

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

(Mark one)

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

For the quarterly period ended March 31, 2004

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 (I.R.S. Employer
incorporation or organization) Identification No.)

P.O. Box 1146, Madison, Connecticut 06443-1146

.....
(Address of principal executive offices) (Zip Code)

(203) 245-7664

.....
(Registrant's telephone number, including area code)

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

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

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

The number of shares outstanding of the issuer's single class of common
stock as of May 13, 2004 was 25,783,243.

MAGELLAN PETROLEUM CORPORATION

FORM 10-Q

March 31, 2004

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MAGELLAN PETROLEUM CORPORATION
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	March 31, 2004	June 30, 2003
ASSETS		
- - - - -	-----	-----
Current assets:	(unaudited)	(Note)
<S>	<C>	<C>
Cash and cash equivalents	\$19,878,800	\$20,041,464
Accounts and notes receivable	4,555,436	5,273,999
Marketable securities	2,491,294	1,796,503
Inventories	655,932	423,931
Other assets	350,983	297,118
	-----	-----
Total current assets	27,932,445	27,833,015
	-----	-----
Marketable securities	390,000	390,000
Property and equipment:		
Oil and gas properties (successful efforts method)	76,103,334	59,407,254
Land, buildings and equipment	2,435,481	2,093,555
Field equipment	1,623,419	1,421,636
	-----	-----
	80,162,234	62,922,445
Less accumulated depletion, depreciation and amortization	(51,782,304)	(41,330,271)
	-----	-----
Net property and equipment	28,379,930	21,592,174
	-----	-----

Other assets	1,052,645	926,168
Total assets	<u>\$57,755,020</u>	<u>\$50,741,357</u>
LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,853,622	\$ 4,709,281
Accrued liabilities	1,598,616	1,218,997
Income taxes payable	98,286	106,246
Total current liabilities	<u>4,550,524</u>	<u>6,034,524</u>
Long term liabilities:		
Deferred income taxes	2,019,362	1,770,727
Asset retirement obligations	5,416,939	3,858,263
Total long term liabilities	<u>7,436,301</u>	<u>5,628,990</u>
Minority interests	18,247,458	16,930,838
Commitments (Note 12)	-	-
Stockholders' equity:		
Common stock, par value \$.01 per share:		
Authorized 200,000,000 shares		
Outstanding 25,783,243 and 24,427,376 shares	257,832	244,274
Capital in excess of par value	44,402,182	42,907,741
Total capital	<u>44,660,014</u>	<u>43,152,015</u>
Accumulated deficit	(14,895,013)	(15,598,483)
Accumulated other comprehensive loss	(2,244,264)	(5,406,527)
Total stockholders' equity	<u>27,520,737</u>	<u>22,147,005</u>
Total liabilities, minority interests and stockholders' equity	<u>\$57,755,020</u>	<u>\$50,741,357</u>

</TABLE>

Note: The balance sheet at June 30, 2003 has been derived from the audited consolidated financial statements at that date.

See accompanying notes.

MAGELLAN PETROLEUM CORPORATION
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(unaudited)

<TABLE>
<CAPTION>

	Three months ended		Nine months ended	
	March 31,		March 31,	
	2004	2003	2004	2003
Revenues:				
<S> Oil sales	<C> \$ 1,362,321	<C> \$ 982,019	<C> \$3,636,534	<C> \$2,507,322

