as defined in the Amended 2014 Wilson Agreement, payable toward health coverage under the Consolidated Omnibus Budget Reconciliation Act ("COBRA"), in an amount based upon the amount then currently paid to Mr. Wilson for group health coverage, for up to a maximum of 18 months from his termination. In the case of non-renewal of an initial or renewal term of the Amended 2014 Wilson Agreement, the severance benefit amount payable to Mr. Wilson upon termination is reduced to the amount of base salary that Mr. Wilson would have received if he remained employed for six months, and there is no medical benefit. See "Additional Information Regarding Executive Compensation—Employment Agreements with the 2015 Named Executive Officers" below for additional information. See "—Equity-Based Compensation" below for a discussion of equity-based compensation for Mr. Wilson.

Overview of the Compensation for Antoine J. Lafargue, Senior Vice President and Chief Financial Officer, Treasurer and Corporate Secretary

Mr. Lafargue's Employment Agreement with the Company, as of October 31, 2014 (the "2014 Lafargue Agreement"), provides for an annual base salary of \$300,224, subject to an annual cost of living increase effective each January 1 during the term of the 2014 Lafargue Agreement. Mr. Lafargue's current annual base salary is \$300,224. The 2014 Lafargue Agreement does not provide for guaranteed cash bonuses but rather potential cash bonuses recommended by the CNG Committee and approved by the Board commensurate with Mr. Lafargue's and the Company's performance. The 2014 Lafargue Agreement also provides that if the Company terminates Mr. Lafargue's employment without Cause or he resigns for Good Reason (both as defined in the 2014 Lafargue Agreement), Mr. Lafargue will be entitled to receive a severance benefit equal to the amount of base salary that Mr. Lafargue would have received if he remained employed for 12 months following his termination, based upon his then-current base salary without further increase, and a continuing "medical benefit," as defined in the 2014 Lafargue Agreement, payable toward COBRA health coverage, in an amount based upon the amount then currently paid to Mr. Lafargue for group health coverage, for up to a maximum of 18 months from his termination. In the case of non-renewal of an initial or renewal term of the 2014 Lafargue Agreement, the severance benefit amount payable to Mr. Lafargue upon termination is reduced to the amount of base salary that Mr. Lafargue would have received if he remained employed for six months, and there is no medical benefit. See "Additional Information Regarding Executive Compensation—Employment Agreements with the 2015 Named Executive Officers" below for additional information. See "—Equity-Based Compensation" below for a discussion of equity-based compensation for Mr. Lafargue.

Overview of the Compensation for Matthew R. Ciardiello, Former Vice President and Chief Financial Officer, Treasurer and Corporate Secretary

Effective October 31, 2014, the Board appointed Matthew R. Ciardiello as the Company's Vice President and CFO, Treasurer and Corporate Secretary to serve an initial employment term of 26 months. Mr. Ciardiello resigned from all positions with the Company effective June 19, 2015. Mr. Ciardiello's October 31, 2014, Employment Agreement with the Company (the "2014 Ciardiello Agreement") provided for an initial base salary of \$225,040 per year. The 2014 Ciardiello Agreement did not provide for guaranteed cash bonuses, but rather potential cash bonuses recommended by the CNG Committee and approved by the Board commensurate with Mr. Ciardiello's and the Company's performance. The 2014 Ciardiello Agreement also provided that if the Company terminated

Mr. Ciardiello's employment without Cause or he resigned for Good Reason (both as defined in the 2014 Ciardiello Agreement), Mr. Ciardiello would be entitled to receive a severance benefit equal to one year's base salary, based upon his then-current base salary. See "Additional Information Regarding Executive Compensation—Employment Agreements with the 2015 Named Executive Officers" below for additional information. See "—Equity-Based Compensation" below for a discussion of equity-based compensation for Mr. Ciardiello.

Elements of Compensation

The Company seeks to achieve the Compensation Objectives by providing NEOs with the following elements of compensation:

- a base salary that represents cash compensation based on parity with other internal roles and external industry-based competitiveness;
- an opportunity to receive cash bonus awards based upon the achievement of goals and objectives attained during the course of a fiscal year;
- potential equity-based awards under the Company's 2012 Omnibus Plan;
- pension/retirement benefits and other personal benefits under NEOs' employment contracts, as described below;
- benefit programs provided to U.S. employees, including health care benefits, dental, life, vision, long-term and short-term disability coverage; and
- termination payments and other benefits under the NEOs' employment agreements, in the event that the NEO's employment is terminated under specified circumstances.

Each of the material elements of the Company's compensation program is discussed in greater detail below.

Base Salary

The Board reviews and determines, after receipt of a recommendation from the CNG Committee, the base salary of each NEO. The purpose of base salary is to reflect NEOs' executive job responsibilities, individual performance, and competitive compensation levels. Under his employment agreement, Mr. Wilson's current annual base salary is \$300,000 and is subject to an annual increase. Under his employment agreement, Mr. Lafargue's current annual base salary is \$300,224 and is subject to an annual increase. Mr. Ciardiello's annual base salary was \$225,040 and was subject to an annual increase.

Annual Cash Bonus Awards

The Board, pursuant to the recommendation of the CNG Committee, may award a NEO an annual cash bonus. The purpose of a cash bonus would be to better align executive performance with annual strategic goals while enhancing shareholder value. The NEOs did not receive annual cash bonus awards during fiscal year 2015.

Special Cash Bonus Awards

Mr. Wilson received a \$90,000 performance and retention bonus during fiscal year 2015 pursuant to the terms of his employment agreement.

Equity-Based Compensation

Under the Company's prior 1998 Stock Incentive Plan, the Company was authorized to grant stock options, stock appreciation rights, and stock awards to employees, officers, directors, and consultants. The Company replaced the 1998 Stock Incentive Plan with a new 2012 Omnibus Incentive Compensation Plan approved by the stockholders at the 2012 annual meeting. The 2012 Omnibus Plan provides for the granting of awards to employees, officers, directors, and consultants in any combination of the following:

- stock options;
- stock appreciation rights;
- restricted stock and/or restricted stock units;
- performance shares and/or performance units;
- incentive awards;
- cash awards; and/or
- other stock-based awards.

The 2012 Omnibus Plan provides for grants of options principally at an option price per share of 100% of the fair value of Magellan common stock on the date of the grant. Options are generally granted with a one-year, two-year, or a three-year vesting period and a 10-year term. Options vest in equal annual installments over the vesting period. The 2012 Omnibus Plan also provides for the grant of stock appreciation rights subject to terms as determined by the CNG Committee and evidenced in a form also determined by the CNG Committee. In addition, the 1998 Stock Incentive Plan permits the award of restricted stock to eligible participants and permits the CNG Committee to make an annual award of shares of unrestricted Magellan common stock to the Company's non-employee directors equal in value of up to 50% of the annual cash retainer payable to these directors.

The Company accounts for all equity-based awards granted, modified, or settled after July 1, 2005, in accordance with the requirements of ASC Topic 718. With the exception of the annual stock awards to non-employee directors, which typically occur on July 1 of each fiscal year, the Company does not have a specific program or plan with regard to the timing or dating of option grants or other awards, and options or other awards under the 2012 Omnibus Plan and the 1998 Stock Incentive Plan have not been granted at regular intervals or on pre-determined dates. Rather, the Board's decisions as to when options are granted have historically been made at the complete discretion of the Board upon the recommendation of the CNG Committee. Going forward, the Board intends to continue this practice, after receipt and consideration of recommendations for further option or other awards under the 1998 Stock Incentive Plan or the 2012 Omnibus Plan.

As of May 20, 2016, there were 771,764 stock options outstanding, of which 429,320 were fully vested and exercisable. If all of these vested options were exercised in full, the underlying shares would represent approximately 6.93% of the issued and outstanding shares of Magellan common stock.

In connection with Mr. Wilson's appointment as the Company's President and CEO effective September 27, 2011, on November 7, 2011, the CNG Committee and the full Board awarded to Mr. Wilson (a) 31,250 non-qualified time-based stock options with an exercise price of \$8.64 per share, which exercise price was the "fair market value" (as defined in Section 5(c) of the Company's 1998 Stock Incentive Plan) of a share of Magellan common stock as of November 7, 2011; and (b) 12,500 shares of time-based restricted stock with both the stock options and the restricted

stock subject to the terms of the 1998 Stock Incentive Plan. These stock options and restricted stock were fully vested as of June 30, 2015.

Prior to his appointment as President and CEO effective September 27, 2011, Mr. Wilson was granted the following stock options: (a) 48,437 options granted on February 2, 2009, with an exercise price of \$9.60 per share; and (b) 37,500 options granted on April 1, 2010, with an exercise price of \$17.92 per share, all of which options were fully vested as of June 30, 2015.

The above option share numbers reflect certain transfers made by Mr. Wilson on May 8, 2012 of one-half of each of the options previously granted to Mr. Wilson, pursuant to a domestic relations order in connection with a marital dissolution proceeding.

On July 1, 2013, 18,750 restricted shares of Magellan common stock were awarded to Mr. Wilson pursuant to the 2012 Omnibus Plan, of which 6,250 restricted shares vested on July 1, 2014, 6,250 restricted shares vested on July 1, 2015, and the remaining 6,250 restricted shares are scheduled to vest on July 1, 2016.

On October 15, 2013, options to purchase 125,000 shares of Magellan common stock at an exercise price of \$8.24 per share were granted to Mr. Wilson under the 2012 Omnibus Plan. The vesting and exercisability of those options are subject to performance conditions and other terms as discussed below under “—Stock Option Program—2014 Performance Options.”

On October 31, 2014, a total of 125,000 non-qualified options to purchase shares of Magellan common stock at an exercise price of \$14.40 per share were granted to Mr. Wilson under the 2012 Omnibus Plan, comprised of 50,000 market-based options and 75,000 performance-based options. The vesting and exercisability of those options are further discussed below under “—Stock Option Program—2015 Performance Options.” Also on October 31, 2014, 3,750 restricted shares of Magellan common stock were awarded to Mr. Wilson pursuant to the 2012 Omnibus Plan. The 3,750 restricted shares vested on December 31, 2015.

In connection with his initial appointment as the Company’s Vice President and CFO and Treasurer, on August 2, 2010, the CNG Committee and the full Board awarded to Mr. Lafargue, subject to the terms and conditions of the 1998 Stock Incentive Plan, a total of 100,000 non-qualified stock options with an exercise price of \$14.72 per share, which exercise price was the “fair market value” (as defined in Section 5(c) of the 1998 Stock Incentive Plan) of a share of Magellan common stock as of August 2, 2010, and which total options were comprised of 50,000 time-based options and 50,000 performance-based options. The time-based options were vested in full as of June 30, 2015. The performance-based options were to vest in full upon completion of the Evans Shoal transaction on or before June 30, 2011. Because the Evans Shoal transaction was not completed, the performance-based options issued to Mr. Lafargue were forfeited as of June 30, 2011, and allocated back to the share reserve for the 1998 Stock Incentive Plan.

On November 30, 2011, the CNG Committee and the full Board awarded to Mr. Lafargue a total of 75,000 non-qualified stock options with an exercise price of \$8.80 per share, which exercise price was the “fair market value” (as defined in Section 5(c) of the 1998 Stock Incentive Plan) of a share of Magellan common stock as of the grant date, comprised of 50,000 time-based options and 25,000 performance-based options. All of these 75,000 options were fully vested as of June 30, 2015.

On July 1, 2013, 18,750 restricted shares of Magellan common stock were awarded to Mr. Lafargue pursuant to the 2012 Omnibus Plan, of which 6,250 restricted shares vested on July 1, 2014, 6,250 restricted shares vested on July 1, 2015, and the remaining 6,250 restricted shares are scheduled to vest on July 1, 2016.

On October 15, 2013, non-qualified options to purchase 103,125 shares of Magellan common stock at an exercise price of \$8.24 per share were granted to Mr. Lafargue under the 2012 Omnibus Plan. The vesting and exercisability of those options are subject to performance conditions and other terms as discussed below under “—Stock Option Program—2014 Performance Options.”

On October 31, 2014, 31,250 non-qualified options to purchase shares of Magellan common stock at an exercise price of \$14.40 per share were granted to Mr. Lafargue under the 2012 Omnibus Plan. The vesting and exercisability of those options are subject to performance conditions and other terms as discussed below under “—Stock Option Program—2015 Performance Options.” Also on October 31, 2014, 3,750 restricted shares of Magellan common stock were awarded to Mr. Lafargue pursuant to the 2012 Omnibus Plan. The 3,750 restricted shares vested on December 31, 2015.

On October 12, 2015, the Company entered into a series of new incentive compensation agreements with Antoine J. Lafargue consisting of (i) a grant under the 2012 Omnibus Plan of 62,500 restricted shares of Magellan common stock that are to vest immediately prior to the completion of a Qualifying Transaction (as defined in the agreement), (ii) a cash award under the 2012 Omnibus Plan ranging from \$0 to \$1 million, contingent upon the completion of a Qualifying Transaction, with the amount of cash award to be equal to \$2,750 for each one cent of market value per share of the Company’s common stock reflected in the Qualifying Transaction above a minimum market value threshold of \$1.60 per share, (iii) a phantom stock award under the 2012 Omnibus Plan based on the value of 62,500 notional shares, with payment contingent upon completion of a Qualifying Transaction, and (iv) an override bonus agreement, which provides for a potential bonus outside of the Company’s 2012 Omnibus Plan that would double the amounts payable under the awards available under clauses (i), (ii), and (iii) above, in certain circumstances. These awards are subject to performance conditions and other terms as discussed below under “—Employment Agreements with the 2015 Named Executive Officers—Mr. Lafargue.”

Any unvested portion of Mr. Lafargue’s stock options will immediately be accelerated and vest in full upon the occurrence of a “Change in Control” of the Company (as defined in the 1998 Stock Incentive Plan) and upon the occurrence of other specified events.

In connection with his initial appointment as the Company’s Vice President and CFO, Treasurer, and Corporate Secretary, on October 31, 2014, Mr. Ciardiello was awarded under the 2012 Omnibus Plan (a) 50,000 non-qualified options to purchase shares of Magellan common stock at an exercise price of \$14.40 per share; and (b) 5,000 shares of time-based restricted stock. The vesting and exercisability of those options are subject to performance conditions and other terms as discussed below under “—Stock Option Program—2015 Performance Options.” The restricted shares were scheduled to vest on December 31, 2015. Upon Mr. Ciardiello’s resignation effective June 19, 2015, all of these options were cancelled and the restricted shares were forfeited.

Prior to his appointment as Vice President and CFO, Treasurer, and Corporate Secretary, Mr. Ciardiello was granted the following stock options: (a) 6,250 non-qualified time-based options granted on July 24, 2012 with an exercise price of \$9.12 per share; (b) 18,750 non-qualified time-based options granted on July 1, 2013 with an exercise price of \$8.40 per share; and (c) 12,500 non-qualified performance-based options granted on October 15, 2013 with an exercise price of \$8.24 per share. The vesting and exercisability of the performance-based options are subject to performance conditions and other terms as discussed below under “—Stock Option Program—2014 Performance Options.” Upon Mr. Ciardiello’s resignation effective June 19, 2015, 2,084 of the options granted to him on July 24, 2012, 12,500 of the options granted to him on July 1, 2013, and 9,375 of the options granted to him on October 15, 2013 were forfeited.

Stock Option Program

2015 Performance Options

On October 31, 2014, the CNG Committee, as plan administrator for the 2012 Omnibus Plan and in connection with the establishment of a new senior management incentive compensation program, approved a stock option program for the NEOs (the “2015 Program”). On October 31, 2014, under the 2015 Program, options to acquire a total of 206,250 shares of Magellan common stock (the “2015 Performance Options”) were granted to the NEOs under the 2012 Omnibus Plan, consisting of options to acquire 125,000 shares, 31,250 shares, and 50,000 shares granted to Messrs. Wilson, Lafargue, and Ciardiello, respectively. The options are performance-based, and will vest and become exercisable only upon the achievement of certain performance goals. As set out in more detail below, 50,000 of the 2015 Performance Options granted to Mr. Wilson vest based upon the market price of Magellan common stock achieving a specified price hurdle and sustaining that price hurdle for a set period of time (the “2015 Stock Price Options”). The remaining 75,000 of 2015 Performance Options granted to Mr. Wilson and all of the 2015 Performance Options granted to Messrs. Lafargue and Ciardiello vest based upon the Company achieving certain operational performance goals, including performance goals related to the achievement of certain developmental milestones with respect to the Company’s Poplar asset, and other potential strategic transactions that are subject to future Board determinations (the “2015 Performance Goal Options”).

