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

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

For the fiscal year ended June 30, 2003

OR

[ ] 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
(Address of principal executive offices) (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common stock, par value $.01 per share | Boston Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act
(Title of Class)

Common stock, par value $.01 per share NASDAQ SmallCap Market

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (ss.229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. |X|

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 aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant at the $.85 closing price on December 31, 2002 (the last business day of the most recently completed second quarter) was $20,724,000.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

Common stock, par value $.01 per share, 25,727,376 shares outstanding as of September 23, 2003.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement related to the Annual Meeting of Stockholders for the fiscal year ended June 30, 2003, are incorporated by reference in Part III of this Form 10-K to the extent stated herein.

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Unless otherwise indicated, all dollar figures set forth herein are in United States currency. Amounts expressed in Australian currency are indicated as "A.$00". The exchange rate at September 23, 2003 was approximately A.$1.00 equaled U.S. $.68.

PART I

# Item 1. Business.

Magellan Petroleum Corporation (the Company or MPC) is engaged in the sale of oil and gas and the exploration for and development of oil and gas reserves. At June 30, 2003, MPC's principal asset was a 52.44% equity interest in its subsidiary, Magellan Petroleum Australia Limited (MPAL), which has one class of stock that is publicly held and traded in Australia.

MPAL's major assets are two petroleum production leases covering the Mereenie oil and gas field (35% working interest) and one petroleum production lease covering the Palm Valley gas field (52% working interest). Both fields are located in the Amadeus Basin in the Northern Territory of Australia. Santos Ltd., a publicly owned Australian company, owns a 48% interest in the Palm Valley field, a 65% interest in the Mereenie field and 18.2% of MPAL's outstanding stock. Origin Energy Limited, a publicly owned Australian company, owned 17.1% of MPAL's outstanding stock at June 30, 2003. On July 10, 2003, a subsidiary of Origin Energy, Sagasco Amadeus Pty. Limited, agreed to exchange 1.2 million shares of MPAL for 1.3 million shares of the Company's common stock. After the exchange was completed on September 2, 2003, MPC's interest in MPAL increased to 55% and Origin Energy's interest decreased to 14.5%.

MPC has a direct 2.67% carried interest in the Kotaneelee gas field in the Yukon Territory of Canada. During September 2003, the litigants in the Kotaneelee litigation entered into a settlement agreement. The Company will receive approximately $920,000, after Canadian withholding taxes and reimbursement of certain past legal costs. The plaintiffs will terminate all litigation against the defendants related to the field, including the claim that the defendants failed to fully develop the field. Since each party has agreed to bear its own legal costs, there will be no taxable costs assessed against any of the parties. See Item 3 - Legal Proceedings.

The following chart illustrates the various relationships between MPC and the various companies discussed above.

The following is a tabular presentation of the omitted material:

MPC - MPAL RELATIONSHIPS CHART

MPC owns 52.44% of MPAL.
MPC owns 2.67% of the Kotaneelee Field, Canada.
MPAL owns 52% of the Palm Valley Field, Australia.
MPAL owns 35% of the Mereenie Field, Australia.
Origin Energy Limited owns 17.1% of MPAL.
SANTOS owns 18.2% of MPAL.
SANTOS owns 48% of the Palm Valley Field, Australia.
SANTOS owns 65% of the Mereenie Field, Australia.

## (a) General Development of Business.

### Operational Developments Since the Beginning of the Last Fiscal Year.

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AUSTRALIA
- ---------

Mereenie
- --------

MPAL (35%) and Santos (65%), the operator, (together known as the Mereenie Producers) own the Mereenie field which is located in the Amadeus Basin of the Northern Territory. MPAL's share of the Mereenie field proved developed oil reserves was approximately 380,000 barrels and 12.1 billion cubic feet (bcf) of gas at June 30, 2003. The Mereenie Producers have agreed to install additional compression equipment in the field at a cost of $13.1 million (MPAL share $6.4 million) that will increase field deliverability and partially meet certain gas contract requirements. In addition, two gas wells will be drilled to meet the gas contractual requirements until June 2007.

During fiscal 2003, MPAL's share of oil sales was 145,000 barrels and 3.8 bcf of gas sold which is subject to net overriding royalties aggregating 4.0625% and the statutory government royalty of 10%. During fiscal 2003, the oil was transported by means of a 167-mile eight-inch oil pipeline from the field to an industrial park near Alice Springs. Most of the oil was then shipped south approximately 950 miles by rail and road to a refinery in the Adelaide area of South Australia. Effective July 1, 2003, the oil is being trucked to the Port Bonython Export Terminal, Whyalla, South Australia for sale at approximately the same cost as the previous method. The cost of transporting the oil to the terminal is being borne by the Mereenie Producers. The Mereenie Producers are providing Mereenie gas in the Northern Territory to the Power and Water Authority (PAWA) and Gasgo Pty. Ltd., a company PAWA wholly owns, for use in Darwin and other Northern Territory centers. See "Gas Supply Contracts" below.

The leases covering the Mereenie field were renewed in November 2002 for an additional term of 21 years.

Palm Valley
- -----------

MPAL has a 52% interest in, and is the operator, of the Palm Valley gas field which is also located in the Amadeus Basin of the Northern Territory. Santos, the operator of the Mereenie field, owns the remaining 48% interest in Palm Valley which provides gas to meet the Alice Springs and Darwin supply contracts with PAWA. See "Gas Supply Contracts" below. MPAL's share of the Palm Valley proved developed reserves was16.8 bcf at June 30, 2003. During fiscal 2003, MPAL's share of gas sales was 3.1 bcf which is subject to a 10% statutory government royalty and net overriding royalties aggregating 5%. MPAL plans to drill an additional development well, Palm Valley-11, later in 2003 to increase gas deliverability. PAWA will pay for the cost of the well under the gas supply agreement.

The leases covering the Palm Valley field are due to expire in November 2003 and applications have been made to the Northern Territory governmental authorities to renew the leases. Concurrently, negotiations have commenced with the Aboriginal landowners. MPAL expects that the leases will be renewed.

Gas Supply Contracts

In 1983, the Palm Valley Producers (MPAL and Santos) commenced the sale of gas to Alice Springs under a 1981 agreement. In 1985, the Palm Valley Producers and Mereenie Producers signed agreements for the sale of gas to PAWA for use in PAWA's Darwin generating station and at a number of other generating stations in the Northern Territory. The gas is being delivered via the 922-mile Amadeus Basin to Darwin gas pipeline which was built by an Australian consortium. Since 1985, there have been several additional contracts for the sale of Mereenie gas. Both the Palm Valley and Mereenie contracts expire in the year 2009. Under the 1985 contracts, there is a difference in price between Palm Valley gas and most of the Mereenie gas for the first 20 years of the 25 year contracts which takes into account the additional cost to the pipeline consortium to build a spur line to the Mereenie field and increase the size of the pipeline from Palm Valley to Mataranka. The price of gas under the Palm Valley and Mereenie gas contracts is adjusted quarterly to reflect changes in the Australian Consumer Price Index.

At June 30, 2003, MPAL's commitment to supply gas under the above agreements was as follows:

| Period | Bcf |
|---|---|
| Less than one year | 6.93 |
| Between 1-5 years | 27.54 |
| Greater than 5 years | 11.12 |
| Total | 45.59 |

Dingo Gas Field

MPAL has a 34.3% interest in the Dingo gas field which is subject to renewal in 2003. The Dingo gas field, which is located in the Amadeus Basin in the Northern Territory, has approximately 25 bcf of presently proved and recoverable reserves based on four delineation wells. MPAL's share of potential production from these permit areas is subject to a 10% statutory government royalty and overriding royalties aggregating 2.5043%. During July 2003, an application to renew the license for a term of five years was filed.

Browse Basin

During fiscal year 1999, MPAL (17.5%) and its partners were granted exploration permits WA-281-P, WA-282-P and WA-283-P in the Browse Basin offshore Western Australia. After a three year program of 2D and 3D seismic acquisition to define drilling prospects in the permits, two wells were drilled during fiscal year 2002. Both wells were dry holes at a total cost of $2.7 million to MPAL which is included in exploratory and dry hole costs. MPAL has withdrawn from all of these permits.

During fiscal year 2000, MPAL was granted exploration blocks WA-287-P and WA-288-P in the Eastern Browse Basin. During fiscal 2002, MPAL was granted a permit over area WA-311-P which is adjacent to WA-288-P. In 2002, INPEX Corporation, a Japanese company, earned a 65% interest in each permit by paying for the cost (except for MPAL's share of $150,000) of drilling the Strumbo-1 well that was a dry hole. MPAL retains a 35% interest in the permits. At June 30, 2003, MPAL's share of the work obligations of the three permits totaled $4,020,000, of which only $82,000 is obligatory.

Carnarvon Basin

During fiscal year 1999, MPAL was awarded permit WA-291-P, offshore Western Australia in the Carnarvon Basin. Tap Oil, an Australian company, has agreed to participate in the drilling of a well on the permit and has a 15% interest in the permit. MPAL is seeking additional partners to share the cost of drilling a well. At June 30, 2003, MPAL's share (85%) of the work obligations of the permit totaled $4,141,000, all of which is discretionary except for $29,000.

Maryborough Basin

MPAL holds an average 75% interest in exploration permit ATP 613P in the Maryborough Basin in Queensland, Australia. MPAL (100%) also has an application pending for permit ATP 674P which is adjacent to ATP 613P. Novus Australia Energy Company Limited earned a 50% interest in the North Area of the permit by drilling the Gregory River-3 well in 2003. The well was a dry hole and MPAL's share of the cost was $524,000. At June 30, 2003, MPAL's share of the work obligations of Permit ATP 613P totaled $810,000, of which $13,000 is obligatory.

Cooper / Eromanga Basin

PELA 94 & PELA 95

During fiscal year 1999, MPAL (50%) and its partner Beach Petroleum NL were successful in bidding for two exploration blocks (PEL 94 and PEL 95) in South Australia's Cooper Basin. During August 2002, Maslins-1, the first of a three well program, was drilled. The well was a dry hole. The second well, Aldinga-1 was completed in September 2002 and began producing in May 2003 at about 80 barrels of oil per day. The third well, Henley-1, which was drilled in early September 2002, was a dry hole. MPAL's share of the dry hole costs of the wells was approximately $600,000. During October 2003, the Waitpinga-1 well in PEL 94 is expected to be spudded with the Seacliff -1 well in PEL 95 to be spudded in November 2003. MPAL's share of the cost of both wells is estimated to be approximately $660,000. At June 30, 2003, MPAL's share of the work obligations of the two permits totaled $2,257,000, of which $1,280,000 is obligatory.

PELA 110 & PELA 116

During fiscal year 2001, MPAL and its partner Beach Petroleum NL were also successful in bidding for two additional exploration blocks, PELA 110 (37.5%) and PELA 116 (50%) in the Cooper Basin. At June 30, 2003, MPAL's share of the work obligations of the two permits totaled $1,903,000, of which $909,000 is obligatory. During October 2003, the Semaphore-1 well in PEL 110 is expected to be spudded with MPAL's share of the cost estimated to be $240,000.

Nockatunga, Queensland

During July 2003, MPAL reached an agreement with Voyager Energy Limited for the purchase of their 40.936% working interest (38.703 net revenue interest) in the Nockatunga Project in southwest Queensland. The assets comprise several producing oil fields in PLs 33, 50 and 51 together with exploration acreage in ATP 267P at a purchase price of approximately $1.4 million. The project is currently producing about 350 barrels of oil per day (MPAL share 135 bbls). A well is planned for PL 51 in October 2003 with MPAL's share of the cost estimated to be approximately $271,000.

Canning Basin
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During fiscal year 2001, MPAL acquired a 50% working interest in each of exploration permits WA-306-P and WA-307-P in the Barcoo Sub-basin of the offshore Canning Basin adjacent to the Browse Basin. Antrim Energy, a Canadian company, is the operator of the joint venture. At June 30, 2003, MPAL's share of the work obligations of the two permits totaled $5,179,000, of which $674,000 is obligatory.

NEW ZEALAND
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PEP 38256

During fiscal year 2001, MPAL earned an interest in permit PEP 38256 in the Canterbury Basin of New Zealand by funding part of the cost of drilling the Ealing-1 exploration well which was plugged and abandoned. The cost of approximately $336,000 was included in exploratory and dry hole costs during fiscal year 2001. At June 30, 2003, MPAL's share (25%) of the work obligations of the permit totaled $17,000, all of which is obligatory.

PEP 38222

During fiscal 2002, MPAL (100%) was granted exploration permit PEP 38222 offshore south of the South Island of New Zealand. At June 30, 2003, MPAL's share of the work obligations of the permit totaled $11,301,000, all of which is discretionary except for $51,000 of required expenditures.

PEP 38746 - PEP 38748 - PEP 38753 - PEP 38761

MPAL has a 25% interest in permits PEP 38746, PEP 38748 and PEP 38753 in the Taranaki Basin in the North Island, New Zealand. At June 30, 2003, MPAL's share of the work obligations of these permits totaled $1,645,000, of which $868,000 is obligatory. MPAL also has a 12.5% interest in PEP 38761 in the Taranaki Basin. At June 30, 2003, MPAL's share of the work obligations of this permit totaled $40,000, all of which is obligatory. MPAL and its partners spudded the Warwiri-1 well in PEP 38753 during September 2003 at an estimated cost of $268,000 to MPAL. The drilling plan for the Bluff-1 well in PEP 38746 is in progress and spudding of the well is expected to follow the Warwiri-1 well.

UNITED KINGDOM
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PEDL 098 & PEDL 099

During fiscal year 2001, MPAL acquired a 45% (originally 30%) interest in two licenses in southern England in the Weald-Wessex basin. The two licenses; PEDL 098 in the Isle of Wight and PEDL 099 in the Portsdown area of Hampshire, were each granted for a period of six years. At June 30, 2003, MPAL's share of the work obligations of the permit totaled $1,371,000, of which $ 191,000 is obligatory.

PEDL 112 & PEDL 113

During fiscal year 2002, MPAL acquired two additional licenses in southern England. The two licenses; PEDL 113 (45%) in the Isle of Wight and PEDL 112 (33 1/3%) in the Kent area on the margin of the Weald-Wessex basin were each granted for a period of six years. At June 30, 2003, MPAL's share of the work obligations of the permits totaled $929,000, of which $140,000 is obligatory.

PEDL 125 & PEDL 126

Effective July 1, 2003, MPAL acquired two additional licenses each granted for a period of six years in southern England, PEDL 125 (50%) in Hampshire and PEDL 126 (50%) in West Sussex. At June 30, 2003, MPAL's share of the work obligations of the two permits totaled $1,032,000, of which $55,000 is obligatory.

UNITED STATES
- -------------

Baca County, Colorado
- ---------------------

During fiscal 2002, MPAL held leases in Baca County, Colorado, in which an exploration company drilled two wells during late 2001. MPAL elected to participate (25%) in the completion of the wells for production, both of which were dry holes. MPAL has now withdrawn from the area. The cost of approximately $62,000 has been included in exploratory and dry hole costs in 2002. These properties have now been surrendered.

CANADA
- ------

MPC owns a 2.67% carried interest in a lease (31,885 gross acres, 850 net acres) in the southeast Yukon Territory, Canada, which includes the Kotaneelee gas field. Devon Canada Corporation is the operator of this partially developed field which is connected to a major pipeline system. During the month of June 2003, average production from the field was approximately 21.7 million cubic feet per day compared to 36.7 million cubic feet per day in June 2002.

Production at Kotaneelee commenced in February 1991. According to government reports, total production in bcf from the Kotaneelee gas field for the calendar years 1991 through 2002 has totaled 194.1 bcf as follows: 1991 - 8.1, 1992 - 18.0, 1993 -17.5, 1994 - 16.7, 1995 - 15.7, 1996 - 15.2, 1997 - 14.4, 1998 - 16.0, 1999 - 22.3, 2000 - 20.2, 2001 - 16.9 and 2002 - 13.1.

During September 2003, the litigants in the Kotaneelee litigation entered into a settlement agreement. The Company will receive approximately $920,000, after Canadian withholding taxes and reimbursement of certain past legal costs. The plaintiffs will terminate all litigation against the defendants related to the field, including the claim that the defendants failed to fully develop the field. Since each party has agreed to bear its own legal costs, there will be no taxable costs assessed against any of the parties. See Item 3. Legal Proceedings.

(b) Financial Information about Industry Segments.
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The Company is engaged in only one industry, namely, oil and gas exploration, development, production and sale. The Company conducts such business through its two operating segments; MPC and its majority owned subsidiary MPAL. See Item 8. Notes 10 and 11 to the Consolidated Financial Statements.

(c) (1) Narrative Description of the Business.

MPC was incorporated in 1957 under the laws of Panama and was reorganized under the laws of Delaware in 1967. MPC is directly engaged in the exploration for, and the development and production and sale of oil and gas reserves in Canada, and indirectly through its subsidiary MPAL in Australia, New Zealand and the United Kingdom.

(i) Principal Products.

MPAL has an interest in the Palm Valley gas field and in the Mereenie oil and gas field. See Item 1(a) - Australia - for a discussion of the oil and gas production from the Mereenie and Palm Valley fields. MPC has a direct 2.67% carried interest in the Kotaneelee gas field in Canada.

(ii) Status of Product or Segment.

See Item 1(a) - Australia - for a discussion of the current and future operations of the Mereenie and Palm Valley fields in Australia. See Item 3. Legal Proceedings for a discussion of MPC's interest in the Kotaneelee field in Canada.

(iii) Raw Materials.

Not applicable.

(iv) Patents, Licenses, Franchises and Concessions Held.

MPAL has interests directly and indirectly in the following permits. Permit holders are generally required to carry out agreed work and expenditure programs.
<TABLE>
<CAPTION>

| Permit | Expiration Date | Location |
|---|---|---|
| <S> | <C> | <C> |
| Petroleum Lease No. 4 and No.5 (Mereenie) | November 2023 | Northern Territory |
| Petroleum Lease No. 3 (Palm Valley) | November 2003 | Northern Territory |
| Retention License 2 (Dingo) | October 2003 | Northern Territory |
| ATP 613P (Maryborough) | Application pending | Queensland |
| ATP 674P (Maryborough) | Application pending | Queensland |
| WA-291-P (Carnarvon Basin) | August 2005 | Offshore Western Australia |
| WA-287-P (Browse Basin) | February 2005 | Offshore Western Australia |
| WA-288-P (Browse Basin) | February 2005 | Offshore Western Australia |
| WA-311-P (Bonaparte Basin) | September 2007 | Offshore Western Australia |
| WA-306-P (Canning Basin) | July 2006 | Offshore Western Australia |
| WA-307-P (Canning Basin) | August 2006 | Offshore Western Australia |
| PEL 94(Cooper Basin) | November 2006 | South Australia |
| PEL 95 (Cooper Basin) | October 2006 | South Australia |
| PELA 110(Cooper Basin) | February 2008 | South Australia |
| PELA 116 (Cooper Basin) | Application pending | South Australia |
| PEP 38746 (Canterbury Basin) | August 2007 | New Zealand |
| PEP 38761 (Canterbury Basin) | February 2004 | New Zealand |
| PEP 38222 (Great South) | April 2007 | New Zealand |
| PEP 38256 (Canterbury Basin) | August 2007 | New Zealand |
| PEP 38748 (Canterbury Basin) | August 2007 | New Zealand |
| PEP 38753 (Canterbury Basin) | August 2007 | New Zealand |
| PEDL 098 (Weald/Wessex Basins) | September 2006 | United Kingdom |
| PEDL 099 (Weald/Wessex Basins) | September 2006 | United Kingdom |

| | | |
|---|---|---|
| PEDL 112 (Weald/Wessex Basins) | January 2008 | United Kingdom |
| PEDL 113 (Weald/Wessex Basins) | January 2008 | United Kingdom |
| PEDL 125 (Hampshire) | July 2009 | United Kingdom |
| PEDL 126 (West Sussex) | July 2009 | United Kingdom |

</TABLE>

Leases issued by the Northern Territory are subject to the Petroleum (Prospecting and Mining) Act of the Northern Territory. Lessees have the exclusive right to produce petroleum from the land subject to a lease upon payment of a rental and a royalty at the rate of 10% of the wellhead value of the petroleum produced. Rental payments may be offset against the royalty paid. The term of a lease is 21 years, and leases may be renewed for successive terms of 25 years each.

Since 1992, there has been an ongoing controversy regarding the Aborigines and the ownership of their traditional lands. There has been legislation aimed at resolving this controversy. The Company does not believe that this issue will have a material adverse impact on MPAL's properties.

(v) Seasonality of Business.
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Although the Company's business is not seasonal, the demand for oil and especially gas is subject to fluctuations in the Australian weather.

(vi) Working Capital Items.
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See Item 7 - Liquidity and Capital Resources for a discussion of this information.

(vii) Customers.
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Although the majority of MPAL's producing oil and gas properties are located in a relatively remote area in central Australia (See Item 1 - Business and Item 2 - Properties), the completion in January 1987 of the Amadeus Basin to Darwin gas pipeline has provided access to and expanded the potential market for MPAL's gas production.

Natural Gas Production
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MPAL's principal customer and the most likely major customer for future gas sales is PAWA, a governmental authority of the Northern Territory Government, which also has substantial regulatory authority over MPAL's oil and gas operations. The loss of PAWA as a customer would have a material adverse effect on MPAL's business.

Oil Production
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There is potentially a small local market for the Mereenie crude oil in the Alice Springs area. A local company is attempting to sell refined products in Alice Springs and use Mereenie crude oil. Presently all of the crude oil production is being shipped and sold through the Port Bonython Export Terminal, Whyalla, South Australia.

(viii) Backlog.
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Not applicable.

(ix) Renegotiation of Profits or Termination of Contracts or
-----------------------------------------------------
Subcontracts at the Election of the Government.
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Not applicable.

(x) Competitive Conditions in the Business.
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The exploration for and production of oil and gas are highly competitive operations. The ability to exploit a discovery of oil or gas is dependent upon such considerations as the ability to finance development costs, the availability of equipment, and the possibility of engineering and construction delays and difficulties. The Company also must compete with major oil and gas companies which have substantially greater resources than the Company.

Furthermore, various forms of energy legislation which have been or may be proposed in the countries in which the Company holds interests may substantially affect competitive conditions. However, it is not possible to predict the nature of any such legislation which may ultimately be adopted or its effects upon the future operations of the Company.

At the present time, the Company's principal income producing operations are in Australia and for this reason, current competitive conditions in Australia are material to the Company's future. Currently, most indigenous crude oil is consumed within Australia. In addition, refiners and others import crude oil to meet the overall demand in Australia. The Palm Valley Producers and the Mereenie Producers are developing and separately marketing the production from each field. Because of the relatively remote location of the Amadeus Basin and the inherent nature of the market for gas, it would be impractical for each working interest partner to attempt to market its respective share of production from each field.

(xi) Research and Development.

Not applicable.

(xii) Environmental Regulation.

The Company is subject to the environmental laws and regulations of the jurisdictions in which it carries on its business, and existing or future laws and regulations could have a significant impact on the exploration for and development of natural resources by the Company. However, to date, the Company has not been required to spend any material amounts for environmental control facilities. The federal and state governments in Australia strictly monitor compliance with these laws but compliance therewith has not had any adverse impact on the Company's operations or its financial resources.

At June 30, 2003, the Company had accrued approximately $3.9 million for asset retirement obligations for the Mereenie, Palm Valley and Dingo fields. See Note 2 of the Consolidated Financial Statements under Item 8. Financial Statements and Supplementary Data.

(xiii) Number of Persons Employed by Company.

At June 30, 2003, MPC had one full-time employee in the United States and MPAL had 32 employees in Australia. MPC relies to a great extent on consultants for legal, accounting, administrative and geological services.

(2) Financial Information Relating to Foreign and Domestic Operations.

See Note 11 to the Consolidated Financial Statements.

(3) Risks Attendant to Foreign Operations.

Most of the properties in which the Company has interests are located outside the United States and are subject to certain risks involved in the ownership and development of such foreign property interests.

These risks include but are not limited to those of: nationalization; expropriation; confiscatory taxation; changes in foreign exchange controls; currency revaluations; price controls or excessive royalties; export sales restrictions; limitations on the transfer of interests in exploration licenses; and other laws and regulations which may adversely affect the Company's properties, such as those providing for conservation, proration, curtailment, cessation, or other limitations of controls on the production of or exploration for hydrocarbons. Thus, an investment in the Company represents a speculation with risks in addition to those inherent in domestic petroleum exploratory ventures.

Since 1992, there has been an ongoing controversy regarding the Aborigines and the ownership of their traditional lands. There has been legislation aimed at resolving this controversy. The Company does not believe that this issue will have a material adverse impact on MPAL's properties.

(4) Data Which are Not Indicative of Current or Future Operations.

None.

## Item 2. Properties.

(a) MPC has interests in properties in Australia through its 52.44% equity interest in MPAL which holds interests in the Northern Territory, Queensland, South Australia and Western Australia. MPAL also has interests in New Zealand and the United Kingdom. In Canada, MPC has a direct interest in one lease. For additional information regarding the Company's properties, See Item 1 - - Business.

(b) (1) The information regarding reserves, costs of oil and gas activities, capitalized costs, discounted future net cash flows and results of operations is contained in Supplementary Oil & Gas Information under Item 8 - Financial Statements and Supplementary Data.

The following graphic presentation has been omitted, but the following is a description of the omitted material:

AUSTRALIAN MAP WITH MPAL PROJECTS SHOWN

The following graphic presentation has been omitted, but the following is a description of the omitted material:

AMADEUS BASIN PROJECTS MAP

The map indicates the location of the Amadeus Basin interests in the Northern Territory of Australia. The following items are identified:

Palm Valley Gas Field
Mereenie Oil & Gas Field
Dingo Gas Field
Palm Valley - Alice Springs Gas Pipeline
Palm Valley - Darwin Gas Pipeline
Mereenie Spur Gas Pipeline

The following graphic presentation has been omitted, but the following is a description of the omitted material:

CANADIAN PROPERTY INTERESTS MAP

The map indicates the location of the Kotaneelee Gas Field in the Yukon Territories of Canada. The map identifies the following items:

Kotaneelee Gas Field
Pointed Mountain Gas Field
Beaver River Gas Field

The following graphic presentation has been omitted, but the following is a description of the omitted material:

UNITED KINGDOM PROPERTY INTERESTS MAP

The map indicates the location of the MPAL property interests in the United Kingdom.

