UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark one)

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

For the quarterly period ended March 31, 2003

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

For the transition period from ________________ to ____________________

Commission file number 1-5507

MAGELLAN PETROLEUM CORPORATION
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| DELAWARE | 06-0842255 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| P.O. Box 1146, Madison, Connecticut | 06443-1146 |
| (Address of principal executive offices) | (Zip Code) |

(203) 245-7664
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). |_| Yes |X| No

The number of shares outstanding of the issuer's single class of common stock as of May 12, 2003 was 24,462,376.

MAGELLAN PETROLEUM CORPORATION

FORM 10-Q

March 31, 2003

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS

| | March 31, 2003 | June 30, 2002 |
|---|---|---|
| | ------------- | ---------- |
| ASSETS | (unaudited) | (Note) |
| - ------ | | |
| Current assets: | | |
| <S> | <C> | <C> |
| Cash and cash equivalents | $18,729,075 | $15,784,851 |
| Accounts and notes receivable | 5,040,816 | 4,162,821 |
| Marketable securities | 1,672,332 | 899,619 |
| Inventories | 507,300 | 377,847 |
| Other assets | 328,054 | 280,537 |
| | ---------- | ------------ |
| Total current assets | 26,277,577 | 21,505,675 |
| | ---------- | ----------- |
| Marketable securities | 390,000 | 794,070 |
| Property and equipment: | | |
| Oil and gas properties (successful efforts method) | 50,114,220 | 44,155,824 |
| Land, buildings and equipment | 1,840,809 | 1,669,330 |
| Field equipment | 1,279,118 | 1,189,093 |
| | ----------- | ----------- |
| Total property and equipment: | 53,234,147 | 47,014,247 |
| Less accumulated depletion, depreciation and amortization | (34,764,319) | (29,967,865) |
| | ------------ | ------------ |
| Net property and equipment | 18,469,828 | 17,046,382 |

| | | |
|---|---|---|
| Other assets | 831,953 | 820,189 |
| Total assets | $45,969,358 | $40,166,316 |

LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY

| | | |
|---|---|---|
| Current liabilities: | | |
| Accounts payable | $ 4,120,937 | $ 2,323,781 |
| Accrued liabilities | 1,362,763 | 1,086,193 |
| Income taxes payable | 145,187 | 233,339 |
| Total current liabilities | 5,628,887 | 3,643,313 |
| Long term liabilities: | | |
| Deferred income taxes | 2,590,177 | 2,731,221 |
| Asset retirement obligation | 4,241,780 | 1,242,398 |
| Total long term liabilities | 6,831,957 | 3,973,619 |
| Minority interests | 14,241,312 | 13,932,928 |
| Commitments (Note 2) | - | - |
| Stockholders' equity: | | |
| Common stock, par value $.01 per share: | | |
| Authorized 200,000,000 shares | | |
| Outstanding 24,462,376 and 24,607,376 shares | 244,624 | 246,074 |
| Capital in excess of par value | 42,948,341 | 43,085,841 |
| Total capital | 43,192,965 | 43,331,915 |
| Accumulated deficit | (16,276,563) | (15,750,935) |
| Accumulated other comprehensive loss | (7,649,200) | (8,964,524) |
| Total stockholders' equity | 19,267,202 | 18,616,456 |
| Total liabilities, minority interests and stockholders' equity | $45,969,358 | $40,166,316 |

</TABLE>

Note: The balance sheet at June 30, 2002 has been derived from the audited consolidated financial statements at that date.
See accompanying notes.

MAGELLAN PETROLEUM CORPORATION
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Item 1. Financial Statements
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CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(unaudited)

| | Three months ended March 31, | | Nine months ended March 31, | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| Revenues: | | | | |

<S> <C> <C> <C> <C>

| | | | | |
|---|---|---|---|---|
| Oil sales | $ 982,019 | $ 748,638 | $2,507,322 | $2,435,301 |
| Gas sales | 2,497,647 | 2,237,647 | 7,153,145 | 6,312,314 |
| Other production related revenues | 383,538 | 252,898 | 848,572 | 1,211,058 |
| Interest and other income | 207,138 | 129,801 | 632,487 | 472,474 |
| | ---------- | ---------- | ----------- | ----------- |
| Total revenues | 4,070,342 | 3,368,984 | 11,141,526 | 10,431,147 |
| | ---------- | ---------- | ----------- | ---------- |
| Costs and expenses: | | | | |
| Production costs | 1,168,878 | 897,243 | 3,064,956 | 2,735,196 |
| Exploration and dry hole costs | 656,126 | 986,837 | 1,951,872 | 3,719,821 |
| Salaries and employee benefits | 469,421 | 274,866 | 1,415,548 | 943,941 |
| Depletion, depreciation and amortization | 906,667 | 889,595 | 2,562,995 | 2,552,640 |
| Auditing, accounting and legal services | 49,081 | 39,674 | 314,214 | 206,203 |
| Accretion expense | 79,960 | - | 228,824 | - |
| Shareholder communications | 33,836 | 29,977 | 148,604 | 138,701 |
| Other administrative expenses | 12,921 | 144,238 | 262,323 | 598,543 |
| | --------- | ---------- | ---------- | ---------- |
| Total costs and expenses | 3,376,890 | 3,262,430 | 9,949,336 | 10,895,045 |
| | ---------- | ---------- | --------- | ---------- |
| Income (loss) before income taxes, minority interests and cumulative effect of accounting change | 693,452 | 106,554 | 1,192,190 | (463,898) |
| Income tax (provision) benefit | ( 189,663) | (26,082) | ( 402,863) | 171,768 |
| | ----------- | ----------- | ----------- | ---------- |
| Income (loss) before minority interests and cumulative effect of accounting change | 503,789 | 80,472 | 789,327 | (292,130) |
| Minority interests | (273,507) | 77,502 | (577,014) | 13,323 |
| | ----------- | ---------- | ----------- | ---------- |
| Income (loss) before cumulative effect of accounting change | 230,282 | 2,970 | 212,313 | (305,453) |
| Cumulative effect of accounting change - net | - | - | (737,941) | - |
| | ---------- | ---------- | ----------- | ------------- |
| Net income (loss) | $ 230,282 | $ 2,970 | $ (525,628) | $ (305,453) |
| | ========== | ========== | =========== | ============= |
| Average number of shares outstanding | | | | |
| Basic | 24,571,126 | 24,607,376 | 24,592,876 | 24,627,661 |
| | ========== | ========== | ========== | ========== |
| Diluted | 24,571,126. | 24,607,376 | 24,592,876 | 24,627,661 |
| | =========== | ========== | ========== | ========== |
| Net income (loss) per share (basic and diluted) | | | | |
| Before cumulative effect of accounting change | $ .01 | $ - | $ .01 | $ (.01) |
| Cumulative effect of accounting change-net | - | - | (.03) | - |
| | ----- | ---- | ------- | ------ |
| Net income (loss) | $ 01 | $ - | $ (.02) | $ (.01) |
| | ==== | === | ======= | ======= |

See accompanying notes.