The 2015 Stock Price Options vest and become exercisable, subject to ongoing employment and a three-year vesting period, if, at the end of any period of 90 trading days (a “Window”), (A) the closing price of the common stock as reported by NASDAQ (the “Closing Price”) on each of the first 10 trading days of a Window equals or exceeds \$40.00 per share; and (B) the median of the Closing Prices for the common stock during such Window equals or exceeds \$40.00 per share.

The 2015 Performance Goal Options vest and become exercisable, subject to ongoing employment, proportionately upon the Company achieving the following goals:

2015 Performance Goal	Percentage of Performance Goal Tranche
Goal #1: The decision by the Board that the Company has received a commercially viable commitment for the provision of CO ₂ to the Poplar field at a price of no more than \$2.50 per MCF (not including transportation costs).	20%
Goal #2: A decision by the Board that the Poplar field is a commercially viable CO ₂ -EOR project, ready for full field development either internally or externally.	40%
Goal #3: The Board’s determination to move the U.K. play forward, as evidenced by the decision to commence, or an arrangement by which a third party will commence, the operation of a well in the Weald Basin in the United Kingdom.	20%
Goal #4: The Board’s decision to move forward with the Farnham Dome project, which shall be marked by both (i) the Board’s identification of an applicable project for use of CO ₂ from Farnham Dome and (ii) a decision by the Board to purchase Farnham Dome or exercise the right to enter into a CO ₂ purchase agreement for Farnham Dome’s CO ₂ for use in connection with that project or in other projects.	20%

As of June 30, 2015, and May 20, 2016, respectively, none of the 2015 Performance Goals had been achieved by the Company, and thus none of the 2015 Performance Goal Options had vested as of those dates, respectively.

All of the 2015 Performance Options have an exercise price of \$14.40 per share, which was the NASDAQ closing price for the common stock on the grant date of October 31, 2014. The 2015 Performance Options have a term of 10 years. If an optionee's employment with the Company is terminated for cause or when grounds for cause exist, all options granted to that optionee will immediately terminate. If the optionee is terminated without cause by the Company or terminates employment for good reason, options vested and exercisable at the time of termination may be exercised for certain periods under the applicable option agreement. If a portion of the 2015 Performance Goal Options remains unvested at the time of such termination, a portion of those 2015 Performance Goal Options based upon the period of employment during the three-year period following the grant will remain in suspense for approximately nine months after the termination and may vest and become exercisable if the operational performance goals are achieved during that nine-month period. If the options vest and become exercisable, they will be exercisable for certain periods from the date of termination. If an optionee is terminated or terminates his employment for any other reason other than the reasons outlined above, the options that are vested and exercisable at the time of the termination may be exercised for a period of 90 days.

As a result of Mr. Ciardiello's resignation from the Company effective as of June 19, 2015, all 50,000 of the 2015 Performance Options granted to Mr. Ciardiello were canceled.

2014 Performance Options

On October 15, 2013, the CNG Committee, as plan administrator for the 2012 Omnibus Plan, approved a stock option program for the NEOs and certain other key employees of the Company (the "2014 Program"). Under the 2014 Program, options to acquire a total of 375,000 shares of Magellan common stock (the "2014 Performance Options") were granted on October 15, 2013, to eight key management employees, including the NEOs, with options to acquire 125,000 shares, 103,125 shares, and 12,500 shares granted to Messrs. Wilson, Lafargue, and Ciardiello, respectively. The 2014 Performance Options are performance based, and become vested and exercisable only upon the achievement of certain performance goals. As set out in more detail below, 50% of the 2014 Performance Options vest based upon the market price of Magellan common stock achieving a specified price hurdle and sustaining that price hurdle for a set period of time (the "2014 Stock Price Options"), and the remaining 50% of the 2014 Performance Options vest based upon the Company achieving certain operational performance goals, including performance goals related to planned or possible drilling, development, production, and other potential strategic transactions that are subject to future Board determinations (the "2014 Performance Goal Options").

The 2014 Stock Price Options vest and become exercisable, subject to ongoing employment, when, at the end of any period of 90 trading days (a "Window"), (A) the closing price of one share of Magellan common stock as reported by NASDAQ (the "Closing Price") on each of the first 10 trading days of a Window equals or exceeds \$18.80 per share, and (B) the median of the Closing Prices for Magellan common stock during such Window is equal to or exceeds \$18.80 per share. As of May 20, 2016, the 2014 Stock Price Options had not vested or become exercisable.

The 2014 Performance Goal Options vest and become exercisable, subject to ongoing employment, proportionately upon the Company achieving the following goals:

2014 Performance Goal	Percentage of Performance Goal Tranche
Goal #1: Completion of the drilling of the CO ₂ -EOR pilot program.	10%
Goal #2: A determination by the Board that the CO ₂ -EOR pilot program proves the economically attractive scalability to the Company of a phased, full field CO ₂ -EOR project at Poplar.	40%
Goal #3: Sale of substantially all Amadeus Basin assets at the Board-approved prices and terms, or commencement of sales under the Dingo Gas Sales and Purchase Agreement.	20%
Goal #4: Ability to participate in the drilling of at least one well in the Weald Basin along with Celtique Energie with internally developed funding (i.e., proceeds of a sale of assets) or an approved farmout.	20%
Goal #5: Approval and execution of a farmout agreement for the drilling of at least one well in NT/P82.	10%

As of June 30, 2014, 2014 Performance Goals #1, #3, and #4 had been achieved by the Company, and thus the corresponding percentage of 2014 Performance Goal Options had vested and become exercisable. As of June 30, 2015, and May 20, 2016, respectively, no further Performance Goals had been achieved by the Company, and thus no further 2014 Performance Goal Options have vested as of those dates, respectively.

All of the 2014 Performance Options have an exercise price of \$8.24 per share, which is equal to the NASDAQ closing price of Magellan common stock on the grant date of October 15, 2013. The 2014 Performance Options have a term of 10 years. If an employee's employment with the Company is terminated for cause or when grounds for cause exist, all Options granted to that employee will immediately terminate. If the employee is terminated without cause by the Company or terminates employment for good reason, 2014 Performance Options vested and exercisable at the time of termination may be exercised for one year. If a portion of the 2014 Performance Options remain unvested at the time of termination, a portion of those 2014 Performance Options based upon the period of employment during the three-year period following the grant will remain in suspense for nine months after the termination and may vest and become exercisable if the stock price hurdle or performance goals are met during that nine-month period. With respect to 2014 Performance Options that vest and become exercisable, they are exercisable for the same year period from the date of termination. If an optionee is terminated or terminates his employment for any other reason other than the reasons outlined above, the options vested and exercisable at the time of the termination may be exercised for a period of 90 days.

As a result of Mr. Ciardiello's resignation from the Company effective as of June 19, 2015, 9,375 of the 12,500 2014 Performance Options granted to Mr. Ciardiello were canceled.

Pension/Retirement Benefits

The Company does not provide qualified pension benefits or any supplemental executive retirement benefits to any of its NEOs.

Mr. Wilson and Mr. Lafargue are eligible to participate in the Company's 401(k) retirement savings plan (the "401(k) Plan"), which became effective as of October 15, 2010, and Mr. Ciardiello was eligible to participate in the 401(k) Plan during his employment with the Company in fiscal year 2015. Under the 401(k) Plan, all employees of the Company are eligible to participate after an initial period of three months of employment. The 401(k) Plan permits participants to make salary deduction contributions to their plan accounts and provides that the Company will make a 3.5% match of the employee's contributions, up to an annual maximum of 3.5% of salary.

Additional Benefit Programs

Perquisites and other benefits represent a small part of the overall compensation package. These benefits are reviewed periodically to ensure that they are competitive with industry norms. If greater than \$10,000, the aggregate costs associated with the benefits provided to Mr. Wilson, Mr. Lafargue, or Mr. Ciardiello are included in the “All Other Compensation” column of the Summary Compensation Table set forth below.

During fiscal year 2015, the Company paid \$2,940 for parking for Mr. Wilson. In addition, the Company paid \$32,892 for health and life insurance benefits for Mr. Wilson.

During fiscal year 2015, the Company paid \$2,340 for parking for Mr. Lafargue. In addition, the Company paid \$27,480 for health and life insurance benefits for Mr. Lafargue.

During fiscal year 2015, the Company paid \$2,340 for parking for Mr. Ciardiello. In addition, the Company paid \$27,028 for health and life insurance benefits for Mr. Ciardiello.

Post-Termination Payments and Benefits

For a narrative description of the material terms of each agreement that provides for payments or benefits to an NEO in the event of the termination of his respective employment under various circumstances, including upon resignation, retirement, disability, death, termination for cause, termination without cause, and termination for Good Reason, as defined in his respective agreement, or in the event of a change in control of the Company, see “—Employment Agreements with the 2015 Named Executive Officers,” “—Overview of Compensation for J. Thomas Wilson, President and Chief Executive Officer,” “—Overview of the Compensation for Antoine J. Lafargue, Senior Vice President and Chief Financial Officer, Treasurer and Corporate Secretary,” “—Overview of the Compensation for Matthew R. Ciardiello, Former Vice President and Chief Financial Officer, Treasurer and Corporate Secretary” and “—Equity-Based Compensation.”

Tax Considerations

The Company intends to operate its executive compensation program in good faith compliance with Section 409A of the U.S. Internal Revenue Code and the related regulations and other guidance issued by the U.S. Internal Revenue Service (the “IRS”). At this time, the Company does not expect that Section 162(m) of the U.S. Internal Revenue Code (“Section 162(m)”) will have any material effect on the Company’s executive officer compensation because the Company does not currently expect that the annual taxable compensation paid to any executive officer which is not “performance-based compensation” paid under a stockholder-approved plan that meets the requirements of Section 162(m) and related regulations, and thus is not subject to the tax deduction limitations of Section 162(m), will exceed \$1 million. The Company reserves the right to award compensation which may not be fully deductible under Section 162(m) if the CNG Committee or another appropriate independent Board committee determines that such compensation is in the Company’s best interests in providing incentives to attract, motivate, and retain key executives.

Conclusions

The Board believes that the Company’s executive compensation program is and will be a critical element in ensuring the Company’s continued success as it grows and pursues its strategic objectives. Motivation, attraction, retention, and the NEOs’ alignment with the interests of the Company’s stockholders are the key objectives of the program. The continued improvement in business results and increased shareholder value are driven by the performance of highly motivated executives. In the opinion of the Board, the design and operation of the Company’s executive

compensation programs, along with the monitoring of executive officers' performance against the factors identified above, reasonably result in compensation levels appropriate to promote the Company's continued success and the best interests of its stockholders as the Company continues to pursue its strategic objectives.

Additional Information Regarding Executive Compensation

Employment Agreements with the 2015 Named Executive Officers

The Company has entered into written employment agreements with each of Messrs. Wilson, Lafargue, and Ciardiello that provide for certain severance payments and other benefits in the event that their respective employment with the Company is terminated under various circumstances, as described below (Mr. Ciardiello's employment with the Company was terminated effective June 19, 2015). Generally, the Company uses these provisions to provide some assurance to the Board that Magellan will continue to be able to rely on NEOs continuing in their positions with the Company, without concern that they might be distracted by the personal uncertainties and risks created by any proposed or threatened change of control of the Company.

Mr. Wilson

On February 11, 2015, the Company entered into an Amendment to the new Employment Agreement entered into on December 3, 2014, both effective as of October 31, 2014 (together, the "Amended 2014 Wilson Agreement"), with J. Thomas Wilson, under which Mr. Wilson serves as the Company's President and CEO.

The Amended 2014 Wilson Agreement provides for a 26-month term of employment (the "Initial Term"), commencing on October 31, 2014, and ending on December 31, 2016, unless terminated earlier as provided in the Amended 2014 Wilson Agreement. If not terminated earlier than December 31, 2016, the Initial Term will automatically renew for one or more successive one-year periods (each, a "Renewal Term") unless in each case at least six months prior to the end of the Initial Term or Renewal Term, as the case may be, either the Company or Mr. Wilson gives written notice to the other party electing to permit the Amended 2014 Wilson Agreement to terminate on the last day of the Initial Term or Renewal Term, as the case may be.

The Amended 2014 Wilson Agreement provides for an initial annual base salary of \$300,000, subject to an annual cost of living increase beginning on July 1, 2016, and effective each January 1 thereafter. The Amended 2014 Wilson Agreement also provides for an annual car allowance of \$9,600. The Amended 2014 Wilson Agreement provided for a performance and retention bonus of \$90,000 that was paid to Mr. Wilson on January 15, 2015. In addition, during the Initial Term or any Renewal Term, Mr. Wilson will not be guaranteed a cash bonus, but will be eligible to receive other bonus awards, if any, as recommended by the CNG Committee and approved by the Board based on the Company's and Mr. Wilson's performance. The Amended 2014 Wilson Agreement confirms, pursuant to the terms of the 2012 Omnibus Plan, (i) a nonqualified stock option award comprised of options to acquire an aggregate of 125,000 shares of the Company's common stock with an exercise price equal to the closing market price on the grant date, and (ii) a restricted stock award of 3,750 shares of Magellan common stock.

The Company is entitled to terminate Mr. Wilson's employment at any time for any reason, other than non-renewal, death, Disability, or Cause (as each such term is defined in the Amended 2014 Wilson Agreement) upon at least 30 days' written notice to Mr. Wilson. If the Company terminates Mr. Wilson's employment for any reason other than non-renewal, death, Disability, or Cause, then the Company shall pay to Mr. Wilson (i) his base salary through the date of such termination of employment, plus his base salary for the period of any vacation time earned but not taken through the date of termination of employment (the "Salary Benefit"); (ii) any other compensation and benefits to the extent actually earned by him under any other benefit plan or program of the Company as of the date of such

termination of employment (the “Other Benefits”); (iii) any reimbursement amounts for reasonable business expenses approved by the Company and owed to Mr. Wilson under the Amended 2014 Wilson Agreement (the “Reimbursement Benefit” and together with the Salary Benefit and the Other Benefits, the “Accrued Benefits”); (iv) a defined severance benefit (the “Severance Benefit”); and (v) certain continuing health insurance payment benefits, if Mr. Wilson elects to continue insurance coverage under the Company’s health insurance plans pursuant to COBRA following termination of employment (the “Medical Benefit”). In addition, the equity incentives shall vest as per the equity agreements (the “Vesting Benefit”). The Severance Benefit is equal to the amount of base salary that Mr. Wilson would have received if he remained employed for 12 months following his termination, based upon his then-current base salary without further increase. In the case of non-renewal of the Initial Term or Renewal Term of the Amended 2014 Wilson Agreement, then the severance benefit amount payable to Mr. Wilson upon termination is reduced to the amount of base salary that Mr. Wilson would have received if he remained employed for six months, and there is no Medical Benefit.

The Amended 2014 Wilson Agreement may be terminated by the Company in the event of Mr. Wilson’s Disability by giving him written notice of termination at least 30 days before the date of such termination. In the event of termination of employment because of Disability, Mr. Wilson will be entitled to receive (i) the Accrued Benefits, and (ii) his rights in respect of the equity incentives shall be as set forth in the equity incentive agreements.

In the event of the death of Mr. Wilson during the course of his employment under the Amended 2014 Wilson Agreement, Mr. Wilson’s estate (or other person or entity having such entitlement pursuant to the terms of the applicable plan or program) shall be entitled to receive the Accrued Benefits, and the Vesting Benefit. In addition, in the event of such death, Mr. Wilson’s beneficiaries shall receive any death benefits owed to them under the Company’s employee benefit plans.

The Amended 2014 Wilson Agreement may also be terminated for Cause by the Company. “Cause” is defined as (i) an act or acts of dishonesty or fraud by Mr. Wilson relating to the performance of his services to the Company; (ii) a breach by Mr. Wilson of his duties or responsibilities under the Amended 2014 Wilson Agreement resulting in significant demonstrable injury to the Company or any of its subsidiaries; (iii) Mr. Wilson’s conviction of a felony or any crime involving moral turpitude; (iv) Mr. Wilson’s material failure (for reasons other than death or Disability) to perform his duties under the Amended 2014 Wilson Agreement or “insubordination” (defined as refusal to execute or carry out lawful directions from the Board or its duly appointed designees) where Mr. Wilson has been given written notice of the acts or omissions constituting such failure or insubordination, and he has failed to cure such conduct, where susceptible to cure, within 10 days following such notice; or (v) a breach by Mr. Wilson of any provision of any material policy of the Company or any of his obligations under the Amended 2014 Wilson Agreement (e.g., confidentiality, non-solicitation, non-competition, and non-disparagement obligations) where Mr. Wilson has been given written notice of the acts or omissions constituting such breach, where susceptible to cure within 10 days following such notice; provided, however, that no cure shall be allowed under clause (iv) or (v) if Mr. Wilson has previously been allowed to cure an event under either such clause. If the Amended 2014 Wilson Agreement is terminated for Cause, Mr. Wilson shall only be entitled to receive the Accrued Benefits.