The following graphic presentation has been omitted, but the following is a description of the omitted material:

NEW ZEALAND PROPERTY INTERESTS MAP

The map indicates the location of the MPAL property interests in New Zealand.

(2) Reserves reported to other agencies.

None

(3) Production.

The average sales price per unit of production for Australia (data for Canada has not been included since MPC is in a carried interest position and the data is not material in comparison to Australia) for the following fiscal years is as follows:

| | June 30, | | |
|---|---|---|---|
| Australia: | 2003 | 2002 | 2001 |
| Gas (per mcf) | A.$ 2.65 | A.$ 2.53 | A.$ 2.53 |
| Crude oil (per bbl) | A.$42.82 | A.$41.70 | A.$54.64 |

The average production cost per unit of production for the following fiscal years has been impacted by transportation costs on Mereenie oil in Australia. During fiscal 2003, 2002 and 2001, the cost of remedial work on various wells in the Mereenie field and lower production levels increased production costs.

| | June 30, | | |
|---|---|---|---|
| Australia: | 2003 | 2002 | 2001 |
| Australia: | | | |
| Gas (per mcf) | A.$ .48 | A.$ .46 | A. .43 |
| Crude oil (per bbl) | A.$ 29.15 | A.$ 25.09 | A.$ 21.24 |

(4) Productive Wells and Acreage.

Productive wells and acreage at June 30, 2003:

<TABLE>
<CAPTION>

| | Productive Wells | | | | | |
|---|---|---|---|---|---|---|
| | Oil | | Gas | | Developed Acreage | |
| | Gross | Net | Gross | Net | Gross Acres | Net Acres |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |

| | | | | | | |
|---|---|---|---|---|---|---|
| Australia | 29.0 | 10.3 | 14.0 | 5.67 | 72,371 | 30,174 |
| Canada | - | - | 2.0 | .05 | 3,350 | 89 |
| | ----- | ----- | ---- | ---- | ------ | ------ |
| | 29.0 | 10.3 | 16.0 | 5.72 | 75,721 | 30,263 |
| | ==== | ==== | ==== | ==== | ====== | ====== |

</TABLE>

(5) Undeveloped Acreage.
--------------------

The Company's undeveloped acreage (except as indicated below) is set forth in the table below:

GROSS AND NET ACREAGE AS OF JUNE 30, 2003

MPAL has interests in the following properties (before royalties). MPC has an interest in these properties through its 52.44% interest in MPAL.

<TABLE>
<CAPTION>

| | MPAL | | | MPC | |
|---|---|---|---|---|---|
| | Gross Acres | Net Acres | Interest % | Net Acres | Interest % |
| | ----------- | ----- | --------- | ----- | ----- |
| Australia | | | | | |
| Northern Territory-(Amadeus Basin) | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Mereenie (OL4&5)(1) | 69,407 | 24,292 | 35.00 | 12,739 | 18.35 |
| Palm Valley (OL3)(2) | 151,905 | 79,026 | 52.00 | 41,441 | 27.28 |
| Dingo (RL2) | 115,596 | 39,696 | 34.34 | 20,817 | 18.01 |
| | ---------- | ----------- | | ---------- | |
| Total Amadeus Basin | 336,908 | 143,014 | | 74,997 | |
| | ---------- | ---------- | | ---------- | |
| Queensland: | | | | | |
| Maryborough Basin (ATP 613P) | 342,836 | 342,836 | 100.00 | 179,783 | 52.44 |
| Maryborough Basin (ATP 674P) | 1,942,161 | 1,942,161 | 100.00 | 1,018,469 | 52.44 |
| | --------- | --------- | | --------- | |
| | 2,284,997 | 2,284,997 | | 1,198,252 | |
| | --------- | --------- | | --------- | |
| South Australia: | | | | | |
| Cooper Basin (PEL94/95) (4) | 1,621,802 | 810,902 | 50.00 | 425,237 | 26.22 |
| Cooper Basin (PELA110) | 358,644 | 134,492 | 37.50 | 70,528 | 19.67 |
| Cooper Basin (PELA116) | 699,751 | 349,876 | 50.00 | 183,475 | 26.22 |
| | --------- | --------- | | ------- | |
| | 2,680,197 | 1,295,270 | | 679,240 | |
| | --------- | --------- | | ------- | |
| Western Australia: | | | | | |
| Carnarvon WA-291-P | 2,205,710 | 1,874,854 | 85.00 | 983,173 | 44.57 |
| Browse WA-287-P | 515,736 | 515,736 | 100.00 | 270,452 | 52.44 |
| Browse WA-288-P | 513,266 | 179,643 | 35.00 | 94,205 | 18.35 |
| Browse WA-311-P | 492,765 | 172,468 | 35.00 | 90,442 | 18.35 |
| Canning WA-306/307 | 1,986,621 | 993,311 | 50.00 | 520,892 | 26.22 |
| | --------- | --------- | | --------- | |
| | 5,714,098 | 3,736,012 | | 1,959,164 | |
| | --------- | --------- | | --------- | |
| United Kingdom | | | | | |
| PEDL098/099 | 96,083 | 43,237 | 45.00 | 22,673 | 23.60 |
| PEDL112 | 98,800 | 32,933 | 33.33 | 17,270 | 17.48 |
| PEDL113 | 27,170 | 12,227 | 45.00 | 6,412 | 23.60 |
| PEDL125/126 | 112,385 | 56,193 | 50.00 | 29,468 | 26.22 |
| | ------- | -------- | | ------ | |
| | 334,438 | 144,590 | | 75,823 | |
| | ------- | ------- | | ------ | |
| New Zealand | | | | | |
| PEP38222 | 3,015,870 | 3,015,870 | 100.00 | 1,581,522 | 52.44 |
| PEP38746/48/53 | 62,491 | 15,623 | 25.00 | 8,193 | 13.11 |
| PEP 38256 | 689,871 | 172,468 | 25.00 | 90,442 | 13.11 |

| | | | | | |
|---|---|---|---|---|---|
| PPP38761 | 3,211 | 401 | 12.50 | 210 | 6.54 |
| | --------- | ---------- | | --------- | |
| | 3,771,443 | 3,204,362 | | 1,680,367 | |
| | --------- | --------- | | --------- | |
| Total MPAL | 15,122,081 | 10,808,245 | | 5,667,843 | |
| | ---------- | ---------- | | --------- | |
| Properties held directly by MPC: | | | | | |
| Canada | | | | | |
| Yukon and Northwest Territories: | | | | | |
| Carried interest(3) | 31,885 | | | 850 | 2.67 |
| | ---------- | | | --------- | |
| Total | 15,153,966 | | | 5,668,693 | |
| | ========== | | | ========= | |

</TABLE>

(1) Includes 41,644 gross developed acres and 14,575 net acres.
(2) Includes 30,381 gross developed acres and 15,426 net acres.
(3) Includes 3,350 gross developed acres and 89 net acres.
(4) Includes 346 gross developed acres and 173 net acres.

(6) Drilling activity.

Productive and dry net wells drilled during the following years (data concerning Canada and the United States is insignificant):

Australia/New Zealand

| Year ended June 30, | Exploration Productive | Exploration Dry | Development Productive | Development Dry |
|---|---|---|---|---|
| 2003 | .50 | 1.90 | - | - |
| 2002 | - | .35 | - | - |
| 2001 | - | .12 | - | - |

(7) Present Activities.

There were no wells being drilled at June 30, 2003. See Item 1 - Cooper Basin and New Zealand for a discussion of the present activities of MPAL.

(8) Delivery Commitments.

See discussion under Item 1 concerning the Palm Valley and Mereenie fields.

## Item 3. Legal Proceedings.

### Kotaneelee Gas Field

MPC's 2.67% carried interest in the Kotaneelee gas field is held in trust by Canada Southern Petroleum Ltd. (Canada Southern) which has a 30.7% carried interest in the field. Canada Southern and MPC (the plaintiffs) believe that the working interest owners in the Kotaneelee gas field had not adequately pursued the attainment of contracts for the sale of Kotaneelee gas.

In October 1989 and March 1990, Canada Southern filed statements of claim in the Court of Queens Bench of Alberta, Judicial District of Calgary, Canada, against the working interest partners in the Kotaneelee gas field. MPC was subsequently added as a Plaintiff in the action. The named defendants were Amoco Canada Petroleum Corporation, Ltd., Dome Petroleum Limited (now Amoco Canada Resources Ltd.), and Amoco Production Company (collectively the Amoco Dome Group), Columbia Gas Development of Canada Ltd., Mobil Oil Canada Ltd. and

Esso Resource of Canada Ltd. (collectively the defendants).

On September 14, 2001, the trial court rendered its decision which was appealed by all of the parties. The court ruled that:

(a) Although the defendants had an affirmative contractual obligation (but not a fiduciary obligation) to market the gas from the Kotaneelee gas field when it was possible to do so, the defendants had not breached their contractual obligation.

(b) The defendants made improper charges to the carried interest account in the amount of approximately U.S.$ 3.4 million (MPC share - $91,000) in connection with the repair and rebuilding of the field's dehydration facilities.

(c) Defendant Amoco Canada was not entitled to make gas processing fee charges to the carried interest account.

On January 19, 2001, MPC's carried interest account in the Kotaneelee gas field reached undisputed payout status. During the 4th quarter of the fiscal year 2001, the Company began accruing its share of Kotaneelee net proceeds as income.

During September 2003, the litigants in the Kotaneelee litigation entered into a settlement agreement. The Company will receive approximately $920,000, after Canadian withholding taxes and reimbursement of certain past legal costs. The plaintiffs will terminate all litigation against the defendants related to the field, including the claim that the defendants failed to fully develop the field. Since each party has agreed to bear its own legal costs, there will be no taxable costs assessed against any of the parties.

Item 4. Submission of Matters to a Vote of Security Holders.
- ------- --------------------------------------------------

None.

Executive Officers of the Registrant

The following information with respect to the executive officers of the Company is furnished pursuant to Instruction 3 to Item 401(b) of Regulation S-K.
<TABLE>
<CAPTION>

| <S> Name | <C> Age | <C> Office Held | <C> Length of Service as an Officer | <C> Other Positions Held with Company |
|---|---|---|---|---|
| James R. Joyce | 62 | President and | Since 1993 | Director |
| | | Chief Financial Officer | Since 1990 | |
| T. Gwynn Davies | 57 | General Manager - MPAL | Since 2001 | None |

</TABLE>

All officers of MPC are elected annually by the Board of Directors and serve at the pleasure of the Board of Directors.

MPC is not aware of any arrangements or understandings between any of the individuals named above and any other person pursuant to which any individual named above was selected as an officer.

PART II
-------

Item 5. Market for the Company's Common Stock and Related Stockholder Matters.
- ------- -------------------------------------------------------------------

(a) Principal Market
----------------

The principal market for MPC's common stock is the NASDAQ SmallCap market under the symbol MPET. The stock is also traded on the Boston Stock Exchange under the symbol MPC. The quarterly high and low prices and the number of shares traded on the most active market, NASDAQ, during the calendar quarterly periods indicated were as follows:

<TABLE>
<CAPTION>

| <C> | <C> | <C> | <C> | <C> |
|---|---|---|---|---|
| 2003 | 1st Qtr. | 2nd Qtr. | 3rd Qtr.* | 4th Qtr. |
| High.................. | 1.03 | 1.27 | 1.37 | |
| Low................... | .81 | .79 | .98 | |
| Number of shares traded | 2,403,286 | 3,659,658 | 3,946,607 | |

| 2002 | 1st Qtr. | 2nd Qtr. | 3rd Qtr. | 4th Qtr. |
|---|---|---|---|---|
| High.................. | .95 | 1.11 | 1.07 | .91 |
| Low................... | .64 | .80 | .63 | .68 |
| Number of shares traded | 1,624,249 | 2,130,154 | 1,731,287 | 1,219,822 |

| 2001 | 1st Qtr. | 2nd Qtr. | 3rd Qtr. | 4th Qtr. |
|---|---|---|---|---|
| High.................. | 1.19 | 1.65 | 1.12 | 1.10 |
| Low................... | .81 | .76 | .79 | .79 |
| Number of shares traded | 2,081,855 | 2,745,248 | 1,250,958 | 2,039,599 |

</TABLE>

* Through September 23, 2003, on which date the closing price was $1.30.

(b) Approximate Number of Holders of Common Stock at September 23, 2003

| Title of Class | Number of Record Holders |
|---|---|
| Common stock, par value $.01 per share | 7,900 |

(c) Frequency and Amount of Dividends

MPC has never paid a cash dividend on its common stock.

Recent Sales of Unregistered Securities

On September 2, 2003, the Company completed its previously announced acquisition of 1,200,000 shares of its majority-owned subsidiary, MPAL, from Sagasco Amadeus Pty Limited (Sagasco), a subsidiary of Origin Energy Limited, a diversified energy company based in Sydney, Australia. The acquisition of MPAL shares by the Company was made pursuant to a share sale agreement entered into by the Company and Sagasco, dated as of July 10, 2003 (Share Sale Agreement). The MPAL share acquisition followed the receipt of governmental approval in Australia and has increased the Company's holdings in MPAL from 52.4% to approximately 55%.

In consideration for its receipt of the MPAL shares, the Company issued to Sagasco 1,300,000 shares of its common stock, par value $.01 per share in a private placement transaction conducted outside the United States pursuant to the exemption from registration provided by Regulation S under the Securities Act of 1933. The fair value of the 1,3000,000 shares on July 10, 2003 was $1,508,000, based on the closing price of the Company's common stock on the Nasdaq SmallCap market on that date. The 1,300,000 shares were not registered under the Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act.

At the closing, the Company also entered into a registration rights agreement with Sagasco, dated as of September 2, 2003 (Registration Rights Agreement), pursuant to which the Company has agreed to register, upon receipt of a written demand by Sagasco, the 1,300,000 shares of common stock for public resale by Sagasco under the Securities Act. Sagasco has notified the Company of the exercise of its rights under the Registration Rights Agreement to cause the Company to prepare and file a registration statement under the Securities Act covering the public resale by Sagasco of the 1,300,000 shares.

Item 6. Selected Consolidated Financial Information.
- ------- -------------------------------------------

The following table sets forth selected data (in thousands) and other operating information of the Company. The selected consolidated financial data in the table are derived from the consolidated financial statements of the Company. See Note 2 to the consolidated financial statements regarding the cumulative effect of accounting change adopted effective July 1, 2002. This data should be read in conjunction with the consolidated financial statements, related notes and other financial information included herein.
<TABLE>
<CAPTION>

| | Years ended June 30, | | | | |
|---|---|---|---|---|---|
| | 2003 | 2002 | 2001 | 2000 | 1999 |
| Financial Data | $ | $ | $ | $ | $ |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Operating revenues | 14,736 | 13,700 | 14,008 | 16,330 | 13,398 |
| Total revenues | 15,596 | 14,352 | 14,900 | 17,147 | 14,115 |
| Net income | 152 | 92 | 1,072 | 1,490 | 945 |
| Net income per share (basic and diluted) | .01 | - | .04 | .06 | .04 |
| Proforma net income (see note 2) | 152 | 15 | 1,012 | 1,430 | 880 |
| Proforma net income per share (see note 2) | .01 | - | .04 | .06 | .04 |
| Working capital | 21,798 | 17,862 | 15,398 | 15,046 | 12,772 |
| Cash provided by operating activities | 6,163 | 4,013 | 3,044 | 6,149 | 4,993 |
| Property and equipment (net) | 21,592 | 17,046 | 16,482 | 21,741 | 26,725 |
| Total assets | 50,741 | 40,166 | 37,498 | 43,976 | 44,234 |
| Total assets (see note 2) | 50,741 | 40,764 | 38,463 | 44,853 | 45,320 |
| Long-term liabilities | 5,629 | 3,974 | 3,982 | 5,190 | 6,910 |
| Proforma long-term liabilities (see note 2) | 5,629 | 6,526 | 6,211 | 7,700 | 9,629 |
| Minority interests | 16,931 | 13,933 | 12,701 | 14,696 | 15,318 |
| Stockholders' equity: | | | | | |
| Capital | 43,152 | 43,332 | 43,426 | 43,838 | 43,838 |

| | | | | | |
|---|---|---|---|---|---|
| Accumulated deficit | (15,598) | (15,751) | (15,843) | (16,914) | (18,405) |
| Accumulated other comprehensive loss | (5,407) | (8,965) | (10,410) | (7,827) | (5,699) |
| Total stockholders' equity | 22,147 | 18,616 | 17,173 | 19,097 | 19,734 |
| Exchange rate A.$=U.S. at end of period | .67 | .56 | .51 | .60 | .67 |
| Common stock outstanding shares end of period | 24,427 | 24,607 | 24,698 | 25,108 | 25,108 |
| Book value per share | .91 | .76 | .70 | .76 | .79 |
| Quoted market value per share | 1.20 | .88 | 1.07 | 1.28 | 2.50 |
| Operating Data | | | | | |
| Standard measure of discounted future cash flow relating to proved oil and gas reserves. (approximately 48% attributable to minority interests) | 26,000 | 26,000 | 33,000 | 44,000 | 53,000 |
| Annual production (Net of royalties) Gas (bcf) | 6.0 | 6.0 | 5.7 | 6.0 | 5.9 |
| Oil (bbls) (In thousands) (net of royalties) | 126 | 141 | 148 | 172 | 205 |

</TABLE>

## Item 7. 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 pricing and production levels from the properties in which the Company has interests, and the extent of the recoverable reserves at those properties. In addition, the Company has a large number of exploration permits and there is the risk that any wells drilled may fail to encounter hydrocarbons in commercial quantities. 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 developed 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. Because the Company follows the successful efforts method of accounting, the results of operations may vary materially from quarter to quarter. An active exploration program may result in greater exploration and dry hole costs.

Asset Retirement Obligations
- ----------------------------

Effective July 1, 2002, the Company adopted the provisions of SFAS 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. See Note 2 to the consolidated financial statements regarding the cumulative effect of accounting change and its effect on net income.

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%. A market risk premium was excluded from the estimate of asset retirement obligations because the amount was not capable of being estimated.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 (cost of goods sold). 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
- ------------------------------

During September 2003, the litigants in the Kotaneelee litigation entered into a settlement agreement. The Company will receive approximately $920,000, after Canadian withholding taxes and reimbursement of certain past legal costs. The plaintiffs will terminate all litigation against the defendants related to the field, including the claim that the defendants failed to fully develop the field. Since each party has agreed to bear its own legal costs, there will be no taxable costs assessed against any of the parties. The settlement will be recorded in the quarter ending September 30, 2003. See Item 3. Legal Proceedings.

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

At June 30, 2003, the Company on a consolidated basis had approximately $22.2 million of cash and cash equivalents and marketable securities.

A summary of the major changes in cash and cash equivalents during the fiscal year ended June 30, 2003 is as follows:

| | |
|---|---|
| Cash and cash equivalents at July 1, 2002 | $15,785,000 |
| Net cash provided by operations | 6,154,000 |
| Marketable securities purchased | (2,565,000) |
| Marketable securities sold or matured | 2,071,000 |
| Net additions to property and equipment | (3,445,000) |
| Sale of available-for-sale securities | 93,000 |
| Dividends to MPAL minority shareholders | (628,000) |
| Repurchase of common stock | (180,000) |
| Effect of exchange rate changes | 2,756,000 |
| | ----------- |
| Cash and cash equivalents at June 30, 2003 | $20,041,000 |
| | =========== |

As to MPC (unconsolidated)
- -------------------------

At June 30, 2003, MPC, on an unconsolidated basis, had working capital of approximately $2.7 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 approximately 184,000 shares of MPAL's stock at a cost of approximately $174,000 and increased its interest in MPAL from 52% to 52.44%. On July 10, 2003, a subsidiary of Origin Energy, Sagasco Amadeus Pty. Limited, agreed to exchange 1.2 million shares of MPAL for 1.3 million shares of the Company's common stock. After the exchange was completed on September 2, 2003, the Company's interest in MPAL increased to 55%.

During fiscal 2003, MPC received a dividend from MPAL of $686,000.

During the fiscal year 2001, MPC announced a stock repurchase plan to purchase up to one million shares of its common stock in the open market. Through June 30, 2003, MPC had purchased 680,850 of its shares at a cost of approximately $686,000.

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

At June 30, 2003, MPAL had working capital of approximately $19 million. MPAL has budgeted approximately $3.4 million for specific exploration projects in fiscal year 2004 as compared to the $4.5 million expended during fiscal 2003. 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 are 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 during fiscal year 2009. 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, 2008. 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 |
|---|---|---|---|
| 2004 | $2,693,000 | $ 4,713,000 | $ 7,406,000 |
| 2005 | 859,000 | 18,431,000 | 19,290,000 |
| 2006 | 253,000 | 5,327,000 | 5,580,000 |
| 2007 | - | 855,000 | 855,000 |
| 2008 | - | 1,081,000 | 1,081,000 |
| Total | $3,805,000 | $30,407,000 | $34,212,000 |

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. In addition to the above commitments, MPAL has commitments of approximately $2,652,000 with respect to the Palm Valley and Mereenie fields which have not been recorded in the consolidated financial statements.

## (2) Results of Operations

### 2003 vs. 2002

The components of consolidated net income for the fiscal years 2003 and 2002 were as follows:

| | Year ended June 30, 2003 | 2002 |
|---|---|---|
| MPC unconsolidated pretax loss | $ (326,344) | $ (236,629) |
| MPC income tax expense | (129,907) | (112,000) |
| Share of MPAL pretax income | 870,518 | 402,411 |
| Share of MPAL income tax benefit | 476,126 | 37,939 |
| Share of MPAL cumulative effect of accounting change | (737,941) | - |
| Consolidated net income | $ 152,452 | $ 91,721 |
| Net income per share (basic and diluted) | $ .01 | $ - |

### Revenues

Oil sales increased 2% in 2003. Oil sales in Australia in 2003 amounted to $3,329,000 as compared to $3,259,000 in 2002 because of a 3% increase in oil prices and the 12% Australian foreign exchange increase discussed below which was partially offset by the 10% decrease in the number of units produced. Cooper Basin production began in May 2003. 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>

| Fiscal 2003 Sales | | Fiscal 2002 Sales | |
|---|---|---|---|
| | Average Price | | Average Price |
| Bbls | per bbl | Bbls | per bbl |

| <S> | <C> | <C> | <C> | <C> |
|---|---|---|---|---|
| Australia - Amadeus Basin | 144,934 | A.$42.87 | 161,650 | A.$41.70 |
| Australia - Cooper Basin | 930 | A.$34.41 | - | - |

</TABLE>

Gas sales increased 17% in fiscal 2003. Gas sales increased from $8,667,000 in 2002 to $10,182,000 in 2003 primarily because of the 5% increase in the average price of gas sold in Australia and the 12% Australian foreign exchange increase discussed below. Gas sales in 2003 include $535,000 ($483,000 in 2002) of gas sales from the Kotaneelee gas field in Canada. The volumes in billion cubic feet (bcf) (before deducting royalties) and the average price of gas per thousand cubic feet (mcf) sold in Australia during the periods indicated were as follows:

<TABLE>
<CAPTION>

| | Fiscal 2003 Sales | | Fiscal 2002 Sales | |
|---|---|---|---|---|
| | | Average Price | | Average Price |
| | Bcf | per mcf (A.$) | Bcf | per mcf (A.$) |
| <S> | <C> | <C> | <C> | <C> |
| Australia - Amadeus Basin: | | | | |
| Palm Valley | | | | |
| Alice Springs contract | 0.838 | 3.29 | 0.959 | 3.15 |
| Darwin contract | 2.225 | 2.11 | 2.285 | 2.08 |
| Mereenie | | | | |
| Darwin contract | 3.704 | 2.80 | 3.233 | 2.55 |
| Other | 0.082 | 3.62 | 0.368 | 3.56 |
| Total | 6.849 | | 6.845 | |

</TABLE>

Other production income decreased 31% to $1,225,000 in 2003 from $1,774,000 in 2002. Other production income includes royalties and MPAL's share of gas pipeline tariffs. The primary reason for this decrease was that MPAL's share of gas pipeline tariffs in 2002 included an additional amount of $855,000 of pipeline tariff revenue to reflect a resolution of a dispute regarding the calculation of the pipeline tariffs. The decrease in 2003 was partially offset by the12% Australian foreign exchange increase as discussed below.

Interest income in 2003 increased 32%. Interest income in 2003 amounted to $860,000 as compared to $652,000 in 2002. More funds were available in Australia for investment at higher interest rates than in 2002 and there was a 12% Australian foreign exchange increase as discussed below.

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

Production costs increased 18% in 2003 to $4,461,000 from $3,770,000 in 2002 primarily because of the 12% increase in the Australian foreign exchange rate 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 in 2003.

Exploratory and dry hole costs decreased 30% to $2,920,000 in 2003 from $4,143,000 in 2002. The 2003 and 2002 costs related primarily to the geological and geophysical work and seismic acquisition on MPAL's exploration permits. The costs in 2003 include MPAL's share of the dry hole costs of the Strumbo-1 well ($150,000) located offshore Western Australia, two Cooper Basin wells ($600,000) and the Gregory River-3 well ($524,000) in the Maryborough Basin in Queensland. In addition, the costs in 2002 include the dry hole costs (a total of $2.7 million incurred primarily in the second quarter of fiscal 2002) of the Carbine-1 and the Maribou-1 wells which were drilled in the Browse Basin offshore Western Australia.

Salaries and employee benefits increased 57% to $1,958,000 in 2003 from $1,248,000 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 $433,000 being charged to salaries and employee benefits there was a corresponding credit of $433,000 in other administrative expenses. The information necessary to reclassify prior years' expense amounts is not available. In addition, there was a 12% increase in the Australian foreign exchange rate as discussed below. There were also regular annual increases in salaries.

Depreciation, depletion and amortization increased 8% in 2003 to $3,719,000 from $3,447,000 in 2002. 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 DD&A expense for 2003 by approximately $207,000. In addition, based on a 2003 study, salvage value was included in the calculation of DD&A. This change reduced DD&A expense by approximately $177,000 for 2003. The decrease in DD&A was offset by the 12% increase in the Australian exchange rate discussed below.

Auditing, accounting and legal expenses increased 45% from $278,000 in 2002 to $404,000 in 2003 because of an increase in MPC's and MPAL's audit fees and the 12% increase in the Australian exchange rate discussed below.

Accretion expense was $243,000 in 2003 which 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 $261,000.

Shareholder communications costs increased 13% to $171,000 in 2003 compared to $152,000 in 2002 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 and an increase in its Nasdaq listing fees.