</TABLE>

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

<TABLE>
<CAPTION>

| | Nine months ended March 31, | |
|---|---|---|
| | 2003 | 2002 |

--------------- -------------

| | | |
|---|---|---|
| Operating Activities: | | |
| <S> | <C> | <C> |
| Net loss | $ (525,628) | $ (305,453) |
| Adjustments to reconcile net loss | | |
| to net cash provided by (used in) operating activities: | | |
| Cumulative effect of accounting change | 2,025,690 | - |
| Depletion, depreciation and amortization | 2,562,995 | 2,552,640 |
| Accretion expense | 228,824 | - |
| Deferred income taxes | (373,769) | - |
| Minority interests | (113,579) | 13,323 |
| Change in operating assets and liabilities: | | |
| Accounts and notes receivable | (1,145,297) | (2,257,312) |
| Other assets | (151,208) | (178,582) |
| Inventories | (156,303) | 103,832 |
| Accounts payable and accrued liabilities | 2,506,455 | 415,681 |
| Income taxes payable | (74,322) | (1,400,364) |
| Asset retirement obligation | 108,775 | - |
| Reserve for site restoration costs | - | 360,727 |
| | --------- | ---------- |
| Net cash provided by (used in) operating activities | 4,892,633 | (695,508) |
| | --------- | ----------- |
| Investing Activities: | | |
| Marketable securities purchased | (1,671,248) | (1,534,088) |
| Marketable securities sold or matured | 1,302,605 | 1,099,447 |
| Repurchase of common stock | (138,950) | (94,542) |
| Sale of available-for-sale securities | 93,334 | - |
| Net additions to property and equipment | (2,045,536) | (877,384) |
| | ----------- | ----------- |
| Net cash used in investing activities | (2,459,795) | (1,406,567) |
| | ----------- | ----------- |
| Financing Activities: | | |
| Dividends to MPAL minority shareholders | (628,209) | (586,379) |
| | --------- | --------- |
| Net cash used in financing activities | (628,209) | (586,379) |
| | ========= | ========= |
| Effect of exchange rate changes on cash | | |
| and cash equivalents | 1,139,595 | 483,031 |
| | ---------- | ---------- |
| Net increase (decrease) in cash and cash equivalents | 2,944,224 | (2,205,423) |
| Cash and cash equivalents at beginning of year | 15,784,851 | 12,792,191 |
| | ----------- | ---------- |
| Cash and cash equivalents at end of period | $18,729,075 | $10,586,768 |
| | =========== | =========== |

See accompanying notes.

</TABLE>

MAGELLAN PETROLEUM CORPORATION
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PART I - FINANCIAL INFORMATION
March 31, 2003

Item 1. Notes to Consolidated Financial Statements
- ------- -----------------------------------------

Note 1. Basis of Presentation
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The accompanying unaudited consolidated financial statements include the accounts of Magellan Petroleum Corporation (MPC) and the Company's 52.44% owned subsidiary, Magellan Petroleum Australia Limited (MPAL) and have been prepared in accordance with accounting principles generally accepted in the United States, for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal recurring nature. Operating results for the three and nine month periods ended March 31, 2003 are not necessarily indicative of the results that may be expected for the year ending June 30, 2003. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended June 30, 2002.

Certain amounts for the 2002 period under Operating and Investing Activities in the Consolidated Statements of Cash Flows have been reclassified to conform to the classifications in the 2003 period.

Note 2. Kotaneelee Litigation

Prior to the Kotaneelee field reaching undisputed payout status during fiscal 2001, the operator of the Kotaneelee field had been reporting and depositing in escrow its share of the disputed amount of MPC's share of net revenues. Based on the reported data, the Company believes the total amount due MPC at March 31, 2003 (including interest) was at least $1.5 million. The disputed amount, which has not been included in income, represents gas processing fees claimed by the working interest partners. The trial court ruled in favor of the Company on this issue. However, in December 2001, the defendants filed a notice of appeal of the trial court's decision. The court also made no ruling on the issue of taxable costs of the litigation. Due to the uncertainty of the litigation, the Company will not accrue the $1.5 million estimated amount due until the uncertainty is resolved.

The trial was lengthy, complicated and costly to all parties. The court has very broad discretion as to whether to award costs and disbursements and as to the calculation of the amount to be awarded. Accordingly, MPC is unable to determine whether costs will be assessed against MPC or in what amount. However, since the costs incurred by the defendants have been substantial, and since the court has broad discretion in the awarding of costs, an award to the defendants potentially could be material. Costs may be assessed jointly and severally against nonprevailing parties. MPC has not agreed to share any costs that might be assessed against Canada Southern Petroleum Ltd. which initiated the lawsuit and would seek to be indemnified by Canada Southern for any such costs.



Item 1. Notes to Consolidated Financial Statements (Cont'd)

Note 3. Capital and stock options

During December 2000, the Company announced a stock repurchase plan to purchase up to one million shares of its common stock in the open market. At March 31, 2003, the Company had purchased 645,850 of its shares at a cost of approximately $645,000.

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB No. 25) and related interpretations in accounting for its stock options because the alternative fair value accounting provided under FASB Statement No. 123, "Accounting for Stock Based Compensation," requires use of option valuation models that were not developed for use in valuing stock options. Under APB No. 25, because the exercise price of the Company's stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Pro forma information regarding net income and earnings per share is required by Statement 123, and has been determined as if the Company had accounted for its stock options under the fair value method of that Statement.

The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model.