Mr. Wilson is entitled to terminate his employment with the Company for Good Reason (as defined in the Amended 2014 Wilson Agreement). In the event of his termination of employment for Good Reason, Mr. Wilson shall be entitled to receive (i) the Accrued Benefits; (ii) the Severance Benefit; (iii) the Medical Benefit and (iv) the Vesting Benefit. “Good Reason,” as defined in the Amended 2014 Wilson Agreement, means only, without Mr. Wilson’s written consent, (A) a material negative change in the scope of the authority, functions, duties, or responsibilities of Mr. Wilson’s employment from that which is contemplated by the Amended 2014 Wilson Agreement, provided that a change in scope solely as a result of the Company no longer being a public company or becoming a subsidiary of

another entity shall not constitute Good Reason; (B) the Company materially changing the geographic location in which Mr. Wilson must perform services from the Denver, Colorado metropolitan area or the Company engaging the services of a long-term replacement President and CEO (C) any material breach by the Company of any provision of the Amended 2014 Wilson Agreement without Mr. Wilson having committed any material breach of his obligations thereunder, in each case of (A), (B), or (C), which breach is not cured by the Company within 30 days following written notice thereof to the Company of such breach. If an event giving grounds for termination of employment for Good Reason occurs, and Mr. Wilson fails to give notice of termination within 60 days after the occurrence of such event, Mr. Wilson shall be deemed to have waived his right to terminate employment for Good Reason with respect to such event.

Mr. Lafargue

On December 3, 2014, the Company entered into an Employment Agreement with Mr. Lafargue, effective as of October 31, 2014 (the "2014 Lafargue Agreement"), as amended on October 12, 2015, under which Mr. Lafargue served as the Company's Senior Vice President of Strategy and Business Development and Chief Commercial Officer from October 31, 2014, to June 19, 2015, when Mr. Lafargue commenced serving as the Company's Senior Vice President and CFO, Treasurer, and Corporate Secretary.

The 2014 Lafargue Agreement provides for a 26-month term of employment (the "Initial Term"), commencing on October 31, 2014, and ending on December 31, 2016, unless earlier terminated as provided in the 2014 Lafargue Agreement. If not terminated earlier than December 31, 2016, the Initial Term will automatically renew for one or more successive one-year periods (each, a "Renewal Term") unless in each case at least six months prior to the end of the Initial Term or Renewal Term, as the case may be, either the Company or Mr. Lafargue gives written notice to the other party electing to permit the 2014 Lafargue Agreement to terminate on the last day of the Initial Term or Renewal Term, as the case may be.

Under the 2014 Lafargue Agreement, Mr. Lafargue will devote substantially all of his business time and attention and best efforts to the affairs of the Company and its subsidiaries and his duties. He will report to the Company's President and CEO.

Mr. Lafargue is paid an annual salary of \$300,224, subject to an annual increase. Mr. Lafargue is entitled to receive cash bonuses recommended in the future by the CNG Committee and approved by the Board. Mr. Lafargue is entitled to reimbursement of certain advisory expenses and his business expenses while performing services for the Company. During the term of the 2014 Lafargue Agreement, Mr. Lafargue will not be guaranteed a bonus but rather will be eligible to receive such bonus awards, if any, based on the Company's and Mr. Lafargue's performance, as shall be determined by the Board in its sole discretion, after receipt of a recommendation by the CNG Committee. The 2014 Lafargue Agreement confirms an award to Mr. Lafargue of (i) a grant under the 2012 Omnibus Plan of 62,500 restricted shares of Magellan common stock that are to vest immediately prior to the completion of a Qualifying Transaction (as defined in the agreement and generally described below), (ii) a cash award under the 2012 Omnibus Plan ranging from \$0 to \$1 million, contingent upon the completion of a Qualifying Transaction, with the amount of cash award to be equal to \$2,750 for each one cent of market value per share of the Company's common stock reflected in the Qualifying Transaction above a minimum market value threshold of \$1.60 per share, (iii) a phantom stock award under the 2012 Omnibus Plan based on the value of 62,500 notional shares, with payment contingent upon completion of a Qualifying Transaction, and (iv) an override bonus agreement, which provides for a potential bonus outside of the 2012 Omnibus Plan that would double the amounts payable under the awards available under clauses (i), (ii), and (iii) above, in certain circumstances. The 2014 Lafargue Agreement also confirms an award to Mr. Lafargue of (i) a nonqualified stock option award comprised of options to acquire an aggregate of 31,250 shares of the Company's

common stock with an exercise price equal to the closing market price on the grant date, and (ii) a restricted stock award of 3,750 shares of Magellan common stock.

The 2014 Lafargue Agreement may be terminated by the Company in the event of Mr. Lafargue's death or Disability (as defined in the 2014 Lafargue Agreement). If Mr. Lafargue dies or becomes disabled, then the Company will pay Mr. Lafargue or his representatives (i) his base salary through the date of such termination of employment, plus his base salary for the period of any vacation time earned but not taken for the year in which termination of employment occurs; (ii) any other compensation and benefits to the extent actually earned by him under any other benefit plan or program of the Company as of the date of such termination of employment; and (iii) any reimbursement amounts owing to Mr. Lafargue (the amounts in clauses (i), (ii), and (iii) are referred to as the "Accrued Benefits"). The 2014 Lafargue Agreement may also be terminated for "Cause" by the Company. "Cause" is defined as (i) an act or acts of dishonesty or fraud relating to the performance of his services to the Company; (ii) a breach of his duties or responsibilities under the 2014 Lafargue Agreement resulting in significant demonstrable injury to the Company or any of its subsidiaries; (iii) his conviction of a felony or any crime involving moral turpitude; (iv) his material failure (for reasons other than death or Disability) to perform his duties or "insubordination" (defined as refusal to execute or carry out the lawful directions from the Board or its duly appointed designees) where he has been given written notice of the acts or omissions constituting such failure or insubordination, and he has failed to cure such conduct, where susceptible to cure, within 10 days following such notice; or (v) a breach of any provision of any material policy of the Company or any of his non-competition, non-disclosure, and related obligations under the 2014 Lafargue Agreement. If the 2014 Lafargue Agreement is terminated for "Cause," Mr. Lafargue will only be entitled to receive payment of the Accrued Benefits.

The Company is entitled to terminate Mr. Lafargue's employment for any reason other than non-renewal, death, Disability, or Cause upon written notice to Mr. Lafargue. If the Company terminates Mr. Lafargue's employment for any reason other than non-renewal, death, Disability, or Cause, then the Company shall pay to Mr. Lafargue (i) the Accrued Benefits; (ii) a defined severance benefit (the "Severance Benefit"); and (iii) certain continuing health insurance payment benefits if Mr. Lafargue elects to continue insurance coverage under the Company's health insurance plans pursuant to COBRA (the "Medical Benefit") following termination of employment. The Severance Benefit shall equal the amount of base salary that Mr. Lafargue would have received if he remained employed for an additional 12 months following his termination of employment, based upon his then-current base salary without further increase. The Severance Benefit as so determined shall be divided into 12 equal installments and paid out to Mr. Lafargue after termination of employment according to a one-year payment schedule. In addition, if, during a period beginning 74 days prior to the signing of the definitive agreement pursuant to which a Qualifying Transaction occurs and ending 10 months after the Qualifying Transaction occurs, Mr. Lafargue is terminated by the Company other than for non-renewal, Disability or Cause or if Mr. Lafargue terminates his employment for Good Reason, Mr. Lafargue is entitled to an additional cash severance payment equal to (x) the lesser of (i) two years' of Mr. Lafargue then current base salary and (ii) \$600,000, minus (y) the Severance Benefit (the "CIC Severance Amount"). The CIC Severance Amount shall be paid at the later of the Qualifying Transaction and the first installment of the Severance Benefit. A "Qualifying Transaction" shall mean either of the following occurring prior to December 31, 2017, (i) any transaction or series of related transaction pursuant to which a person acquires at least 50% of the combined voting power of the then outstanding voting securities of the Company, and (ii) the sale or other disposition of greater than 95%, as defined by market value on the October 12, 2015, of the gross assets of the Company.

Mr. Lafargue is also entitled to terminate his employment with the Company for "Good Reason." In the event of his termination of employment for Good Reason, Mr. Lafargue shall be entitled to receive the Accrued Benefits, Severance Benefit, and the Medical Benefit described above. "Good Reason" means, without Mr. Lafargue's consent, (A) a material negative change in the scope of the authority, functions, duties, or responsibilities of his employment

from that which is contemplated by the Lafargue Agreement; provided that a change in scope solely as a result of the Company no longer being a public company or becoming a subsidiary of another entity shall not constitute Good Reason; (B) a material reduction in his base salary, taking into account any cost of living adjustments based on his employment outside of the Denver, Colorado metropolitan area, cash bonus opportunity, long-term incentives, or severance protections; (C) the Company materially changing the geographic location in which he must perform services from the Denver, Colorado metropolitan area to any other location other than the metropolitan area of Houston, Texas, Dallas, Texas, or New York, New York; or (D) any material breach by the Company of any provision of the Lafargue Agreement without Mr. Lafargue having committed any material breach of his obligations under the 2014 Lafargue Agreement, in each case of (A), (B), (C), or (D), which breach is not cured by the Company within 30 days following written notice thereof to the Company of such breach. If Mr. Lafargue elects to terminate his employment for any reason other than Good Reason, he will be entitled to payment of only the Accrued Benefits but may, if the Company elects, be entitled to receive an amount equal to one month of his then-current base salary.

Mr. Ciardiello

On December 3, 2014, the Company entered into an employment agreement effective as of October 31, 2014, with Matthew R. Ciardiello (the “2014 Ciardiello Agreement”), under which Mr. Ciardiello served as the Company’s Vice President and CFO, Treasurer and Corporate Secretary. Mr. Ciardiello resigned from all positions with the Company effective June 19, 2015.

The 2014 Ciardiello Agreement provided for a 26-month term of employment (the “Initial Term”), commencing on October 31, 2014, and ending on December 31, 2016, that Mr. Ciardiello terminated earlier as provided in the 2014 Ciardiello Agreement. The 2014 Ciardiello Agreement also provided for an initial annual base salary of \$225,040, subject to an annual cost of living increase beginning on July 1, 2016, and effective each January 1 thereafter. In addition, during the Initial Term Mr. Ciardiello was not guaranteed a cash bonus, but was eligible to receive bonus awards, if any, as recommended by the CNG Committee and approved by the Board based on the Company’s and Mr. Ciardiello’s performance. The 2014 Ciardiello Agreement granted, pursuant to the terms of the 2012 Omnibus Plan, (i) a nonqualified stock option award comprised of options to acquire an aggregate of 50,000 shares of the Company’s common stock with an exercise price equal to the closing market price on the grant date, and (ii) a restricted stock award of 5,000 shares of Magellan common stock.

Executive Compensation Tables

The following table summarizes the total compensation paid or earned by persons who served as Magellan’s principal executive officer or principal financial officer during the fiscal year ended June 30, 2015, or who are otherwise required to be disclosed herein (i.e., the NEOs).

Summary Compensation Table

Name and Principal Position	Year	Salary (3)	Bonus (4)	Stock Awards (5)	Option Awards (5)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings	All Other Compensation (6)	Total (6)
J. Thomas Wilson, President and CEO (1)	2015	\$369,343	\$90,000	\$54,000	\$999,835	\$ -52,118		\$1,565,296
	2014	\$339,029	\$92,500	\$157,500	\$629,500	\$ -25,955		\$1,244,484
Antoine J. Lafargue, SVP and CFO, Treasurer, and Corporate Secretary	2015	\$383,197	\$—	\$54,000	\$221,050	\$ -37,496		\$695,743
	2014	\$284,867	\$45,500	\$157,500	\$519,338	\$ -42,669		\$1,049,874
Matthew R. Ciardiello, former VP and CFO, Treasurer, and Corporate Secretary (2)	2015	\$255,139	\$—	\$72,000	\$353,680	\$ -36,448		\$717,267

(1) Mr. Wilson also serves as a director of the Company.

(2) Mr. Ciardiello was promoted to Vice President and CFO, Treasurer, and Corporate Secretary on October 31, 2014, and resigned from his position with Magellan effective June 19, 2015. The compensation for Mr. Ciardiello includes the total amount paid to him during fiscal 2015, including amounts paid prior to his promotion to Vice President and CFO, Treasurer and Corporate Secretary.

(3) Salary for 2015 includes amounts of accrued additional salary for vacation days not taken of \$83,076, \$96,990 and \$45,872 for Messrs. Wilson, Lafargue, and Ciardiello, respectively. Salary for 2014 includes amounts of accrued additional salary for vacation days not taken of \$28,260 and \$26,867 for Messrs. Wilson and Lafargue, respectively.

(4) Pursuant to Mr. Wilson's employment agreement, he was paid a performance bonus of \$90,000 on January 16, 2015.

(5) Amounts reported represent the aggregate grant date fair value of the equity awards calculated in accordance with ASC Topic 718. The grant date values have been determined based on assumptions and methodologies discussed in Notes 1 and 9 of the Notes to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2015. Certain of the option awards are subject to performance conditions, and the grant date fair values reported reflect the determination that the probable outcome of such conditions will be the achievement of the highest level of such performance conditions.

(6) The amounts for fiscal year 2015 entitled "All Other Compensation" are detailed in the following table:

Name	Qualified Retirement Plan Employer Match	Premiums For Health Insurance Plans	Car Allowance	Premiums for Life and Disability Insurance Plans	Secured Health Parking Fees	Health Savings Account
J. Thomas Wilson	\$ 9,271	\$ 23,073	\$ 7,015	\$ 1,444	\$ 2,940	\$ 8,375

Antoine J. Lafargue	\$ 7,676	\$ 18,836	\$ —	\$ 1,444	\$ 2,340	\$ 7,200
Matthew R. Ciardiello	\$ 7,080	\$ 15,552	\$ —	\$ 1,276	\$ 2,340	\$ 10,200

The following table lists the outstanding equity awards as of June 30, 2015, for each of the NEOs:

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Outstanding Equity Awards at Fiscal Year End

Name	Option Awards					Stock Awards		Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)	Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested (\$)
	Number of securities underlying unexercised options (#)	Number of securities underlying unexercised options (#)	Equity incentive plan awards: Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested (\$)		
J. Thomas Wilson (1)	24,218	—	—	\$9.60	2/2/2019	—	—	—	—
J. Thomas Wilson (1)	18,750	—	—	\$17.92	4/1/2020	—	—	—	—
J. Thomas Wilson (1)	15,625	—	—	\$8.64	11/7/2021	—	—	—	—
J. Thomas Wilson (1)	31,250	—	93,750	\$8.24	10/15/2023	—	—	—	—
J. Thomas Wilson (1)	—	—	125,000	\$14.40	10/31/2024	—	—	—	—
J. Thomas Wilson (1)	—	—	—	—	—	16,250	\$54,600 (2)	—	—
Antoine J. Lafargue (3)	50,000	—	—	\$14.72	8/2/2020	—	—	—	—
Antoine J. Lafargue (3)	75,000	—	—	\$8.80	11/30/2021	—	—	—	—
Antoine J. Lafargue (3)	25,780	—	77,345	\$8.24	10/15/2023	—	—	—	—
Antoine J. Lafargue (3)	—	—	31,250	\$14.40	10/31/2024	—	—	—	—
Antoine J. Lafargue (3)	—	—	—	—	—	16,250	\$54,600 (2)	—	—
Matthew R. Ciardiello (4)	12,500	—	—	\$8.40	7/1/2023	—	—	—	—
Matthew R. Ciardiello (4)	3,125	—	—	\$8.24	10/15/2023	—	—	—	—

(1) In connection with Mr. Wilson's appointment as the Company's President and CEO effective September 27, 2011, on November 7, 2011, Mr. Wilson was awarded (a) 31,250 non-qualified time-based stock options with an exercise price of \$8.64 per share; and (b) 12,500 shares of time-based restricted stock. These stock options and shares of restricted stock were fully vested as of June 30, 2015. Prior to his appointment as President and CEO, Mr. Wilson was granted the following stock options: (a) 48,437 options granted on February 2, 2009, with an exercise price of \$9.60 per share; and (b) 37,500 options granted on April 1, 2010, with an exercise price of \$17.92 per share, all of which options were vested as of June 30, 2015. The above option share numbers reflect certain transfers made by Mr. Wilson on May 8, 2012 of one-half of each of the options previously granted to Mr. Wilson, pursuant to a domestic relations order in connection with a marital dissolution proceeding. On July 1, 2013, 18,750 restricted shares of Magellan common stock were awarded to Mr. Wilson pursuant to the 2012 Omnibus Plan, of which 6,250 restricted shares vested on July 1, 2014, 6,250 restricted shares vested on July 1, 2015, and the remaining 6,250 restricted shares are scheduled to vest on July 1, 2016. On October 15, 2013, options to purchase 125,000 shares of Magellan common stock at an exercise price of \$8.24 per share were granted to Mr. Wilson under the 2012 Omnibus Plan. The vesting and exercisability of those options are subject to performance conditions and other terms as discussed above under "—Stock Option Program—2014 Performance Options." On October 31, 2014, a total of 125,000 non-qualified options to purchase shares of Magellan common stock at an exercise price of \$14.40 per share were granted to Mr. Wilson under the 2012 Omnibus Plan, comprised of 50,000 market-based options

and 75,000 performance-based options. The vesting and exercisability of those options are further discussed above under “—Stock Option Program—2015 Performance Options.” Also on October 31, 2014, 3,750 restricted shares of Magellan common stock were awarded to Mr. Wilson pursuant to the 2012 Omnibus Plan, which vested on December 31, 2015.