Other administrative expenses decreased 52% from $776,000 in 2002 to $370,000 in 2003 primarily because of an increase in the amount of overhead that MPAL, as operator, charged its partners during 2003. During 2003, MPAL also changed its classification of salary costs as overhead charged to its joint venture partners. Although this change of $433,000 resulted in an amount being charged to salaries and employee benefits, there was a corresponding credit of $433,000 in other administrative expenses. The information necessary to reclassify prior years' expense amounts is not available. The increase in the amount of overhead charged was partially offset by increases in other categories of administrative expenses. There was a 12% increase in the Australian foreign exchange rate as discussed below which accounts in part for some the following increases in other administrative expenses: consultants 92%, directors fees 29%, insurance 23% and rent 26%.

### Income Taxes

Income tax benefit for 2003 was $774,000 compared to an income tax provision of $39,000 for 2002. The components of income tax expense (benefit) in thousands were as follows:

| | 2003 | 2002 |
|---|---|---|
| Pretax consolidated income | $ 1,349 | $ 537 |
| MPC's losses not recognized | 326 | 236 |
| Permanent differences | (682) | (872) |
| Book taxable income (loss) | $ 993 | $ (99) |
| Australian tax rate | 30% | 30% |
| Australian income tax (provision) benefit | $(298) | $ 30 |
| Tax benefit attributable to reconciliation of year | | |

| | | |
|---|---|---|
| end deferred tax liability | 1,202 | 43 |
| | ------ | ----- |
| MPAL Australian benefit for income tax | 904 | 73 |
| MPC income tax provision | (130) | (112) |
| | ------ | ------ |
| Consolidated income tax (provision) benefit | $ 774 | $ (39) |
| | ====== | ====== |
| Effective tax rate | (57)% | 7% |
| | ===== | == |

MPC's 2003 and 2002 income tax represents the 25% Canadian withholding tax on its Kotaneelee net proceeds. The tax benefits of $1,202,000 in fiscal 2003 and $43,000 in fiscal 2002 relate primarily to tax deductions taken in connection with financing current year exploration activities in Australia.

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

The value of the Australian dollar relative to the U.S. dollar increased to $.6737 at June 30, 2003 compared to $.5635 at June 30, 2002. This resulted in a $3,508,000 credit to accumulated translation adjustments for fiscal 2003. The 20% increase in the value of the Australian dollar increased the reported asset and liability amounts in the balance sheet at June 30, 2003 from the June 30, 2002 amounts. The annual average exchange rate used to translate MPAL's operations in Australia for fiscal 2003 was $.5852, which is a 12% increase compared to the $.5238 rate for fiscal 2002.

2002 vs. 2001
- -------------

The components of consolidated net income for the fiscal years 2002 and 2001 were as follows:

| | Year ended June 30, | |
|---|---|---|
| | ------------------- | |
| | 2002 | 2001 |
| | ---- | ---- |
| MPC unconsolidated pretax loss | $ (236,629) | $ (220,599) |
| MPC income tax expense | (112,000) | (108,888) |
| Share of MPAL pretax income | 402,411 | 1,897,096 |
| Share of MPAL benefit of (provision for) income taxes | 37,939 | (495,845) |
| | ---------- | ----------- |
| Consolidated net income | $ 91,721 | $ 1,071,764 |
| | ========== | =========== |
| Net income per share (basic and diluted) | $ - | $.04 |
| | ==== | ==== |

Revenues
--------

Oil sales decreased 30% in 2002. Oil sales in Australia in 2002 amounted to $3,259,000 as compared to $4,639,000 in 2001 because of a 24% decrease in oil prices, a 5% decrease in the number of units produced and the 3% Australian foreign exchange decrease discussed below. 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>

| | Fiscal 2002 Sales | | Fiscal 2001 Sales | |
|---|---|---|---|---|
| | ---------------- | | ----------------- | |
| | Bbls | Average Price per bbl | Bbls | Average Price per bbl |
| | ---- | ------- | ---- | ------- |
| <S> | <C> | <C> | <C> | <C> |

| | | | | |
|---|---|---|---|---|
| Australia - Mereenie | 161,650 | A.$41.70 | 170,037 | A.$54.64 |

</TABLE>

Gas sales increased 2% in fiscal 2002. Gas sales increased from $8,537,000 in 2001 to $8,667,000 in 2002 primarily because of the 2% increase in the volume of gas sold in Australia which was offset by the 3% Australian foreign exchange decrease discussed below. Effective December 1, 2001, MPAL acquired the 1.248% interest in the Palm Valley field held by Kufpec Australian Ltd. Gas sales in 2002 include $483,000 ($392,000 in 2001) of gas sales from the Kotaneelee gas field in Canada. The volumes in billion cubic feet (bcf) (before deducting royalties) and the average price of gas per thousand cubic feet (mcf) sold in Australia during the periods indicated were as follows:

<TABLE>
<CAPTION>

| | Fiscal 2002 Sales | | Fiscal 2001 Sales | |
|---|---|---|---|---|
| | Bcf | Average Price per mcf (A.$) | Bcf | Average Price per mcf (A.$) |
| <S> | <C> | <C> | <C> | <C> |
| Australia: | | | | |
| Palm Valley | | | | |
| Alice Springs contract | 0.959 | 3.15 | 0.970 | 3.12 |
| Darwin contract | 2.285 | 2.08 | 2.251 | 2.07 |
| Mereenie | | | | |
| Darwin contract | 3.233 | 2.55 | 3.025 | 2.56 |
| Other | 0.368 | 3.56 | 0.461 | 3.29 |
| Total | 6.845 | | 6.707 | |

</TABLE>

Other production income increased 113% to $1,774,000 in 2002 from $833,000 in 2001. Other production income includes royalties and MPAL's share of gas pipeline tariffs. During fiscal 2002, MPAL recorded an additional amount of gas pipeline tariff revenue of approximately $855,000 included in other production related revenues to reflect a resolution of a dispute regarding the calculation of the pipeline tariffs.

Interest income in 2002 decreased 27%. Interest income in 2002 amounted to $652,000 as compared to $891,000 in 2001. Although more funds were available for investment, interest rates were substantially lower in 2002.

## Costs and Expenses

Production costs increased 8% in 2002 to $3,770,000 from $3,492,000 in 2001 primarily because remedial work was performed in 2002 in the Mereenie field.

Exploratory and dry hole costs increased 155% to $4,143,000 in 2002 from $1,624,000 in 2001. The 2002 and 2001 costs relate primarily to the exploration work being performed on MPAL's offshore Western Australian properties. In addition, the costs in 2002 include the dry hole costs (a total of $2.7 million incurred primarily in the second quarter of fiscal 2002) of the Carbine-1 and the Maribou-1 wells which were drilled in the Browse Basin offshore Western Australia. The costs (in thousands) for MPAL were as follows:

| Location | 2002 | 2001 |
|---|---|---|
| United States/Belize | $ 62 | $ 2 |
| Australia/New Zealand | 4,081 | 1,622 |
| Total | $4,143 | $1,624 |

Salaries and employee benefits decreased 26% to $1,248,000 in 2002 from $1,694,000 in 2001 primarily because of a reduction in MPAL personnel.

Depreciation, depletion and amortization decreased 1% in 2002 to $3,447,000 from $3,474,000 in 2001. The decrease in depreciation, depletion and amortization is primarily the result of the 3% Australian foreign exchange decrease discussed below.

Auditing, accounting and legal expenses increased 10% from $252,000 in 2001 to $278,000 in 2002 primarily because of an increase in MPAL's legal costs to resolve various disputes.

Shareholder communications costs decreased 12% to $152,000 in 2002 compared to $172,000 in 2001 primarily because of the Company's efforts to reduce costs.

Other administrative expenses increased 8% from $717,000 in 2001 to $776,000 in 2002 primarily because of a reduction in the amount of overhead that MPAL, as operator, charged its partners during 2002.

### Income Taxes

Income tax expense decreased from $1,075,000 in 2001 to $39,000 in 2002. The components of income tax expense (benefit) in thousands were as follows:

| | 2002 | 2001 |
|---|---|---|
| Pretax consolidated income | $ 537 | $ 3,476 |
| MPC's losses not recognized | 236 | 221 |
| Permanent differences | (872) | (471) |
| Book taxable income (loss) | $ (99) | $ 3,226 |
| Australian tax rate | 30% | 34% |
| Australian income tax (provision) benefit | $ 30 | $ (1,097) |
| Tax benefit attributable to reconciliation of year end deferred tax liability | 43 | 131 |
| MPAL Australian benefit (provision) for income tax | 73 | (966) |
| MPC income tax provision | (112) | (109) |
| Consolidated income tax provision | $ (39) | $ (1,075) |
| Effective income tax rate | 7% | 31% |

MPC's 2002 and 2001 income tax represents the 25% Canadian withholding tax on its Kotaneelee net proceeds. In addition, Australia enacted corporate tax rate reductions for 2002 (34% to 30%) which reduced the provision by $131,000 in 2001. The utilization of prior year losses not previously taken into account also reduced the 2002 and 2001 provisions.

### Exchange Effect

The value of the Australian dollar relative to the U.S. dollar increased to $.5635 at June 30, 2002 compared to $.5104 at June 30, 2001. This resulted in a $1,729,000 credit to accumulated translation adjustments for fiscal 2002. The 10% increase in the value of the Australian dollar increased the reported asset and liability amounts in the balance sheet at June 30, 2002 from the June 30, 2001 amounts. The annual average exchange rate used to translate MPAL's operations in Australia for fiscal 2002 was $.5238, which is a 3% decrease compared to the $.5379 rate for fiscal 2001.

## Item 7A. 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 and the risk of fluctuations in the world price of crude oil, as the only market risk sensitive instruments are its investments in marketable securities. At June 30, 2003, the carrying value of such investments including those classified as cash and cash equivalents was approximately $22 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 8. Financial Statements and Supplementary Data.
- ------- --------------------------------------------

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Magellan Petroleum Corporation

We have audited the accompanying consolidated balance sheets of Magellan Petroleum Corporation as of June 30, 2003 and 2002 and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended June 30, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Magellan Petroleum Corporation at June 30, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 2003, in conformity with accounting principles generally accepted in the United States.

As discussed in Notes 1 and 2 to the consolidated financial statements, in 2003 the Company changed its method of accounting for asset retirement obligations.

/s/ Ernst & Young LLP

Stamford, Connecticut
September 19, 2003

MAGELLAN PETROLEUM CORPORATION
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

| | June 30, | |
|---|---|---|
| | 2003 | 2002 |

| | | |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| <S> | <C> | <C> |
| Cash and cash equivalents | $20,041,464 | $15,784,851 |
| Accounts receivable | 5,273,999 | 4,162,821 |
| Marketable securities | 1,796,503 | 899,619 |
| Inventories | 423,931 | 377,847 |
| Other assets | 297,118 | 280,537 |
| | ----------- | ----------- |
| Total current assets | 27,833,015 | 21,505,675 |
| | ----------- | ----------- |
| Marketable securities | 390,000 | 794,070 |
| Property and equipment: | | |
| Oil and gas properties (successful efforts method) | 58,275,887 | 44,155,824 |
| Land, buildings and equipment | 2,093,555 | 1,669,330 |
| Field equipment | 1,421,636 | 1,189,093 |
| | ----------- | ----------- |
| | 61,791,078 | 47,014,247 |
| Less accumulated depletion, depreciation and amortization | (40,198,904) | (29,967,865) |
| | ------------ | ------------ |
| Net property and equipment | 21,592,174 | 17,046,382 |
| | ----------- | ----------- |
| Other assets | 926,168 | 820,189 |
| | ----------- | ----------- |
| Total assets | $50,741,357 | $40,166,316 |
| | =========== | =========== |
| LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | $4,709,281 | $2,323,781 |
| Accrued liabilities | 1,218,997 | 1,086,193 |
| Income taxes payable | 106,246 | 233,339 |
| | ---------- | ---------- |
| Total current liabilities | 6,034,524 | 3,643,313 |
| | ---------- | ---------- |
| Long term liabilities: | | |
| Deferred income taxes | 1,770,727 | 2,731,221 |
| Asset retirement obligations | 3,858,263 | 1,242,398 |
| | ---------- | ---------- |
| Total long term liabilities | 5,628,990 | 3,973,619 |
| | ---------- | ---------- |
| Minority interests | 16,930,838 | 13,932,928 |
| Commitments (Note 2) | - | - |
| Stockholders' equity: | | |
| Common stock, par value $.01 per share: | | |
| Authorized 200,000,000 shares | | |
| Outstanding 24,427,376 and 24,607,376 shares | 244,274 | 246,074 |
| Capital in excess of par value | 42,907,741 | 43,085,841 |
| | ----------- | ----------- |
| Total capital | 43,152,015 | 43,331,915 |
| Accumulated deficit | (15,598,483) | (15,750,935) |
| Accumulated other comprehensive loss | (5,406,527) | (8,964,524) |
| | ----------- | ----------- |
| Total stockholders' equity | 22,147,005 | 18,616,456 |
| | ----------- | ----------- |
| Total liabilities, minority interests and stockholders' equity | $50,741,357 | $40,166,316 |
| | =========== | =========== |

See accompanying notes.

</TABLE>

MAGELLAN PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

| | Years ended June 30, | | |
|---|---|---|---|
| | 2003 | 2002 | 2001 |
| Revenues: | | | |
| Oil sales | $ 3,329,243 | $ 3,259,213 | $ 4,638,782 |
| Gas sales | 10,182,104 | 8,667,431 | 8,537,064 |
| Other production related revenues | 1,224,729 | 1,773,808 | 832,516 |
| Interest income | 859,865 | 651,653 | 891,489 |
| Total revenues | 15,595,941 | 14,352,105 | 14,899,851 |
| Costs and expenses: | | | |
| Production costs | 4,461,365 | 3,770,438 | 3,492,045 |
| Exploratory and dry hole costs | 2,920,104 | 4,143,449 | 1,623,914 |
| Salaries and employee benefits | 1,958,371 | 1,248,136 | 1,693,998 |
| Depletion, depreciation and amortization | 3,718,660 | 3,447,444 | 3,473,758 |
| Auditing, accounting and legal services | 404,215 | 278,045 | 251,567 |
| Accretion expense | 242,854 | - | - |
| Shareholder communications | 171,385 | 151,897 | 171,710 |
| Other administrative expenses | 369,942 | 776,077 | 716,777 |
| Total costs and expenses | 14,246,896 | 13,815,486 | 11,423,769 |
| Income before income taxes, minority interests and cumulative effect of accounting change | 1,349,045 | 536,619 | 3,476,082 |
| Income tax (provision) benefit | 773,548 | (39,099) | (1,075,091) |
| Income before minority interests and cumulative effect of accounting change | 2,122,593 | 497,520 | 2,400,991 |
| Minority interests | (1,232,200) | (405,799) | (1,329,227) |
| Income before cumulative effect of accounting change | 890,393 | 91,721 | 1,071,764 |
| Cumulative effect of accounting change - net | (737,941) | - | - |
| Net income | $ 152,452 | $ 91,721 | $ 1,071,764 |
| Average number of shares: | | | |
| Basic | 24,560,068 | 24,622,980 | 24,979,572 |
| Diluted | 24,560,068 | 24,622,980 | 24,979,572 |
| Per share (basic and diluted) | | | |
| Income before cumulative effect of accounting change | $.04 | $ - | $.04 |
| Cumulative effect of accounting change-net | (.03) | - | - |
| Net income | $.01 | $ - | $.04 |

See accompanying notes.

</TABLE>

MAGELLAN PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF
CHANGES IN STOCKHOLDERS' EQUITY
Three years ended June 30, 2003

<TABLE>
<CAPTION>

| | Number of shares | Common Stock | Capital in excess of par value | Accumulated Deficit | Accumulated other comprehensive loss | Total | Total comprehensive income (loss) |
|---|---|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| June 30, 2000 | 25,108,226 | $ 251,082 | $ 43,586,606 | $ (16,914,420) | $ (7,826,702) | $ 19,096,566 | |
| Net income | - | - | - | 1,071,764 | - | 1,071,764 | $1,071,764 |
| Foreign currency translation adjustments | - | - | - | - | (2,816,765) | (2,816,765) | (2,816,765) |
| Unrealized gain on available-for-sale securities | - | - | - | - | 233,146 | 233,146 | 233,146 |
| Total comprehensive loss | - | - | - | - | - | - | $(1,511,855) |
| Repurchases of common stock | (410,000) | (4,100) | (407,131) | - | - | (411,231) | |
| June 30, 2001 | 24,698,226 | 246,982 | 43,179,475 | (15,842,656) | (10,410,321) | 17,173,480 | |
| Net income | - | - | - | 91,721 | - | 91,721 | $91,721 |
| Foreign currency translation adjustments | - | - | - | - | 1,729,157 | 1,729,157 | 1,729,157 |
| Unrealized loss on available-for-sale securities | - | - | - | - | (283,360) | (283,360) | (283,360) |
| Total comprehensive income | - | - | - | - | - | - | $1,537,518 |
| Repurchases of common stock | (90,850) | (908) | (93,634) | - | - | (94,542) | |
| June 30, 2002 | 24,607,376 | $ 246,074 | $ 43,085,841 | $(15,750,935) | $(8,964,524) | $18,616,456 | |
| Net income | - | - | - | 152,452 | - | 152,452 | $152,452 |
| Foreign currency translation adjustments | - | - | - | - | 3,507,783 | 3,507,783 | 3,507,783 |
| Reclassification adjustment on available-for-sale securities | - | - | - | - | 50,214 | 50,214 | 50,214 |
| Total comprehensive income | - | - | - | - | - | - | $3,710,449 |
| Repurchases of common stock | (180,000) | (1,800) | (178,100) | - | - | (179,900) | |
| June 30, 2003 | 24,427,376 | $ 244,274 | $ 42,907,741 | $(15,598,483) | $(5,406,527) | $22,147,005 | |

</TABLE>

See accompanying notes.

MAGELLAN PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

Years ended June 30,
--------------------

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| Operating Activities: | | | |
| <S> | <C> | <C> | <C> |
| Net income | $152,452 | $ 91,721 | $ 1,071,764 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Cumulative effect of accounting change | 2,025,690 | - | - |
| Depletion, depreciation and amortization | 3,718,660 | 3,447,444 | 3,473,758 |
| Accretion expense | 242,854 | - | - |
| Deferred income taxes | (1,494,621) | (608,454) | (609,897) |
| Minority interests | 552,158 | 405,799 | 1,329,227 |
| Increase (decrease) in operating assets and liabilities: | | | |
| Accounts and notes receivable | (1,372,029) | (244,207) | (1,153,637) |
| Other assets | (214,946) | (204,813) | (182,457) |
| Inventories | (69,275) | 85,178 | (307,681) |
| Accounts payable and accrued liabilities | 2,794,805 | 1,249,511 | (660,252) |
| Income taxes payable | (123,087) | (675,909) | (72,437) |
| Settlement of asset retirement obligation | (58,901) | - | - |
| Reserve for future site restoration costs | - | 467,030 | 156,069 |
| Net cash provided by operating activities | 6,153,760 | 4,013,300 | 3,044,457 |
| Investing Activities: | | | |
| Net additions to property and equipment | (3,445,159) | (1,751,643) | (2,345,577) |
| Sale of available-for-sale securities | 93,334 | - | - |
| Marketable securities matured | 2,071,687 | 2,540,151 | 3,109,544 |
| Marketable securities purchased | (2,564,501) | (2,426,263) | (1,858,942) |
| Net cash used in investing activities | (3,844,639) | (1,637,755) | (1,094,975) |
| Financing Activities: | | | |
| Dividends to MPAL minority shareholders | (628,209) | (586,379) | (593,034) |
| Repurchases of common stock | (179,900) | (94,542) | (411,231) |
| Net cash used in financing activities | (808,109) | (680,921) | (1,004,265) |
| Effect of exchange rate changes on cash and cash equivalents | 2,755,601 | 1,298,036 | (2,043,860) |
| Net increase (decrease) in cash and cash equivalents | 4,256,613 | 2,992,660 | (1,098,643) |
| Cash and cash equivalents at beginning of year | 15,784,851 | 12,792,191 | 13,890,834 |
| Cash and cash equivalents at end of year | $20,041,464 | $15,784,851 | $12,792,191 |

</TABLE>

See accompanying notes.

MAGELLAN PETROLEUM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2003

1. Summary of significant accounting policies

Principles of consolidation

The accompanying consolidated financial statements include the accounts of Magellan Petroleum Corporation (MPC) and its majority owned subsidiary, Magellan Petroleum Australia Limited (MPAL), or collectively as the Company. At June 30, 2003 and 2002, MPC owned a 52.44% and 52% interest in MPAL, respectively. During fiscal 2003, MPC increased its interest in MPAL by purchasing an additional 184,000 MPAL shares for approximately $174,000. All intercompany transactions have been eliminated. On July 10, 2003, a subsidiary of Origin Energy, Sagasco Amadeus Pty. Limited, agreed to exchange 1.2 million shares of MPAL for 1.3 million shares of the Company's common stock. After the exchange was completed on September 2, 2003, MPC's interest in MPAL increased to 55%.

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 (cost of goods sold). 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.

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

Oil and gas properties are located in Australia, New Zealand, Canada and the United Kingdom. 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 developed reserves, except in circumstances where it is probable that additional resources will be developed and contribute to cash flows in the future. 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 DD&A expense for 2003 by approximately $207,000. In addition, based on a 2003 study, salvage value was included in the calculation of DD&A. This change reduced DD&A expense by approximately $177,000 for 2003. The net effect of this change on net income was approximately $141,000. Without this change income before cumulative effect of accounting change would have been $749,000 or $.03 cents per share and net income would have been $11,000 or no cents per share.

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.

Effective July 1, 2002, the Company adopted the provisions of SFAS 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%. A market risk premium was excluded from the estimate of asset retirement obligations because the amount was not capable of being estimated. Revisions to the liability could occur due to changes in the estimates of these costs.

Effective July 1, 2002, the Company adopted the provisions of SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS 144 supersedes previous guidance related to the impairment or disposal of long-lived assets. For long-lived assets to be held and used, it resolves certain implementation issues of the former standards, but retains the basic requirements of recognition and measurement of impairment losses. For long-lived assets to be disposed of by sale, it broadens the definition of those disposals that should be reported separately as discontinued operations. There was no impact on the Company in adopting SFAS 144.

1. Summary of significant accounting policies (Cont'd)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Land, buildings and equipment and field equipment

Land, buildings and equipment and field equipment are carried at cost. Depreciation and amortization are provided on a straight-line basis over their estimated useful lives. The estimated useful lives are: buildings - 40 years, equipment and field equipment - 3 to 15 years.

Inventories

Inventories consist of crude oil in various stages of transit to the point of sale and are valued at the lower of cost (determined on an average cost basis) or market.

Foreign currency translations

The accounts of MPAL, whose functional currency is the Australian dollar, are translated into U.S. dollars in accordance with Statement of Financial Accounting Standards No. 52. The translation adjustment is included as a component of stockholders' equity and comprehensive income (loss), whereas gain or loss on foreign currency transactions is included in the determination of income. All assets and liabilities are translated at the rates in effect at the balance sheet dates. Revenues, expenses, gains and losses are translated using quarterly weighted average exchange rates during the period. At June 30, 2003 and 2002, the Australian dollar was equivalent to U.S.$.67 and $.56, respectively. The annual average exchange rate used to translate MPAL's operations in Australia for the fiscal years 2003, 2002 and 2001 was $.59, $.52 and $.54, respectively.

Accounting for income taxes

The Company follows FASB Statement 109, 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.

1. Summary of significant accounting policies (Cont'd)

Financial instruments

The carrying value for cash and cash equivalents, accounts receivable, marketable securities and accounts payable approximates fair value based on anticipated cash flows and current market conditions.

Cash and cash equivalents

The Company considers all highly liquid short term investments with maturities of three months or less at the date of acquisition to be cash equivalents. Cash and cash equivalents are carried at cost which approximates market value. The components of cash and cash equivalents are as follows:

| | June 30, 2003 | June 30, 2002 |
|---|---|---|
| Cash | $ 179,696 | $ 269,523 |
| U.S. government obligations | 274,310 | 995,936 |
| Australian money market accounts and short-term commercial paper | 19,587,458 | 14,519,392 |
| | $20,041,464 | $15,784,851 |

Marketable securities

At June 30, 2003 and 2002, MPC had the following marketable securities which are expected to be held until maturity:
<TABLE>
<CAPTION>

June 30, 2003

| Short-term securities | Par value | Maturity Date | Amortized Cost | Fair value |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> |
| State of Connecticut bond | $ 400,000 | Jul. 1, 2003 | $ 400,000 | $ 400,000 |
| U.S. Treasury Bill | 200,000 | Aug. 7, 2003 | 199,216 | 199,834 |
| U.S. Treasury Bill | 400,000 | Sep. 11, 2003 | 398,312 | 399,312 |
| U.S. Treasury Bill | 500,000 | Oct. 2, 2003 | 498,975 | 498,840 |
| State of Connecticut bond | 300,000 | Nov. 15, 2003 | 300,000 | 300,528 |
| Total short-term | $1,800,000 | | $1,796,503 | $ 1,798,514 |
| Long-term securities | | | | |
| Lewiston, Maine Pension bond | $ 390,000 | Dec. 15, 2005 | $ 390,000 | $ 416,735 |

June 30, 2002

| Short-term securities | Par value | Maturity Date | Amortized Cost | Fair value |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| U.S. Treasury Bill | $ 350,000 | Oct. 10, 2002 | $ 348,428 | $ 348,331 |
| State of Connecticut bond | 550,000 | Jan. 15, 2003 | 551,191 | 560,214 |
| Total short-term | $ 900,000 | | $ 899,619 | $ 908,545 |
| Long-term securities | | | | |
| Lewiston, Maine Pension bond | $ 390,000 | Dec. 15, 2005 | $ 390,000 | $ 397,277 |
| State of Connecticut bond | 400,000 | Jul.1, 2003 | 404,070 | 414,724 |
| Total long-term | $ 790,000 | | $ 794,070 | $ 812,001 |

</TABLE>

1. Summary of significant accounting policies (Cont'd)

Unrealized gain (loss) on Available-for-Sale Securities

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 June 30, 2002, MPC owned approximately 2.8% of Sefton Resources, Inc. with a fair market value of $43,120 and a cost of $93,334 which is included in other assets. The $50,214 difference between the fair value at June 30, 2002 and the cost has been recorded as unrealized loss on available-for-sale securities. 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 June 30, 2003, only the interest due on the March 31, 2003 installment had been paid. During September 2003, a payment of accumulated interest and a $5,000 principal payment were received.