Summary of Options Outstanding at March 31, 2003

| Granted | Expiration | Total | Vested | Exercise Prices ($) |
|---|---|---|---|---|
| 1999 | Oct. 2003 | 126,000 | 126,000 | 1.57 |
| 2000 | Feb. 2005 | 745,000 | 666,666 | 1.28 |
| 2003 | Jan. 2008 | 50,000 | 25,000 | .85 |
| | | 921,000 | 817,666 | ($1.40 weighted average) |

Options reserved for future grants 205,000

Option valuation models require the input of highly subjective assumptions including the expected stock price volatility. The assumptions used in the 2000 valuation model were: risk free interest rate - 6.65%, expected life - - 5 years, expected volatility - .419, expected dividend - 0. The assumptions used in the 2003 valuation model were: risk free interest rate - 3.16%, expected life - 5 years, expected volatility - .439, expected dividend - 0. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

For the purpose of pro forma disclosures, the estimated fair value of the stock options is generally expensed in the year of grant since most of the options are vested and immediately exercisable. The Company's pro forma information follows:

| | Three months ended March 31, 2003 | | Three months ended March 31, 2002 | |
|---|---|---|---|---|
| Net income as reported | $ 230,282 | $.01 | $ 2,970 | $ - |
| Stock option expense | (12,797) | - | (7,345) | - |
| Pro forma net income (loss) | $ 217,485 | $ .01 | $(4,375) | $ - |

| | Nine months ended March 31, 2003 | | Nine months ended March 31, 2002 | |
|---|---|---|---|---|
| Net loss as reported | $ (525,628) | $(.02) | $(305,453) | $(.01) |
| Stock option expense | (20,597) | - | (26,845) | - |
| Pro forma net loss | $ (546,225) | $(.02) | $(332,298) | $ (.01) |

Note 4. Depletion, depreciation and amortization (DD&A)

The operator of the Mereenie field is implementing an extensive program for additional drilling and capital improvements to meet gas sales' contract requirements. MPAL's estimated cost of these proposed expenditures is approximately $11.7 million. Completion of the program is estimated to increase proved developed reserves by 36 bcf and the cost basis for depletion. During the quarter ended December 31, 2002, the Palm Valley gas reserves were increased by approximately 35% to reflect the current operating performance of the field and the capability of the field to produce additional quantities of gas. This change reduced the DD&A expense for the three and nine months ended March 31, 2003 by approximately $156,000 and $405,000, respectively. In addition, based on a recent study, salvage value relating to certain equipment was included in the calculation of DD&A. This change reduced the DD&A expense by approximately $52,000 and $145,000, respectively for the three and nine months March 31, 2003. The changes increased net income (decreased net loss) by approximately $76,000 or $.00 per share and $200,000 or $.01 per share, respectively during the three and nine months ended March 31, 2003.

Note 5. Comprehensive income (loss)

Total comprehensive income (loss) during the three and nine month periods ended March 31, 2003 and 2002 were as follows:

<TABLE>
<CAPTION>

| | Three months ended March 31, 2003 | Three months ended March 31, 2002 | Nine months ended March 31, 2003 | Nine months ended March 31, 2002 | Accumulated at March 31, 2003 |
|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> |
| Net income (loss) | $ 230,282 | $ 2,970 | $(525,628) | $ (305,453) | |
| Foreign currency translation adjustments | 1,325,758 | 745,640 | 1,265,110 | 750,705 | $ (7,649,200) |
| Reclassification adjustment | - | | 44,054 | | |
| Unrealized gain (loss) on available -for-sale securities | - | (61,600) | 6,160 | (209,440) | - |
| Total comprehensive income (loss) | $1,556,040 | $687,010 | $789,696 | $235,812 | $(7,649,200) |

</TABLE>

Note 6. Investment in MPAL

During the nine months ended March 31, 2003, MPC purchased 183,915 shares of MPAL at an approximate cost of $174,000 and increased its ownership in MPAL from 52.0% to 52.44%. The difference between the acquisition cost of the MPAL shares and the book value of the additional MPAL interest acquired is allocated to oil and gas properties.

Note 7. Earnings per share

Earnings per common share are based upon the weighted average number of common and common equivalent shares outstanding during the period. The Company's basic and diluted calculations of EPS are the same for the three and nine month periods ended March 31, 2003 and 2002 because the exercise of options is not assumed in calculating diluted EPS, as the result would be anti-dilutive. The exercise price of outstanding stock options exceeded the average market price of the common stock during the 2003 and 2002 periods.

Note 8. Segment Information

The Company has two reportable segments, MPC and its subsidiary, MPAL. Each company is in the same business; MPAL is also a publicly held company with its shares traded on the Australian Stock Exchange. MPAL issues separate audited consolidated financial statements and operates independently of MPC. Segment information (in thousands) for the Company's two operating segments is as follows:

<TABLE>
<CAPTION>

| | Three months ended March 31, 2003 | Three months ended March 31, 2002 | Nine months ended March 31, 2003 | Nine months ended March 31, 2002 |
|---|---|---|---|---|
| Revenues: | | | | |
| <S> | <C> | <C> | <C> | <C> |
| MPC | $ 185 | $ 135 | $ 1,093 | $ 1,054 |
| MPAL | 3,886 | 3,234 | 10,735 | 10,001 |
| Intersegment dividend | - | - | (686) | (624) |
| Total consolidated revenues | $ 4,071 | $ 3,369 | $ 11,142 | $ 10,431 |

| | | | | |
|---|---|---|---|---|
| Net income (loss) before cumulative effect of accounting change: | | | | |
| MPC | $ (70) | $ (80) | $ 274 | $ 304 |
| MPAL | 300 | 83 | 624 | 15 |
| Intersegment dividend | - | - | (686) | (624) |
| Consolidated net income (loss) | $ 230 | $ 3 | $ 212 | $ (305) |
| Net income (loss): | | | | |
| MPC | $ (70) | $ (80) | $ 274 | $ 304 |
| MPAL | 300 | 83 | (114) | 15 |
| Intersegment dividend | - | - | (686) | (624) |
| Consolidated net income (loss) | $ 230 | $ 3 | $ (526) | $ (305) |

</TABLE>

## Note 9. Unrealized Gain on Securities Held for Investment

During August 1999, MPC sold its interest in the Tapia Canyon, California heavy oil project for its approximate cost of $101,000 and received shares of stock in the purchaser. During late December 2000, the purchaser became a public company (Sefton Resources, Inc) which is listed on the London Stock Exchange. At September 30, 2002, MPC owned approximately 2% of Sefton Resources, Inc. with a fair market value of $49,280 and a cost of $93,334 which was included in other assets. The $44,054 had been recorded as unrealized loss on available-for-sale securities as of September 30, 2002. Effective November 30, 2002, MPC sold all of its interest in Sefton Resources for $100,000 and recognized a gain of $6,666. Payment was in the form of a 10% promissory note which is payable in installments as follows: $25,000 on March 31, 2003, $25,000 on June 30, 2003 and $50,000 on September 30, 2003. As of May 12, 2003, the interest due on the March 31, 2003 installment had been paid but not the principal amount of $25,000.