- (2) The market value of the shares of restricted stock that had not vested as of June 30, 2015, is based on the closing market price of Magellan common stock of \$3.36 per share as reported by NASDAQ on June 30, 2015.

In connection with his initial appointment as the Company's CFO and Treasurer, on August 2, 2010, Mr. Lafargue was awarded 50,000 non-qualified, time-based stock options with an exercise price of \$14.72 per share, all of which were vested as of June 30, 2015. On November 30, 2011, Mr. Lafargue was awarded a total of 75,000 non-qualified stock options with an exercise price of \$8.80 per share, comprised of 50,000 time-based options and 25,000 performance-based options. All of these 75,000 options were fully vested as of June 30, 2015. On July 1, 2013, 18,750 restricted shares of Magellan common stock were awarded to Mr. Lafargue pursuant to the 2012 Omnibus Plan, of which 6,250 restricted shares vested on July 1, 2014, 6,250 restricted shares vested on July 1, 2015, and the remaining 6,250 restricted shares are scheduled to vest on July 1, 2016. On October 15, 2013, (3) non-qualified options to purchase 103,125 shares of Magellan common stock at an exercise price of \$8.24 per share were granted to Mr. Lafargue under the 2012 Omnibus Plan. The vesting and exercisability of those options are subject to performance conditions and other terms as discussed above under "—Stock Option Program—2014 Performance Options." On October 31, 2014, 31,250 non-qualified options to purchase shares of Magellan common stock at an exercise price of \$14.40 per share were granted to Mr. Lafargue under the 2012 Omnibus Plan. The vesting and exercisability of those options are subject to performance conditions and other terms as discussed above under "—Stock Option Program—2015 Performance Options." Also on October 31, 2014, 3,750 restricted shares of Magellan common stock were awarded to Mr. Lafargue pursuant to the 2012 Omnibus Plan. The 3,750 restricted shares vested on December 31, 2015.

On October 12, 2015, the Company entered into a series of new incentive compensation agreements with Antoine J. Lafargue consisting of (i) a grant under the 2012 Omnibus Plan of 62,500 restricted shares of Magellan common stock that are to vest immediately prior to the completion of a Qualifying Transaction (as defined in the agreement), (ii) a cash award under the 2012 Omnibus Plan ranging from \$0 to \$1 million, contingent upon the completion of a Qualifying Transaction, with the amount of cash award to be equal to \$2,750 for each one cent of market value per share of the Company's common stock reflected in the Qualifying Transaction above a minimum market value threshold of \$1.60 per share, (iii) a phantom stock award under the 2012 Omnibus Plan based on the value of 62,500 notional shares, with payment contingent upon completion of a Qualifying Transaction, and (iv) an override bonus agreement, which provides for a potential bonus outside of the Company's 2012 Omnibus Plan that would double the amounts payable under the awards available under clauses (i), (ii), and (iii) above, in certain circumstances. These awards are subject to performance conditions and other terms as discussed above under "—Employment Agreements with the 2015 Named Executive Officers—Mr. Lafargue."

In connection with his initial appointment as the Company's CFO, Treasurer and Corporate Secretary, on October 31, 2014, Mr. Ciardiello was awarded under the 2012 Omnibus Plan (a) 50,000 non-qualified options to purchase shares of Magellan common stock at an exercise price of \$14.40 per share; and (b) 5,000 shares of time-based restricted stock. The vesting and exercisability of those options are subject to performance conditions and other terms as discussed above under "—Stock Option Program—2015 Performance Options." The restricted shares were scheduled to vest on December 31, 2015. Upon Mr. Ciardiello's resignation effective June 19, 2015, all of these options were cancelled and the restricted shares were forfeited. Prior to his appointment as CFO, Treasurer (4) and Corporate Secretary, Mr. Ciardiello was granted the following stock options: (a) 6,250 non-qualified time-based options granted on July 24, 2012 with an exercise price of \$9.12 per share; (b) 18,750 non-qualified time-based options granted on July 1, 2013 with an exercise price of \$8.40 per share; and (c) 12,500 non-qualified performance-based options granted on October 15, 2013 with an exercise price of \$8.24 per share. The vesting and exercisability of the performance-based options were subject to performance conditions and other terms as discussed above under "—Stock Option Program—2014 Performance Options." Upon Mr. Ciardiello's resignation effective June 19, 2015, 2,084 of the options granted to him on July 24, 2012, 12,500 of the options granted to him on July 1, 2013, and 9,375 of the options granted to him on October 15, 2013 were forfeited.

Equity Compensation Plan Information

The following table provides information as of June 30, 2015, with respect to compensation plans, including the 2012 Omnibus Plan, the 1998 Stock Incentive Plan, and individual compensation arrangements, under which shares of

Magellan common stock are authorized for issuance:

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Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights (a) (#)	Weighted Average Exercise Price of Outstanding Options, Warrants, and Rights (b) (\$)	Number of Securities Remaining Available for Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c) (#)
Equity compensation awards under the 2012 Omnibus Plan approved by security holders	444,993 (1)	\$10.36	175,703 (1),(2)
Equity compensation awards under the 1998 Stock Incentive Plan approved by security holders	534,633 (1)	\$12.09	0 (3)
Equity compensation awards not approved by security holders	52,708 (4)	\$8.30	(4) —

During the period from June 30, 2015, through May 20, 2016, outstanding options previously granted under the 1998

Stock Incentive Plan for the purchase of 194,531 shares of Magellan common stock expired without exercise. Also during the period from June 30, 2015, through May 20, 2016, outstanding options previously granted under the 2012

- (1) Omnibus Plan for the purchase of 8,748 shares of Magellan common stock expired without exercise, and outstanding options previously granted under the 2012 Omnibus Plan for the purchase of 7,708 shares of Magellan common stock were forfeited. As a result of these expirations and forfeitures, pursuant to the terms of the 2012 Omnibus Plan, 210,987 additional securities became available for issuance under the 2012 Omnibus Plan.

- (2) On October 12, 2015, the Company granted to Antoine J. Lafargue a total of 62,500 shares of restricted Magellan common stock under the 2012 Omnibus Plan. The grant is subject to doubling under the terms of Mr. Lafargue's employment agreement in certain circumstances. See "Additional Information Regarding Executive Compensation—Employment Agreements with the 2015 Named Executive Officers—Mr. Lafargue" for additional information.

- (3) Effective with stockholder approval of the 2012 Omnibus Plan on January 16, 2013, the 1998 Stock Incentive Plan was replaced by the 2012 Omnibus Plan and no additional awards may be granted under the 1998 Stock Incentive Plan. Equity awards previously granted under the 1998 Stock Incentive Plan remain outstanding in accordance with their terms.

- (4) Consists of inducement equity awards outside of the Company's 1998 Stock Incentive Plan and prior to stockholder approval of the 2012 Omnibus Plan, as follows: (i) options to purchase 9,375 shares of common stock for \$8.08 per share granted to a new employee on January 10, 2012, which options expired on November 28, 2015, without exercise; (ii) options to purchase 100,000 shares of common stock for \$8.96 per share granted to a former NEO on September 5, 2012, of which options to purchase 66,667 shares were cancelled in connection with his resignation from the Company effective August 15, 2014, and the remaining 33,333 options expired on September 30, 2015, without exercise; (iii) options to purchase 9,375 shares of common stock for \$6.32 per share granted to a new employee on December 4, 2012; and (iv) options to purchase 937 shares of common stock for \$6.32 per share granted to a new employee on December 4, 2012, of which options to purchase 312 shares were cancelled in connection with that employee's resignation from the Company effective October 10, 2014, and the remaining 625 options expired on October 31, 2015, without exercise. These awards were granted in accordance with NASDAQ

Listing Rule 5635(c)(4) and were previously reported in Current Reports on Form 8-K filed by the Company.

Certain Relationships and Related Person Transactions

The Board is committed to upholding the highest legal and ethical standards of conduct in fulfilling its responsibilities, and recognizes that related party transactions can present a heightened risk of potential or actual conflicts of interest.

The Company has adopted a Code of Conduct, a copy of which is located on the Company's website, <http://www.magellanpetroleum.com>, under the heading "About Us—Corporate Governance," which addresses conflicts of

interest and related party transaction matters. The Company recognizes that transactions between the Company and any of its directors or executive officers can present potential or actual conflicts of interest. Therefore, as a general matter, and in accordance with the Code of Conduct, it is the Company's preference to avoid such transactions. The Company recognizes, however, that the exercise of judgment is required in determining the applicability of the Code of Conduct to any given situation. Accordingly, to the extent that a related party transaction with a member of the Board or an executive officer is presented for consideration, it is Company policy to have the Board, and/or a designated committee thereof, review and approve the transaction. It is the practice of the Board and/or its designated committee to only approve a transaction with a related party if the Board or committee determines that the transaction is in the best interests of the Company and its stockholders.

Set forth below is a description of all transactions between the Company and related persons since the beginning of the fiscal year ended June 30, 2014, that are required to be disclosed under Item 404 of Regulation S-K. Certain transactions described below between the Company and entities controlled by J. Thomas Wilson, the Company's President and CEO since September 27, 2011, and a director, were considered and approved by a special committee of the Board. Certain transactions described below between the Company and William H. Hastings were approved by the CNG Committee, as discussed below.

The September 2, 2011 transaction relating to Poplar described below was considered and approved by an independent committee of the Board due to potentially conflicting interests between the Company and Mr. Wilson. The committee provided an independent forum for the consideration of this transaction. No member of the committee had any personal interest, financial or otherwise (other than as a director of the Company), in this transaction.

Relationships and Transactions with J. Thomas Wilson

Nautilus Restructuring Transaction

Poplar is comprised of a 100% working interest in the oil and gas leases within the East Poplar Unit ("EPU") in Roosevelt County, Montana, and the working interests in various oil and gas leases that are adjacent to or near EPU ("Northwest Poplar" or "NWP") with the working interests varying between 63% and 100% in such leases (the Company's combined working interests in EPU and NWP are herein referred to as the "Working Interests"). Prior to September 2, 2011, the Working Interests were owned entirely by Poplar (69%), the Company (28%), and Nautilus Technical Group, LLC ("Nautilus Tech") (3%). Poplar was owned by the Company (83%), Nautilus Tech (10%), and Eastern Rider, LLC ("Eastern Rider") (7%). On September 2, 2011, effective September 1, 2011, the Company entered into a series of transactions resulting in the Company becoming the 100% owner of the membership interest in Poplar, and Poplar becoming the owner of 100% of the Working Interests (the "Nautilus Restructuring Transaction"). The Nautilus Restructuring Transaction enabled the Company to gain greater economic exposure to the Working Interests and to simplify processes and procedures relating to accounting, reporting, and capital funding. The Nautilus Restructuring Transaction consisted of (i) the Company acquiring all of the membership interests of Nautilus Tech and Eastern Rider; (ii) the Company assigning its 28% share of the Working Interests to Poplar, and (iii) the Company creating a new, wholly owned Delaware limited liability company, Magellan Petroleum North America, LLC ("MPNA"), and assigning, effective October 1, 2011, its 100% membership interest in Poplar to MPNA. On March 30, 2012, MPNA was merged into the Company, and, as a result, 100% of the interests in Poplar are now directly owned by the Company.

The terms of the Nautilus Restructuring Transaction are set forth in the September 2, 2011 Purchase and Sale Agreement (the "Nautilus PSA") between the Company and the owners of the interests in Nautilus Tech and Eastern Rider (the "Nautilus Sellers"). The Nautilus Sellers included J. Thomas Wilson (a director of the Company and now

its President and CEO), as well as certain other persons. The Company negotiated the consideration and terms of the Nautilus Restructuring Transaction with the intention of transacting with the Nautilus Sellers on fair value terms. The Company paid \$4.0 million in cash to the Nautilus Sellers at closing and issued approximately \$2.0 million worth of new shares of Magellan common stock to acquire the Nautilus Sellers' membership interests in Nautilus Tech and Eastern Rider (and their estimated combined 14.3% interest in the Working Interests). A total of 147,842 shares of Magellan common stock were issued to the Nautilus Sellers on the issuance date. All shares of Magellan common stock sold pursuant to the Nautilus Restructuring Transaction were issued in the name of the Nautilus Sellers, and the sale of the shares in the Nautilus Restructuring Transaction was not registered under the Securities Act of 1933, as amended (the "Securities Act").

The Nautilus PSA provides for two potential future production payments to the Nautilus Sellers. The first production payment of \$2.0 million is payable to the Nautilus Sellers when the 60-day rolling average for production of the Working Interests has reached 1,000 barrels of oil equivalent per day as set forth in Poplar's Reports of Production to the Board of Oil and Gas Conservation of the State of Montana (the "Reports"). The second production payment in the amount of \$3.0 million is payable to the Nautilus Sellers when the 60-day rolling average for production of the Working Interests has reached 2,000 barrels of oil equivalent per day as set forth in the Reports.

Mr. Wilson's interest in the Nautilus Restructuring Transaction approximated 52% of the consideration paid for the Nautilus Tech and Eastern Rider interests, and Mr. Wilson and his former spouse's interest in the Nautilus Restructuring Transaction is expected to approximate 51% of any future production payments payable to the Nautilus Sellers pursuant to the Nautilus PSA.

On September 2, 2011, the Company and the Nautilus Sellers also entered into a Registration Rights Agreement (the "RRA"), pursuant to which the Company granted to the Nautilus Sellers certain registration rights with respect to the shares owned by the Nautilus Sellers 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 (the "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), the 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 Company has an effective Registration Statement on Form S-3 for the public resale of a total of 147,842 shares of Magellan common stock acquired in the Nautilus Restructuring Transaction by the Nautilus Sellers.

Relationships and Transactions with Certain Other Former Directors and Certain Beneficial Owners of Magellan Common Stock

Repurchase of Shares and Warrant from Sopak, and Potential Tax Liability

On January 14, 2013, the Company entered into a Collateral Purchase Agreement (the “Collateral Purchase Agreement”) with Sopak AG, a Swiss corporation (“Sopak”), which then beneficially owned more than 10% of Magellan common stock. Under the Collateral Purchase Agreement, the Company agreed to purchase, for \$10.0 million, certain collateral (the “Collateral”) from Sopak, including (i) 1,158,080 shares of Magellan common stock, (ii) a warrant granting Sopak the right to purchase from the Company an additional 543,478 shares of Magellan common stock, and (iii) a Registration Rights Agreement, dated as of June 29, 2009, and amended as of October 14, 2009, and June 23, 2010. The Collateral Purchase Agreement was completed and the Collateral was purchased by the Company on January 16, 2013.

The Company has estimated that there is the potential for a statutory liability for required U.S. federal tax withholdings, and related penalties and interest, related to the Collateral Purchase Agreement. As a result, the Company recorded a total liability of approximately \$1.7 million and \$1.6 million as of June 30, 2015, and 2014, respectively. The Company has a legally enforceable right to collect from Sopak any amounts owed to the IRS as a result of the Collateral Purchase Agreement. As a result, the Company recorded a corresponding receivable of \$1.7 million and \$1.6 million as of June 30, 2015, and 2014, respectively.