Gas sales	3,013,700	2,497,647	9,931,831	7,153,145
Other production related revenues	463,274	383,538	1,265,893	848,572
Interest and other income	270,331	207,138	847,765	632,487
	-----	-----	-----	-----
Total revenues	5,109,626	4,070,342	15,682,023	11,141,526
	-----	-----	-----	-----
Costs and expenses:				
Production costs	1,277,313	1,168,878	4,055,062	3,064,956
Exploration and dry hole costs	680,111	656,126	2,585,043	1,951,872
Salaries and employee benefits	702,161	469,421	1,982,767	1,415,548
Depletion, depreciation and amortization	1,581,332	906,667	4,324,933	2,562,995
Auditing, accounting and legal services	89,470	49,081	329,875	314,214
Accretion expense	102,629	79,960	273,093	228,824
Shareholder communications	35,149	33,836	155,631	148,604
Other administrative expenses	131,068	12,921	427,000	262,323
	-----	-----	-----	-----
Total costs and expenses	4,599,233	3,376,890	14,133,404	9,949,336
	-----	-----	-----	-----
Income before income taxes, minority interests and cumulative effect of accounting change	510,393	693,452	1,548,619	1,192,190
Income tax provision	(114,523)	(189,663)	(463,391)	(402,863)
	-----	-----	-----	-----
Income before minority interests and cumulative effect of accounting change	395,870	503,789	1,085,228	789,327
Minority interests	(254,052)	(273,507)	(381,758)	(577,014)
	-----	-----	-----	-----
Income before cumulative effect of accounting change	141,818	230,282	703,470	212,313
Cumulative effect of accounting change - net	-	-	-	(737,941)
	-----	-----	-----	-----
Net income (loss)	\$ 141,818	\$ 230,282	\$ 703,470	\$ (525,628)
	=====	=====	=====	=====
Average number of shares outstanding				
Basic	25,741,343	24,571,126	25,602,693	24,592,876
	=====	=====	=====	=====
Diluted	25,894,912	24,571,126	25,640,557	24,592,876
	=====	=====	=====	=====
Net income (loss) per share (basic and diluted)				
Before cumulative effect of accounting change		\$.01	\$.01	\$.03
Cumulative effect of accounting change-net		-	-	(.03)
	-----	-----	-----	-----
Net income (loss)	\$.01	\$.01	\$.03	\$ (.02)
	=====	=====	=====	=====

See accompanying notes.

</TABLE>

MAGELLAN PETROLEUM CORPORATION
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

<TABLE>
<CAPTION>

Nine months ended	

March 31,	

2004	2003
-----	-----

Operating Activities:	<C>	<C>
<S>	\$	\$
Net income (loss)	703,470	(525,628)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Cumulative effect of accounting change	-	2,025,690
Depletion, depreciation and amortization	4,324,933	2,562,995
Accretion expense	273,093	228,824
Deferred income taxes	1,474	(373,769)
Minority interests	381,758	(113,579)
Change in operating assets and liabilities:		
Accounts and notes receivable	533,946	(1,145,297)
Other assets	(219,469)	(151,208)
Inventories	(253,354)	(156,303)
Accounts payable and accrued liabilities	(1,343,239)	2,506,455
Income taxes payable	(7,960)	(74,322)
Asset retirement obligations	-	108,775
Net cash provided by operating activities	----- 4,394,652 -----	4,892,633
Investing Activities:		
Marketable securities purchased	(5,208,687)	(1,671,248)
Marketable securities sold or matured	4,513,896	1,305,605
Repurchase of common stock	-	(138,950)
Sale of available-for-sale securities	-	93,334
Net additions to property and equipment	(4,792,966)	(2,045,536)
Net cash used in investing activities	----- (5,487,757) -----	(2,459,795)
Financing Activities:		
Dividends to MPAL minority shareholders	(744,971)	(628,209)
Net cash used in financing activities	----- (744,971) =====	(628,209)
Effect of exchange rate changes on cash and cash equivalents	----- 1,675,412 -----	1,139,595
Net increase (decrease) in cash and cash equivalents	(162,664)	2,944,224
Cash and cash equivalents at beginning of year	20,041,464	15,784,851
Cash and cash equivalents at end of period	----- \$19,878,800 =====	\$18,729,075

See accompanying notes.

</TABLE>

MAGELLAN PETROLEUM CORPORATION
FORM 10-Q
PART I - FINANCIAL INFORMATION
March 31, 2003

Item 1. Notes to Consolidated Financial Statements

Note 1. Basis of Presentation

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 March 31, 2004, MPC's principal asset was a 55% 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. MPC has a direct 2.67% carried interest

in the Kotaneelee gas field in the Yukon Territory of Canada.

The accompanying unaudited consolidated financial statements include the accounts of MPC and MPAL and have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal recurring nature. Operating results for the three and nine month periods ended March 31, 2004 are not necessarily indicative of the results that may be expected for the year ending June 30, 2004. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended June 30, 2003. All amounts presented are in United States dollars, unless otherwise noted.

Note 2. Kotaneelee Litigation

During September 2003, the litigants in the Kotaneelee litigation entered into a settlement agreement. During October 2003, the Company received approximately \$851,000, after Canadian withholding taxes and reimbursement of certain past legal costs. The plaintiffs agreed to 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 agreed to bear its own legal costs, there were no taxable costs assessed against any of the parties. The components of the settlement payment, which was recorded in September 2003, were as follows:

MAGELLAN PETROLEUM CORPORATION
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PART I - FINANCIAL INFORMATION
March 31, 2004

Item 1. Notes to Consolidated Financial Statements

Gas sales	\$1,135,000
Interest income	102,000
Canadian withholding taxes	(386,000)
Total	<u>\$851,000</u>

Note 3. Capital and stock options

The Company through its stock repurchase plan may purchase up to one million shares of its common stock in the open market. Through March 31, 2004, the Company had purchased 680,850 of its shares at a cost of approximately \$686,000, all of which shares have been cancelled.