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 only reconciling item in the calculation of diluted EPS is the dilutive effect of stock options which was computed using the treasury stock method. The Company's basic and diluted calculations of EPS are the same in 2003, 2002 and 2001 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 years 2003, 2002 and 2001.

Stock Options

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.

For the purpose of pro forma disclosures required by FASB No. 123, 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:

| | | |
|---|---|---|
| Net income as reported - June 30, 2001 | $1,072,000 | $.04 |
| Stock option expense | (69,000) | - |
| Pro forma net income - June 30, 2001 | $1,003,000 | $.04 |

| | | |
|---|---|---|
| Net income as reported - June 30, 2002 | $ 92,000 | $ - |
| Stock option expense | (31,000) | - |
| Pro forma net income - June 30, 2002 | $ 61,000 | $ - |

| | | |
|---|---|---|
| Net income as reported - June 30, 2003 | $152,000 | $.01 |
| Stock option expense | (22,000) | - |
| Pro forma net income - June 30, 2003 | $ 130,000 | $.01 |

Proforma basic and diluted EPS are unchanged

Segment Disclosure

FASB Statement No. 131 requires the disclosure of certain financial data based on an entity's operating segments. The Company's two operating segments are MPC and MPAL. Condensed financial statements of these segments are included in Notes 3 and 4 and additional segment data are included in Notes 10 and 11.

Accumulated other comprehensive loss

Accumulated other comprehensive loss at June 30, 2003 and 2002 was as follows:

<TABLE>
<CAPTION>

| <S> | 2003 <C> | 2002 <C> |
|---|---|---|
| Foreign currency translation adjustments | $(5,406,527) | $(8,914,310) |
| Unrealized loss on available-for-sale securities | - | (50,214) |
| Total | $(5,406,527) | $(8,964,524) |

</TABLE>

2. Oil and gas properties

AUSTRALIA

Mereenie

MPAL (35%) and Santos (65%), the operator, (together known as the Mereenie Producers) own the Mereenie field which is located in the Amadeus Basin of the Northern Territory. MPAL's share of the Mereenie field proved developed oil reserves was approximately 380,000 barrels and 12.1 billion cubic feet (bcf) of gas at June 30, 2003. The Mereenie Producers have agreed to install additional compression equipment in the field at a cost of $13.1 million (MPAL share $6.4 million) that will increase field deliverability and partially meet certain gas contract requirement. In addition, two gas wells will be drilled to meet the gas contractual requirements until June 2007.

During fiscal 2003, MPAL's share of oil sales was 145,000 barrels and 3.8 bcf of gas sold which is subject to net overriding royalties aggregating 4.0625% and the statutory government royalty of 10%. During fiscal 2003, the oil was transported by means of a 167-mile eight-inch oil pipeline from the field to an industrial park near Alice Springs. Most of the oil was then shipped south approximately 950 miles by rail and road to a refinery in the Adelaide area of South Australia. Effective July 1, 2003, the oil is being trucked to the Port Bonython Export Terminal, Whyalla, South Australia for sale at approximately the same cost as the previous method. The cost of transporting the oil to the terminal is being borne by the Mereenie Producers. The Mereenie Producers are providing Mereenie gas in the Northern Territory to the Power and Water Authority (PAWA) and Gasgo Pty. Ltd., a company PAWA wholly owns, for use in Darwin and other Northern Territory centers. See "Gas Supply Contracts" below.

The leases covering the Mereenie field were renewed in November 2002 for an additional term of 21 years.

Palm Valley
- -----------

MPAL has a 52% interest in, and is the operator, of the Palm Valley gas field which is also located in the Amadeus Basin of the Northern Territory. Santos, the operator of the Mereenie field, owns the remaining 48% interest in Palm Valley which provides gas to meet the Alice Springs and Darwin supply contracts with PAWA. See "Gas Supply Contracts" below. MPAL's share of the Palm Valley proved developed reserves was16.8 bcf at June 30, 2003. During fiscal 2003, MPAL's share of gas sales was 3.1 bcf which is subject to a 10% statutory government royalty and net overriding royalties aggregating 5%. MPAL plans to drill an additional development well, Palm Valley-11, later in 2003 to increase gas deliverability. PAWA will pay for the cost of the well under the gas supply agreement.

The leases covering the Palm Valley field are due to expire in November 2003 and applications have been made to the Northern Territory governmental authorities to renew the leases. Concurrently, negotiations have commenced with the Aboriginal landowners. MPAL expects that the leases will be renewed.

2. Oil and gas properties (Cont'd)
- -- -------------------------------

Gas Supply Contracts
- --------------------

In 1983, the Palm Valley Producers (MPAL and Santos) commenced the sale of gas to Alice Springs under a 1981 agreement. In 1985, the Palm Valley Producers and Mereenie Producers signed agreements for the sale of gas to PAWA for use in PAWA's Darwin generating station and at a number of other generating stations in the Northern Territory. The gas is being delivered via the 922 mile Amadeus Basin to Darwin gas pipeline which was built by an Australian consortium. Since 1985, there have been several additional contracts for the sale of Mereenie gas. Both the Palm Valley and Mereenie contracts expire in the year 2009. Under the 1985 contracts, there is a difference in price between Palm Valley gas and most of the Mereenie gas for the first 20 years of the 25 year contracts which takes into account the additional cost to the pipeline consortium to build a spur line to the Mereenie field and increase the size of the pipeline from Palm Valley to Mataranka. The price of gas under the Palm Valley and Mereenie gas contracts is adjusted quarterly to reflect changes in the Australian Consumer Price Index.

At June 30, 2003, MPAL's commitment to supply gas under the above agreements was as follows:

| Period | Bcf |
|---|---|
| Less than one year | 6.93 |
| Between 1-5 years | 27.54 |
| Greater than 5 years | 11.12 |
| Total | 45.59 |

Dingo Gas Field
- ---------------

MPAL has a 34.3% interest in the Dingo gas field which is subject to renewal in 2003. The Dingo gas field, which is located in the Amadeus Basin in the Northern Territory, has approximately 25 bcf of presently proved and recoverable reserves based on four delineation wells. MPAL's share of potential production from these permit areas is subject to a 10% statutory government royalty and overriding royalties aggregating 2.5043%. During July 2003, an application to renew the license for a term of five years was filed.

2. Oil and gas properties (Cont'd)

Browse Basin

During fiscal year 1999, MPAL (17.5%) and its partners were granted exploration permits WA-281-P, WA-282-P and WA-283-P in the Browse Basin offshore Western Australia. After a three year program of 2D and 3D seismic acquisition to define drilling prospects in the permits, two wells were drilled during fiscal year 2002. Both wells were dry holes at a total cost of $2.7 million to MPAL which is included in exploratory and dry hole costs. MPAL has withdrawn from all of these permits.

During fiscal year 2000, MPAL was granted exploration blocks WA-287-P and WA-288-P in the Eastern Browse Basin. During fiscal 2002, MPAL was granted a permit over area WA-311-P which is adjacent to WA-288-P. In 2003, INPEX Corporation, a Japanese company, earned a 65% interest in each permit by paying for the cost (except for MPAL's share of $150,000) of drilling the Strumbo-1 well, that was a dry hole. MPAL retains a 35% interest in the permits. At June 30, 2003, MPAL's share of the work obligations of the three permits totaled $4,020,000, of which only $82,000 is obligatory.

Carnarvon Basin

During fiscal year 1999, MPAL was awarded permit WA-291-P, offshore Western Australia in the Carnarvon Basin. Tap Oil, an Australian company, has agreed to participate in the drilling of a well on the permit and has a 15% interest in the permit. MPAL is seeking additional partners to share the cost of drilling a well. At June 30, 2003, MPAL's share (85%) of the work obligations of the permit totaled $4,141,000, all of which is discretionary except for $29,000.

Maryborough Basin

MPAL holds an average 75% interest in exploration permit ATP 613P in the Maryborough Basin in Queensland, Australia. MPAL (100%) also has an application pending for permit ATP 674P which is adjacent to ATP 613P. Novus Australia Energy Company Limited earned a 50% interest in the North Area of the permit by drilling the Gregory River-3 well in 2003. The well was a dry hole and MPAL's share of the cost was $524,000. At June 30, 2003, MPAL's share of the work obligations of Permit ATP 613P totaled $810,000, of which $13,000 is obligatory.



Cooper / Eromanga Basin

PEL 94 & PEL 95

During fiscal year 1999, MPAL (50%) and its partner Beach Petroleum NL were successful in bidding for two exploration blocks (PEL 94 and PEL 95) in South Australia's Cooper Basin. During August 2002, Maslins-1, the first of a three well program, was drilled. The well was a dry hole. The second well, Aldinga-1 was completed in September 2002 and began producing in May 2003 at about 80 barrels of oil per day. The third well, Henley-1, which was drilled in early September 2002, was a dry hole. MPAL's share of the dry hole costs of both wells was approximately $600,000. During October 2003, the Waitpinga-1 well in PEL 94 is expected to be spudded with the Seacliff -1 well in PEL 95 to be spudded in November 2003. MPAL's share of the cost of both wells is estimated to be approximately $660,000. At June 30, 2003, MPAL's share of the work obligations of the two permits totaled $2,257,000, of which $1,280,000 is obligatory.

PELA 110 & PELA 116

During fiscal year 2001, MPAL and its partner Beach Petroleum NL were also successful in bidding for two additional exploration blocks, PELA 110 (37.5%) and PELA 116 (50%) in the Cooper Basin. At June 30, 2003, MPAL's share of the work obligations of the two permits totaled $1,903,000, of which $909,000 is obligatory. During October 2003, the Semaphore-1 well in PEL 110 is expected to be spudded with MPAL's share of the cost estimated to be $240,000.

Nockatunga, Queensland
- ----------------------

During July 2003, MPAL reached an agreement with Voyager Energy Limited for the purchase of their 40.936% working interest (38.703 net revenue interest) in the Nockatunga Project in southwest Queensland. The assets comprise several producing oil fields in PLs 33, 50 and 51 together with exploration acreage in ATP 267P at a purchase price of approximately $1.4 million. The project is currently producing about 350 barrels of oil per day (MPAL share 135 bbls). A well is planned for PL 51 in October 2003 with MPAL's share of the cost estimated to be approximately $271,000.

Canning Basin
- -------------

During fiscal year 2001, MPAL acquired a 50% working interest in each of exploration permits WA-306-P and WA-307-P in the Barcoo Sub-basin of the offshore Canning Basin adjacent to the Browse Basin. Antrim Energy, a Canadian company, is the operator of the joint venture. At June 30, 2003, MPAL's share of the work obligations of the two permits totaled $5,179,000, of which $674,000 is obligatory.

2. Oil and gas properties (Cont'd)
- -- ------------------------------

NEW ZEALAND
- -----------

PEP 38256

During fiscal year 2001, MPAL earned an interest in permit PEP 38256 in the Canterbury Basin of New Zealand by funding part of the cost of drilling the Ealing-1 exploration well which was plugged and abandoned. The cost of approximately $336,000 was included in exploratory and dry hole costs during fiscal year 2001. At June 30, 2003, MPAL's share (25%) of the work obligations of the permit totaled $17,000, all of which is obligatory.

PEP 38222

During fiscal 2002, MPAL (100%) was granted exploration permit PEP 38222 offshore south of the South Island of New Zealand. At June 30, 2003, MPAL's share of the work obligations of the permit totaled $11,301,000, all of which is discretionary except for $51,000 of required expenditures.

PEP 38746 - PEP 38748 - PEP 38753 - PEP 38761

MPAL has a 25% interest in permits PEP 38746, PEP 38748 and PEP 38753 in the Taranaki Basin in the North Island, New Zealand. At June 30, 2003, MPAL's share of the work obligations of these permits totaled $1,645,000, of which $868,000 is obligatory. MPAL also has a 12.5% interest in PEP 38761 in the Taranaki Basin. At June 30, 2003, MPAL's share of the work obligations of this permit totaled $40,000 all of which is obligatory. MPAL and its partners spudded the Warwiri-1 well in PEP 38753 during September 2003 at an estimated cost of $268,000 to MPAL. The drilling plan for the Bluff-1 well in PEP 38746 is in progress and spudding of the well is expected to follow the Warwiri-1 well.

UNITED KINGDOM
- --------------

PEDL 098 & PEDL 099

During fiscal year 2001, MPAL acquired a 45% (originally 30%) interest in two licenses in southern England in the Weald-Wessex basin. The two licenses; PEDL 098 in the Isle of Wight and PEDL 099 in the Portsdown area of Hampshire, were each granted for a period of six years. At June 30, 2003, MPAL's share of the work obligations of the permit totaled $1,371,000, of which $ 191,000 is obligatory.

2. Oil and gas properties (Cont'd)
- -- ------------------------------

PEDL 112 & PEDL 113

During fiscal year 2002, MPAL acquired two additional licenses in southern England. The two licenses; PEDL 113 (45%) in the Isle of Wight and PEDL 112 (33 1/3%) in the Kent area on the margin of the Weald-Wessex basin were each granted for a period of six years. At June 30, 2003, MPAL's share of the work obligations of the permits totaled $929,000, of which $140,000 is obligatory.

PEDL 125 & PEDL 126

Effective July 1, 2003, MPAL acquired two additional licenses each granted for a period of six years in southern England, PEDL 125 (50%) in Hampshire and PEDL 126 (50%) in West Sussex. At June 30, 2003, MPAL's share of the work obligations of the two permits totaled $1,032,000 of which $55,000 is obligatory.

CANADA
- ------

MPC owns a 2.67% carried interest in the Kotaneelee gas field in the Yukon Territory which has been on production since February 1991 with two producing wells. For financial statement purposes in fiscal 1987 and 1988, MPC wrote down its costs relating to the Kotaneelee field to a nominal value because of the uncertainty as to the date when sales of Kotaneelee gas might begin and the immateriality of the carrying value of the investment. Since October 1989, the field has been the subject of litigation, because the carried interest owners (including MPC) believed that the working interest parties had not adequately pursued the attainment of contracts for the sale of Kotaneelee gas. A decision in the litigation was rendered on September 14, 2001. The decision of the trial court was generally favorable to the Company but the decision was appealed by all of the parties.

During September 2003, the litigants in the Kotaneelee litigation entered into a settlement agreement. The Company will receive approximately $920,000, after Canadian withholding taxes and reimbursement of certain past legal costs. The plaintiffs will terminate all litigation against the defendants related to the field, including the claim that the defendants failed to fully develop the field. Since each party has agreed to bear its own legal costs, there will be no taxable costs assessed against any of the parties. The settlement will be recorded in the quarter ending September 30, 2003.

2. Oil and gas properties (Cont'd)
- -- ------------------------------

UNITED STATES
- -------------

Baca County, Colorado
- ---------------------

During fiscal 2002, MPAL held leases in Baca County, Colorado, in which an exploration company drilled two wells during late 2001. MPAL elected to participate (25%) in the completion of the wells for production, both of which were dry holes. MPAL has now withdrawn from the area. The cost of approximately $62,000 has been included in exploratory and dry hole costs in 2002. These properties have now been surrendered.

Exploratory And Dry Hole Costs

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

The 2003, 2002 and 2001 costs relate primarily to the geological and geophysical work and seismic acquisition on MPAL's exploration permits. The costs in 2003 include MPAL's share of the dry hole costs of the Strumbo-1 well ($150,000) located offshore Western Australia, two Cooper Basin wells ($600,000) and the Gregory River-3 well ($524,000) in the Maryborough Basin in Queensland. In addition, the costs in 2002 include the dry hole costs (a total of $2.7 million) of the Carbine-1 and the Maribou-1 wells which were drilled in the Browse Basin offshore Western Australia. The costs (in thousands) for MPAL by location were as follows:

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| U.S. / Belize | $ (38) | $ 62 | $ 2 |
| Australia/New Zealand | 2,958 | 4,081 | 1,622 |
| Total | $2,920 | $4,143 | $1,624 |

The following is a summary of MPAL's required and contingent commitments for exploration expenditures for the five year period ending June 30, 2008. 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 |
|---|---|---|---|
| 2004 | $2,693,000 | $ 4,713,000 | $7,406,000 |
| 2005 | 859,000 | 18,431,000 | 19,290,000 |
| 2006 | 253,000 | 5,327,000 | 5,580,000 |
| 2007 | - | 855,000 | 855,000 |
| 2008 | - | 1,081,000 | 1,081,000 |
| Total | $3,805,000 | $30,407,000 | $34,212,000 |

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

2. Oil and gas properties (Cont'd)
- -- -------------------------------

share the above exploration costs. If MPAL's effort to find partners is unsuccessful, it may be unable or unwilling to complete the exploration program for some of its properties. In addition to the above commitments, MPAL has commitments of approximately $2,652,000 with respect to the Palm Valley and Mereenie fields which have not been included in the consolidated financial statements.

ASSET RETIREMENT OBLIGATIONS
- ----------------------------

Upon the adoption of SFAS 143 on July 1, 2002, 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 reflected as a cumulative effective of accounting change.

If the provisions of SFAS 143 had been adopted in prior years, net income would have decreased by approximately $77,000 and $60,000 for the years ended June 30, 2002 and 2001. The adoption of SFAS 143 decreased net income before cumulative effect of accounting change by approximately $76,000 for the fiscal year ended June 30, 2003. The pro forma effects for the years ended June 30, 2002 and 2001, assuming the adoption of SFAS 143 as of July 1, 2001, had no impact on earnings per share. The asset retirement obligation would have been $3,182,000 at June 30, 2001 and $3,794,000 at June 30, 2002.

A reconciliation of the Company's asset retirement obligations for the year ended June 30, 2003, is as follows:

| | |
|---|---|
| Upon adoption at July 1, 2002 | $3,794,000 |
| Liabilities incurred | 29,000 |
| Liabilities settled | (59,000) |
| Accretion expense | 243,000 |
| Revisions to estimate | (923,000) |
| Exchange effect | 774,000 |
| | ---------- |
| Balance at June 30, 2003 | $3,858,000 |
| | ========== |

During fiscal year 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.

3. MPC condensed financial statements
- -- ---------------------------------

The following are unconsolidated condensed balance sheets and statements of income and cash flows of MPC (in thousands).

<TABLE>
<CAPTION>

Magellan Petroleum Corporation
Condensed Balance Sheets

| | June 30, 2003 | June 30, 2002 |
|---|---|---|
| | ---------- | --------- |
| Assets | | |
| <S> | <C> | <C> |
| Current assets | $ 2,856 | $ 2,184 |
| Other assets | 390 | 1,117 |
| Investment in MPAL | 19,022 | 15,419 |
| | ------- | ------- |
| Total assets | $22,268 | $18,720 |
| | ======= | ======= |
| Liabilities And Stockholders' Equity | | |
| Current liabilities | $ 121 | $ 104 |
| | ------- | --------- |
| Stockholders' equity: | | |
| Capital | 43,152 | 43,332 |
| Accumulated deficit | (15,598) | (15,751) |
| Accumulated other comprehensive loss | (5,407) | (8,965) |
| | ------- | ------- |
| Total stockholders' equity | 22,147 | 18,616 |
| | ------- | ------- |
| Total liabilities and stockholders' equity | $22,268 | $18,720 |
| | ======= | ======= |

</TABLE>

Magellan Petroleum Corporation
Condensed Statements Of Income

<TABLE>
<CAPTION>

| | Years ended June 30, 2003 | 2002 | 2001 |
|---|---|---|---|
| | ---- | ---- | ---- |
| <S> | <C> | <C> | <C> |
| Revenues | $ 627 | $ 598 | $ 564 |
| Costs and expenses | 954 | 834 | 785 |
| | ----- | ----- | ----- |

| | | | |
|---|---|---|---|
| Loss before income taxes | (327) | (236) | (221) |
| Income tax provision | (130) | (112) | (109) |
| Loss before equity in MPAL | (457) | (348) | (330) |
| Equity in MPAL net income | 609 | 440 | 1,402 |
| Net income | $ 152 | $ 92 | $ 1,072 |

</TABLE>

3. MPC condensed financial statements (Cont'd)

Magellan Petroleum Corporation
Condensed Statements Of Cash Flows

<TABLE>
<CAPTION>

| | Years ended June 30, | | |
|---|---|---|---|
| | 2003 | 2002 | 2001 |
| Operating Activities: | | | |
| <S> | <C> | <C> | <C> |
| Net income | $ 152 | $ 92 | $ 1,072 |
| Adjustments to reconcile net income to net cash used in operating activities: | | | |
| Equity in MPAL net income | (609) | (440) | (1,402) |
| Change in operating assets and liabilities: | | | |
| Accounts receivable and other assets | (223) | 362 | (366) |
| Accounts payable and accrued liabilities | 17 | (20) | 106 |
| Net cash used in operating activities | (663) | (6) | (590) |
| Investing Activities: | | | |
| Additions to property and equipment | - | - | 7 |
| Marketable securities matured | 2,072 | 2,540 | 1,250 |
| Marketable securities purchased | (2,565) | (2,426) | - |
| Sale of available-for-sale securities | 93 | - | - |
| Purchase of MPAL shares | (174) | (337) | (79) |
| Net cash (used in) provided by investing activities | (574) | (223) | 1,178 |
| Financing Activities: | | | |
| Dividends from MPAL | 686 | 624 | 621 |
| Repurchases of common stock | (180) | (95) | (411) |
| Net cash provided by financing activities | 506 | 529 | 210 |
| Net increase (decrease) in cash and cash equivalents: | (731) | 300 | 798 |
| Cash and cash equivalents at beginning of year | 1,180 | 880 | 82 |
| Cash and cash equivalents at end of year | $ 449 | $ 1,180 | $ 880 |

</TABLE>

4. MPAL transactions and condensed financial statements

The following are the condensed consolidated balance sheets and consolidated statements of income of MPAL (in thousands). At June 30, 2003, Santos Ltd. held 18.2% of MPAL and Origin Energy Limited held 17.1% with the balance of 12.7% held by approximately 1,800 shareholders in Australia. On July 10, 2003, a subsidiary of Origin Energy, Sagasco Amadeus Pty. Limited, agreed to exchange 1.2 million shares of MPAL for 1.3 million shares of the Company's common stock. After the exchange was completed on September 2, 2003, MPC's interest in MPAL increased to 55% and Origin Energy's interest decreased to 14.5%.

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and include all of MPAL's subsidiaries.

Magellan Petroleum Australia Limited
Condensed Consolidated Balance Sheets

<TABLE>
<CAPTION>

| | June 30, 2003 | June 30, 2002 |
|---|---|---|
| Assets | | |
| Current assets | $24,977 | $19,041 |
| Other assets | 926 | 777 |
| Oil and gas properties - net | 20,298 | 15,888 |
| Land, building and equipment - net | 837 | 767 |
| Total assets | $47,038 | $36,473 |
| Liabilities And Stockholders' Equity | | |
| Current liabilities | $ 5,912 | $ 3,538 |
| Long term liabilities | 5,724 | 4,069 |
| Stockholders' equity: | | |
| Capital | 34,408 | 34,408 |
| Retained earnings | 10,922 | 11,075 |
| Accumulated other comprehensive loss | (9,928) | (16,617) |
| | 35,402 | 28,866 |
| Total liabilities and stockholders' equity | $47,038 | $36,473 |

</TABLE>

4. MPAL transactions and condensed financial statements (Cont'd)

Magellan Petroleum Australia Limited
Condensed Consolidated Statements of Income

<TABLE>
<CAPTION>

| | Years ended June 30, 2003 | 2002 | 2001 |
|---|---|---|---|
| Revenues | $14,969 | $13,754 | $14,336 |
| Costs and expenses | 13,294 | 12,981 | 10,639 |

| | | | |
|---|---|---|---|
| Income before income taxes | 1,675 | 773 | 3,697 |
| Income tax benefit (provision) | 904 | 73 | (966) |
| Cumulative effect of accounting change | (1,418) | - | - |
| Net income | $ 1,161 | $ 846 | $ 2,731 |

MPC and Minority Equity in MPAL

| | | | |
|---|---|---|---|
| MPC equity interest in MPAL: | | | |
| MPC equity in net income | $ 609 | $ 440 | $ 1,402 |
| Minority equity interest in MPAL: | | | |
| Minority interest in net income | $ 552 | $ 406 | $ 1,329 |
| Other comprehensive income (loss) | 3,182 | 1,596 | (2,682) |
| Other | (108) | (184) | (49) |
| Dividends paid | (628) | (586) | (593) |
| Total minority interest increase (decrease) | $ 2,998 | $ 1,232 | $ (1,995) |

</TABLE>

5. Capital and stock options

MPC's certificate of incorporation provides that any matter to be voted upon must be approved not only by a majority of the shares voted, but also by a majority of the stockholders casting votes present in person or by proxy and entitled to vote thereon.

On December 8, 2000, MPC announced a stock repurchase plan to purchase up to one million shares of its common stock in the open market. Through June 30, 2003, MPC had purchased 680,850 of its shares at a cost of approximately $686,000, all of which have been or will be cancelled.

On October 5, 1989, MPC adopted a Stock Option Plan covering one million shares of its common stock. The plan provided for options to be granted at a price of not less than fair value on the date of grant and for a term of not greater than ten years. On December 3, 1997, the Board of Directors approved a new stock option plan for an additional one million shares with similar terms.

5. Capital and stock options (cont'd)

On July 10, 2003, a subsidiary of Origin Energy, Sagasco Amadeus Pty. Limited, agreed to exchange 1.2 million shares of MPAL for 1.3 million shares of the Company's common stock. The exchange was completed on September 2, 2003. The fair value of the 1,3000,000 shares on July 10, 2003 was $1,508,000, based on the closing price of the Company's common stock on the Nasdaq SmallCap market on that date.

During fiscal 2000, options to purchase 745,000 shares were granted of which 235,000 of the shares are being vested 1/3rd at the end of each year after the grant and the remaining options were vested at the date of grant. The following is a summary of option transactions for the three years ended June 30, 2003:

<TABLE>
<CAPTION>

| Options outstanding | Expiration Dates | Number of shares | Exercise Prices ($) |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| June 30, 1999 | | 196,000 | 1.57 |
| Granted | Feb. 2005 | 745,000 | 1.28 |
| June 30, 2000 | | 941,000 | 1.28-1.57 |
| Expired | | (20,000) | 1.57 |
| June 30, 2001 | | 921,000 | 1.28-1.57 |

| | | | |
|---|---|---|---|
| Expired | | (50,000) | 1.57 |
| June 30, 2002 | | 871,000 | 1.28-1.57 |
| Granted | Jan. 2008 | 50,000 | .85 |
| June 30, 2003 | | 921,000 | ($1.30 weighted average) |

</TABLE>

Summary of Options Outstanding at June 30, 2003

<TABLE>
<CAPTION>

| <S> | Expiration Dates <C> | Total <C> | Vested <C> | Exercise Prices ($) <C> |
|---|---|---|---|---|
| Granted 1999 | Oct. 2003 | 126,000 | 126,000 | 1.57 |
| Granted 2000 | Feb. 2005 | 745,000 | 745,000 | 1.28 |
| Granted 2003 | Feb. 2005 | 50,000 | 25,000 | .85 |
| Total | | 921,000 | 896,000 | |

| | |
|---|---|
| Options reserved for future grants | 205,000 |

</TABLE>

All of the options have been granted at the fair value at the date of grant. Upon exercise of options, the excess of the proceeds over the par value of the shares issued is credited to capital in excess of par value. No charges have been made against income in accounting for options during the three year period ended June 30, 2003.