Milam Randolph Pharo and Davis Graham & Stubbs LLP

Milam Randolph Pharo, a director of the Company until December 11, 2014, is currently of counsel at Davis Graham & Stubbs LLP, a Denver-based law firm with over 140 attorneys, of which over 65 are partners. Mr. Pharo has held that position since April 2013. Mr. Pharo has a compensation arrangement with DGS such that Mr. Pharo has an interest in the amount of fees paid by the Company to DGS for certain legal services performed by DGS for the Company. During the fiscal years ended June 30 2015, and 2014, the Company recorded approximately \$335,000 and \$177,000, respectively, of legal fees related to DGS, with respect to which Mr. Pharo had a compensation interest of \$0 and less than \$2,500, respectively.

William H. Hastings and Repurchase of Options and Shares

On October 10, 2014, the Company entered into an Options and Stock Purchase Agreement with William H. Hastings, a former executive officer and director of the Company, and a beneficial owner of more than 5% of Magellan common stock as of October 10, 2014. The Options and Stock Purchase Agreement provided for the purchase by the Company of options previously granted to Mr. Hastings under the Company’s 1998 Stock Incentive Plan, as amended, to purchase 189,062 shares of Magellan common stock at an exercise price of \$9.60 per share, and 31,250 shares of Magellan common stock held in an individual retirement account for the benefit of Mr. Hastings, for a total purchase price of \$1,445,625. The Options and Stock Purchase Agreement was approved by the CNG Committee and the Board, and was completed on October 17, 2014.

Proposed Resolution

In light of the foregoing, the Board recommends that you vote in favor of the following resolution at the Meeting: **RESOLVED**, that the stockholders approve, on an advisory basis, the compensation of the named executive officers as disclosed in the proxy statement for the Meeting pursuant to the executive compensation disclosure rules of the U.S. Securities and Exchange Commission, which proxy statement includes the compensation tables and the narrative discussion that accompanies the compensation tables.

Vote Required for Approval

Approval of Proposal 3 will require the affirmative vote of the majority of the shares of Magellan common stock and Preferred Stock, voting together as a single class, present in person or represented by proxy at the Meeting and entitled to vote on the matter. Abstentions will have the effect of votes “AGAINST” this proposal, but broker non-votes will have no effect on this proposal.

Board Recommendation

THE MAGELLAN BOARD OF DIRECTORS RECOMMENDS THAT THE MAGELLAN STOCKHOLDERS VOTE “FOR” THE APPROVAL, ON A NON-BINDING ADVISORY BASIS, OF THE FOREGOING RESOLUTION RELATING TO THE COMPENSATION OF THE COMPANY’S NEOS AS DISCLOSED IN THIS PROXY STATEMENT PURSUANT TO THE COMPENSATION DISCLOSURE RULES OF THE SEC.

PROPOSAL 4—RATIFICATION OF APPOINTMENT OF EKS&H LLLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM OF THE COMPANY

The Audit Committee of the Board has appointed and engaged EKS&H LLLP to serve as the independent registered public accounting firm to audit the Company's financial statements for the fiscal year ending June 30, 2016, and to perform other appropriate audit-related services. EKS&H began its service as the Company's independent registered public accounting firm for the fiscal year ended June 30, 2012. Stockholders are hereby asked to ratify the Audit Committee's appointment of EKS&H as the independent registered public accounting firm of the Company for the fiscal year ending June 30, 2016.

The Audit Committee is solely responsible for selecting the independent auditors of the Company. Although stockholder ratification of the appointment of EKS&H is not required by law or the Company's organizational documents, the Board has determined that it is desirable to seek stockholder ratification as a matter of good corporate governance in view of the critical role played by independent registered public accounting firms in maintaining the integrity of financial controls and reporting. If the stockholders do not ratify the appointment of EKS&H, the Audit Committee will consider whether to engage another independent registered public accounting firm. Even if the appointment of EKS&H is ratified, the Audit Committee in its discretion may select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and its stockholders.

The Company expects that a representative from EKS&H will be present at the Meeting. Such representative will have the opportunity to make a statement if he or she so desires and is expected to be available to respond to appropriate questions.

Principal Accountants' Fees and Services

EKS&H served as the Company's principal accountant for the audit of the Company's financial statements for the fiscal years ended June 30, 2015, and June 30, 2014, and review of the Company's financial statements included in its Quarterly Reports on Form 10-Q for those fiscal years. Information about their respective fees and services in those years is provided below.

Audit Fees

The aggregate fees paid or to be paid to EKS&H for the review of the financial statements included in the Company's Quarterly Reports on Form 10-Q and the audit of the financial statements included in the Company's Annual Reports on Form 10-K for the fiscal years ended June 30, 2015, and June 30, 2014, were \$268,566 and \$266,325, respectively.

Audit-Related Fees

The aggregate fees paid or to be paid to EKS&H in connection with the Company's audit-related services during the fiscal years ended June 30, 2015, and June 30, 2014, were \$41,500 and \$21,845, respectively. The services performed during the 2015 fiscal year related to (i) the Company's Shelf Registration Statement on Form S-3; (ii) attendance at the Company's annual stockholders' meeting and Audit Committee meetings; (iii) comfort letter procedures associated with the filing of the Company's Shelf Registration Statement on Form S-3 and the implementation of an at-the-market equity financing facility under the Shelf Registration Statement; and (iv) certain out of pocket expense items. The services performed during the 2014 fiscal year related to (i) the reporting of the significant transaction involving the sale of the Amadeus Basin assets; (ii) attendance at the Company's annual

stockholders' meeting and Audit Committee meetings; (iii) review of the Company's fiscal year 2013 proxy statement; and (iv) certain out-of-pocket expense items.

Tax Fees

There were no fees paid or to be paid to EKS&H for tax services rendered to the Company during the fiscal years ended June 30, 2015, and June 30, 2014.

All Other Fees

There were no other fees paid or to be paid to EKS&H for any other services rendered to the Company during the fiscal year ended June 30, 2015. During the fiscal year ended June 30, 2014, the Company paid EKS&H \$5,500 for other services rendered.

Pre-Approval Policies

Under the terms of its charter, the Audit Committee is required to pre-approve all the services provided by, and fees and compensation paid to, the independent registered public accounting firm for both audit and permitted non-audit services. When it is proposed that the independent registered public accounting firm provide additional services for which advance approval is required, the Audit Committee may form and delegate authority to a subcommittee consisting of one or more members, when appropriate, with the authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant pre-approvals are to be presented to the Audit Committee at its next scheduled meeting.

Vote Required for Approval

Approval of Proposal 4 will require the affirmative vote of the majority of the shares of Magellan common stock and Preferred Stock, voting together as a single class, present in person or represented by proxy at the Meeting and entitled to vote on the matter. Abstentions will have the effect of votes "AGAINST" this proposal, but broker non-votes will have no effect on this proposal.

Board Recommendation

THE MAGELLAN BOARD OF DIRECTORS RECOMMENDS THAT THE MAGELLAN STOCKHOLDERS VOTE TO RATIFY THE APPOINTMENT OF EKS&H LLLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM OF THE COMPANY FOR THE FISCAL YEAR ENDING JUNE 30, 2016.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF MAGELLAN

Security Ownership of Management

The following table sets forth the number of shares of the Company's common stock owned beneficially as of May 20, 2016 (unless another date is specified by footnote below), by each director of the Company and each named executive officer of the Company listed in the Summary Compensation Table contained herein, and by all current directors and current executive officers of the Company as a group:

Name of Individual or Group	Amount and Nature of Beneficial Ownership *		
	Shares	Options	Percent of Class (1)
Vadim Gluzman, Director (2)	6,173	—	**
Robert I. Israel, Director (2)	6,173	—	**
Brendan S. MacMillan, Director (3)	337,724	—	5.86%
Ronald P. Pettirossi, Director (4)	25,424	3,125	**
J. Robinson West, Director (5)	36,087	31,250	1.16%
J. Thomas Wilson, President and Chief Executive Officer, and Director (6)	75,101	89,843	2.82%
Antoine J. Lafargue, Senior Vice President and Chief Financial Officer, Treasurer and Corporate Secretary (7)	79,623	150,780	3.90%
Matthew R. Ciardiello, former Vice President and Chief Financial Officer, Treasurer and Corporate Secretary (8)	—	44,791	**
Directors and Executive Officers as a Group (a total of 8 persons)	566,305	319,789	14.57%

* Unless otherwise indicated, each person listed has the sole power to vote and dispose of the shares listed. Pursuant to SEC Rule 13d-3 under the Exchange Act, beneficial ownership includes shares as to which the individual or entity has or shares voting power or investment power, and any shares that the individual or entity has the right to acquire within 60 days of May 20, 2016, including through the exercise of any option, warrant, or right. For each individual or entity that holds options, warrants or rights to acquire shares, the shares of Magellan common stock underlying those securities are treated as owned by that holder and as outstanding shares when that holder's percentage ownership of Magellan common stock is calculated. That Magellan common stock is not treated as outstanding when the percentage ownership of any other holder is calculated.

** The percent of class owned is less than 1%.

(1) Based on a total of 5,762,634 shares of Magellan common stock outstanding as of May 20, 2016.

(2) Mr. Gluzman and Mr. Israel were appointed to the Board on May 17, 2013, pursuant to the board representation provisions of the Series A Convertible Preferred Stock Purchase Agreement between the Company and One Stone Holdings II LP dated May 10, 2013. See the table under "Other Security Holders" below for beneficial ownership of shares by One Stone Holdings II LP and One Stone Energy Partners GP, L.L.C.

(3) Includes 262 shares held by Mr. MacMillan's spouse and a total of 9,393 shares held by Mr. MacMillan as UTMA custodian for his daughters.

(4) Mr. Pettirossi holds 25,424 shares of Magellan common stock and holds vested options to acquire a total of 3,125 shares of Magellan common stock.

- (5) Mr. West holds 36,087 shares of Magellan common stock and holds vested options to acquire a total of 31,250 shares of Magellan common stock.
- (6) Mr. Wilson holds 75,101 shares of Magellan common stock and holds options to acquire a total of 308,591 shares of Magellan common stock, consisting of 50,781 time-based options, 145,312 performance-based options, and 112,498 market-based options. Under SEC rules, Mr. Wilson is deemed to be the beneficial owner of the shares of Magellan common stock underlying all of the 50,781 time-based options, 39,062 of the performance-based options, and none of the market-based options.
- (7) Mr. Lafargue holds 79,623 shares of Magellan common stock and holds options to acquire a total of 259,373 shares of Magellan common stock, consisting of 100,000 time-based options, 107,811 performance-based options, and 51,562 market-based options. Under SEC rules, Mr. Lafargue is deemed to be the beneficial owner of the shares of Magellan common stock underlying all of the 100,000 time-based options, 50,780 of the performance-based options, and none of the market-based options.
- (8) Mr. Ciardiello holds vested options to acquire 44,791 shares of Magellan common stock.

Other Security Holders

The following table sets forth information (as of the date indicated) as to all persons or groups known to the Company to be beneficial owners of more than 5% of the Company's issued and outstanding common stock as of May 20, 2016:

Name and Address of Beneficial Holder	Shares Beneficially Owned	Percent of Class
One Stone Holdings II LP and One Stone Energy Partners GP, L.L.C. 720 Fifth Avenue, 10th Floor New York, New York 10019 Tel: (212) 702-8670	2,785,546	(1) 32.59% (2)
Hammer Wealth Group, Inc. 68 South Service Road, Suite 100 Melville, New York 11747	536,692	(3) 9.31%
Brendan S. MacMillan 150A Manchester Street San Francisco, California 94110	337,724	(4) 5.86%

(1) This information is based in part on a Schedule 13D/A filed by One Stone Holdings II LP and One Stone Energy Partners GP, L.L.C. with the SEC on April 4, 2016, and reflects 19,239,734 shares of Preferred Stock issued to One Stone Holdings II LP on May 17, 2013, and a total of an additional 3,053,561 shares of Preferred Stock issued to One Stone Holdings II LP in payment of dividends on the Preferred Stock, as adjusted for the impact of assumed conversion into Magellan common stock.

(2) The percentage shown was calculated on the basis of an assumed 8,548,180 shares of Magellan common stock outstanding as of May 20, 2016, including the 2,785,546 shares of Magellan common stock into which the shares of Preferred Stock may be converted.

(3) On February 11, 2016, Hammer Wealth Group, Inc. filed a Schedule 13G/A with the SEC indicating that it was a registered investment advisor, and as of July 15, 2014, had beneficial ownership of 536,692 shares of Magellan common stock, representing beneficial ownership of 9.31% of Magellan's issued and outstanding common stock as of May 20, 2016.

(4) This information is based in part on a Form 4 filed by Mr. MacMillan with the SEC on July 3, 2014. On February 10, 2014, William H. Hastings filed a Schedule 13G/A with the SEC indicating that Mr. Hastings was the beneficial owner of 6.4% of Magellan's issued and outstanding common stock. On October 17, 2014, Magellan purchased options held by Mr. Hastings to purchase 189,062 shares of Magellan common stock and 31,250 shares of Magellan common stock held in an individual retirement account for the benefit of Mr. Hastings. As a result of this transaction, the Company believes that, as of May 20, 2016, Mr. Hastings is no longer a beneficial owner of more than 5% of Magellan's issued and outstanding common stock.

PRO FORMA BENEFICIAL OWNERSHIP UPON COMPLETION OF THE EXCHANGE

Security Ownership of Management

Upon consummation of the Exchange, the pro forma beneficial ownership of each director of the Company and each named executive officer of the Company listed in the Summary Compensation Table contained herein, and of all current directors and current executive officers of the Company as a group, will remain unchanged from the beneficial ownership of such persons indicated above in “Security Ownership of Certain Beneficial Owners and Management of Magellan—Security Ownership of Management.” In addition, upon consummation of the Exchange, One Stone representatives Vadim Gluzman and Robert I. Israel will resign from the Magellan Board.

Other Security Holders

Upon consummation of the Exchange, the pro forma beneficial ownership of all persons or groups to be known to the Company to be the beneficial owners of more than 5% of the Company’s issued and outstanding will remain unchanged from the beneficial ownership of such persons or groups indicated above in “Security Ownership of Certain Beneficial Owners and Management of Magellan—Other Security Holders,” except for the beneficial ownership of One Stone. Upon consummation of the Exchange, One Stone will transfer to the Company 100% of the outstanding shares of Preferred Stock. As a result, One Stone will no longer be a beneficial owner of Preferred Stock or on an as-converted basis, of Magellan common stock.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires Magellan’s executive officers, directors, and persons who beneficially own more than 10% of Magellan common stock to file initial reports of beneficial ownership and reports of changes in beneficial ownership with the SEC. Such persons are required by SEC rules to furnish Magellan with copies of all Section 16(a) forms filed by such persons. Based solely on copies of forms received by it, or written representations from certain reporting persons that no such filings were required for those persons, or other information of which the Company is aware, the Company believes that during the fiscal year ended June 30, 2015, its executive officers, directors, and more than 10% beneficial owners timely filed all reports they were required to file under Section 16(a) of the Exchange Act, except that on August 15, 2014, Ronald P. Pettirossi, a director of the Company, filed a late Form 4 to report the exercise on July 10, 2014, of previously awarded options.

FUTURE STOCKHOLDER PROPOSALS

If a stockholder wishes to have a proposal included in the Notice of Meeting and related Proxy Statement for the Company’s 2016 annual meeting stockholders (which is assumed will be held on or about December 9, 2016), the stockholder must follow the procedures set forth in SEC Rule 14a-8 under the Exchange Act and submit the proposal to the Company no later than June 28, 2016. The fact that a stockholder proposal is received in a timely manner does not ensure its inclusion in the proxy materials, since such proposal must satisfy all requirements in the proxy rules relating to such inclusion.

Notice of Business to be Brought Before a Stockholders' Meeting

If a stockholder wishes to present a proposal at the Company's 2016 annual meeting of stockholders and the proposal is not intended to be included in the Company's proxy statement and form of proxy relating to that meeting, the stockholder must give advance notice to the Company prior to one of two deadlines set forth in the Company's by-laws.