## Note 10. Exploration and Dry Hole Costs

The 2003 and 2002 costs related primarily to the exploration work being performed on MPAL's offshore Western Australia properties. The costs in 2003 also include the dry hole costs (a total of $586,000) of the two wells drilled in the Cooper Basin in South Australia. The costs in 2002 include the dry hole costs (a total of $2.3 million) of the Carbine-1 and the Marabou-1 wells which were drilled in the Browse Basin offshore Western Australia.

## Note 11. Asset Retirement Obligation

Effective July 1, 2002, the Company adopted the provisions of SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS 143 requires legal obligations associated with the retirement of long-lived assets to be recognized at their fair value at the time that the obligations are incurred. Upon initial recognition of a liability, that cost is capitalized as part of the related long-lived asset (oil & gas properties) and amortized on a units-of-production basis over the life of the related reserves. Accretion expense in connection with the discounted liability is recognized over the remaining life of the related reserves. The estimated liability is based on the future estimated cost of plugging the existing oil and gas wells and removing the surface facilities equipment in the Palm Valley and Mereenie fields in the Northern Territory of Australia. The liability is a discounted liability using a credit-adjusted risk-free rate of approximately 8%. Revisions to the liability could occur due to changes in the estimates of these costs.

Upon the adoption of SFAS 143, the Company recorded a discounted liability (Asset retirement obligation) of $3,794,000, increased oil and gas properties by $526,000 and recognized a one-time, cumulative effect after-tax charge of $738,000 (net of $316,000 deferred tax benefit and minority interest of $680,000) which has been included in net loss for the nine month period ended

March 31, 2003.

If the provisions of SFAS 143 had been adopted in prior years, net income would have decreased by approximately $21,000 and net loss increased $65,000 for the three and nine months ended March 31, 2002, respectively. The adoption of SFAS 143 increased net income before cumulative effect of accounting change by approximately $30,000 and decreased net loss by $4,000 for the three and nine months ended March 31, 2003 and is estimated to reduce fiscal year 2003 earnings before cumulative effect of accounting change by approximately $74,000.

The pro forma effects for the three and nine month periods ended March 31, 2003 and 2002, assuming the adoption of SFAS 143 as of July 1, 2001, were not material to earnings per share.

A reconciliation of the Company's asset retirement obligation for the nine months ended March 31, 2003, is as follows:

| | |
|---|---|
| Upon adoption at July 1, 2002 | $3,794,000 |
| Liabilities incurred | - |
| Liabilities settled | (59,000) |
| Accretion expense | 229,000 |
| Revisions to estimate | - |
| Exchange effect | 278,000 |
| Balance at March 31, 2003 | $4,242,000 |

During the three months ended December 31, 2002, two wells were plugged and abandoned in the Mereenie field at a cost of approximately $86,000. The $27,000 difference between the amount of the asset retirement obligation of $59,000 and the abandonment costs of $86,000 is included in production costs.

## Note 12. Commitments

MPAL has required commitments for exploration expenditures to evaluate certain of its exploration permits. MPAL expects to fund its exploration costs through its cash and cash equivalents and cash flow from Australian operations. MPAL also expects that it will seek partners to share the exploration costs. MPAL has entered into farmout agreements covering the Cooper Basin, the Maryborough Basin and offshore Western Australia which will reduce both the amount of MPAL's interest in the properties and the required expenditures of $2,323,000 in fiscal 2003 by approximately $900,000.

## Note 13. Accounts and Notes Receivable and Accounts Payable

Accounts and notes receivable consist primarily of the amounts due from the sale of oil and gas ($2,615,000) and the amounts due from working interest partners ($1,259,000). Accounts payable consist primarily of the unpaid costs to drill the Strumbo-1 well and the Gregory River-3 well. In addition, accounts payable includes approximately $905,000 of funds received from a working interest partner to conduct the seismic survey on Permits WA-306-P and WA-307-P. A corresponding amount is included in cash and cash equivalents.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Forward Looking Statements

Statements included in Management's Discussion and Analysis of Financial Condition and Results of Operations which are not historical in nature are intended to be, and are hereby identified as, forward looking statements for purposes of the "Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995. The Company cautions readers that forward looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in the forward looking statements. Among these risks and uncertainties are uncertainties as to the costs, length and outcome of the Kotaneelee litigation, and any settlements related thereto, pricing and production levels from the properties in which the Company has interests, and the extent of the recoverable reserves at those properties. The Company undertakes no obligation to update or revise forward looking statements, whether as a result of new information, future events, or otherwise.

Critical Accounting Policies
- ----------------------------

Oil and Gas Properties
- ----------------------

The Company follows the successful efforts method of accounting for its oil and gas operations. Under this method, the costs of successful wells, development dry holes and productive leases are capitalized and amortized on a units-of-production basis over the life of the related reserves. Cost centers for amortization purposes are determined on a field-by-field basis. The Company records its proportionate share in joint venture operations in the respective classifications of assets, liabilities and expenses. Unproved properties with significant acquisition costs are periodically assessed for impairment in value, with any impairment charged to expense. The successful efforts method also imposes limitations on the carrying or book value of proved oil and gas properties. Oil and gas properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The Company estimates the future undiscounted cash flows from the affected properties to determine the recoverability of carrying amounts. In general, analyses are based on proved reserves, except in circumstances where it is probable that additional resources will be developed and contribute to cash flows in the future.

Exploratory drilling costs are initially capitalized pending determination of proved reserves but are charged to expense if no proved reserves are found. Other exploration costs, including geological and geophysical expenses, leasehold expiration costs and delay rentals, are expensed as incurred.

Asset Retirement Obligation
- ---------------------------

Effective July 1, 2002, the Company adopted the provisions of SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS 143 requires legal obligations associated with the retirement of long-lived assets to be recognized at their fair value at the time that the obligations are incurred. Upon initial recognition of a liability, that cost is capitalized as part of the related long-lived asset (oil & gas properties) and amortized on a units-of-production basis over the life of the related reserves. Accretion expense in connection with the discounted liability is recognized over the remaining life of the related reserves.

The estimated liability is based on the future estimated cost of plugging the existing oil and gas wells and removing the surface facilities equipment in the Palm Valley and Mereenie fields in the Northern Territory of Australia. The liability is a discounted liability using a credit-adjusted risk-free rate of approximately 8%. Revisions to the liability could occur due to changes in the estimates of these costs.