The proforma information regarding net income and earnings per share as required by Statement 123 has been included in Note. 1, 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.

5. Capital and stock options (Cont'd)

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.

6. Income taxes

Components of income before income taxes, minority interests and cumulative effect of accounting change by geographic area (in thousands) are as follows:

Years ended June 30,

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| United States | $(329) | $ (313) | $ (247) |
| Foreign | 1,678 | 850 | 3,723 |
| Total | $1,349 | $ 537 | $3,476 |

====== ====== ======

Reconciliation of the provision for income taxes (in thousands) computed at the Australian statutory rate to the reported provision for income taxes is as follows:

<TABLE>
<CAPTION>

| | Years ended June 30, 2003 | 2002 | 2001 |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Income before income taxes, minority interests and cumulative effect of accounting change | $1,349 | $ 537 | $3,476 |
| MPC's losses not recognized | 326 | 236 | 221 |
| Permanent differences | (682) | (872) | (471) |
| Book taxable income (loss) - Australia | $ 993 | $ (99) | $3,226 |
| Australian tax rate | 30 % | 30 % | 34 % |
| Australian income tax (provision) benefit | $ (298) | $ 30 | $(1,097) |
| Tax benefit attributable to reconciliation of year end deferred tax liability | 1,202 | 43 | 131 |
| MPAL Australian tax (provision) benefit | 904 | 73 | (966) |
| MPC income tax provision | (130) | (112) | (109) |
| Consolidated income tax (provision) benefit | $ 774 | $ 39 | $(1,075) |
| Current income tax provision | $ (130) | $ (648) | $ (682) |
| Deferred income tax benefit | 904 | 609 | 607 |
| Consolidated income tax (provision) benefit | $ 774 | $ (39) | $ (1,075) |
| Effective tax rate | (57)% | 7% | 31% |

</TABLE>

6. Income taxes (Cont'd)

The net deferred tax liabilities at June 30, 2003 and 2002, respectively, consist of deferred tax liabilities of $3,192,000 and $3,278,000, primarily relating to the deduction of acquisition and development costs which are capitalized for financial statement purposes, offset by deferred tax assets of $1,421,000 and $547,000, primarily relating to asset retirement obligations which will result in tax deductions when paid. The tax benefits of $1,202,000 in fiscal 2003 and $43,000 in fiscal 2002 relate primarily to tax deductions taken in connection with financing current year exploration activities in Australia. As of June 30, 2003, MPAL also had an operating loss of $5,550,000, the $1,665,000 benefit of which has not been taken into account because there is no assurance at this time that the loss benefit will be realized.

United States

At June 30, 2003, the Company had approximately $14,399,000 and $1,364,000 of net operating loss carry forwards for federal and state income tax purposes, respectively, which are scheduled to expire periodically between the years 2004 and 2023. Of this amount, MPC has federal loss carry forwards that expire as follows: $209,000 in 2004, $915,000 in 2005, $570,000 in 2006, $865,000 in 2007, $2,055,000 in 2008, $408,000 in 2020, and $52,000 in 2021. MPAL's U.S. subsidiary has federal loss carry forwards that expire as follows: $220,000 in 2005, $2,392,000 in 2006, $1,669,000 in 2010, $1,764,000 in 2011,

$2,855,000 in 2012, $229,000 in 2013, $96,000 in 2019, $25,000 in 2021, $73,000 in 2022 and $2,000 in 2023. MPC also has approximately $329,000 of foreign tax credit carryovers, which are scheduled to expire periodically between the years 2005 and 2007. MPC's state loss carry forwards expire periodically between the years 2004 and 2023. For financial reporting purposes, a valuation allowance has been recognized to offset the deferred tax assets related to those carry forwards and other deductible temporary differences. Significant components of the Company's deferred tax assets were as follows:

| | June 30, 2003 | June 30, 2002 |
|---|---|---|
| Net operating losses | $3,400,000 | $3,554,000 |
| Foreign tax credits | 329,000 | 441,000 |
| Interest | 214,000 | 214,000 |
| Total deferred tax assets | 3,943,000 | 4,209,000 |
| Valuation allowance | (3,943,000) | (4,209,000) |
| Net deferred tax assets | $ - | $ - |

7. Related party and other transactions

G&O'D INC, a firm that provides accounting and administrative services, office facilities and support staff to MPC, was paid $20,830, $34,120 and $38,900 in fees for fiscal years 2003, 2002 and 2001 respectively. James R. Joyce, the President and ChiefFinancial Officer of MPC, is the owner of G&O'D INC. Effective January 1, 2000, Mr. Joyce became a paid officer of MPC and received an annual salary of $175,000 for calendar year 2003 ($160,000 for 2002 and $155,000 for 2001). Mr. Timothy L. Largay, a director of the Company is a member of the law firm of Murtha Cullina LLP, which firm was paid fees of $69,459, $36,597 and $33,054 for fiscal years 2003, 2002 and 2001, respectively.

8. Leases

At June 30, 2003, future minimum rental payments applicable to MPAL's noncancelable operating (office) lease were as follows:

| Fiscal Year | Amount |
|---|---|
| 2004 | $137,000 |

The information regarding the rental expense for all operating leases is included in Note 12.

9. Pension Plan

MPAL maintains a defined benefit pension plan and contributes to the plan at rates which (based on actuarial determination) are sufficient to meet the cost of employees' retirement benefits. No employee contributions are required. Plan participants are entitled to defined benefits on normal retirement, death or disability. MPAL is only legally obligated to pay employees their pro rate share of the fair value of plan assets. However, MPAL is committed to making up any shortfall in the plan's assets to meet payments to employees as they become due. MPAL is currently reviewing the effectiveness of the plan and no new employees will be added to the plan until the review has been completed.

The following table sets forth the actuarial present value of benefit obligations and funded status for the MPAL pension plan:
<TABLE>
<CAPTION>

| | June 30, 2003 | June 30, 2002 |
|---|---|---|
| Change in Benefit Obligation | | |
| <S> | <C> | <C> |
| Benefit obligation at beginning of year | $1,507,445 | $2,227,884 |
| Service cost | 144,216 | 185,256 |
| Interest cost | 96,803 | 132,530 |
| Actuarial gains and losses | 11,690 | 31,815 |
| Benefits paid | - | (1,240,563) |
| Taxes on contributions | (14,914) | (25,129) |
| Expenses | (59,111) | (36,128) |
| Foreign currency effect | 294,801 | 231,780 |
| Benefit obligation at end of year | $1,980,930 | $1,507,445 |
| Change in Plan Assets | | |
| Fair value of plan assets at beginning of year | $1,606,083 | $2,613,307 |
| Actual return on plan assets | (90,703) | (119,749) |
| Contributions by employer | 156,247 | 142,467 |
| Benefits paid | - | (1,240,563) |
| Foreign currency effect | 314,090 | 271,878 |
| Other (expenses) | (74,025) | (61,257) |
| Fair value of plan assets at end of year | $1,911,692 | $1,606,083 |
| Reconciliation of Funded Status | | |
| Funded Status | $ (69,238) | $ 98,638 |
| Unamortized transition asset | (29,970) | (50,135) |
| Unamortized loss | 1,025,376 | 728,565 |
| Prepaid benefit costs | $ 926,168 | $777,068 |

</TABLE>

9. Pension Plan (Cont'd)

The net pension expense for the MPAL pension plan was as follows:

<TABLE>
<CAPTION>

| | Years ended June 30, 2003 | 2002 | 2001 |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Service cost | $144,216 | $185,256 | $156,846 |
| Interest cost | 96,803 | 132,530 | 114,610 |
| Expected return on plan assets | (97,205) | (175,691) | (158,893) |
| Net amortization and deferred items | 15,299 | (17,011) | (22,705) |
| Net pension cost | $159,113 | $125,084 | $ 89,858 |
| Plan contributions by MPAL | $156,247 | $142,467 | $163,387 |

</TABLE>

Significant assumptions used in determining pension cost and the related obligations were as follows:

<TABLE>
<CAPTION>

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| <S> | <C> | <C> | <C> |

| | | | |
|---|---|---|---|
| Assumed discount rate | 5.5% | 5.5% | 5.5% |
| Rate of increase in future compensation levels | 3.5% | 4.0% | 4.0% |
| Expected long term rate of return on plan assets | 5.0% | 5.0% | 6.0% |
| Australian exchange rate | $.67 | $.56 | $.51 |

</TABLE>

10. Segment information
- --- -------------------

The Company has two reportable segments, MPC and its majority owned subsidiary, MPAL. Although 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>

| | Years ended June 30, | | |
|---|---|---|---|
| | 2003 | 2002 | 2001 |
| Revenues: | | | |
| <S> | <C> | <C> | <C> |
| MPC | $ 1,313 | $ 1,222 | $ 1,185 |
| MPAL | 14,969 | 13,754 | 14,336 |
| Elimination of intersegment dividend | (686) | (624) | (621) |
| Total consolidated revenues | $15,596 | $14,352 | $14,900 |

</TABLE>

10. Segment information (Cont'd)
- --------------------------------

<TABLE>
<CAPTION>

| | Years ended June 30, | | |
|---|---|---|---|
| | 2003 | 2002 | 2001 |
| <S> | <C> | <C> | <C> |
| Interest income: | | | |
| MPC | $ 85 | $ 115 | $ 171 |
| MPAL | 775 | 537 | 720 |
| Total consolidated | $ 860 | $ 652 | $ 891 |
| Net income before cumulative effect of accounting change: | | | |
| MPC | $ 229 | $ 276 | $ 291 |
| Equity in earnings of MPAL | 1,347 | 440 | 1,402 |
| Elimination of intersegment dividend | (686) | (624) | (621) |
| Consolidated net income before cumulative effect of accounting change | $ 890 | $ 92 | $ 1,072 |
| Net income: | | | |
| MPC | $ 229 | $ 276 | $ 291 |
| Equity in earnings of MPAL | 609 | 440 | 1,402 |
| Elimination of intersegment dividend | (686) | (624) | (621) |
| Consolidated net income | $ 152 | $ 92 | $ 1,072 |
| Assets: | | | |
| MPC | $ 22,268 | $ 18,164 | $ 17,297 |

| | | | |
|---|---|---|---|
| MPAL | 47,038 | 36,473 | 33,496 |
| Equity elimination | (18,565) | (14,471) | (13,295) |
| | -------- | -------- | -------- |
| Total consolidated assets | $ 50,741 | $ 40,166 | $ 37,498 |
| | ======== | ======== | ======== |
| Other significant items: | | | |
| Depletion, depreciation and amortization: | | | |
| MPC | $ - | $ - | $ - |
| MPAL | 3,719 | 3,447 | 3,474 |
| | -------- | --------- | -------- |
| Total consolidated | $ 3,719 | $ 3,447 | $ 3,474 |
| | ======== | ======== | ======== |
| Exploratory and dry hole costs: | | | |
| MPC | $ - | $ - | $ - |
| MPAL | 2,920 | 4,143 | 1,624 |
| | -------- | -------- | -------- |
| Total consolidated | $ 2,920 | $ 4,143 | $ 1,624 |
| | ======== | ======== | ======== |
| Income tax expense (benefit): | | | |
| MPC | $ 130 | $ 112 | $ 109 |
| MPAL | (904) | (73) | 966 |
| | -------- | -------- | -------- |
| Total consolidated | $ (774) | $ 39 | $ 1,075 |
| | ========= | ======== | ======== |

</TABLE>

11. Geographic information
---------------------

As of each of the stated dates, the Company's revenue, operating income, net income or loss and identifiable assets (in thousands) were geographically attributable as follows:

<TABLE>
<CAPTION>

| | Years ended June 30, | | |
|---|---|---|---|
| | 2003 | 2002 | 2001 |
| <S> | <C> | <C> | <C> |
| Revenue: | | | |
| Australia | $14,968 | $13,757 | $14,336 |
| United States | 92 | 113 | 172 |
| Canada | 535 | 482 | 392 |
| | ------- | ------- | ------- |
| | $15,595 | $14,352 | $14,900 |
| | ======= | ======= | ======= |
| Operating income (loss): | | | |
| Australia | $ 1,732 | $ 396 | $ 3,350 |
| New Zealand | (628) | (64) | (321) |
| United States-Canada | 569 | 407 | 358 |
| | -------- | ------ | ------- |
| | 1,673 | 739 | 3,387 |
| Corporate overhead and interest, net of other income (expense)` | (324) | (202) | 89 |
| | --------- | ------- | ------- |
| Consolidated operating income before income taxes, minority interests and cumulative effect of accounting change | $ 1,349 | $ 537 | $ 3,476 |
| | ======== | ======= | ======== |
| Net income (loss): | | | |
| Australia | $ 835 | $ 504 | $ 1,535 |
| New Zealand | (246) | (23) | (116) |
| United States | (437) | (389) | (347) |
| | -------- | -------- | -------- |

| | | | |
|---|---|---|---|
| | $ 152 | $ 92 | $ 1,072 |
| | ======= | ======== | ======== |
| Identifiable assets: | | | |
| Australia | $47,495 | $36,475 | $33,498 |
| Corporate assets | 3,246 | 3,691 | 4,000 |
| | ------- | ------- | ------- |
| | $50,741 | $40,166 | $37,498 |
| | ======= | ======= | ======= |

</TABLE>

Substantially all (99% in 2003, 92% in 2002 and 91% in 2001) of MPAL's gas sales were to the Power and Water Authority (PAWA) of the Northern Territory of Australia (NTA). All of MPAL's crude oil production was sold to the Mobil Port Stanvac Refinery near Adelaide during 2003-2001.

12. Other financial information

<TABLE>
<CAPTION>

| | Years ended June 30, | | |
|---|---|---|---|
| | 2003 | 2002 | 2001 |
| Other administrative expenses: | | | |
| <S> | <C> | <C> | <C> |
| Consultants | $ 107,147 | $ 55,681 | $ 84,569 |
| Directors' fees and expense | 230,536 | 178,906 | 166,862 |
| Insurance | 223,981 | 182,592 | 163,666 |
| Interest expense | - | 9,808 | 16,531 |
| Rent | 239,026 | 188,494 | 183,780 |
| Taxes | 207,325 | 210,050 | 174,333 |
| Travel | 106,003 | 129,808 | 129,118 |
| Other (net of overhead reimbursements) | (744,076) | (179,262) | (202,082) |
| | ----------- | ----------- | ----------- |
| | $ 369,942 | $ 776,077 | $ 716,777 |
| | ========= | =========== | =========== |
| Royalty payments | $1,306,869 | $1,170,088 | $1,326,455 |
| | ========== | ========== | ========== |
| Interest payments | $ - | $ 9,808 | $ 16,531 |
| | ========== | ========== | ========= |
| Income tax payments | $ 173,000 | $1,360,776 | $1,752,371 |
| | =========== | ========== | ========== |

</TABLE>

13 Selected quarterly financial data (unaudited)

The following is a summary (in thousands) except for per share amounts of the quarterly results of operations for the years ended June 30, 2003 and 2002: See Management's Discussion and Analysis of Financial Condition and Results of Operations.

<TABLE>
<CAPTION>

| 2003 | QTR 1 | QTR 2 | QTR 3 | QTR 4 |
|---|---|---|---|---|
| | ($) | ($) | ($) | ($) |
| <S> | <C> | <C> | <C> | <C> |
| Total revenues | 3,188 | 3,884 | 4,071 | 4,452 |
| Costs and expenses | (3,373) | (3,200) | (3,377) | (4,297) |
| Income tax (provision) benefit | (1) | (212) | (190) | 1,177 |
| Minority interests | 14 | (317) | (274) | (655) |
| Net income (loss) before cumulative effect of accounting change | (172) | 155 | 230 | 677 |
| | ----- | --- | --- | --- |

| | QTR 1 | QTR 2 | QTR 3 | QTR 4 |
|---|---|---|---|---|
| Cumulative effect of accounting change | (738) | - | - | - |
| Net income (loss) | (910) | 155 | 230 | 677 |
| Per share (basic & diluted) | | | | |
| Before cumulative effect of accounting change | (.01) | .01 | .01 | .03 |
| Cumulative effect of accounting change | (.03) | - | - | - |
| Net Income | (.04) | .01 | .01 | .03 |
| Average number of shares outstanding | 24,607 | 24,607 | 24,571 | 24,560 |

| 2002 | QTR 1 | QTR 2 | QTR 3 | QTR 4 |
|---|---|---|---|---|
| | ($) | ($) | ($) | ($) |
| Total revenues | 3,924 | 3,138 | 3,369 | 3,921 |
| Costs and expenses | (2,680) | (4,953) | (3,262) | (2,920) |
| Income tax (provision) benefit | (309) | 506 | (26) | (210) |
| Minority interests | (513) | 577 | (78) | (392) |
| Net income (loss) | 422 | (732) | 3 | 399 |
| Per share (basic & diluted) | .01 | (.03) | - | .02 |
| Average number of shares outstanding | 24,658 | 24,607 | 24,607 | 24,607 |

</TABLE>

MAGELLAN PETROLEUM CORPORATION
SUPPLEMENTARY OIL AND GAS INFORMATION
June 30, 2003
(unaudited)

The consolidated data presented herein include estimates which should not be construed as being exact and verifiable quantities. The reserves may or may not be recovered, and if recovered, the cash flows there from, and the costs related thereto, could be more or less than the amounts used in estimating future net cash flows. Moreover, estimates of proved reserves may increase or decrease as a result of future operations and economic conditions, and any production from these properties may commence earlier or later than anticipated.

Estimated net quantities of proved developed and proved oil and gas reserves:

<TABLE>
<CAPTION>

| | Natural Gas (Bcf) | | Oil (1,000 Bbls) |
|---|---|---|---|
| Proved Reserves: | Australia (*) | Canada (**) | Australia |
| <S> | <C> | <C> | <C> |
| June 30, 2000 | 70.589 | - | 496 |
| Revision of previous estimates | (16.788) | .724 | 175 |
| Extensions and discoveries | 3.963 | - | - |
| Production | (5.595) | (.137) | (148) |
| June 30, 2001 | 52.169 | .587 | 523 |
| Revision of previous estimates | (5.828) | - | 138 |
| Extensions and discoveries | - | - | - |
| Purchase of reserves | .353 | - | - |
| Production | (5.914) | (.053) | (141) |
| June 30, 2002 | 40.780 | .534 | 520 |
| Extensions and discoveries | - | - | 35 |
| Revision of previous estimates | 2.497 | - | 125 |

| | | | |
|---|---|---|---|
| Production | (5.893) | (.107) | (126) |
| | ------ | ------ | ----- |
| June 30, 2003 | 37.384 | .427 | 554 |
| | ====== | ===== | === |
| Proved Developed Reserves: | | | |
| June 30, 2000 | 70.589 | - | 496 |
| | ====== | ==== | === |
| June 30, 2001 | 52.169 | .587 | 496 |
| | ====== | ==== | === |
| June 30, 2002 | 29.102 | .534 | 520 |
| | ====== | ==== | === |
| June 30, 2003 | 28.855 | .427 | 554 |
| | ====== | ==== | === |

</TABLE>

(*) The amount of proved reserves applicable to the Palm Valley and Mereenie fields only reflects the amount of gas committed to specific contracts. Approximately 47.6% of reserves are attributable to minority interests at June 30, 2003 (48% for 2002 and 48.7% for 2001).
(**) On January 19, 2001, MPC's carried interest account in the Kotaneelee reached undisputed payout status.

Costs of oil and gas activities (in thousands):
- ----------------------------------------------

| | Australia/New Zealand | | |
|---|---|---|---|
| Fiscal Year | Exploration Costs | Development Costs | Acquisition Costs |
| 2003 | $ 4,484 | $ 2,753 | $ 3 |
| 2002 | 4,082 | 1,288 | 270 |
| 2001 | 1,622 | 2,266 | - |

Capitalized costs subject to depletion, depreciation and amortization (DD&A) (in thousands):
- -------------------------------------------------------------------------------

| | June 30, 2003 | |
|---|---|---|
| Australia/New Zealand | 2003 | 2002 |
| Costs subject to DD&A | $61,791 | $47,014 |
| Costs not subject to DD&A | - | - |
| Less accumulated DD&A | (40,199) | (29,968) |
| | -------- | -------- |
| Net capitalized costs | $21,592 | $17,046 |
| | ======= | ======= |

Discounted future net cash flows:
- --------------------------------

The following is the standardized measure of discounted (at 10%) future net cash flows (in thousands) relating to proved oil and gas reserves during the three years ended June 30, 2003. At June 30, 2003, approximately 47.6% (48% for 2002 and 48.7% for 2001) of the reserves and the respective discounted future net cash flows are attributable to minority interests.

<TABLE>
<CAPTION>

| | Australia | | |
|---|---|---|---|
| | 2003 | 2002 | 2001 |
| <S> | <C> | <C> | <C> |
| Future cash inflows | $78,192 | $74,503 | $90,984 |
| Future production costs | (20,844) | (13,481) | (15,339) |

| | | | |
|---|---|---|---|
| Future development costs | (15,681) | (11,735) | (9,421) |
| Future income tax expense | (5,292) | (12,421) | (17,740) |
| Future net cash flows | 36,375 | 36,866 | 48,484 |
| 10% annual discount for estimating timing of cash flows | (10,675) | (11,079) | (16,837) |
| Standardized measures of discounted future net cash flows | $25,700 | $25,787 | $31,647 |

| | Canada | | |
|---|---|---|---|
| | 2003 | 2002 | 2001 |
| Future cash inflows | $1,460 | $1,029 | $1,831 |
| Future production costs | (213) | (229) | (444) |
| Future development costs | - | - | (40) |
| Future income tax expense | (312) | (200) | (337) |
| Future net cash flows | 935 | 600 | 1,010 |
| 10% annual discount for estimating timing of cash flows | (149) | (76) | (134) |
| Standardized measures of discounted future net cash flows | $ 786 | $ 524 | $ 876 |

</TABLE>

<TABLE>
<CAPTION>

| | Total | | |
|---|---|---|---|
| | 2003 | 2002 | 2001 |
| <S> | <C> | <C> | <C> |
| Future cash inflows | $79,652 | $75,532 | $92,815 |
| Future production costs | (21,057) | (13,710) | (15,783) |
| Future development costs | (15,681) | (11,735) | (9,461) |
| Future income tax expense | (5,604) | (12,621) | (18,077) |
| Future net cash flows | 37,310 | 37,466 | 49,494 |
| 10% annual discount for estimating timing of cash flows | (10,824) | (11,155) | (16,971) |
| Standardized measures of discounted future net cash flows | $26,486 | $26,311 | $32,523 |

</TABLE>

The following are the principal sources of changes in the above standardized measure of discounted future net cash flows (in thousands):

<TABLE>
<CAPTION>

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Net change in prices and production costs | $ (5,020) | $ 581 | $ 725 |
| Extensions and discoveries | 360 | - | 4,895 |
| Revision of previous quantity estimates | 1,059 | (6,850) | (9,997) |
| Changes in estimated future development costs | (4,587) | (2,868) | (3,968) |
| Sales and transfers of oil and gas produced | (8,070) | (7,763) | (7,254) |
| Previously estimated development cost incurred during the period | 3,110 | 1,327 | 2,266 |
| Accretion of discount | 2,992 | 2,975 | 4,134 |
| Net change in income taxes | 6,100 | 3,958 | 3,028 |
| Net change in exchange rate | 4,231 | 2,428 | (5,356) |
| | $ 175 | $(6,212) | $(11,527) |

</TABLE>

Additional information regarding discounted future net cash flows:

Australia
- ---------

Reserves - Natural Gas
- ----------------------

Future net cash flows from net proved gas reserves in Australia were based on MPAL's share of reserves in the Palm Valley and Mereenie fields which has been limited to the quantities of gas committed to specific contracts and the ability of the fields to deliver the gas in the contract years. Gas prices are computed on the prices set forth in the respective gas sales contracts at June 30, 2003.

Reserves and Costs - Oil
- ------------------------

At June 30, 2003, future net cash flows from the net proved oil reserves in Australia were calculated by the Company. Estimated future production and development costs were based on current costs and rates for each of the three years ended at June 30, 2003. All of the crude oil reserves are developed reserves. Undeveloped proved reserves have not been estimated since there are only tentative plans to drill additional wells.

Income taxes
- ------------

Future Australian income tax expense applicable to the future net cash flows has been reduced by the tax effect of approximately A.$25,658,000, A.$13,982,000 and A.$13,892,000 in unrecouped capital expenditures at June 30, 2003, 2002 and 2001, respectively. The tax rate in computing Australian future income tax expense was 30%.

Canada
- ------

Reserves and Costs
- ------------------

On January 19, 2001, MPC's carried interest account in the Kotaneelee gas field reached undisputed payout status. During the 4th quarter of the fiscal year 2001, MPC began accruing its share of Kotaneelee net proceeds as income. Future net cash flows from net proved gas reserves in Canada were based on MPC's share of reserves in the Kotaneelee gas field which was prepared by independent petroleum consultants, Paddock Lindstrom & Associates Ltd., Calgary, Canada. The estimates were based on the selling price of gas Can. $4.61 at June 30, 2003 (Can. $2.92 - 2002) and estimated future production and development costs at June 30, 2003.