If a stockholder's proposal relates to business other than the nomination of persons for election to the Board, Article II, Section 2 of the Company's by-laws provides in part that:

At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board of directors, (b) otherwise properly brought before the meeting by or at the direction of the board of directors, or (c) otherwise properly brought before the meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the corporation, not less than sixty (60) nor more than ninety (90) days prior to the meeting; provided, however, that in the event that less than seventy days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the tenth day following the date on which such notice of the date of the annual meeting was mailed or such public disclosure was made. For purposes of this Section 2.1, public disclosure shall be deemed to have been made to stockholders when disclosure of the date of the meeting is first made in a press release reported by the Dow Jones News Services, Associated Press, Reuters Information Services, Inc. or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended.

A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting

- (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting;
- (b) the name and address, as they appear on the corporation's books, of the stockholder intending to propose such business;
- (c) the class and number of shares of the corporation which are beneficially owned by the stockholder;
- (d) a representation that the stockholder is a holder of record of capital stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to present such business;
- (e) any material interest of the stockholder in such business.

To be timely under this by-law provision, a stockholder proposal must be received no earlier than September 12, 2016, but no later than October 10, 2016, which is the time period not less than 60 days nor more than 90 days prior to December 9, 2016.

Nominations of Persons for Election to the Board of Directors

If a stockholder's proposal relates to the nomination of persons for election to the Board, Article II, Section 3 of the Company's by-laws provides that:

Only persons who are nominated in accordance with the procedures set forth in these By-Laws shall be eligible for election as directors. Nominations of persons for election to the board of directors of the corporation may be made at a meeting of stockholders (a) by or at the direction of the board of directors or (b) by any stockholder of the corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section [3]. Nominations by stockholders shall be made pursuant to timely notice in writing to the Secretary of the corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the corporation not less than sixty (60) days nor more than ninety (90) days prior to the meeting; provided, however, that in the event that less than seventy days' (70) notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made. For purposes of this Section [3], public disclosure shall be deemed to have been made to stockholders when disclosure of the date of the meeting is first made in a press release reported by the Dow Jones News Services, Associated Press, Reuters Information Services, Inc. or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended.

Each such notice shall set forth:

- (a) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated;
- (b) a representation that the stockholder is a holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice;
- (c) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; and
- (d) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, had the nominee been nominated, or intended to be nominated, by the board of directors.

To be effective, each notice of intent to make a nomination given hereunder shall be accompanied by the written consent of each nominee to being named in a proxy statement and to serve as a director of the corporation if elected.

No person shall be eligible for election as a director of the corporation unless nominated in accordance with the procedures set forth in these By-Laws. The presiding officer of the meeting shall, if the facts warrant, determine and declare to the meeting that nomination was not made in accordance with the procedures prescribed by these By-Laws, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded. To be timely under this by-law provision, a stockholder proposal must be received no earlier than September 12, 2016, but no later than October 10, 2016, which is the time period not less than 60 days nor more than 90 days prior to December 9, 2016.

All stockholder proposals should be submitted to the Company's Corporate Secretary at 1775 Sherman Street, Suite 1950, Denver, Colorado 80203.

OTHER BUSINESS

Magellan knows of no other matters to be presented at the Meeting. If any other matter properly comes before the Meeting, the appointed proxies will vote the proxies in accordance with their best judgment.

WHERE YOU CAN FIND MORE INFORMATION

Magellan files annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information Magellan files with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. Magellan's SEC filings are also available to the public from commercial document retrieval services and at the website maintained by the SEC at <http://www.sec.gov>.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION
OF MAGELLAN PETROLEUM CORPORATION

The unaudited pro forma condensed consolidated financial information is presented to give effect to the Exchange Agreement between Magellan and One Stone which was signed on March 31, 2016, and pursuant to which One Stone will transfer to the Company 100% of the outstanding shares of Magellan Series A convertible preferred stock, in consideration for the assignment to and assumption by One Stone of 100% of the outstanding membership interests in Nautilus Poplar LLC, a wholly owned subsidiary of the Company, and 51% of the outstanding common units in Utah CO2 LLC, a majority-owned subsidiary of the Company, as adjusted by the Cash Amount (as defined in the Exchange Agreement) (the "Exchange"). The Exchange, if consummated, will result in a sale to One Stone of all of Magellan's interests in the Poplar field in Montana, which is owned by Nautilus Poplar LLC, in consideration for the Preferred Stock and the Cash Amount.

The unaudited pro forma financial statements set forth information relating to the Exchange (i) as if the Exchange had become effective on March 31, 2016, with respect to balance sheet data, (ii) as if the Exchange had become effective on July 1, 2015, with respect to statement of operations data for the nine months ended March 31, 2016, (iii) as if the Exchange had become effective on July 1, 2014, with respect to statement of operations data for the fiscal year ended June 30, 2015, and (iv) as if the Exchange had become effective on July 1, 2013, with respect to statement of operations data for the fiscal year ended June 30, 2014. This unaudited pro forma financial information represents the historical results of operations adjusted for the effects of the Exchange as if it occurred at the beginning of the period being presented based on available information.

The unaudited pro forma condensed consolidated balance sheet as of March 31, 2016, and the unaudited pro forma condensed consolidated statement of operations for the nine months ended March 31, 2016, were derived from and should be read in conjunction with the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2016, filed with the SEC on May 13, 2016. The pro forma condensed consolidated statement of operations for the fiscal years ended June 30, 2015, and 2014 were derived from and should be read in conjunction with the Company's audited financial statements included in the Annual Report on Form 10-K for the fiscal year ended June 30, 2015, filed with the SEC on October 13, 2015, which is part of the annual report included in these proxy materials.

The unaudited pro forma financial information, while helpful in illustrating the financial characteristics of Magellan by using certain assumptions, does not reflect the impact of all possible events that may result as a consequence of the Exchange and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the Exchange would have been had it occurred as of the beginning of such periods.

MAGELLAN PETROLEUM CORPORATION
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
 MARCH 31, 2016
 (in thousands)

	Historical	Exchange Transaction Pro Forma Adjustments	Pro Forma As Adjusted
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 131	\$ 344	(a) \$ 475
Securities available for sale	601	—	601
Accounts receivable	12	—	12
Inventories	323	—	323
Prepaid and other short-term assets	2,123	—	2,123
Assets held for sale	24,248	(24,248)	(b) —
Total current assets	27,438	(23,904)	3,534
Property and equipment, net	1,346	—	1,346
Goodwill	500	—	500
Other long-term assets	169	(150)	(d) 19
Total assets	\$ 29,453	\$ (24,054)	\$ 5,399
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities	\$ 4,233	\$ —	\$ 4,233
Note payable	273	—	273
Liabilities held for sale	9,976	(9,976)	(b) —
Total current liabilities	14,482	(9,976)	4,506
PREFERRED STOCK:			
Series A Convertible Preferred Stock (par value \$0.01 per share): Authorized 28,000,000 shares, issued 22,293,295 shares	23,501	(23,501)	(c) —
(DEFICIT) EQUITY:			
Common stock (par value \$0.01 per share); Authorized 300,000,000 shares, issued 6,972,023 shares	70	—	70
Treasury stock (at cost): 1,209,389 shares	(9,806)	—	(9,806)
Capital in excess of par value	93,886	9,423	(c) 103,309
Accumulated deficit	(97,598)	—	(97,598)
Accumulated other comprehensive income	4,918	—	4,918
Total (deficit) equity	(8,530)	9,423	893
Total liabilities, preferred stock and (deficit) equity	\$ 29,453	\$ (24,054)	\$ 5,399

MAGELLAN PETROLEUM CORPORATION
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
 FOR THE NINE MONTHS ENDED MARCH 31, 2016
 (in thousands, except shares and per share amounts)

	Historical	Exchange Transaction Pro Forma Adjustments	Pro Forma As Adjusted
OPERATING EXPENSES:			
Depreciation	\$ 43	\$ —	\$ 43
Exploration	127	—	127
General and administrative	4,549	—	4,549
Total operating expenses	4,719	—	4,719
Loss from operations	(4,719)	—	(4,719)
OTHER (EXPENSE) INCOME:			
Loss on investment in securities	(587)	—	(587)
Other income	83	—	83
Total other (expense) income	(504)	—	(504)
Loss from continuing operations, before tax	(5,223)	—	(5,223)
Income tax expense	—	—	—
Net loss from continuing operations	(5,223)	—	(5,223)
Preferred stock dividends	(1,381)	1,381	(c)—
Adjustment of preferred stock to redemption value	3,730	(3,730)	(c)—
Net loss attributable to common stockholders from continuing operations	\$(2,874)	\$(2,349)	\$(5,223)
Loss per common share attributable to common stockholders from continuing operations	\$(0.50)		\$(0.94)
Weighted average number of basic and diluted shares outstanding	5,740,904		5,740,904

MAGELLAN PETROLEUM CORPORATION
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
 FOR THE YEAR ENDED JUNE 30, 2015
 (in thousands, except shares and per share amounts)

	Historical	Exchange Transaction Pro Forma Adjustments	Pro Forma As Adjusted
REVENUE FROM OIL PRODUCTION	\$4,459	\$ (4,459) (e)	\$—
OPERATING EXPENSES:			
Lease operating	5,089	(5,089) (e)	—
Depletion, depreciation, amortization, and accretion	1,149	(1,001) (e)	148
Exploration	1,563	(1,079) (e)	484
General and administrative	8,611	340 (f),(h)	8,951
Impairment of proved oil and gas properties	17,353	(17,353) (e)	—
Impairment of goodwill	674	(674) (e)	—
Loss on sale of assets	316	—	316
Total operating expenses	34,755	(24,856)	9,899
Loss from operations	(30,296)	20,397	(9,899)
OTHER (EXPENSE) INCOME:			
Net interest expense	(183)	183 (e)	—
Loss on investment in securities	(15,087)	—	(15,087)
Fair value revision of contingent consideration payable	1,888	—	1,888
Other income	267	(17) (e)	250
Total other (expense) income	(13,115)	166	(12,949)
Loss from continuing operations, before tax	(43,411)	20,563	(22,848)
Income tax expense	—	—	—
Loss from continuing operations, net of tax	(43,411)	20,563	(22,848)
Net loss attributable to non-controlling interest in subsidiary	411	(411) (g)	—
Preferred stock dividends	(1,740)	1,740 (c)	—
Net loss attributable to common stockholders from continuing operations	\$(44,740)	\$ 21,892	\$(22,848)
Loss per common share attributable to common stockholders from continuing operations	\$(7.83)		\$(4.03)
Weighted average number of basic and diluted shares outstanding	5,710,288		5,710,288

MAGELLAN PETROLEUM CORPORATION
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
 FOR THE YEAR ENDED JUNE 30, 2014
 (in thousands, except shares and per share amounts)

	Historical	Exchange Transaction Pro Forma Adjustments		Pro Forma As Adjusted
REVENUE FROM OIL PRODUCTION	\$7,601	\$ (7,601)	(e)	\$—
OPERATING EXPENSES:				
Lease operating	6,257	(6,257)	(e)	—
Depletion, depreciation, amortization, and accretion	1,123	(977)	(e)	146
Exploration	3,484	(541)	(e)	2,943
General and administrative	9,085	334	(f),(h)	9,419
Total operating expenses	19,949	(7,441)		12,508
Loss from operations	(12,348)	(160)		(12,508)
OTHER (EXPENSE) INCOME:				
Net interest (expense) income	(243)	343	(e)	100
Fair value revision of contingent consideration payable	2,403	—		2,403
Other income	146	(44)	(e)	102
Total other (expense) income	2,306	299		2,605
Loss from continuing operations, before tax	(10,042)	139		(9,903)
Income tax expense	—	—		—
Loss from continuing operations, net of tax	(10,042)	139		(9,903)
Preferred stock dividends	(1,696)	1,696	(c)	—
Net loss attributable to common stockholders from continuing operations	\$(11,738)	\$ 1,835		\$(9,903)
Loss per common share attributable to common stockholders from continuing operations	\$(2.07)			\$(1.77)
Weighted average number of basic and diluted shares outstanding	5,671,603			5,671,603

The unaudited pro forma financial statements have been prepared by adjusting the Company's historical financial statements as discussed below:

The amount represents the pro forma adjustment for the estimated Cash Amount (as defined in the Exchange Agreement) to be paid at closing, which takes into account the \$625 thousand borrowed from One Stone on April (a) 15, 2016, under the Secured Promissory Note. The Cash Amount represents the loss from operations of Poplar from the September 30, 2015 effective date of the Exchange, adjusted for certain transaction costs and other amounts paid by Magellan prior to closing.

The amounts represent the elimination of the assets and liabilities of Nautilus Poplar LLC and Utah CO2 LLC, (b) which were transferred to assets and liabilities held for sale at March 31, 2016, as a result of the execution of the Exchange Agreement.

(c) These amounts represent the pro forma effect of the removal of the preferred stock, related dividends and adjustments to redemption value.

(d) The amount represents the pro forma effect of the removal of collateral held by Magellan for certain surety bonds which will be transferred to One Stone at closing.

The amounts being eliminated represent the revenues, operating expenses and other income and expenses of (e) Poplar. The results of operations of Poplar for the nine months ended March 31, 2016 were reclassified to discontinued operations.

(f) The amount represents the pro forma effect of the Exchange on the reduction in salaries and benefits for certain Magellan technical employees directly related to the properties exchanged.

(g) The amount represents the removal of the non-controlling interest in Utah CO2 LLC totaling \$411 thousand for the fiscal year ended June 30, 2015.

(h) The amount represents the pro forma effect of the transaction costs related to the Exchange totaling \$728 thousand.

UNAUDITED COMBINED FINANCIAL STATEMENTS OF THE CO2 BUSINESS

Magellan prepared unaudited combined financial statements for the CO2 Business. The Unaudited Combined Statements of Operations and the Unaudited Combined Statements of Cash Flows were prepared for the nine months ended March 31, 2016 and March 31, 2015 and for the fiscal years ended June 30, 2015 and June 30, 2014. The Unaudited Combined Balance Sheets were prepared as of March 31, 2016, June 30, 2015 and June 30, 2014.

THE CO2 BUSINESS

UNAUDITED COMBINED BALANCE SHEETS

(in thousands)

	March 31, 2016	June 30, 2015	2014
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$72	\$282	\$303
Accounts receivable	188	504	818
Inventories	232	298	398
Prepaid and other short-term assets	68	77	119
Total current assets	560	1,161	1,638
Property and equipment, net	23,352	35,593	45,799
Goodwill	—	—	674
Other long-term assets	336	376	50
Total assets	\$24,248	\$37,130	\$48,161
LIABILITIES AND NET PARENT INVESTMENT			
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities	\$1,634	\$1,751	\$2,757
Current portion of notes payable	1,031	—	—
Total current liabilities	2,665	1,751	2,757
Notes payable, net of current portion	4,469	5,500	—
Asset retirement obligations	2,774	2,647	2,476
Other long-term liabilities	68	104	28
Total liabilities	9,976	10,002	5,261
COMMITMENTS AND CONTINGENCIES			
NET PARENT INVESTMENT:			
Net parent investment	14,272	27,128	42,900
Total liabilities and net parent investment	\$24,248	\$37,130	\$48,161

The accompanying notes are an integral part of these unaudited combined financial statements.

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THE CO2 BUSINESS
 UNAUDITED COMBINED STATEMENTS OF OPERATIONS
 (in thousands)

	Nine Months Ended		Years Ended	
	March 31,	2015	June 30,	2014
	2016		2015	2014
REVENUE FROM OIL PRODUCTION	\$1,559	\$3,543	\$4,459	\$7,601
OPERATING EXPENSES:				
Lease operating	2,076	3,902	5,089	6,257
Depletion, depreciation, amortization, and accretion	607	651	1,001	977
Exploration	151	810	1,079	541
General and administrative	1,034	373	541	546
Impairments	11,280	—	18,027	—
Total operating expenses	15,148	5,736	25,737	8,321
Loss from operations	(13,589)	(2,193)	(21,278)	(720)
OTHER (EXPENSE) INCOME:				
Net interest expense	(211)	(42)	(184)	(343)
Other income (expense)	46	(73)	17	44
Total other expense	(165)	(115)	(167)	(299)
Loss, before tax	(13,754)	(2,308)	(21,445)	(1,019)
Income tax expense	—	—	—	—
Net loss	(13,754)	(2,308)	(21,445)	(1,019)
Net loss attributable to non-controlling interest in subsidiary	36	336	411	—
Net loss attributable to parent of the CO2 Business	\$(13,718)	\$(1,972)	\$(21,034)	\$(1,019)

The accompanying notes are an integral part of these unaudited combined financial statements.