Revenue Recognition
- -------------------

The Company recognizes oil and gas revenue from its interests in producing wells as oil and gas is produced and sold from those wells. Oil and gas sold is not significantly different from the Company's share of production. Revenues from the purchase, sale and transportation of natural gas are recognized upon completion of the sale and when transported volumes are delivered. Shipping and handling costs in connection with such deliveries are included in production costs. Revenue under carried interest agreements is recorded in the period when the net proceeds become receivable, measurable and collection is reasonably assured. The time the net revenues become receivable and collection is reasonably assured depends on the terms and conditions of the relevant agreements and the practices followed by the operator. As a result, net revenues may lag the production month by one or more months.

Liquidity and Capital Resources
- -------------------------------

Consolidated
- ------------

At March 31, 2003, the Company on a consolidated basis had approximately $20.8 million in cash and cash equivalents and marketable securities.

A summary of the major changes in cash and cash equivalents during the nine month period ended March 31, 2003 is as follows:

| | |
|---|---|
| Cash and cash equivalents at beginning of period | $15,785,000 |
| Net cash provided by operations | 4,893,000 |
| Marketable securities purchased | (1,671,000) |
| Marketable securities sold or matured | 1,303,000 |
| Net additions to property and equipment | (2,046,000) |
| Sale of available-for-sale securities | 93,000 |
| Dividends to MPAL minority shareholders | (628,000) |
| Repurchase of common stock | (139,000) |
| Effect of exchange rate changes | 1,139,000 |
| Cash and cash equivalents at end of period | $18,729,000 |

Prior to the Kotaneelee field reaching undisputed payout status during fiscal year 2001, the operator of the Kotaneelee field had been reporting and depositing in escrow its share of the disputed amount of MPC's share of net revenues. Based on the reported data, the Company believes the total amount due MPC at March 31, 2003 (including interest) was at least $1.5 million. The disputed amount, which has not been included in income, represents gas processing fees claimed by the working interest partners. The trial court ruled in favor of the Company on this issue. However, in December 2001, the defendants filed a notice of appeal of the trial court's decision. The court also made no ruling on the issue of taxable costs of the litigation. Due to the uncertainty of the litigation, the Company will not accrue the $1.5 million estimated amount due until the uncertainty is resolved.

The trial was lengthy, complicated and costly to all parties. The court has very broad discretion as to whether to award costs and disbursements and as to the calculation of the amount to be awarded. Accordingly, MPC is unable to determine whether costs will be assessed against MPC or in what amount. However, since the costs incurred by the defendants have been substantial, and since the court has broad discretion in the awarding of costs, an award to the defendants potentially could be material. Costs may be assessed jointly and severally against nonprevailing parties. MPC has not agreed to share any costs that might be assessed against Canada Southern which initiated the lawsuit and would seek to be indemnified by Canada Southern for any such costs.

As to MPC
- ---------

At March 31, 2003, MPC, on an unconsolidated basis, had working capital of approximately $2.8 million. MPC's current cash position, its annual MPAL dividend and the anticipated revenue from the Kotaneelee field should be adequate to meet its current cash requirements. MPC has in the past invested and may in the future invest substantial portions of its cash to maintain its majority interest in its subsidiary, MPAL. During fiscal 2003, MPC purchased 183,915 shares of MPAL's stock at a cost of approximately $174,000 and increased its ownership in MPAL from 52.0% to 52.44%.

During November 2002, MPC received a dividend from MPAL of approximately $686,000, which was added to MPC's working capital.

During December 2000, MPC announced a stock repurchase plan to purchase up to one million shares of its common stock in the open market. At March 31, 2003, MPC had purchased 645,850 of its shares at a cost of approximately $645,000.

As to MPAL
- ----------

At March 31, 2003, MPAL had working capital of approximately $17.8

million. MPAL has budgeted approximately $3.5 million for specific exploration projects in the fiscal year 2003 as compared to the $4.1 million expended during fiscal 2002. However, the total amount to be expended may vary depending on when various projects reach the drilling phase. The current composition of MPAL's oil and gas reserves is such that MPAL's future revenues in the long term are expected to be derived from the sale of gas in Australia. MPAL's current contracts for the sale of Palm Valley and Mereenie gas will expire between the fiscal year 2009 and 2012. Unless MPAL is able to obtain additional contracts for its remaining gas reserves or be successful in its current exploration program, its revenues will be materially reduced after 2009.

The following is a summary of MPAL's required and contingent commitments for exploration expenditures for the five year period ending June 30, 2007. The contingent amounts will be dependent on such factors as the results of the current program to evaluate the exploration permits, drilling results and MPAL's financial position.

| Fiscal Year | Required Expenditures | Contingent Expenditures | Total |
|---|---|---|---|
| 2003 | $2,323,000 | $ 84,000 | $ 2,407,000 |
| 2004 | 879,000 | 7,945,000 | 8,824,000 |
| 2005 | 963,000 | 14,113,000 | 15,076,000 |
| 2006 | 616,000 | 2,454,000 | 3,070,000 |
| 2007 | - | 1,421,000 | 1,421,000 |
| Total | $4,781,000 | $26,017,000 | $30,798,000 |

MPAL expects to fund its exploration costs through its cash and cash equivalents and cash flow from Australian operations. MPAL also expects that it will seek partners to share the above exploration costs. If MPAL's efforts to find partners are unsuccessful, it may be unable or unwilling to complete the exploration program for some of its properties. MPAL also expects that it will seek partners to share the exploration costs. MPAL has entered into farmout agreements covering the Cooper Basin, the Maryborough Basin and offshore Western Australia which will reduce both the amount of MPAL's interest in the properties and the required expenditures of $2,323,000 in fiscal 2003 by approximately $900,000.

The operator of the Mereenie field is implementing an extensive program for additional drilling and capital improvements to meet gas sales' contract requirements. MPAL's estimated cost of these proposed expenditures is approximately $11.7 million.

## Results of Operations

### New Accounting Standards

Effective July 1, 2002, the Company adopted the provisions of SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS 143 requires legal obligations associated with the retirement of long-lived assets to be recognized at their fair value at the time that the obligations are incurred. Upon initial recognition of a liability, that cost is capitalized as part of the related long-lived asset (oil & gas properties) and amortized on a units-of-production basis over the life of the related reserves. Accretion expense in connection with the discounted liability is recognized over the remaining life of the related reserves. The estimated liability is based on the future estimated cost of plugging the existing oil and gas wells and removing the surface facilities equipment in the Palm Valley and Mereenie fields in the Northern Territory of Australia. The liability is a discounted liability using a credit-adjusted risk-free rate of approximately 8%. Revisions to the liability could occur due to changes in the estimates of these costs.

Upon the adoption of SFAS 143, the Company recorded a discounted liability (Asset retirement obligation) of $3,794,000, increased oil and gas properties by $526,000 and recognized a one-time, cumulative effect after-tax charge of $738,000 (net of $316,000 deferred tax benefit and minority interest of $680,000) which has been included in net loss for the nine month period ended March 31, 2003.