Results of Operations
- ---------------------

The following are the Company's results of operations (in thousands) for the oil and gas producing activities during the three years ended June 30, 2003:

<TABLE>
<CAPTION>

| | Americas | | | Australia/New Zealand | | |
|---|---|---|---|---|---|---|
| | 2003 | 2002 | 2001 | 2003 | 2002 | 2001 |
| Revenues: | | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Oil sales | $ - | $ - | $ - | $3,329 | $3,259 | $4,639 |
| Gas sales | 535 | 482 | 392 | 9,647 | 8,185 | 8,144 |
| Other production income | - | - | - | 1,214 | 1,781 | 835 |
| Total revenues | 535 | 482 | 392 | 14,190 | 13,225 | 13,618 |
| Costs: | | | | | | |
| Production costs | - | - | 2 | 4,424 | 3,770 | 3,490 |
| Depletion, exploratory and dry | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| hole costs | (38) | 62 | 2 | 6,620 | 7,419 | 4,973 |
| Total costs | (38) | 62 | 4 | 11,044 | 11,189 | 8,463 |
| Income before taxes and minority interest | 573 | 420 | 388 | 3,146 | 2,036 | 5,155 |
| Income tax provision* | (134) | (121) | (98) | (944) | (611) | (1,753) |
| Income before minority interests | 439 | 299 | 290 | 2,202 | 1,425 | 3,402 |
| Minority interests** | (18) | 30 | 1 | (1,047) | (684) | (1,657) |
| Net income from operations | $421 | $329 | $291 | $1,155 | $ 741 | $ 1,745 |
| Depletion per unit of production | - | - | - | A.$5.27 | A.$5.35 | A.$5.33 |

* Income tax provision Australia 30% in 2003-2002 and 34% in 2001. Americas 25% due to a 25% Canadian withholding tax on Kotaneelee gas sales.

**Minority interests 47.6% in 2003, 48.0% in 2002 and 48.7 % in 2001.

</TABLE>

## Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

### Current Independent Accountants

On August 15, 2003, the Audit Committee of the Board of Directors of the Company determined to dismiss Ernst & Young LLP as the Company's independent auditors, effective upon completion of the annual audit for the fiscal year ended June 30, 2003. This decision was subject to the condition that Magellan Petroleum Australia Limited (MPAL), the Company's majority owned subsidiary, makes a similar determination to dismiss Ernst & Young as its independent auditors. Ernst & Young has served as the Company's independent auditors for many years.

On September 4, 2003, the audit committee of the Board of Directors of MPAL made a similar determination to dismiss Ernst & Young as its independent accountants, effective upon the completion of the annual audit for the fiscal year ended June 30, 2003.

The reports of Ernst & Young on the Company's financial statements for the past two fiscal years did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to audit scope or accounting principles.

In connection with the audits of the Company's financial statements for each of the two fiscal years ended June 30, 2003 and in the subsequent interim period, there were no disagreements with Ernst & Young on any matter of accounting principles or practices, financial statement disclosure, or auditing scope and procedures which, if not resolved to Ernst & Young's satisfaction, would have caused Ernst & Young to make reference to the matter in their report. In addition, there were no "reportable events" as that term is described in Item 304(a)(1)(v) of Regulation S-K.

## Item 9A Controls and Procedures

### Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including James R. Joyce, the Company's President, Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities and Exchange Act of 1934) as of June 30, 2003. Based on this evaluation, the Company's President concluded that the Company's disclosure controls and procedures were effective such that the material information required to be included in the Company's Securities and Exchange Commission reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms relating to the Company, including its consolidated subsidiaries, and was made known to him by others within those entities, particularly during the period when this report was being prepared.

### Internal Control Over Financial Reporting.

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d- 15(f) under the Exchange Act) during the fourth fiscal quarter of the Company's fiscal year ended June 30, 2003 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART III

For information concerning Item 10 - Directors and Executive Officers of the Company, Item 11 - Executive Compensation, Item 12 - Security Ownership of Certain Beneficial Owners and Management, Item 13 - Certain Relationships and Related Transactions and Item 14 - Principal Accounting Fees and Services, see the Proxy Statement of Magellan Petroleum Corporation relative to the Annual Meeting of Stockholders for the fiscal year ended June 30, 2003, to be filed with the Securities and Exchange Commission, which information is incorporated herein by reference. For information concerning the Executive Officers of the Company, see Part I.

### EQUITY COMPENSATION PLAN INFORMATION

The following table provides information about the Company's common stock that may be issued upon the exercise of options and rights under all of the Company's existing equity compensation plans as of June 30, 2003, including the 1989 and 1998 Stock Option Plans.
<TABLE>
<CAPTION>

| 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 plans approved by security holders (1) <S> | <C> 795,000 | <C> $1.25 | <C> 205,000 |
| Equity compensation plans not approved by security holders (2) | 126,000 | $1.57 | - |
| Total: | 921,000 | $1.30 | 205,000 |

</TABLE>

(1) 1998 Stock Option Plan.
(2) 1989 Stock Option Plan.

The Company's 1989 Stock Option Plan was adopted by the Board of Directors of the Company in October 1989. 1,000,000 shares of the Company's common stock were authorized for issuance under the terms of the plan. Options under the plan may be granted only to directors, officers, key employees of, and consultants and consulting firms to, (i) the Company, (ii) subsidiary corporations of the Company from time to time and any business entity in which the Company from time to time has a substantial interest. The exercise price of each option to be granted under the plan shall not be less than the fair market value of the stock subject to the option on the date of grant of the option. A total of 1,000,000 options were granted under the plan and no further options will be granted under the terms of the plan.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) (1) Financial Statements.

The financial statements listed below and included under Item 8 are filed as part of this report.



(2) Financial Statement Schedules.

All schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and the notes thereto.

(b) Reports on Form 8-K.

None.

(c) Exhibits.

The following exhibits are filed as part of this report:

Item Number

2. Plan of acquisition, reorganization, arrangement, liquidation or succession.

None.

3. Articles of Incorporation and By-Laws.

(a) Restated Certificate of Incorporation as filed on May 4, 1987 with the State of Delaware and Amendment of Article Twelfth as filed on February 12, 1988 with the State of Delaware filed as exhibit 4(b) to Form S-8 Registration Statement, filed on January 14, 1999, are incorporated herein by reference. Certificate of Amendment to Certificate of Incorporation as filed on December 26, 2000 with the State of Delaware, filed as Exhibit 3(a) to the Company's quarterly report on Form 10-Q filed on February 13, 2001 and incorporated herein by reference.

(b) Copy of the By-Laws, as amended filed as exhibit 4(c) to Form S-8 Registration Statement, filed on January 14, 1999 is incorporated herein by reference.

4. Instruments defining the rights of security holders, including indentures.

None.

9. Voting Trust Agreement.

None.

10. Material contracts.

(a) Petroleum Lease No. 4 dated November 18, 1981 granted by the Northern Territory of Australia to United Canso Oil & Gas Co. (N.T.) Pty Ltd. filed as Exhibit 10(a) to Annual Report on Form 10-K for the year ended June 30, 1999 (File No. 001-5507) is incorporated herein by reference.

(b) Petroleum Lease No. 5 dated November 18, 1981 granted by the Northern Territory of Australia to Magellan Petroleum (N.T.) Pty. Ltd. filed as Exhibit 10(b) to Annual Report on Form 10-K for the year ended June 30, 1999 (File No. 001-5507) is incorporated herein by reference.

(c) Gas Sales Agreement between The Palm Valley Producers and The Northern Territory Electricity Commission dated November 11, 1981 filed as Exhibit 10(c) to Annual Report on Form 10-K for the year ended June 30, 1999 (File No. 001-5507) is incorporated herein by reference.

..

(d) Palm Valley Petroleum Lease (OL3) dated November 9, 1982 filed as Exhibit 10(d) to Annual Report on Form 10-K for the year ended June 30, 1999 (File No. 001-5507) is incorporated herein by reference.

(e) Agreements relating to Kotaneelee.

(1) Copy of Agreement dated May 28, 1959 between the Company et al and Home Oil Company Limited et al and Signal Oil and Gas Company filed as Exhibit 10(e) to Annual Report on Form 10-K for the year ended June 30, 1999 (File No. 001-5507) is incorporated herein by reference.

..

(2) Copies of Supplementary Documents to May 28, 1959 Agreement (see (e)(1) above), dated June 24, 1959, consisting of Guarantee by Home Oil Company Limited and Pipeline Promotion Agreement filed as Exhibit 10(e) to Annual Report on Form 10-K for the year ended June 30, 1999 (File No. 001-5507) is incorporated

herein by reference.

..

(3) Copy of Modification to Agreement dated May 28, 1959 (see (e)(1) above), made as of January 31, 1961. Filed as Exhibit 10(e) to Annual Report on Form 10-K for the year ended June 30, 1999 (File No. 001-5507) is incorporated herein by reference.

..

(4) Copy of Letter Agreement dated February 1, 1977 between the Company and Columbia Gas Development of Canada, Ltd. for operation of the Kotaneelee gas field filed as Exhibit 10(e) to Annual Report on Form 10-K for the year ended June 30, 1999 (File No. 001-5507) is incorporated herein by reference.

(f) Palm Valley Operating Agreement dated April 2, 1985 between Magellan Petroleum (N.T.) Pty. Ltd., C. D. Resources Pty. Ltd., Farmout Drillers N.L., Canso Resources Limited, International Oil Proprietary, Pancontinental Petroleum Limited, I.E.D.C. Australia Pty. Ltd., Southern Alloys Ventures Pty. Limited and Amadeus Oil N.L. filed as Exhibit 10(f) to Annual Report on Form 10-K for the year ended June 30, 1999 (File No. 001-5507) is incorporated herein by reference.

(g) Mereenie Operating Agreement dated April 27, 1984 between Magellan Petroleum (N.T.) Pty., United Oil & Gas Co. (N.T.) Pty. Ltd., Canso Resources Limited, Oilmin (N.T.) Pty. Ltd., Krewliff Investments Pty. Ltd., Transoil (N.T.) Pty. Ltd. and Farmout Drillers NL and Amendment of October 3, 1984 to the above agreement filed as Exhibit 10(g) to Annual Report on Form 10-K for the year ended June 30, 1999 (File No. 001-5507) is incorporated herein by reference.

(h) Palm Valley Gas Purchase Agreement dated June 28, 1985 between Magellan Petroleum (N.T.) Pty. Ltd., C. D. Resources Pty. Ltd., Farmout Drillers N.L., Canso Resources Limited, International Oil Proprietary, Pancontinental Petroleum Limited, IEDC Australia Pty Limited, Amadeus Oil N.L., Southern Alloy Venture Pty. Limited and Gasgo Pty. Limited. Also included are the Guarantee of the Northern Territory of Australia dated June 28, 1985 and Certification letter dated June 28, 1985 that the Guarantee is binding. All of the above were filed as Exhibit 10(h) to Annual Report on Form 10-K for the year ended June 30, 1999 (File No. 001-5507) and are incorporated herein by reference.

(i) Mereenie Gas Purchase Agreement dated June 28, 1985 between Magellan Petroleum (N.T.) Pty. Ltd., United Oil & Gas Co. (N.T.) Pty. Ltd., Canso Resources Limited, Moonie Oil N.L., Petromin No Liability, Transoil No Liability, Farmout Drillers N.L., Gasgo Pty. Limited, The Moonie Oil Company Limited, Magellan Petroleum Australia Limited and Flinders Petroleum N.L. Also included is the Guarantee of the Northern Territory of Australia dated June 28, 1985. All of the above were filed as Exhibit 10(i) to Annual Report on Form 10-K for the year ended June 30, 1999 (File No. 001-5507) and are incorporated herein by reference.

(j) Agreements dated June 28, 1985 relating to Amadeus Basin -Darwin Pipeline which include Deed of Trust Amadeus Gas Trust, Undertaking by the Northern Territory Electric Commission and Undertaking from the Northern Territory Gas Pty Ltd. filed as Exhibit 10(j) to Annual Report on Form 10-K for the year ended June 30, 1999 (File No. 001-5507) is incorporated herein by reference.

(k) Agreement between the Mereenie Producers and the Palm Valley Producers dated June 28, 1985 filed as Exhibit 10(k) to Annual Report on Form 10-K for the year ended June 30, 1999 (File No. 001-5507) is incorporated herein by reference.

(l) Form of Agreement pursuant to Article SIXTEENTH of the Company's Certificate of Incorporation and the applicable By-Law to indemnify the Company's directors and officers filed as Exhibit 10(l) to Annual Report on Form 10-K for the year ended June 30, 1999 (File No. 001-5507) is incorporated herein by reference.

(m) 1998 Stock Option Plan, filed as exhibit 4(a) to Form S-8 Registration Statement on January 14, 1999, is incorporated filed as Exhibit 10(m) to Annual Report on Form 10-K for the year ended June 30, 1999 (File No. 001-5507) is incorporated herein by reference.

(n) Employment Agreement between James R. Joyce and Magellan Petroleum Corporation effective January 1, 2003 filed as Exhibit 10.1 to Quarterly Report on Form 10-Q for the quarter ended December 31, 2002 (File No. 001-5507) is incorporated herein by reference.

(o) 1989 Stock Option Plan is filed as Exhibit O to Annual Report on Form 10-K for the year ended June 30, 2002 (File No. 001-5507) is incorporated herein by reference.

(p) Palm Valley Gas Purchase Agreement Deed of Amendment dated January 17, 2003 is filed herein.

(q) Share sale agreement dated July 10, 2003 between Sagasco Amadeus Pty. Limited and Magellan Petroleum Corporation is filed herein.

(r) Registration Rights Agreement date September 2, 2003 between 2003 between Sagasco Amadeus Pty. Limited and Magellan Petroleum Corporation is filed herein.

11. Statement re computation of per share earnings.

    Not applicable.

12. Statement re computation of ratios.

    None.

13. Annual report to security holders, Form 10-Q or quarterly report to security holders.

    Not applicable.

16. Letter re change in certifying accountant.

    Letter of Ernst & Young LLP dated August 27, 2003 filed as exhibit 16 to Current Report on Form 8-K filed on August 27, 2003 (File No. 001-5507) is incorporated herein by reference.

18. Letter re change in accounting principles.

    None.

21. Subsidiaries of the registrant.

Filed herein.

22. Published report regarding matters submitted to vote of security holders.

    Not applicable.

23. Consent of experts and counsel.

    1. Consent of Ernst & Young LLP filed herein
    2. Consent of Paddock Lindstrom & Associates, Ltd. filed herein.

24. Power of attorney.

    None.

31. Rule 13a-14(a) Certifications.

    Certification of James R. Joyce, President, Chief Executive Officer and Chief Financial and Accounting Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 is filed herein.

32. Section 1350 Certifications.

    Certification of James R. Joyce, President, Chief Executive Officer and Chief Financial and Accounting Officer, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, is filed herein.

(d) Financial Statement Schedules.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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)

/s/ James R. Joyce
----------------------------------------
James R. Joyce, President

Dated: September 23, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

| | |
|---|---|
| /s/ Donald V. Basso | /s/ James R. Joyce |
| - --------------------------------- | ---------------------------------- |
| Donald V. Basso | James R. Joyce |
| Director | President and Chief Executive Officer, Chief Financial and Accounting Officer |

Dated: September 23, 2003 Dated: September 23, 2003

/s/ Timothy L. Largay /s/ Ronald P. Pettirossi

Timothy L. Largay Ronald P. Pettirossi
Director Director

Dated: September 23, 2003 Dated: September 23, 2003

/s/ Walter McCann

Walter McCann
Director

Dated: September 23, 2003

INDEX TO EXHIBITS

10 (p) Palm Valley Gas Purchase Agreement Deed of Amendment dated January 17, 2003.

10 (q) Share sale agreement dated July 10, 2003 between Sagasco Amadeus Pty. Limited and Magellan Petroleum Corporation is filed herein.

10 (r) Registration Rights Agreement date September 2, 2003 between 2003 between Sagasco Amadeus Pty. Limited and Magellan Petroleum Corporation is filed herein.

21. Subsidiaries of the Registrant.

23. 1. Consent of Ernst & Young LLP 2. Paddock Lindstrom & Associates, Ltd.

31. Rule 13a-14(a) Certifications.

32. Section 1350 Certifications.

Exhibit 10. (p)

CORRS CHAMBERS WESTGARTH
Lawyers
Waterfront Place
1 Eagle Street
BRISBANE QLD 4000
AUSTRALIA
Tel: (07) 3228 9333
Fax: (07) 3228 9444
DX: 135 BRISBANE

PALM VALLEY PRODUCERS

KUFPEC AUSTRALIA PTY LTD

GASGO PTY LIMITED

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

PALM VALLEY GAS PURCHASE AGREEMENT - DEED OF AMENDMENT

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



B/583635/1B/583635/1/58952.1

58952.1

THIS DEED is made on

BETWEEN SANTOS LTD ACN 007 550 923 a company incorporated in the State of South Australia and having its registered office at Level 29, 91 King William Street, Adelaide, South Australia (Santos) of the first part

AND MAGELLAN PETROLEUM (N.T.) PTY LTD ACN 009 718 183 a company incorporated in the State of Queensland and having its registered office at 10th Floor, 145 Eagle Street, Brisbane, Queensland (Magellan) of the second part

AND FARMOUT DRILLERS PTY LTD ACN 000 393 635 a company incorporated in the State of New South Wales and having its registered office at Level 29, 91 King William Street, Adelaide, South Australia (Farmout) of the third part

AND CANSO RESOURCES PTY LTD ACN 002 133 833 a company incorporated in the State of New South Wales and having its registered office at Level 29, 91 King William Street, Adelaide, South Australia (Canso) of the fourth part

AND SANTOS EXPLORATION PTY LTD ACN 005 784 305 a company incorporated in the State of Victoria and having its registered office at Level 29, 91 King William Street, Adelaide, South Australia (SEPL) of the fifth part

AND KUFPEC AUSTRALIA PTY LTD ACN 001 800 924 a company incorporated in the State of New South Wales and having its registered office at Level 1, 18 Richardson Street, West Perth, Western Australia (Kufpec) of the sixth part

AND GASGO PTY LIMITED ACN 009 627 801 a company incorporated in the Northern Territory and having its offices at 4th Floor, Energy House, 18-20 Cavenagh Street, Darwin, Northern Territory (Gasgo) of the seventh part

RECITALS

A The Producers and Gasgo are parties to the Palm Valley Gas Purchase Agreement made 28 June 1985 (the Gas Purchase Agreement)under which Gasgo purchases natural gas from the Producers.

B Kufpec was a party to the Gas Purchase Agreement until pursuant to a Deed of Covenant and Consent dated 31 October 2002 its interest under the Gas Purchase Agreement was assigned to Magellan with effect from 1 December 2001.

C Each of the Parties has agreed that with effect on and from the Effective Date the Gas Purchase Agreement is amended in the manner set out in this Deed.

IT IS AGREED

1 INTERPRETATION

1.1 Definitions

In this Deed, unless the context otherwise requires, terms defined in the Gas Purchase Agreement have the meaning they bear in the Gas Purchase Agreement and:

"Deed" means this deed and the recitals to it.

"Effective Date" means 1 July 2002.

"Gas Purchase Agreement" has the meaning given in recital A of this Deed.

"Parties" means the parties to this Deed.

"Producer Claim" means any and all duties, obligations, liabilities, responsibilities, actions, causes of action, potential causes of action, suits, rights, claims, demands, expenses and liabilities of any nature whatsoever which may apply against, be imposed upon or be accruing or has accrued against the Purchaser arising out of or connected with any failure by or delay of the Purchaser in approving the drilling of the sixth, seventh, eighth and ninth Additional Wells which failure or delay occurred on or before or may be continuing up to the Effective Date.

"Producers" means the parties to this Deed other than Gasgo and Kufpec.

"Purchaser Claim" means any and all duties, obligations, liabilities, responsibilities, actions, causes of action, potential causes of action, suits, rights, claims, demands, expenses and liabilities of any nature whatsoever which may apply against, be imposed upon or be accruing or has accrued against each or any of the Producers or Kufpec arising out of or connected with any failure on the part of the Producers or Kufpec to supply all or any part of the contracted quantities of Gas in accordance with the terms of the Gas Purchase Agreement which failure may have occurred on or before or be continuing up to the Effective Date.

1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules of interpretation apply unless the context requires otherwise.

(a) The singular includes the plural and conversely.

(b) A gender includes all genders.

(c) Where a word or phrase is defined, its other grammatical forms have a corresponding meaning.

(d) A reference to a person includes a body corporate, an unincorporated body or other entity and conversely.

(e) A reference to a clause is to a clause of this Deed.

(f) A reference to any party to this Deed or any other agreement or document includes the party's successors and permitted assigns.

(g) A reference to any agreement or document is to that agreement or document as amended, novated, supplemented, varied or replaced from time to time, except to the extent prohibited by this Deed or that other agreement or document.

(h) A reference to any legislation or to any provision of any legislation includes any prior corresponding legislation, modification or re-enactment of it, any corresponding legislative provision and any legislative provision substituted for it and all regulations and statutory instruments issued under it.

2 AMENDMENT TO GAS PURCHASE AGREEMENT

2.1 The Parties acknowledge covenant and agree that on and from the Effective Date the Gas Purchase Agreement is amended as follows:

1 Insert a new clause 2.61 as follows:

"2.61 Development Work after 1 July 2002:

(a) Notwithstanding any other provision of this Agreement the following clauses of this clause 2.61 shall govern the responsibilities, obligations and liabilities of the Parties under this Agreement in respect of the drilling of Additional Wells on and from 1 July 2002. Where there is any inconsistency between the provisions of this clause 2.61 and any other provision of this Agreement then the provisions of this clause 2.61 shall prevail to the extent of any such inconsistency.

(b) For the purpose of this clause 2.61 "Successful" within the context of the drilling of an Additional Well shall be defined as the drilling of a Well which maintains an average flow rate of at least 113,267 Cubic Metres per day, as metered, into the gas treatment plant servicing the Gas Field over the first 6 months of its operation such that the total production from the Gas Field increases by a commensurate amount.

For the purpose of determining increased total field production of Gas as a result of the drilling of any Additional Well, the Producers and the Purchaser shall agree a forecast of future Gas production until the expiry date of this Agreement from the Gas Delivery System as it exists prior to the drilling of the relevant Additional Well. Such forecast shall be the base level of production for the purpose of determining the increase in total field production of Gas as a result of the drilling of the relevant Additional Well. The Parties acknowledge that each forecast of future production of Gas prior to the drilling of the relevant Additional Well shall be made without reference to any potential event of Force Majeure which may cause any material variation in production. Any forecast of future production of Gas shall be adjusted to take into account any material variation in production which actually occurs as a result of an event of Force Majeure so that the base level of production used to establish any incremental increase in production as a result of drilling any Additional Well, shall be the forecast quantity so adjusted. If the Purchaser and the Producers are unable to agree:

(i) such a forecast of production;

(ii) whether there has been a material variation in production as a result of any event of Force Majeure; or

(iii) how to adjust an existing forecast due to occurrence of an event of Force Majeure,

then that forecast, the existence of any material variation in production or adjustment (as applicable) shall be determined by reference to an Independent Expert in accordance with clause 2.60. Notwithstanding anything else in this Agreement, for the purposes of this clause 2.61(b), Force Majeure specifically excludes the event or circumstance set out in paragraph (g) of the definition of Force Majeure in clause 1.10 of this Agreement.

(c) The Parties acknowledge and agree that on and from 1 July 2002 the Purchaser's liability to meet Development Expenditure in respect of the Additional Wells shall be determined only in accordance with and limited to its liability under this clause 2.61.

(d) The Purchaser hereby approves the drilling of a sixth Additional Well as Development Work. The Producers shall supply to the Purchaser recommendations for the location of the drilling of the sixth and any subsequent Additional Well but the final determination of the location of the sixth Additional Well and any further Additional Well approved by the Purchaser as Development Work shall be the Purchaser's.

(e) The reasonable costs incurred by the Producers in drilling the sixth Additional Well shall be Development Expenditure for the purpose of this Agreement which shall be recouped by the Producers from the Purchaser.

(f) Subject to the availability of a drilling rig the Producers shall expeditiously upon approval by the Purchaser in accordance with this clause 2.61 carry out each of the drilling, completion and connection to the Gas Delivery System of the sixth Additional Well and any subsequent Additional Well in accordance with good oil field practice and in a cost-effective manner.

(g) If the sixth Additional Well is Successful then the Purchaser will approve the drilling of the seventh Additional Well as Development Work and the expenditure of the Producers in respect of the drilling of that Additional Well shall be Development Expenditure for the purpose of this Agreement.

(h) If the seventh Additional Well is Successful then, in addition to the Producers' obligations under clause 2.22, the Producers shall as soon as practicable after completion of the drilling thereof commence work in assessing the reservoir and deliverability of the Gas Field and shall furnish to the Purchaser a report ("Reserves and Deliverability Report") by an independent reservoir engineer, approved by the Purchaser (such approval not to be unreasonably withheld), estimating the Proven Reserves in the Gas Field and the annual production capacity of the Gas Field over its life from the then existing Wells.

(i) Subject to the Purchaser being satisfied, acting reasonably, that the findings of the Reserves and Deliverability Report justify the drilling of an eighth Additional Well, and subject to the sixth and seventh Additional Wells continuing to realise a net increase in the production of Gas from the Gas Field compared to production prior to the drilling of the sixth Additional Well, then the Purchaser shall approve the drilling of the eighth Additional Well as Development Work and the expenditure of the Producers in respect of the drilling of that Additional Well shall be Development Expenditure for the purposes of this Agreement.

(j) If the eighth Additional Well is Successful then subject to the sixth, seventh and eighth Additional Wells continuing to produce a net increase in the production of Gas from the Gas Field compared to production prior to the drilling of the sixth Additional Well, then the Purchaser shall approve the drilling of the ninth Additional Well as Development Work and the expenditure of the Producers in respect of the drilling of that Additional Well shall be Development Expenditure for the purposes of this Agreement.

(k) Gas production from the Gas Field prior to the drilling of the sixth Additional Well for the purpose of paragraphs (i) and (j) will be determined by calculating the average daily production of the Gas Field over the period of two months prior to the date the drilling of the sixth Additional Well commences, but excluding any day on which production has been materially reduced by an event of Force Majeure. If the Purchaser and the Producer are unable to agree:

(A) whether, on any day, there has been a material reduction in production as a result of any event of Force Majeure; or

(B) how to adjust the Gas Field production due to an occurrence of an event of Force Majeure;

then the existence of any material reduction or adjustment (as applicable) shall be determined by reference to an Independent Expert in accordance with clause 2.60.

(l) If the sixth or any subsequent Additional Well is not Successful then there shall be no further obligation on the Purchaser to approve the drilling of subsequent Additional Wells provided that the Producers may at their discretion drill and complete any Additional Well, and connect same to the Gas Delivery System and should that Well be Successful then the expenditure incurred by the Producers in respect of that Additional Well shallbe deemed to be Development Expenditure which shall be recouped by the Producers from the Purchaser as if the drilling, completion and connection of that Additional Well was Development Work for the purposes of this Agreement.