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THE CO2 BUSINESS
 UNAUDITED COMBINED STATEMENTS OF CASH FLOWS
 (in thousands)

	Nine Months Ended		Years Ended	
	March 31,	2015	June 30,	2014
	2016		2015	
OPERATING ACTIVITIES:				
Net loss	\$(13,754)	\$(2,308)	\$(21,445)	\$(1,019)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation, depletion, amortization, and accretion	607	651	1,001	977
Amortization of deferred financing costs	13	—	100	10
Allowance for doubtful accounts	59	—	—	—
Impairments	11,280	—	18,027	—
Net changes in operating assets and liabilities:				
Accounts receivable	219	231	483	39
Inventories	66	75	101	157
Prepayments and other current assets	9	(49)	42	(69)
Accounts payable and accrued liabilities	702	325	68	811
Net cash (used in) provided by operating activities	(799)	(1,075)	(1,623)	906
INVESTING ACTIVITIES:				
Additions to property and equipment	(243)	(7,195)	(8,796)	(20,372)
Proceeds from sale of unproved properties	175	—	—	—
Utah option	—	(371)	(276)	—
Net cash used in investing activities	(68)	(7,566)	(9,072)	(20,372)
FINANCING ACTIVITIES:				
Debt issuances	—	3,501	5,500	1,000
Debt repayments	—	—	—	(1,441)
Capital contribution from parent	685	4,830	5,177	19,417
Capital contribution from non-controlling interest	—	147	147	—
Payment of deferred financing costs	(28)	—	(150)	—
Net cash provided by financing activities	657	8,478	10,674	18,976
Net decrease in cash and cash equivalents	(210)	(163)	(21)	(490)
Cash and cash equivalents at beginning of period	282	303	303	793
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$72	\$140	\$282	\$303

The accompanying notes are an integral part of these unaudited combined financial statements.

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THE CO2 BUSINESS
NOTES TO UNAUDITED COMBINED FINANCIAL STATEMENTS

Note 1 - Basis of Presentation

Description of Operations and Basis of Presentation

Magellan Petroleum Corporation ("Magellan") is an independent oil and gas exploration and production company historically focused on CO₂-enhanced oil recovery ("CO₂-EOR") projects in the Rocky Mountain region. Upon the anticipated closing of the transactions contemplated by the Exchange Agreement that Magellan entered into with its preferred stockholder on March 31, 2016, which are subject primarily to the approval of Magellan's stockholders, Magellan will have disposed of its CO₂-EOR activities.

The business to be sold, 100% of the outstanding membership interests in Nautilus Poplar LLC ("Poplar"), and 51% of the outstanding common units in Utah CO₂ LLC ("Utah CO₂"), and together with Poplar, the "CO₂ Business" or, the "Company"), comprises Magellan's entire US Poplar segment, which consists primarily of (i) a 100% working interest in the oil and gas leases within the East Poplar Unit ("EPU"), a federal exploratory unit in the western Williston Basin, Roosevelt County, Montana, totaling approximately 18,000 acres, (ii) the working interests in various oil and gas leases that are adjacent to or near EPU ("Northwest Poplar" or "NWP") totaling approximately 4,000 acres, (iii) the developed five-well CO₂-EOR pilot project in the Charles formation of the Poplar field, and (iv) an exercised option to enter into an agreement to purchase uncontracted CO₂ volumes at a fixed price at Farnham Dome in Utah, the key terms of which are to be consistent with those detailed in the option.

The CO₂ Business is managed from Magellan's US head office. The salaries and benefits of certain employees whose function is direct management of the CO₂ Business have been allocated to the CO₂ Business in the form of general and administrative expense. Management believes that such allocations are reasonable; however, they may not be indicative of the actual results of the CO₂ Business had it been operating as an independent company for the periods presented or the amounts that will be incurred in the future.

Upon the closing of the transactions contemplated by the Exchange Agreement, Magellan will retain responsibility for potential future contingent production payments related to its September 2011 acquisition of Poplar. The contingent production payments are payable, up to a total of \$5.0 million, if certain increased average daily production rates are achieved at the Poplar field. As such, estimates of such contingent production payments have been excluded from the accompanying unaudited combined financial statements of the CO₂ Business to be exchanged.

Standalone financial statements have not been historically prepared for the CO₂ Business. The accompanying unaudited combined financial statements of the CO₂ Business have been derived from the consolidated financial statements of Magellan, and include the revenue, costs of revenue, operating and other expenses associated with the Exchange. These financial statements are presented without audit. The assets and liabilities included in the accompanying unaudited combined balance sheets represent substantially all of the assets and liabilities primarily related to, or used in, the CO₂ Business.

Operating results for the nine months ended March 31, 2016 and 2015, and the years ended June 30, 2015 and 2014 are not necessarily indicative of the results that may be expected for any future period. The unaudited combined financial statements should be read in conjunction with Magellan's Annual Report on Form 10-K for the year ended June 30, 2015 and its Quarterly Reports on Forms 10-Q for the quarters ended March 31, 2016, December 31, 2015, and September 30, 2015 as filed with the SEC. In the opinion of management, the unaudited combined financial statements include all adjustments necessary to present fairly the financial position and operating results of the Exchange for the periods presented. The Exchange is subject to approval by Magellan's stockholders and other conditions to closing, including the consent of the Company's lender to release of Magellan's guarantee of the Company's note payable.

Use of Estimates

The preparation of the unaudited combined financial statements in conformity with GAAP requires management to

make estimates and assumptions that affect the reported amounts of oil and gas reserves, assets and liabilities, and the reported amounts of revenues and expenses, during the reporting periods. Actual results could differ from those estimates.

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Cash and Cash Equivalents

The Company considers all highly liquid short term investments with original maturities of three months or less at the date of acquisition to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value due to the short term nature of these instruments.

Accounts Receivable

Trade accounts receivable consist mainly of receivables from oil and gas purchasers. For receivables from working interest partners, the Company typically has the ability to withhold future revenue disbursements to recover non-payment of joint interest billings. Generally, oil and gas receivables are collected within two months. The collectability of accounts receivable is continuously monitored and analyzed based upon historical experience. The use of judgment is required to establish a provision for allowance for doubtful accounts for specific customer collection issues identified.

Inventories

Inventories consist of oil and gas drilling or repair items such as tubing, casing, chemicals, operating supplies, ordinary maintenance materials, and parts and production equipment for use in future drilling operations or repair operations. All inventories are carried at the lower of cost or net realizable value.

Oil and Gas Exploration and Production Activities

The Company follows the successful efforts method of accounting for its oil and gas exploration and production activities. Under this method, all property acquisition costs, and costs of exploratory and development wells are capitalized until a determination is made that the well has found proved reserves or is deemed noncommercial. If an exploratory well is deemed to be noncommercial, the well costs are charged to exploration expense as dry hole costs. Exploration expenses include dry hole costs, geological, and geophysical expenses. Non-commercial development well costs are charged to impairment expense if circumstances indicate that a decline in the recoverability of the carrying value may have occurred.

The Company records its proportionate share in joint venture operations in the respective classifications of assets, liabilities, and expenses. The cost of CO₂ injection is capitalized until a production response is seen as a result of the injection and it is determined that the well has found proved reserves. After oil production from the well begins, CO₂ injection costs are expensed as incurred.

Depreciation, depletion, and amortization ("DD&A") of capitalized costs related to proved oil and gas properties is calculated on a property-by-property basis using the units-of-production method based upon proved reserves. The computation of DD&A takes into consideration restoration, dismantlement, and abandonment costs as well as the anticipated proceeds from salvaging equipment.

The sale of a partial interest in a proved oil and gas property is accounted for as normal retirement, and no gain or loss is recognized as long as the treatment does not significantly affect the units-of-production depletion rate. A gain or loss is recognized for all other sales of producing properties. The sale of a partial interest in an unproved oil and gas property is accounted for as a recovery of cost, with any excess of the proceeds over such cost or related carrying amount recognized as gain.

Impairment of Long-Lived Assets

The Company reviews the carrying amount of its oil and gas properties and unproved leaseholds for impairment whenever events and / or changes in circumstances indicate that a decline in the recoverability of their carrying value may have occurred. The Company estimates the expected undiscounted future cash flows of its oil and gas properties and compares such undiscounted future cash flows to the carrying amount of the oil and gas properties to determine if the carrying amount is recoverable. If the carrying amount exceeds the estimated undiscounted future cash flows, the Company will adjust the carrying amount of the oil and gas properties to fair value. The factors used to determine fair value include, but are not limited to, recent sales prices of comparable properties, the present value of estimated future cash flows, net of estimated operating and development costs, using estimates of reserves, future commodity pricing, future production estimates, anticipated capital expenditures, and various discount rates commensurate with the risk and current market conditions associated with realizing the expected cash flows projected.

In connection with the Exchange Agreement and the reclassification of all of Poplar's oil and gas properties to assets held for sale, the Company undertook such a review at March 31, 2016, and recorded impairment of the proved oil and gas properties of \$7.8 million and impairment of its wells in progress of \$3.4 million. For the fiscal year ended

June 30, 2015, the Company performed a similar analysis, and recorded an impairment of its proved properties of \$17.4 million. The impairments were primarily the result of continued declines in oil prices.

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Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at cost. Costs of renewals and improvements that substantially extend the useful lives of the assets are capitalized. Maintenance and repair costs are expensed when incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to fifteen years.

Goodwill

Goodwill represents the excess of the purchase price over the estimated fair value of the assets acquired net of the fair value of liabilities assumed in an acquisition. GAAP requires goodwill to be evaluated on an annual basis for impairment, or more frequently if events occur or circumstances change that could potentially result in impairment. The qualitative factors used in our assessment include macroeconomic conditions, industry and market conditions, cost factors, and overall financial performance. The quantitative analysis performed included a review of the June 30, 2015 reserve estimates using forward commodity prices and an estimate of the differential less the liabilities for Poplar and comparing the result of the analysis to the recorded carrying value of the net assets. The analysis indicated that the carrying value of the net assets exceeded the calculated value of the reserves net of liabilities, and therefore, an impairment had occurred.

As of June 30, 2015, management concluded that as a result of the decline in reserve value, principally due to the decline in commodity prices, and a downward revision in reserve quantities as the result of the exclusion of PUD reserves from the Company's reserve estimates, goodwill related to the acquisition of Poplar had been impaired and recorded an impairment expense of \$674 thousand. There was no impairment of goodwill in any of the other periods presented in the accompanying unaudited combined financial statements.

Asset Retirement Obligations

The Company recognizes an estimated liability for future costs associated with the plugging and abandonment of its oil and gas properties. A liability for the fair value of an asset retirement obligation and corresponding increase in the carrying value of the related long-lived asset are recorded at the time a well is acquired or the liability to plug is legally incurred. The increase in carrying value is included in proved oil and gas properties in the accompanying condensed consolidated balance sheets. The Company depletes the amount added to proved oil and gas property costs, net of estimated salvage values, and recognizes expense in connection with the accretion of the discounted liability over the remaining estimated economic lives of the respective oil and gas properties.

Revenue Recognition

The Company derives revenue primarily from the sale of produced oil. Oil revenues are recognized when production is sold to a purchaser at a fixed or determinable price, when delivery has occurred and title has transferred, and collection of the revenue is probable.

Major Customers

The Company's combined oil production revenue was generated from a single customer for the nine months ended March 31, 2016 and 2015 and for the fiscal year ended June 30, 2014, and from two customers for the fiscal year ended June 30, 2015.

Accounting for Income Taxes

The Company follows the liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company records a valuation allowance for deferred tax assets when it is more likely than not that such assets will not be recovered.

GAAP prescribes a comprehensive model for recognizing, measuring, presenting, and disclosing in the financial statements uncertain tax positions that the Company has taken or expects to take in its tax returns. Under GAAP, the Company recognizes tax positions when it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, the Company has presumed that its positions will be examined by the appropriate taxing authority that has full knowledge of all relevant information. The next step consists of measurement. A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. A tax

position is measured at the largest amount of benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. An uncertain income tax position will not be recognized if it does not meet the more-likely-than-not threshold. To appropriately account for income tax matters, the Company is required to make significant judgments and estimates regarding the recoverability of deferred tax assets, the likelihood of the outcome of examinations of tax positions that may or may not be currently under review, and potential scenarios involving settlements of such matters. Changes in these estimates could materially impact the combined financial statements. There are no uncertain tax

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positions that would meet the more-likely-than-not recognition threshold for the nine months ended March 31, 2016 or 2015, or the fiscal years ended June 30, 2015, or 2014, respectively. The Company has adopted an accounting policy to record all tax related interest under interest expense and tax related penalties under general and administrative expense in the combined statement of operations.

Financial Instruments

The carrying value for cash and cash equivalents, accounts receivable, accounts payable, and debt approximates fair value based on the timing of the anticipated cash flows and current market conditions.

Note 2 - One Stone Exchange

On March 31, 2016, Magellan and One Stone entered into an Exchange Agreement (the "Exchange Agreement"). The Exchange Agreement provides that, upon the terms and subject to the conditions set forth in the Exchange Agreement, One Stone will transfer to Magellan 100% of the outstanding shares of Magellan Series A convertible preferred stock (the "Series A Preferred Stock"), in consideration for the assignment to and assumption by One Stone of 100% of the outstanding membership interests in Poplar and 51% of the outstanding common units in Utah CO2 LLC, as adjusted by the Cash Amount (as defined in the Exchange Agreement and discussed further below) (the "Exchange").

The closing of the Exchange is subject to customary closing conditions, including, among others, the receipt of Magellan stockholder approval and the consent of West Texas State Bank ("WTSB") to release a guaranty provided by Magellan. The Exchange Agreement has been approved by each of the Special Committee and Magellan's Board of Directors. Stockholders of Magellan will be asked to vote on the approval of the Exchange Agreement at a stockholder meeting that is expected to take place in June 2016. One Stone is required to vote all shares of Preferred Stock in favor of the Exchange Agreement at the special meeting of Magellan stockholders. Assuming the satisfaction of these conditions, Magellan expects the Exchange Agreement to close in the second calendar quarter of 2016.

Pursuant to the Exchange Agreement, on April 15, 2016, Magellan and One Stone (i) entered into a Secured Promissory Note (the "Note") pursuant to which One Stone made a loan to Magellan in the aggregate amount of \$625 thousand (the "Loan Amount") and (ii) simultaneously entered into a Pledge Agreement pursuant to which Magellan pledged, assigned and granted to One Stone a security interest in Magellan's interests in MPA, as collateral for the loan. Magellan is required to use the borrowed amounts to satisfy transaction costs and pay certain outstanding accounts payable primarily related to the CO2 Business. The purpose of the Note is primarily to fund the payment of outstanding payables with certain vendors of the CO2 Business to maintain its ongoing operations between signing of the Exchange Agreement and closing of the Exchange. At the closing of the Exchange Agreement, the Loan Amount will be deemed to be paid in full and no further amounts under the Note will be repaid by Magellan. If the Exchange is not consummated, Magellan will be required to repay this amount. Upon closing of the Exchange Agreement, One Stone will assume all assets and virtually all liabilities related to the CO2 Business, which include the Term Loan with WTSB and outstanding accounts payable related to the CO2 Business.

Note 3 - Debt

Notes Payable. On September 17, 2014, Poplar entered into a senior secured revolving loan facility (the "Revolving Loan Facility") with West Texas State Bank ("WTSB"). The Revolving Loan Facility had a floating interest rate based on the prime rate with a floor rate of 3.25%, with interest payable quarterly, a maturity of September 30, 2015, and a total available borrowing limit of \$8.0 million, of which \$5.5 million was drawn as of June 30, 2015, when Poplar entered into an amendment to the Revolving Loan Facility whereby the Revolving Loan Facility was converted into a single term loan (the "Term Loan"). The maturity of the Term Loan was extended to June 30, 2020 and bears interest at the prime rate plus 1.50% with an interest rate floor of 4.75%. The Term Loan is secured by substantially all of Poplar's assets and a guarantee of Magellan secured by a pledge of its membership interest in Poplar. During the first twelve months of the Term Loan, only monthly interest payments are payable. Principal is amortized over its remaining four year term. Under the terms of the Term Loan, Magellan and Poplar are subject to certain restrictive covenants customary in similar loan agreements. At March 31, 2016, Poplar and Magellan were in compliance with all such covenants.

On March 31, 2016, Magellan and One Stone entered into an Exchange Agreement whereby One Stone will assume the Term Loan from WTSB. See Note 2- One Stone Exchange.