If the provisions of SFAS 143 had been adopted in prior years, net income would have decreased by approximately $21,000 and net loss increased $65,000 for the three and nine months ended March 31, 2002, respectively. The adoption of SFAS 143 increased net income before cumulative effect of accounting change by approximately $30,000 and decreased net loss by $4,000 for the three and nine months ended March 31, 2003 and is estimated to reduce fiscal year 2003 earnings before cumulative effect of accounting change by approximately $74,000.

The pro forma effects for the three and nine month periods ended March 31, 2003 and 2002, assuming the adoption of SFAS 143 as of July 1, 2001, were not material to earnings per share.

Three months ended March 31, 2003 vs. March 31, 2002
- ----------------------------------------------------

The components of consolidated net income for the comparable periods were as follows:

| | Three months ended March 31, 2003 | 2002 |
|---|---|---|
| MPC unconsolidated pretax loss | $ (31,664) | $ (62,856) |
| MPC income tax expense | (37,860) | (17,194) |
| Share of MPAL pretax income | 378,939 | 87,263 |
| Share of MPAL income tax (provision) | (79,133) | (4,243) |
| Consolidated net income | $ 230,282 | $ 2,970 |
| Net income per share (basic & diluted) | $ .01 | $ - |

Revenues
--------

Oil sales increased 31% in the current quarter to $982,000 from $749,000 in 2002 because of a 28% increase in oil prices and the 15% Australian foreign exchange rate increase discussed below which was partially offset by a 9% decrease in the number of units sold. Oil unit sales are expected to continue to decline unless additional development wells are drilled to maintain production levels. MPAL is dependent on the operator (65% control) of the Mereenie field to maintain production. Oil unit sales (before deducting royalties) in barrels (bbls) and the average price per barrel sold during the periods indicated were as follows:

<TABLE>
<CAPTION>

| | Three months ended March 31, 2003 Sales | | 2002 Sales | |
|---|---|---|---|---|
| | Bbls | Average price per bbl | Bbls | Average price per bbl |
| <S> | <C> | <C> | <C> | <C> |
| Australia-Mereenie | 36,676 | A.$49.44 | 40,378 | A.$38.52 |

</TABLE>

Gas sales increased 12% to $2,498,000 in 2003 from $2,238,000 in 2002 because of the 15% Australian foreign exchange rate increase discussed below which was partially offset by a 2% decrease in the volume of gas sold and Gas sales in 2003 include $163,000 ($109,000 in 2002) of gas sales from the Kotaneelee field for the production period Nov. 2002 - Jan. 2003. The volumes in billion cubic feet (bcf) (before deducting royalties) and the average price of gas per thousand cubic feet (mcf) sold during the periods indicated were as follows:

<TABLE>
<CAPTION>

| Three months ended March 31, 2003 Sales | | 2002 Sales | |
|---|---|---|---|
| bcf | Average price per mcf (A.$) | bcf | Average price per mcf (A.$) |

| | | | | |
|---|---|---|---|---|
| Australia: Palm Valley | | | | |
| <S> | <C> | <C> | <C> | <C> |
| Alice Springs contract | .019 | 3.29 | .149 | 3.20 |
| Darwin contract | .737 | 2.11 | .651 | 2.09 |
| Australia: Mereenie | | | | |
| Darwin contact | .978 | 2.84 | .897 | 2.64 |
| Other | .009 | 3.60 | .087 | 3.74 |
| | ---- | | ---- | |
| Total | 1.743 | | 1.784 | |
| | ===== | | ===== | |

</TABLE>

Other production related revenues increased 52% to $384,000 in 2003 from $253,000 in 2002. Other production related revenues are primarily MPAL's share of gas pipeline tariff revenues which increased as a result of the higher volumes of gas sold and increased prices.

Interest and other income increased 59% to $207,000 in 2003 from $130,000 in 2002 because of the 15% Australian foreign exchange rate increase discussed below and additional funds were available for investment.

Costs and Expenses
------------------

Production costs increased 30% in 2003 to $1,169,000 from $897,000 in 2002 primarily because of the 15% Australian foreign exchange rate increase discussed below. During 2003, two wells were plugged and abandoned in the Mereenie field at a cost of approximately $86,000. The $27,000 difference between the amount of the asset retirement obligation of $59,000 and the abandonment costs of $86,000 is included in production costs. In addition, a Mereenie two well workover program was completed during the current quarter.

Exploration and dry hole costs decreased 34% to $656,000 in 2003 from $987,000 in 2002. The 2003 and 2002 costs related primarily to the exploration work being performed on MPAL's properties.

Salaries and employee benefits increased 71% to $469,000 in 2003 from $275,000 in 2002. During 2002, MPAL changed its classification of salary costs as overhead charged to its joint venture partners. Although this change resulted in an amount of $72,000 being charged to salaries and employee benefits there was a corresponding credit of $72,000 in other administrative expenses. In addition, there was a 15% increase in the Australian foreign exchange rate as discussed below. There were also regular annual increases in salaries.

Depletion, depreciation and amortization increased 2% from $890,000 in 2002 to $907,000 in 2003. During 2003, the Palm Valley gas reserves were increased by approximately 35% to reflect the current operating performance of the field and the capability of the field to produce additional quantities of gas. This change reduced the DD&A expense for the 2003 period by approximately $156,000. In addition, based on a recent study, salvage value was included in the calculation of DD&A. This change reduced the DD&A expense by approximately $52,000 for the 2003 period. The decrease in DD&A was partially offset by the 15% increase in the Australian exchange rate discussed below.

Auditing, accounting and legal expenses increased 23% from $40,000 in 2002 to $49,000 in 2003 because of an increase in MPC's and MPAL's audit fees and the 15% increase in the Australian exchange rate discussed below.

Accretion expense was $80,000 in the 2003 period. Accretion expense represents the accretion on the Asset Retirement Obligation under SFAS 143 which was adopted effective July 1, 2002. The corresponding expense for the 2002 period would have been $64,000.

Shareholder communications increased 13% from $30,000 in 2002 to $34,000 in 2003 primarily because of increased stock exchange listing fees.

Other administrative expenses decreased 91% from $144,000 in 2002 to $13,000 in 2003 because of an increase in the amount of overhead that MPAL, as operator, charged its partners during 2003. During 2003, MPAL changed its classification of salary costs as overhead charged to its joint venture partners. Although this change resulted in an amount of $72,000 being charged to salaries and employee benefits there was a corresponding credit of $72,000 in other administrative expenses. The increase in the amount of overhead charged was partially offset by increases in other categories of administrative expenses.