(m) The Producers shall at all times do everything reasonably necessary including the undertaking of Development Work to maximise production of Gas from the Gas Field to be sold and delivered to the Purchaser under this Agreement using the Gas Delivery System in a cost-effective manner in accordance with good oil field practice. For the avoidance of doubt the Producers shall have no obligation to expand or modify the Gas Delivery System other than by carrying out Development Work and the Producers shall have no obligation to drill Additional Wells except in accordance with the provisions of paragraphs (d) to (k) inclusive.

(n) Notwithstanding any other provision of this Agreement and any other obligation on the Purchaser hereunder, the Purchaser and the Producers acknowledge and agree that the Purchaser shall purchase at the Contract Price from the Producers all Gas the Producers are able to produce from the Gas Field over the balance of the term of this Agreement as a result of complying with this clause 2.61.

(o) Notwithstanding any other provision in this Agreement and any other right or obligation on the Producers hereunder, the Producers must obtain the approval of the Purchaser (such approval not to be unreasonably withheld) to each of:

(A) completing; and

(B) connecting to the Gas Delivery System,

of any Additional Well, the drilling of which has been approved by the Purchaser pursuant to this clause 2.61. The reasonable costs incurred by the Producers in completing or connecting with the Gas Delivery System (as the case may be) of any Additional Well which has been approved by the Purchaser pursuant to this paragraph (o) will be Development Expenditure for the purposes of this Agreement which shall be recouped by the Producers from the Purchaser.

(p) The Producers shall operate and maintain the Gas Field in accordance with good oil field practice.

(q) The Producers shall not do anything to artificially restrict, interrupt or curtail the production of Gas from the Gas Field below that available from the developed capacity of the Gas Delivery System for the purpose of obtaining a benefit for the Mereenie Producers or any other party under any agreement for the sale of natural gas from the Mereenie Field between the Mereenie Producers or any other party and the Purchaser or NTEC (now Power and Water Corporation) or any other party, whether entered into before or after 1 July 2002.

(r) The Producers shall provide to the Purchaser at approximately 6 monthly intervals from 1 July 2002 until the expiry date of the Agreement bona fide forecasts of future production of Gas from the Gas Field. If the Purchaser disputes any forecast provided by the Producers it may refer the issue to an Independent Expert in accordance with clause 2.60 who will determine the amount of the forecast. If no such forecast is provided, the forecast of future production of Gas from the Gas Field shall be the amount agreed between the Parties and if the Parties cannot agree, the amount determined by reference to an Independent Expert in accordance with clause 2.60. The forecasts to be provided in accordance with this subclause are in addition to those determined pursuant to paragraph (b).

(s) Notwithstanding any other provision of this Agreement and any other obligation upon the Producers under this Agreement, where the Producers fail to deliver any part or all of the quantities of Gas otherwise required to be delivered to the Purchaser pursuant to this Agreement, the Producers shall only be deemed to be in breach of this Agreement and will only have liability to the Purchaser arising out of any such failure to deliver to the extent that that failure is caused by a breach of any of paragraphs (d) (f), (h), (m), (p) and (q) of this clause 2.61.

Other than pursuant to this paragraph (s) the Producers shall have no liability of any nature whatsoever to the Purchaser arising out of any failure to deliver any part or all of the quantities of Gas otherwise required to be delivered to the Purchaser pursuant to this Agreement.

(t) In the event that the Producers fail to comply with any of their obligations under paragraphs (d) (f), (h), (m), (p) and (q) of this clause 2.61 and that failure results in a failure to supply to the Purchaser a quantity of Gas which would otherwise have been able to have been supplied if there had been no breach of those clauses then the Purchaser will be entitled to liquidated damages in accordance with clauses 3.43 and 3.44 to 3.47, subject to clause 3.41, as if the reference to Obligation Gas in those clauses were a reference to the amount of Forecast Gas that should have been delivered over the period of the failure to supply if there had been no breach of paragraphs (d), (f), (h), (m), (p) or (q) of this clause 2.61, as the case may be, and the reference to Default Gas were a reference to the difference between that amount of Gas and the amount of Gas actually delivered over that period.

(u) The Parties acknowledge that clause 2.57 applies to any Additional Wells drilled under this clause 2.61."

2 Insert the following definitions into clause 1.10:

"Date of Expiry" is defined in clause 10.20(c)(ii).

"Forecast Gas" means the amount of Gas (in GJ) to be produced from the Gas Field until the Date of Expiry, as specified in the forecast first referred to in clause 2.61(r) which has most recently been provided to the Purchaser, or if no forecast is provided in accordance with that clause, the forecast as otherwise determined in accordance with that clause.

"Mereenie Field" has the same meaning as "Gas Field" in the Mereenie Agreement.

"Monthly Forecast Gas" means the Forecast Gas divided by the number of Months remaining until the Date of Expiry .

"Reserves and Deliverability Report" is defined in clause 2.61(h).

"Successful" is defined in clause 2.61(b).

3 Insert the words "and 2.61" after the word "2.50" into the definition of "Additional Wells" in clause 1.10.

4 Delete clause 10.20(c)(ii) and replace it with the following new clause 10.20(c)(ii):

"(ii) Terminate such separate Agreement whereupon the Purchaser shall have no further liability to that Producer hereunder and shall be entitled to recover from that Producer as and by way of liquidated damages the net present value (determined as hereinafter provided) of the amount determined by multiplying the Forecast Gas by the Contract Price from the date of termination by the Purchaser as aforesaid to the date on which this Agreement would otherwise have terminated ("Date of Expiry"). The net present value of such damages shall be determined by:

(A) ascertaining the amount of the liquidated damages which would be recoverable from that Producer in respect of the Month immediately preceding the date of termination if that Producer had made default in delivery of its Ownership Percentage of the Monthly Forecast Gas during that month;

(B) assuming that the same amount of liquidated damages as in paragraph (A) above would apply in respect of each Month from the date of termination to the Date of Expiry; and

(C) discounting the amounts referred to in paragraph(B) above to present value at the rate of 8 per cent per annum.

Termination of this Agreement with respect to any Producer shall be without prejudice to the rights of any Party accruing prior to termination, but subject thereto and to the provisions of this clause the Purchaser shall not have and shall not make any further or other claims upon the relevant Producer arising out of or in any way in connection with any default by the Producer or termination of this Agreement as aforesaid."

5 Delete clause 10.30(i) and replace with the following new subclause:

"Suspend deliveries of Gas hereunder provided that the Purchaser shall remain liable to pay that Producer the amount due to it for Monthly Forecast Gas which will not give any entitlement to Make Up Gas; and/or"

6 Alter all references to "Annual Minimum Quantities" in clause 10.30 to "Forecast Gas" in each case where it is used in clause 10.30.

7 Delete clause 2.27.

2.2 The Parties ratify and confirm the terms of the Gas Purchase Agreement as amended by clause 2.1.

3 RELEASE

3.1 The Purchaser hereby releases each of the Producers and Kufpec with effect on and from the Effective Date from all Purchaser Claims.

3.2 Each of the Producers and Kufpec may plead the release given pursuant to clause 3.1 as a bar to all and any claims, allegations, proceedings or actions which the Purchaser may bring against each and any of them in respect of any Purchaser Claim.

3.3 The Purchaser may not make any Purchaser Claim against any of the Producers or Kufpec or commence or continue any action or proceeding against any of the Producers or Kufpec in relation to any Purchaser Claim.

3.4 Each of the Producers and Kufpec hereby releases the Purchaser with effect on and from the Effective Date from all Producer Claims .

3.5 The Purchaser may plead the release given pursuant to clause 3.4 as a bar to all or any claims, allegations, proceedings or actions which any of the Producers or Kufpec may bring against it in respect of any Producer Claim.

3.6 No Producer or Kufpec shall make any Producer Claim against the Purchaser or commence or continue any action or proceeding against the Purchaser in relation to any Producer Claim.

4 EXECUTION

(a) Execution by one Party is conditional on execution by all Parties and the Deed shall have no force or effect unless and until all the parties named as Parties to this Deed have executed and delivered it.

(b) This Deed may be executed in any number of counterparts and when such counterparts, taken together, have been executed by all of the Parties thereto, they shall be deemed to constitute one instrument and the same instrument.

5 GENERAL

5.1 (a) All stamp duty and registration and other fees payable on and in respect of this Deed shall be borne and paid by the Producers and the Purchaser in equal shares.

(b) The Parties hereto shall otherwise bear their own costs (including legal costs) associated with this Deed.

5.2 This Deed shall be governed by and construed in accordance with the laws of the Northern Territory and the parties hereby submit to the non-exclusive jurisdiction of the Courts and Tribunals of the

Northern Territory, in relation to this Deed.

5.3 No modification or variation of the terms and provisions of this Deed shall be effective except by written instrument duly executed by the Parties.

5.4 The Parties shall perform, execute, acknowledge and deliver all such further acts, deeds and assurances in relation to this Deed as may be reasonably required to give effect to this Deed, and its effect on the Gas Purchase Agreement.

Each attorney executing this Deed states that he has no knowledge of any revocation or suspension of his power of attorney.

IN WITNESS WHEREOF the parties have executed this Deed on the date first above mentioned.

SIGNED SEALED AND DELIVERED for and on behalf of CANSO )
RESOURCES PTY LTD, FARMOUT DRILLERS PTY LTD, SANTOS )
EXPLORATION PTY LTD and SANTOS LTD by )
)
- --------------------------------- )
their duly authorised Attorney under separate Powers of ) Attorney each dated )
who hereby states ) that he has no notice of revocation of the said Powers ) of
Attorney at the time of execution of this instrument ) in the presence of: )
)
)
.......................................................................
Witness

.......................................................................
Name of Witness (print)

THE COMMON SEAL of MAGELLAN PETROLEUM (N.T.) PTY LTD )
was affixed in accordance with its Constitution in the )
presence of: )

.................................................................................
Director Director

.................................................................................
Name of Director (print) Name of Director (print)

THE COMMON SEAL of KUFPEC AUSTRALIA PTY LTD was duly ) affixed in accordance with its Constitution in the ) presence of: )

.................................................................................
Company Secretary/Director Director

.................................................................................
Name of Company Secretary/Director (print) Name of Director (print)

THE COMMON SEAL of GASGO PTY LIMITED was affixed in ) accordance with its Constitution in the presence of: )
)

.................................................................................
Company Secretary/Director Director

.................................................................................
Name of Company Secretary/Director (print) Name of Director (print)

EXHIBIT 10 (q)

Execution Copy

Sagasco Amadeus Pty Limited (ACN 056 420 396)
"Sagasco"

Magellan Petroleum Corporation (ABN 97 099 695 093)
"MPC"

# Share sale agreement

[GRAPHIC OMITTED]
Lawyers
Levels 22-35 No. 1 O'Connell Street Sydney NSW 2000 Australia
PO Box H3 Australia Square Sydney NSW 1215
www.claytonutz.com
Tel + 61 2 9353 4000 Fax + 61 2 8220 6700
Our ref - 169/21724160 Contact - Graham Taylor

Sydney o Melbourne o Brisbane o Perth o Canberra o Darwin



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Share sale agreement made on July 10, 2003

Parties

Sagasco Amadeus Pty Limited (ACN 056 420 396) of Level 39, AMP Centre, 50 Bridge Street, Sydney, NSW, 2000 ("Sagasco")

Magellan Petroleum Corporation (ABN 97 099 695 093) of Unit 31, Oak Park, 149 Durham Road, Madison, Connecticut, USA, 06443 ("MPC")

Recitals

A. Magellan Petroleum Australia Limited (ACN 009 728 581) is a company limited by shares registered in Australia with its registered office at Level 10, 145 Eagle Street, Brisbane, Queensland, 4000 ("MPA").

B. Sagasco is the legal and beneficial owner of 1,200,000 fully paid ordinary shares in the issued share capital of MPA ("MPA Shares").

C. Sagasco has agreed to sell and MPC has agreed to purchase the MPA Shares upon the terms and conditions contained in this Agreement.

The parties agree

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1. Definitions and interpretation

1.1 Definitions

In this Agreement:

"Agreement" means this Share Sale Agreement, including Schedule 1 and Annex A attached hereto.

"Business Day" means a day which is not a Saturday, Sunday or public holiday in the State.

"Completion" means completion of the sale and purchase of the MPA Shares in accordance with the terms of this Agreement.

"Completion Date" means the fifth Business Day following the receipt of all approvals required under clause 3 of this Agreement or such other date as Sagasco and MPC shall agree.

"Constitution" means the constitution of MPA.

"Encumbrance" means any mortgage, charge, pledge, lien, encumbrance, assignment, hypothecation, security interest, title retention, preferential right, trust arrangement, contractual right of set-off or any other security agreement or arrangement in favour of any person.

"FATA" means the Foreign Acquisitions and Takeovers Act 1975.

"FIRB Approval" means the unconditional approval pursuant to FATA of the Treasurer to the Proposal or the approval of the Treasurer subject to conditions which are acceptable to MPC acting reasonably.

"MPA" has the meaning given in Recital A.

"MPA Shares" has the meaning given in Recital B.

"MPC Shares" means the common shares in the capital of MPC.

"Proposal" means the acquisition of the MPA Shares by MPC under this Agreement.

"Related Body Corporate" has the meaning given in section 9 of the Corporations Act 2001 (Cth).

"Share Consideration" has the meaning given in clause 2.

"State" means the State of New South Wales.

1.2 Interpretation

In this Agreement:

(a) headings are for convenience only and do not affect interpretation; and unless the context indicates a contrary intention:

(b) an obligation or liability assumed by, or a right conferred on, 2 or more parties binds or benefits all of them jointly and each of them severally;

(c) the expression "person" includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture (whether incorporated or unincorporated), a partnership and a trust;

(d) a reference to any party includes that party's executors, administrators, successors and permitted assigns, including any person taking by way of novation;

(e) a reference to any document (including this Agreement) is to that document as varied, novated, ratified or replaced from time to time;

(f) a reference to any statute or to any statutory provision includes any statutory modification or re-enactment of it or any statutory provision substituted for it, and all ordinances, by-laws, regulations, rules and statutory instruments (however described) issued under it;

(g) words importing the singular include the plural (and vice versa), and words indicating a gender include every other gender;

(h) references to parties, clauses, schedules, exhibits or annexures are references to parties, clauses, schedules, exhibits and annexures to or of this Agreement, and a reference to this Agreement includes any schedule, exhibit or annexure to this Agreement;

(i) where a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;

(j) references to payments to any party to this Agreement include payments to another person upon the direction of such party;

(k) all payments to be made under this Agreement will be made by unendorsed bank cheque or other immediately available funds;

(l) the word "includes" in any form is not a word of limitation; and

(m) a reference to "$" or "dollar" is to Australian currency.

1.3 Governing law

This Agreement is governed by and will be construed according to the laws of the State.



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2. Sale of MPA Shares

(a) Sagasco agrees to sell to MPC, and MPC agrees to purchase from Sagasco, the MPA Shares (including any additional shares issued between the date of this Agreement and the Completion Date, inclusive, as a result of a stock split, stock dividend, recapitalisation or the like) free of any Encumbrance in consideration for the issue of 1,300,000 MPC Shares (as such number of MPC Shares may be increased pursuant to clause 2(b), the "Share Consideration") by MPC to Sagasco, on the Completion Date in accordance with the terms and conditions contained in this Agreement.

(b) In the event that between the date of this Agreement and the Completion Date, inclusive, MPC issues to the holders of MPC Shares additional MPC Shares as a result of a stock split, stock dividend, recapitalisation or the like, the Share Consideration to be issued to Sagasco pursuant to this clause 2 shall be increased by the number of MPC Shares that Sagasco would have received had it held the Share Consideration at the time of the distribution.

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3. Conditions precedent

(a) FIRB Approval is a condition precedent to the obligations of MPC and Sagasco under clauses 2 and 4.

(b) MPC must do all things pursuant to FATA which are reasonably necessary to obtain FIRB Approval promptly after the execution of this Agreement.

(c) FIRB Approval is taken to have been granted:

(i) if a notice is issued pursuant to FATA stating that the Commonwealth Government does not object to the Proposal; or

(ii) if notice of the Proposal has been given to the Treasurer pursuant to FATA and the Treasurer is, by reason of lapse of time, not empowered to make an order under Part II of FATA in relation to the Proposal.

(d) In the event that between the date of this Agreement and the Completion Date, inclusive, MPC issues to the holders of MPC Shares cash dividends or other distributions (other than in the form of additional MPC Shares), Sagasco may at its option refuse to perform its obligations under clauses 2 and 4.

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4. Completion

4.1 Time and place for Completion

Completion will take place on the Completion Date at the offices of Corrs Chambers Westgarth, Waterfront Place, 1 Eagle Street, Brisbane 4000 Queensland, Australia.
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4.2 Delivery of documents by Sagasco

On Completion Sagasco will deliver or cause to be delivered to MPC:

(a) a duly executed transfer form for the transfer of the MPA Shares from Sagasco to MPC in substantially the form set out in schedule 1; and

(b) a Registration Rights Agreement in the form set out in annexure A duly executed by Sagasco.



4.3 Delivery of documents by MPC

On Completion MPC will issue the Share Consideration and will deliver or cause to be delivered to Sagasco:

(a) the stock certificate(s) for the Share Consideration; and

(b) a Registration Rights Agreement in the form set out in annexure A duly executed by MPC.

4.4 Interdependence of obligations

The obligations of Sagasco and MPC under clauses 4.2 and 4.3 are interdependent.

4.5 Sagasco's obligations until registration

After Completion and until the MPA Shares are registered by MPA in the name of MPC, Sagasco must take all action as registered holder of the MPA Shares as MPC may reasonably require from time to time by notice.

4.6 MPC's obligations to register

MPC must ensure that registration of the transfer of the MPA Shares takes place as soon as is reasonably possible after Completion.

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5. Sagasco's warranties

As part of the terms of the sale and purchase of the MPA Shares, Sagasco warrants to MPC as at a time immediately before Completion that:

(a) Sagasco is the sole legal and beneficial owner of the MPA Shares which are free of any Encumbrance, and Sagasco has complete and unrestricted power and right to sell, assign and transfer the MPA Shares to MPC;

(b) the MPA Shares are fully paid up;

(c) there are no outstanding options, contracts, calls, first refusals, commitments, rights or demands of any kind relating to the MPA Shares, nor does any person have any rights of pre-emption in respect of any of the MPA Shares;

(d) the execution and performance of this Agreement and the Registration Rights Agreement by Sagasco have been duly and validly authorised by all necessary corporate action on its part;

(e) this Agreement and the Registration Rights Agreement are, or will be, valid and binding agreements on Sagasco enforceable in accordance with their terms and conditions; and

(f) the MPA Shares are fully tradeable on the Australian Stock Exchange.

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6. MPC's warranties

As part of the terms of the sale and purchase of the MPA Shares, MPC warrants to Sagasco as at a time immediately before Completion that:



(a) the Share Consideration will be issued to Sagasco free of any Encumbrance, and MPC has complete and unrestricted power and right to issue the MPC Shares to Sagasco;

(b) the Share Consideration will be issued as fully paid up MPC Shares;

(c) there will be no outstanding options, contracts, calls, first refusals, commitments, rights or demands of any kind relating to the Share Consideration, nor will any person have any rights of pre-emption in respect of any of the Share Consideration;

(d) the execution and performance of this Agreement and the Registration Rights Agreement by MPC have been duly and validly authorised by all necessary corporate action on its part;

(e) this Agreement and the Registration Rights Agreement are, or will be, valid and binding agreements on MPC enforceable in accordance with their terms and conditions; and

(f) the Share Consideration will be of the same class as the MPC Shares that are currently traded on the NASDAQ SmallCap Market.

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7. Compliance with U.S. securities laws

(a) Representations and Warranties of Sagasco. Sagasco represents and warrants to MPC that it:

(i) understands that the Share Consideration to be issued in accordance with clauses 2 and 4.3 have not been, and, as of the date of issuance, will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or under any U.S. state securities laws, and are being issued pursuant to a "safe harbor" exemption from registration contained in Regulation S promulgated under the Securities Act based, in part, upon the representations and warranties of Sagasco contained herein.

(ii) has received certain information concerning MPC and has had the opportunity to obtain additional information as desired in order to evaluate the merits and the risks inherent in holding shares of MPC's common stock;

(iii) is able to bear the economic risk and lack of liquidity inherent in holding MPC Shares;

(iv) is an "Accredited Investor" as defined in Regulation D promulgated under the Securities Act;

(v) (A) is not a "U.S. Person" (as that term is defined in Rule 902 of Regulation S under the Securities Act); (B) is not acquiring the Share Consideration for the account or benefit of any U.S. Person and has not pre-arranged any resale of any of the Share Consideration with any buyer located in the United States or otherwise with a U.S. Person; and (C) was not offered the Share Consideration in the United States, and at the time of execution of this Agreement and of any offer to purchase the Share Consideration received from MPC hereunder, was located outside the United States;

(vi) is not engaged in the business of distributing securities;



(vii) will not engage in hedging transactions with regard to the Share Consideration unless in compliance with the Securities Act; and

(viii) has not engaged and will not engage, nor have any of its affiliates or any person acting on behalf of it or any of them engaged in or will engage in, any "directed selling efforts" with respect to the Share Consideration within the meaning of Rule 902(c) of Regulation S adopted under the Securities Act.

(b) Representation and Warranty by MPC. MPC represents and warrants that neither it, nor any of its affiliates or any person acting on behalf of any of them, has engaged or will engage in any "directed selling efforts" with respect to the Share Consideration within the meaning of Rule 902(c) of Regulation S adopted under the Securities Act, and it, its affiliates and any person acting on behalf of any of them have complied and will comply with the offering restrictions requirement of Regulation S under the Securities Act.

(c) Legending and Stop Transfer Requirements.

(i) The stock certificate delivered by MPC to Sagasco in accordance with clause 4.3 representing the Share Consideration will be imprinted with a legend substantially in the following form:

"The shares represented by this certificate have not been registered under the Securities Act of 1933, as amended (the "Securities Act") and have been issued pursuant to an exemption from registration under Regulation S promulgated under the Securities Act. Such shares are "restricted securities" as defined in Rule 144 promulgated under the Securities Act and may not be offered for sale, sold, delivered after sale, transferred, pledged, or hypothecated except: (i) in accordance with the provisions of Regulation S under the Securities Act; (ii) pursuant to registration under the Securities Act; or (iii) pursuant to an opinion of counsel reasonable satisfactory to Magellan Petroleum Corporation that such shares may be transferred without registration under the Securities Act. Hedging transactions involving the shares represented by this certificate may not be conducted unless in compliance with the Securities Act."

(ii) MPC shall refuse to register any transfer of the Share Consideration that is not made in accordance with: (A) the provisions of this Agreement; and (B) the provisions of Regulation S, pursuant to registration under the Securities Act, or pursuant to an available exemption from registration under the Securities Act.

(d) Resales of the Share Consideration. Sagasco shall make, or cause to be made, any resales of the Share Consideration pursuant to one of the following methods:

(i) "offshore transactions" (as such term is defined in Regulation S) pursuant to the resale safe harbor of Rule 904 of Regulation S adopted under the Securities Act;

(ii) any resale registration statement on Form S-3 (or such other form as may be available for the registration of such resales) that may be filed by MPC with the U.S. Securities and Exchange Commission following Completion as required under the Registration Rights Agreement between Sagasco and MPC in the form set out in annexure A;



(iii) Rule 144 promulgated under the Securities Act; or

(iv) any other available exemption under the Securities Act; provided that, in the case of (iii) and (iv), Sagasco shall first furnish MPC with a written opinion reasonably satisfactory to MPC in form and substance from counsel reasonably satisfactory to MPC by reason of experience to the effect that Sagasco may transfer such shares as desired without registration under the Securities Act (each such resale described in (i)-(iv), a "Permitted Resale" and collectively, the "Permitted Resales"). Any such Permitted Resales shall be made in offshore transactions or in transactions in the United States on the Nasdaq SmallCap Market or otherwise.

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8. General

8.1 Further acts

Each party will promptly do and perform all further acts and execute and deliver all further documents (in form and content reasonably satisfactory to each party) required by law or reasonably requested by any other party to give effect to this Agreement.

8.2 Notices

Any communication under or in connection with this Agreement:

(a) must be in writing;

(b) must be addressed as shown below:

(i) in the case of Sagasco:

Name: Sagasco Amadeus Pty Limited

Address:Level 39, AMP Centre, 50 Bridge Street,
Sydney, 2000

Fax no: +612 9235 1661

For the attention of: Company Secretary

With a copy to:

Name: Graham Taylor, Esq.

Address:Clayton Utz, Levels 22-35, No. 1 O'Connell
Street, Sydney NSW 2000 Australia

Fax no: +612 8220 6700

(or as otherwise notified by that party to the other party from time to time); and



(ii) in the case of MPC:

Name: Magellan Petroleum Corporation

Address:c/o G&O'D Inc. Box 1146, Madison,
Connecticut, USA, 06443-1146

Fax no: +1 203 245 8290

For the attention of: James R. Joyce, President

With a copy to:

Name: Timothy L. Largay, Esq.

Address:Murtha Cullina LLP, 185 Asylum Street,
Hartford, Connecticut, USA, 06103-3469

Fax no: + 1 860 240 6150

(or as otherwise notified by that party to the other party from time to time);

(c) must be signed by the party making the communication or (on its behalf) by the solicitor for, or by any attorney, director, secretary, or authorised agent of, that party;

(d) must be delivered or posted by prepaid post to the address, or sent by fax to the number, of the addressee, in accordance with clause 8.2(b); and

(e) will be deemed to be received by the addressee:

(i) (in the case of prepaid post) on the third business day after the date of posting within Australia to an address within Australia, and on the fifth business day after the date of posting either within Australia to an address outside Australia or outside Australia to an address within Australia;

(ii) (in the case of fax) at the local time (in the place of receipt of that fax) which then equates to the time at which that fax is sent as shown on the transmission report which is produced by the machine from which that fax is sent and which confirms transmission of that fax in its entirety, unless that local time is a non business day, or is after 5.00 pm on a business day, in which event that communication will be deemed to be received at 9.00 am on the next business day; and

(iii) (in the case of delivery by hand) on delivery at the address of the addressee as provided in clause 8.2(b), unless that delivery is made on a non business day, or after 5.00 pm on a business day, when that communication will be deemed to be received at 9.00 am on the next business day,

and where "business day" means a day which is not a Saturday, Sunday or public holiday in the place of receipt of that communication.