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Scheduled annual principal payments for the Term Loan are as follows:

	Total (in thousands)
Payable in fiscal year:	
2016	\$ —
2017	1,375
2018	1,375
2019	1,375
2020	1,375
Total	\$ 5,500

Note 4 - Asset Retirement Obligations

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

The following table summarizes the ARO activity:

	March 31, 2016	June 30, 2015	2014
	(in thousands)		
Fiscal year opening balance	\$2,647	\$2,476	\$2,304
Liabilities incurred	—	—	7
Accretion expense	127	171	165
Balance at end of period	2,774	2,647	2,476
Less current asset retirement obligation	—	—	—
Long term asset retirement obligation	\$2,774	\$2,647	\$2,476

Note 5 - Fair Value Measurements

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

Level 1: Quoted prices in active markets for identical assets.

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

Level 3: Significant unobservable inputs.

The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and the consideration of factors specific to the asset or liability. The Company's policy is to recognize transfers in or out of a fair value hierarchy as of the end of the reporting period for which the event or change in circumstances caused the transfer. The Company has consistently applied the valuation techniques discussed above for all periods presented. During the nine months ended March 31, 2016, and 2015, and fiscal years ended June 30, 2015 and 2014, there were no transfers in or out of Level 1, Level 2, or Level 3.

Assets and liabilities measured on a recurring basis

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The Company's financial instruments exposed to concentrations of credit risk primarily consist of cash and cash equivalents. The carrying values for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities reflect these items' cost, which approximates fair value based on the timing of the anticipated cash flows and current market conditions. The recorded value of the Term Loan approximates fair value due to its variable interest rate structure.

Assets and liabilities measured on a nonrecurring basis

Effective March 31, 2016, in connection with the Exchange Agreement and related classification of the assets and liabilities of the CO2 Business to held for sale, the Company reviewed the recoverability of the carrying values of its assets and liabilities to be transferred to One Stone in the Exchange, and as a result of this review recorded an impairment of \$11.2 million to adjust the carrying values of the exchanged assets and liabilities to their estimated fair values at March 31, 2016. The inputs used to determine such fair values were based in part on a fairness opinion provided by a third party in connection with the Exchange and in part on internally developed cash flow models and are classified within Level 3 in the hierarchy. The impairment recorded consisted of an amount identifiable to proved oil and gas properties of \$7.8 million, an amount identifiable to accounts receivable of \$100 thousand, and the remainder to wells in progress of \$3.4 million.

In fiscal year 2015, the Company also reviewed the recoverability of the carrying values of its proved oil and gas properties and as a result of the review recorded an impairment of \$17.4 million, primarily due to the decline in oil prices and quantity revisions related to the exclusion of PUD reserve estimates.

The Company also utilizes fair value to perform an impairment test on its oil and gas properties annually or whenever events and circumstances indicate that a decline in the recoverability of their carrying value may have occurred. Fair value is estimated using expected discounted future cash flows from oil and gas properties. The inputs used to determine such fair value are primarily based upon internally developed cash flow models and are also classified within Level 3.

Note 6 - Income Taxes

The Company has estimated the applicable effective tax rate expected for the full fiscal year. The Company's effective tax rate used to estimate income taxes on a current year-to-date basis was 0% for the nine months ended March 31, 2016, and 2015, and for the years ended June 2015 and 2016.

Deferred tax assets ("DTAs") are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities and for operating losses and credit carry forwards.

A valuation allowance reduces DTAs to the estimated realizable value, which is the amount of DTAs management believes is "more-likely-than-not" to be realized in future periods. We review our DTAs and valuation allowance on a quarterly basis. As part of our review, we consider positive and negative evidence, including cumulative results in recent years. The Company maintains a full valuation allowance recorded against all DTAs. The Company therefore had no recorded DTAs as of March 31, 2016. We anticipate that we will continue to record a valuation allowance against our DTAs in all jurisdictions until such time as we are able to determine that it is "more-likely-than-not" that those DTAs will be realized.

For purposes of the standalone financial statements of the CO2 Business, income tax was calculated at statutory rates adjusted for applicable permanent differences, as if the CO2 Business was a separate taxpayer utilizing the "Separate Return Method," even though it has been included in the tax return of Magellan. No DTAs for the future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases recognized and included as a Pro Forma adjustment in the accompanying Unaudited Pro Forma Condensed Consolidated Balance Sheet for Magellan.

The Company's management performed an analysis to determine whether the expected future income of Poplar would more likely than not be sufficient to realize its deferred tax assets. Poplar's recent operating results and projection of future losses is sufficient negative evidence. As a result of this analysis, Poplar maintains a full valuation allowance against its federal and state net deferred tax assets at March 31, 2016, June 30, 2015 and June 30, 2014 as management believes that it is more likely than not that these assets will not be realized.

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The following reconciles the Company's effective tax rate to the federal statutory tax rate for the fiscal years ended:

	June 30,	
	2015	2014
	(In thousands)	
Tax provision computed per federal statutory rate	\$(7,151)	\$(346)
State taxes, net of federal benefit	(936)	(45)
Change in valuation allowance	7,900	391
Other items	187	—
Consolidated income tax expense (benefit)	\$—	\$—

The following summarizes components of our income tax provision for the fiscal years ended:

	June 30,	
	2015	2014
	(In thousands)	
Consolidated current income tax provision	—	—
Consolidated deferred income tax provision	—	—
Consolidated income tax provision	\$ —	\$ —

The consolidated income tax provision is summarized as follows:

Continuing operations	\$ —	\$ —
Discontinued operations	\$ —	\$ —

Effective tax rate for continuing operations	—%	—%
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Significant components of the Company's deferred tax assets and liabilities can be summarized as follows for the fiscal years ended:

	June 30,	
	2015	2014
	(In thousands)	
Deferred tax liabilities:		
Land, buildings and equipment	\$—	\$(4,184)
Other items	(20)	(37)
Total deferred tax liabilities	(20)	(4,221)
Deferred tax assets:		
Land, buildings and equipment	525	—
Asset retirement obligations	1,085	852
Net operating losses, capital losses, and foreign tax credits	3,139	339
Total deferred tax assets	4,689	1,181
Valuation allowance	(4,666)	240
Net long-term deferred tax asset	\$—	\$—

Note 7 - Property and Equipment, Net

The following table presents the capitalized costs of oil and gas properties under the successful efforts method and other property and equipment, net of accumulated depreciation as of the following periods:

	March 31, 2016	June 30, 2015	June 30, 2014
	(in thousands)		
Proved oil and gas properties	\$12,347	\$20,857	\$29,335
Less: accumulated depletion, depreciation and amortization	(4,803)	(4,355)	(3,575)
Unproved oil and gas properties ⁽¹⁾	294	469	269
Wells in progress	15,482	18,560	19,686
Land buildings and equipment, net	32	62	84
Total property and equipment, net of accumulated depreciation, depletion and amortization	\$23,352	\$35,593	\$45,799

⁽¹⁾On December 29, 2015, the Company entered into a farmout agreement with respect to the Company's interests in the oil and gas leases which form the Poplar field specifically in relation to the formations located below the top of the Ordovician Winnipeg formation (the "Deep Formations"), which is estimated to be located at a depth of approximately 8,896 feet. Pursuant to the terms of the farmout agreement, the farmees made a \$175 thousand non-refundable payment to the Company at signing of the farmout agreement and are required to (i) commence the deepening of the EPU120 well before June 30, 2017, and (ii) make an additional payment of \$150 thousand to the Company to earn a 75% interest in the Company's approximately 50% interests in the Deep Formations. The farmees intend to explore the Deep Formations for potential hydrocarbons and helium. The Company has reduced the capitalized cost for its unproved oil and gas properties, which at acquisition were assigned to the Deep Formations, by the amount of the \$175 thousand non-refundable payment.

Note 8 - Commitments and Contingencies

Utah CO₂ Option. In May 2015, in accordance with an option agreement between Magellan, Utah CO₂, and Savoy Energy, LLC ("Savoy"), Utah CO₂ exercised the CO₂ purchase option available under the Utah CO₂ Option Agreement. Exercise of the CO₂ purchase option allows Utah CO₂ to negotiate in good faith and enter into a purchase agreement for CO₂ with Savoy, the key terms of which should be consistent with the terms detailed in the Utah CO₂ Option Agreement, which included a 50-year term, an attractive CO₂ price per mcf, the exclusive access to CO₂ volumes recoverable from Farnham Dome for CO₂-EOR projects in Utah, and no CO₂ purchase obligations for the first three years. Upon the closing of the Exchange Agreement, the Company will not own any interest in Utah CO₂, and therefore, not have any obligation related to the CO₂ purchase option.

Note 9 - Related Party Transactions

Mi3 Petroleum Engineering. One of the members of Utah CO₂, is Mi4 Oil and Gas LLC ("Mi4"), a Colorado-limited liability company majority owned by Mi3. Mi3 performs ongoing consulting work for both Utah CO₂ and other Magellan entities. During the nine months ended March 31, 2016, and 2015, the Company recorded \$293 thousand and \$948 thousand, respectively, of expense related to fees payable to Mi3.

Note 10 - Supplemental Oil and Gas Information (Unaudited)

Supplemental Oil and Gas Reserve Information

The Company relies upon a combination of internal technical staff and third party consulting arrangements for reserve estimation and review. The reserve information presented below is based on estimates of net proved reserves as of June 30, 2015, and 2014, and was prepared in accordance with guidelines established by the SEC.

Reserve estimates were prepared by Hector Wills of Mi3 Petroleum Engineering, a Golden, Colorado based petroleum engineering firm, for the fiscal years ended June 30, 2015 and 2014. Reserve estimates were audited by the Company's independent petroleum engineering firm, Allen & Crouch Petroleum Engineers ("A&C") for each of the fiscal years presented. A&C does not own an interest in any of Poplar's oil and gas properties and is not employed by Poplar on a contingent basis.

Proved reserves are the estimated quantities of oil, gas, and natural gas liquids, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward,

from known reservoirs, and under existing economic conditions, operating methods, and government regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined and the price to be used is the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual

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arrangements, excluding escalations based upon future conditions. All of the Company's estimated proved reserves are located in the US.

Analysis of Changes in Proved Reserves

The following table sets forth information regarding the Company's estimated proved oil and gas reserve quantities. The Company emphasizes that reserve estimates are inherently imprecise and that estimates of new discoveries and undeveloped locations are more imprecise than estimates of established producing oil and gas properties. Accordingly, these estimates are expected to change as economic conditions change and new information becomes available.

	United States Oil (Mbbbls)
Proved Reserves:	
Fiscal year ended June 30, 2013	7,368.6
Revision of previous estimates	(1,515.0)
Sales of minerals in place	—
Production	(117.9)
Fiscal year ended June 30, 2014	5,735.7
Revision of previous estimates	(3,417.1)
Production	(79.0)
Fiscal year ended June 30, 2015	2,239.6

Proved Developed Reserves:

Fiscal year ended June 30, 2014	2,494.6
Fiscal year ended June 30, 2015	2,239.6

Proved Undeveloped Reserves:

Fiscal year ended June 30, 2014	3,241.1
Fiscal year ended June 30, 2015	—

Revision of previous estimates. Revisions of estimates represent downward changes in previous estimates attributable to new information gained primarily from development activity, production history, and changes to the economic conditions and the financial condition of the Company at the time of each estimate. During the year ended June 30, 2015, there was a 3,417 Mbbbls downward revision of estimated proved reserves. The majority of the revision relates to the removal of 3,083 Mbbbls of proved undeveloped reserves from the classification of proved reserves due to the uncertainty surrounding the Company's ability to continue as a going concern and to obtain the necessary capital to develop the PUD locations. During fiscal 2015, the Company did not convert any proved undeveloped reserves to proved developed reserves. The proved undeveloped reserves as of June 30, 2014, which were attributable to a new 9-well drilling program at Poplar are in the immediate vicinity of the five wells that have been drilled for the CO₂-EOR pilot project.

Standardized Measure of Oil and Gas

The Company computes a standardized measure of future net cash flows and changes therein relating to estimated proved reserves in accordance with authoritative accounting guidance. Certain information concerning the assumptions used in computing the valuation of proved reserves and their inherent limitations are discussed below. The Company believes such information is essential for a proper understanding and assessment of the data presented. The "standardized measure" is the present value of estimated future cash inflows from proved oil and natural gas reserves, less future development and production costs and future income tax expenses, using prices and costs as of the date of estimation without future escalation, without giving effect to hedging activities, non-property related expenses such as general and administrative expenses, debt service, depreciation, depletion, and amortization, and tax, and are discounted using an annual discount rate of 10% to reflect timing of future cash flows.

The assumptions used to calculate estimated future cash inflows do not necessarily reflect the Company's expectations of actual revenues or costs, nor their present worth. In addition, variations from the expected production rate also

could result directly or indirectly from factors outside of the Company's control, such as unexpected delays in development, changes in prices, or regulatory or environmental policies. The reserve valuation further assumes that all reserves will be disposed of by

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production. However, if reserves are sold in place, additional economic considerations could also affect the amount of cash eventually realized.

Prices. All prices used in calculation of our reserves are based upon a twelve month unweighted arithmetic average of the first day of the month price for the twelve months of the fiscal year, unless prices were defined by contractual arrangements. Prices are adjusted for local differentials and gravity and, as required by the SEC, held constant for the life of the projects (i.e., no escalation). The following table summarizes the resulting prices used for proved reserves for the fiscal years ended:

	June 30,	
	2015	2014
Oil (per Bbl)	\$58.93	\$86.11
Gas (per Mcf)	NA	NA

Costs. Future development and production costs are calculated by estimating the expenditures to be incurred in developing and producing the proved oil and gas reserves at the end of the year, based on year-end costs and assuming continuation of existing economic conditions.

Income taxes. Future income tax expenses are calculated by applying the appropriate year-end statutory tax rates, with consideration of future tax rates already legislated, to the future pre-tax net cash flows relating to the Company's proved oil and gas reserves. Permanent differences in oil and gas related tax credits and allowances are recognized.

Discount. The present value of future net cash flows from the Company's proved reserves is calculated using a 10% annual discount rate. This rate is not necessarily the same as that used to calculate the current market value of our estimated oil and natural gas reserves.

The following table presents the standardized measure of discounted future net cash flows related to proved oil and gas reserves only for Poplar in the United States cost center:

	Year Ended June 30,	
	2015	2014
	(In thousands)	
Future cash inflows	\$131,979	\$493,901
Future production costs	(85,372)	(226,464)
Future development costs	(7,021)	(23,594)
Future income tax expense	—	(73,820)
Future net cash flows	39,586	170,023
10% annual discount	(22,569)	(82,980)
Standardized measures of discounted future net cash flows	\$17,017	\$87,043

A summary of changes in the standardized measure of discounted future net cash flows is as follows:

	(in thousands)
Fiscal year ended June 30, 2013	\$ 97,391
Net change in prices and production costs	(10,222)
Revisions of previous quantity estimates	(34,441)
Divestiture of reserves	—
Changes in estimated future development costs	3,161
Sales and transfers of oil and gas produced	(4,720)
Previously estimated development cost incurred during the period	1,723
Accretion of discount	14,632
Net change in income taxes	16,746
Net change in timing and other	2,773
Fiscal year ended June 30, 2014	87,043
Net change in prices and production costs ⁽¹⁾	(71,406)
Revisions of previous quantity estimates ⁽²⁾	(54,415)
Divestiture of reserves	—
Changes in estimated future development costs	9,071
Sales and transfers of oil and gas produced	(440)
Previously estimated development cost incurred during the period	7,749
Accretion of discount	8,853
Net change in income taxes ⁽³⁾	32,188
Net change in timing and other	(1,626)
Fiscal year ended June 30, 2015	\$ 17,017

⁽¹⁾ For fiscal year 2015, there was a \$71.4 million downward revision in reserve value due to the net change in prices and production costs. This change was the result of the steep decline in the WTI price, the benchmark oil price for sale of the Company's crude oil.

⁽²⁾ The downward revision of \$54.4 million relates to the elimination of PUDs of 3,241Mbbls from the classification as proved reserves and is discussed in greater detail above under the heading "Analysis of Changes in Proved Reserves."

⁽³⁾ The increase in cash flows from the net change in income taxes represents the decrease in future income taxes as a result of the elimination of cash flows from PUD reserves.

Annex A

EXCHANGE AGREEMENT

by and between

MAGELLAN PETROLEUM CORPORATION

and

ONE STONE HOLDINGS II LP

dated as of March 31, 2016

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