Income Taxes
------------

Income tax provision increased in 2003 from $26,000 in 2002 to $190,000. The components of the income tax (in thousands) between MPC and MPAL were as follows:

| | 2003 | 2002 |
|---|---|---|
| Pretax consolidated income | $ 693 | $ 107 |
| MPC's losses not recognized | 32 | 63 |
| Permanent differences | (217) | (139) |
| Book taxable income | $ 508 | $ 31 |
| Australian tax rate | 30% | 30% |
| Australian income tax (provision) | $ (152) | $ ( 9) |
| MPC income tax (provision) | (38) | (17) |
| Consolidated income tax (provision) | $ (190) | $ (26) |
| Current income tax (provision) | $ (38) | $ (17) |
| Deferred income tax (provision) | (152) | (9) |
| Consolidated income (provision) | $ (190) | $ (26) |
| Effective tax rate | 27% | 25% |

MPC's 2003 and 2002 income tax provisions represent the 25% Canadian withholding tax on its Kotaneelee gas field carried interest net proceeds.

Exchange Effect
---------------

The value of the Australian dollar relative to the U.S. dollar increased to $.6033 at March 31, 2003 compared to a value of $.5612 at December 31, 2002. This resulted in a $1,326,000 credit to the foreign currency translation adjustments account for the three months ended March 31, 2003. The average exchange rate used to translate MPAL's operations in Australia was $.5938 for the quarter ended March 31, 2003, which is a 15% increase compared to the $.5186 rate for the quarter ended March 31, 2002.

Nine months ended March 31, 2003 vs. March 31, 2002
- --------------------------------------------------

The components of consolidated net loss for the comparable periods were as follows:

<TABLE>
<CAPTION>

| | Nine months ended March 31, 2003 | 2002 |
|---|---|---|
| <S> | <C> | <C> |
| MPC unconsolidated pretax loss | $(332,632) | $(244,630) |
| MPC income tax expense | (79,416) | (75,163) |
| Share of MPAL pretax income (loss) | 791,552 | (113,660) |
| Share of MPAL income tax (provision) benefit | (167,191) | 128,000 |
| Share of MPAL cumulative effect of accounting change | (737,941) | - |
| Consolidated net loss | $ (525,628) | $ (305,453) |
| Net loss per share (basic & diluted) | $ (.02) | $ (.01) |

</TABLE>

Revenues

--------

Oil sales increased 3% in 2003 to $2,507,000 from $2,435,000 in 2002 primarily because of a 10% increase in oil prices and the 10% Australian foreign exchange rate increase discussed below which was partially offset by a 14% decrease in the number of units sold. Oil unit sales are expected to continue to decline unless additional development wells are drilled to maintain production levels. MPAL is dependent on the operator (65% control) of the Mereenie field to maintain production. Oil unit sales (before deducting royalties) in barrels (bbls) and the average price per barrel sold during the periods indicated were as follows:

<TABLE>
<CAPTION>

| | Nine months ended March 31, 2003 Sales | | 2002 Sales | |
|---|---|---|---|---|
| | Bbls | Average price per bbl | bbls | Average price per bbl |
| Australia-Mereenie | 106,686 | A.$45.44 | 123,495 | A.$41.47 |

</TABLE>

Gas sales increased 13% to $7,153,000 in 2003 from $6,312,000 in 2002 primarily because of the 10% Australian foreign exchange rate increase discussed below. Gas sales in 2003 include $334,000 ($341,000 in 2002) of gas sales from the Kotaneelee field for the production period May 2002 - Jan. 2003. The volumes in billion cubic feet (bcf) (before deducting royalties) and the average price of gas per thousand cubic feet (mcf) sold during the periods indicated were as follows:

<TABLE>
<CAPTION>

| | Nine months ended March 31, 2003 Sales | | 2002 Sales | |
|---|---|---|---|---|
| | bcf | Average price per mcf (A.$) | bcf | Average price per mcf (A.$) |
| Australia: Palm Valley | | | | |
| Alice Springs contract | .529 | 3.26 | .707 | 3.10 |
| Darwin contract | 1.804 | 2.11 | 1.695 | 2.06 |
| Australia: Mereenie | | | | |
| Darwin contact | 2.733 | 2.76 | 2.434 | 2.45 |
| Other | .072 | 3.62 | .279 | 3.53 |
| Total | 5.138 | | 5.115 | |

</TABLE>

Other production related revenues decreased 30% to $849,000 in 2003 from $1,211,000 in 2002. The primary reason for this decrease was that MPAL's share of gas pipeline tariffs in 2002 included an additional amount of $472,000 of pipeline tariff revenue to reflect a resolution of a dispute regarding the calculation of the pipeline tariffs.

Interest and other income increased 34% to $632,000 in 2003 from $472,000 in 2002 because of the 10% Australian foreign exchange rate increase discussed below and additional funds were available for investment.

Costs and Expenses
------------------

Production costs increased 12% in 2003 to $3,065,000 from $2,735,000 in 2002 primarily because of the 10% increase in the Australian foreign exchange rate as discussed below. During 2003, two wells were plugged and abandoned in the Mereenie field at a cost of approximately $86,000. The $27,000 difference between the amount of the asset retirement obligation of $59,000 and the abandonment costs of $86,000 is included in production costs. In addition, a Mereenie two well workover program was completed during the current quarter.

Exploration and dry hole costs decreased 48% to $1,952,000 in 2003 from $3,720,000 in 2002. The 2003 and 2002 costs related primarily to the exploration work being performed on MPAL's offshore Western Australia properties. In addition, the costs in 2002 include the dry hole costs (a total of $2.3 million) of the Carbine-1 and the Marabou-1 wells which were drilled in the Browse Basin offshore Western Australia. The costs in 2003 also include the dry hole costs (a total of $586,000) of the two wells drilled in the Cooper Basin in South Australia.

Salaries and employee benefits increased 50% to $1,416,000 in 2003 from $944,000 in 2002. During 2003, MPAL changed its classification of salary costs as overhead charged to its joint venture partners. Although this change resulted in an amount of $301,000 being charged to salaries and employee benefits there was a corresponding credit of $301,000 in other administrative expenses. In addition, there was a 10% increase in the Australian foreign exchange rate as discussed below. There were also regular annual increases in salaries.