8.3 Jurisdiction

(a) Each party irrevocably submits to the non-exclusive jurisdiction of the courts of the State, and the courts competent to determine appeals from those courts, with respect to any proceedings which may be brought at any time relating in any way to this Agreement.

(b) Each party irrevocably waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, where that venue falls within (a) of this clause.

8.4 Amendment

This Agreement may only be varied by a document signed by or on behalf of each of the parties.

8.5 Waiver

(a) Failure to exercise or enforce or a delay in exercising or enforcing or the partial exercise or enforcement of any right, power or remedy provided by law or under this Agreement by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement of that or any other right, power or remedy provided by law or under this Agreement.

(b) Any waiver or consent given by any party under this Agreement will only be effective and binding on that party if it is given or confirmed in writing by that party.

(c) No waiver of a breach of any term of this Agreement will operate as a waiver of another breach of that term or of a breach of any other term of this Agreement.

8.6 Assignment

A party cannot assign, novate or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of each other party.

8.7 Counterparts

(a) This Agreement may be executed in any number of counterparts and by the parties on separate counterparts. Each counterpart constitutes an original of this Agreement, all of which together constitute one agreement.

(b) A party may execute this Agreement or any counterpart and exchange it by fax and the fax will be accepted as an original.

8.8 Stamp duties

(a) MPC will:

(i) pay all stamp duties (apart from financial institutions duties or bank account debit taxes which will lie between the parties as they fall) and any related fines and penalties in respect of this Agreement, the performance of this Agreement and each transaction effected by or made under or pursuant to this Agreement; and



(ii) indemnify Sagasco against any liability arising from failure to comply with clause 8.8(a)(i).

(b) MPC is authorised to make any application for and retain the proceeds of any refund due in respect of any stamp duty paid under this clause.

8.9 Merger

No right or obligation of any party will merge on completion of any transaction under this Agreement. All rights and obligations under this Agreement survive the execution and delivery of any transfer or other document which implements any transaction under this Agreement.

8.10 Entire agreement

To the extent permitted by law, in relation to the subject matter of this Agreement, this Agreement:

(a) embodies the entire understanding of the parties, and constitutes the entire terms agreed on between the parties; and

(b) supersedes any prior written or other agreement between the parties.

8.11 Confidentiality and public announcements

(a) Confidentiality

Subject to clauses 8.11(b) and 8.11(c), each party must keep the terms of this Agreement confidential.

(b) Exceptions

A party may make any disclosure in relation to this Agreement:

(i) to any professional adviser, financial adviser, banker, financier or auditor where that person is obliged to keep the information confidential;

(ii) to comply with any applicable law, or any requirement of any regulatory body (including any relevant stock exchange);

(iii) to any of its employees to whom it is necessary to disclose the information;

(iv) to obtain the consent of any third party to any term of, or to any act pursuant to, this Agreement;

(v) to enforce its rights or to defend any claim or action under this Agreement;

(vi) to a Related Body Corporate, on receipt of an undertaking to keep the information confidential; or

(vii) where the information has come into the public domain through no fault of that party.

(c) Public announcements

Except as required by applicable law or the requirements of any regulatory body (including any relevant stock exchange), all press releases and other public announcements in relation to this Agreement must be in terms reasonably agreed by the parties.

(d) Return of information on rescission or termination

If this Agreement is rescinded or terminated, MPC will cease using and return to Sagasco all information and documents disclosed or provided to it or to any Related Body Corporate of it or to the directors, secretary or professional advisers of MPC or of any Related Body Corporate of MPC in connection with the sale of the MPA Shares.

8.12 Expenses

Except as otherwise provided in this Agreement, each party will pay its own costs and expenses in connection with the negotiation, preparation, execution, and performance of this Agreement.

8.13 No representation or reliance

(a) Each party acknowledges that no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this Agreement, except for representations or inducements expressly set out in this Agreement.

(b) Each party acknowledges and confirms that it does not enter into this Agreement in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement expressly set out in this Agreement.

8.14 Indemnities

(a) Each indemnity in this Agreement is a continuing obligation, separate and independent from the other obligations of the parties, and survives termination, completion or expiration of this Agreement.

(b) It is not necessary for a party to incur expense or to make any payment before enforcing a right of indemnity conferred by this Agreement.



Schedule 1
Transfer of MPA Shares

[See over page]



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

SHARE TRANSFER FORM

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

For non-Market Transactions        Transfer Ident. Number:

Impress stamp duty here

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

FULL NAME OF CORPORATION:        MAGELLAN PETROLEUM AUSTRALIA LIMITED

ACN 009 728 581

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

STATE OR TERRITORY IN WHICH CORPORATION IS TAKEN TO BE REGISTERED        Queensland

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

DESCRIPTION OF SECURITIES:        Ordinary shares    Fully paid?  Y

If not fully paid, paid to:

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

QUANTITY:        1,200,000 (one million two hundred thousand)

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

FULL NAME OF TRANSFEROR:        SAGASCO AMADEUS PTY LIMITED

ACN 056 420 396

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

CONSIDERATION:        Refer to clause 2 of the Share Sale Agreement between the Transferor and Transferee        Date of purchase:

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

FULL NAME OF TRANSFEREE:        MAGELLAN PETROLEUM CORPORATION

ABN 97 099 695 093

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

FULL ADDRESS OF TRANSFEREE:        c/o G&O'D Inc., Box 1146, Madison, Connecticut, USA, 06443-1146

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

CHANGE REQUEST        Please enter this transfer in the Company's register

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

The transferor as registered holder transfers to the transferee the securities registered in the transferor's name in the register of the corporation, subject to the conditions on which the transferor holds the securities. The transferee accepts the securities on the conditions on which the transferor held them. If transfer is signed under a power of attorney, the attorney states that the attorney has not received any notice of the revocation of the power of attorney under which this transfer is signed.

The transferee states that upon registration of this transfer the transferee will hold the securities beneficially.

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

TRANSFEROR
SIGN HERE:

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

Date signed:

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

TRANSFEREE
SIGN HERE:

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

Signed as an agreement.

The Common Seal of Sagasco Amadeus Pty Limited (ACN 056 420 396) was affixed in the presence of:

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

Signature of Director Signature of Secretary/other Director

- -------------------------------- --------------------------------------
Name of Director in full Name of Secretary/other Director in full

Signed on behalf of Magellan
Petroleum Corporation (ABN 97
099 695 093) by:

/s/ James R. Joyce /s/ Timothy L. Largay
- -------------------------------- ----------------------------------------
Signature Signature

James R. Joyce, President Timothy L. Largay, Secretary

EXHIBIT 10 (r)

Annexure A
Registration Rights Agreement

THIS REGISTRATION RIGHTS AGREEMENT (the "Agreement") is made as of September 2, 2003 by and among:

(i) Magellan Petroleum Corporation, a Delaware corporation ("MPC"); and

(ii) Sagasco Amadeus Pty Limited, an Australian corporation ("Sagasco").

RECITALS:

WHEREAS, MPC has issued 1,300,000 shares of its common stock (the "Common Stock"), to Sagasco pursuant to the Share Sale Agreement, by and among MPC and Sagasco, dated as of July 10, 2003 ("Share Sale Agreement"); and

WHEREAS, to induce Sagasco to enter into the Share Sale Agreement, MPC and Sagasco have agreed to enter into this Agreement to provide for certain rights, privileges and preferences in favor of Sagasco.

NOW, THEREFORE, in consideration of the premises and the mutual promises and covenants contained in this Agreement and the Share Sale Agreement, the parties mutually agree as follows:

1. Certain Definitions

The following terms shall have the following respective meanings:

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Holder" shall mean Sagasco, including its permitted successors and assigns that acquire Registrable Securities, directly or indirectly, from Sagasco. For purposes of this Agreement, MPC may deem and treat the holder of a Registrable Security reflected on MPC's transfer agent's records as the Holder and absolute owner thereof and MPC shall not be affected by any notice to the contrary.

"Registrable Securities" means:

(i) the Common Stock issued to the Holder pursuant to the Share Sale Agreement (the "MPC Shares"); and

(ii) shares of Common Stock issued in respect of the MPC Shares as a result of a stock split, stock dividend, recapitalization or the like.

For purposes of this Agreement, a Registrable Security will cease to be a Registrable Security on the later of: (X) 30 days after the date of this Agreement, or (Y) if as of such date, Sagasco has delivered a written request to MPC under Section 2 hereof, then at such date when the offer and sale of such Registrable Security has been effectively registered under the Securities Act and it has been sold or distributed in accordance with such effective registration statement.

The terms "Register", "Registered" and "Registration" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of the effectiveness of such registration statement.

"Registration Expenses" shall mean all expenses, except as included in Selling Expenses or as otherwise stated below, incurred by MPC in complying with Section 2 including, without limitation, all registration, qualification and filing fees, printing expenses, escrow fees, fees and disbursements of counsel for MPC, blue sky fees and expenses, and the expense of any special audits incident to or required by any such registration.

"SEC" shall mean the Securities and Exchange Commission.

"Securities Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Selling Expenses" shall mean all underwriting discounts, selling commissions and stock transfer taxes applicable to the MPC Shares registered by the Holder.

2. Requested Registration

(a) Subject to the terms and conditions set forth in this Agreement, if at any time within 30 days from the date of this Agreement MPC shall receive a written request from the Holder to file a registration statement under the Securities Act covering the resale registration of all Registrable Securities held by the Holder, MPC shall use its reasonable best efforts to cause to be filed and declared effective as soon as reasonably practicable a registration statement, on Form S-3 or such other appropriate registration form under the Securities Act as MPC in its discretion shall determine, providing for the sale of the Registrable Securities requested to be included by the Holder. Subject to Section 2(b)(i) hereof, the Holder shall have the right to make only one (1) request for Registration of the Registrable Securities held by the Holder under this Section 2.

(b) MPC's obligation to use its reasonable best efforts to cause Registrable Securities to be registered in accordance with Section 2(a) shall be subject to each of the following limitations, conditions and qualifications:

(i) MPC may postpone for a period of ten (10) days the filing or the effectiveness of a registration requested pursuant to Section 2 if the Board of Directors of MPC determines in good faith that such registration might have an adverse effect on any plan or proposal by MPC or any of its subsidiaries with respect to any financing, acquisition, recapitalization, reorganization, or other material transaction or that MPC is in possession of material non-public information and disclosure of such information is not in the best interests of MPC; provided, however, that as soon as the conditions permitting such delay no longer exist, MPC shall give notice of that fact to the Holder and shall promptly proceed with the registration unless the Holder shall have elected, at any time prior to the close of business on the 10th business day after MPC has so notified the Holder, to withdraw its request for registration, and such withdrawn request shall not constitute a request hereunder.

(ii) MPC shall not be required to effect any registration pursuant to Section 2(a) unless such registration relates to all of the Registrable Securities held by the Holder.

3. Expenses of Registration

Except as otherwise provided herein, all Registration Expenses incurred in connection with all registrations pursuant to Section 2 shall be borne by MPC. Unless otherwise stated, all Selling Expenses relating to MPC Shares registered on behalf of the Holder shall be borne by the Holder.

4. Registration Procedures

(a) Upon receipt of the Holder's written request pursuant to Section 2, MPC shall keep the Holder advised in writing as to the initiation of the registration and as to the completion thereof. At its expense, MPC shall:

(i) prepare and file with the SEC a registration statement with respect to such Registrable Securities as soon as practicable following receipt of the notice but no later than 60 days following receipt of the notice (subject to extension pursuant to Section 2(b)(i)) and use its reasonable best efforts to cause such registration statement to become effective as promptly as practicable following receipt of the notice (subject to Section 2(b)(i));

(ii) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective and to comply with the provisions of the Securities Act and the rules thereunder with respect to the disposition of all the Registrable Securities and other securities covered by such registration statement until the earlier of (A) the expiration of 210 days after the Holder is notified by MPC that it may commence the sale of the Registrable Securities covered by such registration statement (as such period may be extended pursuant to the provisos below and Section 4(c), the "Sale Period") and (B) until MPC has received written notice from the Holder that it does not intend to sell additional Registrable Securities; provided, that, if the offering of Registrable Securities pursuant to such registration statement is terminated or suspended by any stop order, injunction, or other order or requirement of the SEC, the NASDAQ Stock Market, Inc. (or any similar entity) or any other governmental agency or court, the Sale Period shall be extended by the number of days during the period from and including the date such stop order, injunction, or other order or requirement becomes effective to and including the date when such termination or suspension no longer exists; and provided further that (1) if the Holder provides written notice to MPC no later than the last day of the Sale Period that the average of the total monthly volume for the Common Stock traded on the NASDAQ SmallCap Market for the first six (6) months of the Sale Period was less than 550,000 shares, and (2) the Holder has not sold all of the Registrable Securities, then the Sale Period shall be extended by one sixty (60) day period;

(iii) promptly notify the Holder when the registration statement or the prospectus included therein or any prospectus amendment or supplement or post-effective amendment has been filed, and, with respect to the registration statement or any post-effective amendment to the registration statement, when the same has become effective and furnish to the Holder of the Registrable Securities covered by such registration statement, without charge, such numbers of copies of the registration statement, each amendment and supplement thereto, the prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act and the rules thereunder, and such other documents as it may reasonably request in order to facilitate the disposition of the Registrable Securities;

(iv) use its reasonable best efforts to register, qualify or exempt the Registrable Securities covered by such registration statement under such securities or Blue Sky laws of such states as shall be reasonably necessary to enable the Holder to dispose of the Registrable Securities covered by such registration statement; provided, that MPC shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states;

(v) promptly notify the Holder of (i) the issuance by the SEC of any stop order suspending the effectiveness of the registration statement or the initiation or threatening of any proceedings for that purpose or (ii) the receipt by MPC of any notification with respect to the suspension of the qualification of the Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose, and, in either case, use its reasonable best efforts to obtain the withdrawal of any such order or suspension at the earliest practicable date.

(vi) promptly notify the Holder selling Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing or that the registration statement, prospectus, prospectus amendment or supplement or post-effective amendment does not conform in all material respects to the applicable requirements of the Securities Act and the rules thereunder, and, in such event, without delay prepare and furnish to the Holder a registration statement or prospectus supplemented or amended to correct any such deficiencies;

(vii) use its commercially reasonable efforts to cause all such Registrable Securities to be listed or quoted, prior to the date of the first sale of such Registrable Securities pursuant to such registration, on such securities exchange or quotation system on which the Common Stock is then listed or quoted; and

(viii) comply with all applicable rules and regulations of the SEC; and

(ix) take all other reasonable steps necessary to effect the registration of the Registrable Securities contemplated thereby.

(b) The Holder shall provide (in writing and signed by the Holder and stated to be specifically for use in the related registration statement, preliminary prospectus, prospectus, or other document incident thereto) all such information and materials, including without limitation the intended plan of distribution, and take all such action as may be required in order to permit MPC to comply with all applicable requirements of the SEC and any applicable state securities laws and to obtain any desired acceleration of the effective date of any registration statement prepared and filed by MPC in which the Holder's Registrable Securities will be included.

(c) Upon receipt of any notice from MPC that MPC has become aware that the prospectus (including any preliminary prospectus) included in any registration statement filed pursuant to Section 2 hereof, as then in effect, contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, the Holder shall immediately discontinue disposition of the Registrable Securities pursuant to the registration statement covering the same until the Holder's receipt of copies of a supplemented or amended prospectus and, if so directed by MPC, deliver to MPC all copies other than permanent file copies then in the Holder's possession, of the prospectus covering the Registrable Securities that was in effect prior to such amendment or supplement. The Sale Period shall be extended by the number of days in the period from and including the date such notice is received by the Holder to and including the date MPC gives notice that the Holder may dispose of the Registrable Securities pursuant to the registration statement.

(d) MPC shall provide, at the Holder's expense, such assistance as the Holder may reasonably request to sell the Registrable Securities on the NASDAQ SmallCap Market.

5. Indemnification

(a) To the extent permitted by law, MPC shall indemnify and hold harmless the Holder, each of its officers, directors and each person controlling the Holder (within the meaning of Section 15 of the Securities Act), and, in connection with an underwritten offering by the Holder, each underwriter, if any, and each person who controls within the meaning of Section 15 of the Securities Act any underwriter, against all expenses, claims, losses, damages, and liabilities (or actions, proceedings, or settlements in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any registration statement, prospectus, offering circular, or other document (including any related registration statement, notification, or the like) incident to the registration of the Registrable Securities or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading or any violation by MPC of the Securities Act or any rule or regulation thereunder applicable to MPC that relates to such registration and shall reimburse the Holder, each of its officers, directors, and each person controlling the Holder, each such underwriter, and each person who controls any such underwriter, for any legal and any other expenses reasonably incurred in connection with investigating and defending or settling any such claim, loss, damage, liability, or action, provided that MPC shall not be liable in any such case to the extent that any such claim, loss, damage, liability, or expense arises out of or is based on any untrue statement or omission based upon written information furnished to MPC by the Holder or underwriter and stated to be specifically for use therein. The indemnity agreement contained in this Section 5(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of MPC (which consent shall not be unreasonably withheld).

(b) To the extent permitted by law, the Holder shall indemnify and hold harmless MPC, each of its officers and directors, and each person, if any, who controls MPC (within the meaning of Section 15 of the Securities Act) against all expenses, claims, losses, damages, and liabilities (or actions, proceedings, or settlements in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any registration statement, prospectus, offering circular, or other document (including any related registration statement, notification, or the like) incident to the registration of the Registrable Securities or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but only to the extent that any such untrue statement or omission arises out of or is based upon written information furnished to MPC by the Holder and stated to be specifically for use therein. The Holder shall reimburse MPC and each of its officers and directors, and each person, if any, who controls MPC (within the meaning of Section 15 of the Securities Act), for any legal and any other expenses reasonably incurred in connection with investigating and defending or settling any such claim, loss, damage, liability, or action described in this Section 5(b). The indemnity agreement contained in this Section 5(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder (which consent shall not be unreasonably withheld).

(c) Each party entitled to indemnification under this Section 5 (the "Indemnified Party") shall give notice to the party required to provide indemnification (the "Indemnifying Party") promptly after such Indemnified Party has actual knowledge of any claim (or threatened claim) as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of such claim or any litigation resulting therefrom, provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or any litigation resulting therefrom, shall be approved by the Indemnified Party (whose approval shall not be unreasonably withheld), and the Indemnified Party may participate in such defense at such party's expense, and provided further that the failure of any Indemnifying Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Agreement, to the extent such failure is not prejudicial. No Indemnifying Party, in the defense of such claim or litigation, shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation. Each Indemnified Party shall furnish such information regarding itself or the claim (or threatened claim) in question as an Indemnifying Party may reasonably request in writing and as shall be reasonably required in connection with defense of such claim and litigation resulting therefrom.

(d) If the Indemnification provided for in this Section 5 is held by a court of competent jurisdiction to be unavailable to an Indemnified Party with respect to any loss, liability, claim, damage, or expense referred to therein, then the Indemnifying Party, in lieu of indemnifying such Indemnified Party hereunder, shall contribute to the amount paid or payable by such Indemnified Party as a result of such loss, liability, claim, damage, or expense in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party on the one hand and on the Indemnified Party on the other in connection with the statements or omissions that resulted in such loss, liability, claim, damage, or expense as well as any other relevant equitable considerations. The relative fault of the Indemnifying Party and of the Indemnified Party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information is supplied by the Indemnifying Party or the Indemnified Party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation.

6. Conditions Precedent to Registration

MPC's obligations under this Agreement to effect the registration of any Registrable Securities are subject to the agreement to and the performance by the Holder of such Registrable Securities of the

obligations of the Holder contained in this Agreement, including, without limitation, the agreement by the Holder to pay certain expenses incurred in connection with the sale of the Registrable Securities pursuant to Section 3 hereof. Unless the Holder shall, if requested by MPC, complete, execute and deliver all agreements, questionnaires, indemnities, powers of attorney, underwriting agreements, and other documents customary in a proposed registration or deemed reasonably necessary by MPC to evidence the Holder's agreements and obligations under this Agreement, MPC will have no obligation to register the Holder's Registrable Securities.

7. Rule 144; Form S-3

MPC shall use its reasonable best efforts to file all reports required to be filed by it under the Exchange Act so as to enable the Holder to sell shares pursuant to the exemption contained in Rule 144 under the Securities Act and to comply with the other eligibility requirements for use of Form S-3 set forth in the instructions to Form S-3.

8. Effect of Breach

In addition to any other statutory, equitable, or common law remedy MPC may have, in the event the Holder materially breaches any of its obligations pursuant to this Agreement and fails to cure the breach within ten days of its receipt of notice from MPC of such breach, the Holder shall have no further rights under Section 2 hereof and this Agreement will thereupon terminate and be of no continued force or effect.

9. Amendments and Waivers

Except as otherwise provided herein, any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of MPC and the Holder. Any amendment or waiver effected in accordance with this Section shall be binding upon any person or entity that is granted certain rights under this Agreement and upon MPC.

10. Successors and Assigns

Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

11. Notices

Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be effective upon the earlier of:

(a) hand delivery or delivery by telecopy or facsimile at the address or number designated below if delivered on a business day during normal business hours where such notice is to be received, or the first business day following such delivery if delivered other than on a business day during normal business hours where such notice is to be received;

(b) on the third business day following the date of mailing, by registered or certified mail, return receipt requested, postage prepaid; and

(c) on the first business day after delivery to an overnight delivery service if delivered by overnight delivery service to the following addresses:

| If to Sagasco: | Copy to: |
|---|---|
| Sagasco Amadeus Pty Limited | Clayton Utz |
| Level 39, AMP Centre, 50 Bridge Street | Levels 22-35, No. 1 O'Connell Street |
| Sydney, 2000 Australia | Sydney NSW 2000 Australia |
| Attention: Company Secretary | Attention: Graham Taylor, Esq. |
| Fax: +612 9235 1661 | Fax: +612 8220 6700 |

| If to MPC: | Copy to: |
|---|---|
| Magellan Petroleum Corporation | Murtha Cullina LLP |
| c/o G&O'D Inc. | CityPlace I, 185 Asylum Street |
| Box 1146 | Hartford, Connecticut 06103-2469 |
| Madison, Connecticut 06443-1146 | Attention: Timothy L. Largay, Esq. |
| Attention: Chief Executive Officer | Fax: (860) 240-6150 |
| Fax: (203) 245-8290 | |

Any party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other parties notice in the manner herein set forth.

12. Governing Law

This Agreement, and any dispute, controversy or claim arising out of or relating to this Agreement or a breach thereof, shall be governed by, and construed in accordance with, the internal laws of the State of Delaware without regard to the principles of conflict of laws thereof.

13. Entire Agreement

This Agreement and the Share Sale Agreement and the other documents referred to herein constitute the entire agreement of the parties with respect to the subject matter hereof and supersedes any and all prior agreements of the parties with respect to the subject matter hereof.

14. Counterparts

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery by facsimile or by electronic transmission of an executed counterpart of any signature page to this Agreement to be executed hereunder shall have the same effectiveness as the delivery of a manually executed counterpart thereof.

15. Severability

If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

16. Titles and Subtitles

The titles and subtitles used in this Agreement are for convenience only and are not to be considered in construing or interpreting any term or provision of this Agreement.

IN WITNESS WHEREOF, MPC and Sagasco have executed this Registration Rights Agreement as of the day and year first above written.

MPC:

MAGELLAN PETROLEUM CORPORATION

By:/s/ James R. Joyce
-------------------------
Name: James R. Joyce
Title: President

SAGASCO:

SAGASCO AMADEUS PTY LIMITED

By:________________________________________
Name:
Title:

Exhibit 21
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Subsidiaries of the Registrant

<TABLE>
<CAPTION>

| Subsidiary | State of Incorporation | Ownership |
|---|---|---|
| <S> | <C> | <C> |
| Magellan Petroleum Australia Limited | Queensland, Queensland,.Australia | 52.44% |
| Magellan Petroleum Australia Limited owns the following subsidiaries directly or indirectly: | | |
| Magellan Petroleum (N.T.) Pty. Ltd. | Queensland, Australia | 100% |
| Paroo Petroleum Pty. Ltd. | Queensland, Australia | 100% |
| Paroo Petroleum (Holdings), Inc. | Delaware, U.S.A. | 100% |
| Paroo Petroleum (USA), Inc. | Delaware, U.S.A. | 100% |
| Magellan Petroleum (W.A.) Pty. Ltd. | Queensland, Australia | 100% |
| Magellan Petroleum (Belize) Limited | Belize, C.A. | 100% |
| Magellan Petroleum (Eastern) Pty. Ltd. | Queensland, Australia | 100% |
| Magellan Petroleum (Southern) Pty. Ltd. | Queensland, Australia | 100% |
| Magellan Petroleum (NZ)Limited | New Zealand | 100% |
| Magellan Petroleum (Ventures)Pty Ltd. | Queensland, Australia | 100% |
| Jarl Pty. Ltd | Queensland, Australia | 100% |

</TABLE>

Exhibit 23.1
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CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-38429) pertaining to the Stock Option Plan of Magellan Petroleum Corporation of our report dated September 19, 2003 with respect to the consolidated financial statements of Magellan Petroleum Corporation included in this Annual Report (Form 10-K) for the year ended June 30, 2003.

/s/ Ernst & Young LLP

Stamford, Connecticut
September 19, 2003

Exhibit 23.2

Consent of Independent Petroleum Engineers

The undersigned firm of Independent Petroleum Engineers, of Calgary, Alberta, Canada, knows that it is named as having prepared a constant dollar evaluation dated July 31, 2003 of the Kotaneelee interests of Magellan Petroleum Corporation, and hereby gives its consent to the use of its name and to the use of the said estimates.

Paddock Lindstrom & Associates Ltd.

/s/ L. K. Lindstrom

L. K. Lindstrom, P. Eng.
President

Exhibit 31
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Rule 13a-14(a) Certifications

I, James R. Joyce, certify that:

1. I have reviewed this annual report (report) on Form 10-K of Magellan Petroleum Corporation;

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

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

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

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

(b) [Intentionally omitted]

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: September 23, 2003 /s/ James R. Joyce

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

Exhibit 32
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SECTION 1350 Certifications

In connection with the Annual Report of Magellan Petroleum Corporation (the "Company") on Form 10-K for the period ending June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James R. Joyce, President, Chief Executive Officer and Chief Financial Officer of the Company, does hereby 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.

September 23, 2003     By: /s/ James R. Joyce
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James R. Joyce:
President, Chief Executive Officer
and Chief Accounting
and Financial Officer

The foregoing certifications are accompanying the Report solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and are not deemed filed by the Company for purposes of the Securities Exchange Act of 1934.