Depletion, depreciation and amortization expense was essentially unchanged from $2,553,000 in 2002 to $2,563,000 in 2003. During 2003, the Palm Valley gas reserves were increased by approximately 35% to reflect the current operating performance of the field and the capability of the field to produce additional quantities of gas. This change reduced the DD&A expense for 2003 by approximately $405,000. In addition, based on a recent study, salvage value was included in the calculation of DD&A. This change reduced the DD&A expense by approximately $145,000 for 2003. The decrease in DD&A was partially offset by the 10% increase in the Australian exchange rate discussed below.

Auditing, accounting and legal expenses increased 52% from $206,000 in 2002 to $314,000 in 2003 because of an increase in MPC's and MPAL's audit fees and the 10% increase in the Australian exchange rate discussed below.

Accretion expense was $229,000 in 2003. Accretion expense represents the accretion on the Asset Retirement Obligation under SFAS 143 which was adopted effective July 1, 2002. The corresponding expense for 2002 would have been $192,000.

Shareholder communications increased 7% from $139,000 in 2002 to $149,000 in 2003 primarily because of MPAL's increased costs in satisfying its statutory obligations in Australia as a public company and MPC's costs in holding its Annual Meeting of Shareholders.

Other administrative expenses decreased 129% from $599,000 in 2002 to $262,000 in 2003 because of an increase in the amount of overhead that MPAL, as operator, charged its partners during 2003. During 2003, MPAL changed its classification of salary costs as overhead charged to its joint venture partners. Although this change of $301,000 resulted in an amount being charged to salaries and employee benefits there was a corresponding credit of $301,000 in other administrative expenses. The increase in the amount of overhead charged was partially offset by increases in other categories of administrative expenses.

## Income Taxes

Income tax provision increased in 2003 from an income tax benefit of $172,000 in 2002 to an income tax provision of $403,000 in 2003. The components of income tax (in thousands) between MPC and MPAL were as follows:

| | 2003 | 2002 |
|---|---|---|
| Pretax consolidated income (loss) | $ 1,192 | $ (464) |
| MPC's losses not recognized | 333 | 245 |
| Permanent differences | (448) | (602) |
| Book taxable income (loss) | $ 1,077 | $ (821) |
| Australian tax rate | 30% | 30% |
| Australian income tax benefit (provision) | $ (323) | $ 245 |
| MPC income tax (provision) | (80) | (77) |

| | | |
|---|---|---|
| Consolidated income tax benefit (provision) | $ (403) | $ 172 |
| | | |
| Current income tax (provision) | $ (80) | $ (77) |
| Deferred income tax benefit (provision) | (323) | 245 |
| Consolidated income tax benefit (provision) | $ (403) | $ 172 |
| | | |
| Effective tax rate | 34% | (37)% |

MPAL's loss during the 2002 period resulted in the income tax benefit. MPC's 2003 and 2002 income tax provisions represent the 25% Canadian withholding tax on its Kotaneelee gas field carried interest net proceeds.

### Exchange Effect

The value of the Australian dollar relative to the U.S. dollar increased to $.6033 at March 31, 2003 compared to its value of $.5635 at June 30, 2002. This resulted in a $1,265,000 credit to the foreign currency translation adjustments account for the nine months ended March 31, 2003. The 7.1% increase in the value of the Australian dollar increased the reported asset and liability amounts in the balance sheet at March 31, 2003 from the June 30, 2002 amounts. The average exchange rate used to translate MPAL's operations in Australia was $.5664 for the nine months ended March 31, 2003, which is a 10% increase compared to the $.5146 rate for the nine months ended March 31, 2002.

## Item 3. Quantitative and Qualitative Disclosure About Market Risk

The Company does not have any significant exposure to market risk other than as previously discussed regarding foreign currency risk, as the only market sensitive instruments are its investments in marketable securities. At March 31, 2003, the carrying value of such investments (including those classified as cash and cash equivalents) was approximately $20.6 million, which approximates the fair value of the securities. Since the Company expects to hold the investments to maturity, the maturity value should be realized.



## Item 4. Disclosure Controls and Procedures

I, James R. Joyce, the principal executive officer and the principal financial officer, have evaluated the Company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) adopted under the Securities Act of 1934) within the ninety (90) day period prior to the date of this report and have concluded:

1. That the Company's disclosure controls and procedures are adequately designed to ensure that material information relating to the Company, including its consolidated subsidiaries, is timely made known to such officers by others within the Company and its subsidiaries, particularly during the period in which this quarterly report is being prepared; and

2. That there were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of my evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

MAGELLAN PETROLEUM CORPORATION

PART II - OTHER INFORMATION

March 31, 2003

Item 5. Other Information

During April 2003, MPAL increased its interest in permits WA-306-P and WA-307-P from 37.5% to 50%, after one of the other partners withdrew from the joint venture. The permits are located in the Brownse Basin offshore Western Australia. On April 24, 2003, the joint venture commenced a 2-D seismic survey of 653 miles over the permits covering approximately 2 million acres.

On May 12 2003, the Gregory River-3 well in ATP613P (Maryborough Basin) was still drilling. MPAL will be participating (50%) in any cost of the well in excess of $3 million. The well is estimated to cost A.$4.6 million and MPAL's share is estimated to be approximately A$800,000 (U.S. $510,000).

MPAL and its partner, Beach Petroleum are planning to drill three new wells in the Copper Basin, South Australia. One well will be drilled on each of the permits PEL 110, PEL 94 and PEL 95 during July, August and September 2003. The Aldinga well which was drilled on PEL 94 in September 2002 is scheduled to begin a long term production test during mid-May 2003.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

99 (1) Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 executed by James R. Joyce.

(b) Reports on Form 8-K

None

MAGELLAN PETROLEUM CORPORATION

FORM 10-Q

March 31, 2003

SIGNATURES

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

MAGELLAN PETROLEUM CORPORATION

Registrant

Date: May 13, 2003 By /s/ James R. Joyce

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James R. Joyce, President and
Chief Financial and
Accounting Officer

Form 10-Q

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Magellan Petroleum Corporation

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Rule 13a-14 Certification

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I, James R. Joyce, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Magellan Petroleum Corporation.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 13, 2003

/s/ James R. Joyce<br>---------------------------------<br>James R. Joyce<br>President and Chief Accounting<br>and Financial Officer

Exhibit 99 (1)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Magellan Petroleum Corporation (the "Company") on Form 10-Q for the period ended March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James R. Joyce, President and Chief Accounting and Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: May 13, 2003 By /s/ James R. Joyce

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James R. Joyce
President and Chief Accounting
and Financial Officer

A signed original of this written statement required by Section 906 has been provided to Magellan Petroleum Corporation and will be retained by Magellan Petroleum Corporation and furnished to the Securities and Exchange Commission upon request.