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," as amended by SFAS 148 "Accounting for Stock-based Compensation - Transition and Disclosure" requires use of option valuation models to value 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.

<TABLE>
<CAPTION>

Options outstanding	Expiration Dates	Number of shares	Exercise Prices (\$)
---------------------	------------------	------------------	----------------------

<S>	<C>	<C>	<C>
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	.85-1.57
Expired		(126,000)	1.57
Cancelled		(25,000)	.85
Exercised		(175,000)	.85-1.28

March 31, 2004		595,000	1.28
		=====	

(\$1.28 weighted average)

</TABLE>
<TABLE>
<CAPTION>

Summary of Options Outstanding at March 31, 2004

	Expiration	Total	Vested	Exercise	
	Dates			Prices (\$)	
	-----	-----	-----	-----	
<S>	<C>	<C>	<C>	<C>	
Granted 2000	Feb. 2005	595,000	595,000	1.28	
		=====	=====	=====	

Options reserved for future grants 230,000

</TABLE>

On October 20, 2003, options to purchase 126,000 shares of the Company's common stock expired without being exercised. On December 31, 2003, unvested options to purchase 25,000 shares of the Company's common stock were cancelled when the terms of the grant were not satisfied. On March 8, 2004, 175,000 options to purchase shares of common stock were exercised in a cashless exercise that resulted in 55,867 shares being issued.

Option valuation models require the input of highly subjective assumptions including the expected stock price volatility. 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.

Pro forma information regarding net income and earnings per share is required by Statement 148, and has been determined as if the Company had accounted for its stock options under the fair value method of Statement 123. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model. For the purpose of pro forma disclosures, the estimated fair value of the stock options is generally expensed in the year of grant since most of the options are vested and immediately exercisable. The Company's pro forma information follows:

<TABLE>
<CAPTION>

	Three months ended		Three months ended		
	March 31, 2004		March 31, 2003		
	-----	-----	-----	-----	
<S>	<C>	<C>	<C>	<C>	
Net income as reported	\$141,818	\$0.01	\$230,282	\$0.01	
Stock option expense	-	-	(12,797)	-	
	-----	-----	-----	-----	
Pro forma net income	\$141,818	\$0.01	\$217,485	\$0.01	
	=====	=====	=====	=====	

</TABLE>

<TABLE>
<CAPTION>

	Nine months ended March 31, 2004		Nine months ended March 31, 2003		
<S>	<C>	<C>	<C>	<C>	
Net income (loss) as reported		\$703,470	\$.03	\$(525,628)	\$ (.02)
Stock option expense		-	(20,597)	-	
Pro forma net income (loss)		\$703,470	\$.03	\$(546,225)	\$ (.02)

</TABLE>

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, MPC's interest in MPAL increased to 55% from 52.44%. The value on July 10, 2003 of the Company's common stock issued to Origin Energy increased the amount of common stock by \$13,000 and increased capital in excess of par value by \$1,495,000 for a total of \$1,508,000. On October 8, 2003, the Company filed a registration statement on Form S-3 to register the 1.3 million shares issued to Origin Energy for resale that was declared effective on February 20, 2004. As of April 21, 2004, Origin Energy had resold all of the 1.3 million shares of the Company's common stock.

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

The operator of the Mereenie field is implementing an extensive program for additional drilling and capital improvements to meet gas sales' contract requirements. The Mereenie Producers are installing additional compression equipment in the field at a cost of \$13.1 million (MPAL share \$4.6 million) that will increase field deliverability and partially meet certain gas contract requirements. In addition, two gas wells will be drilled in fiscal 2005 to meet the gas contractual requirements until June 2007.

Note 5. Comprehensive income (loss)

Total comprehensive income (loss) during the three and nine month periods ended March 31, 2004 and 2003 is as follows:

<TABLE>

<CAPTION>

	Three months ended March 31,		Nine months ended March 31,		Accumulated other comprehensive loss
<S>	<C>	<C>	<C>	<C>	<C>
Balance at June 30, 2003					\$(5,406,527)
Net income (loss)	\$141,818	\$ 230,282	\$ 703,470	\$(525,628)	
Foreign currency translation adjustments	429,122	1,325,758	3,162,263	1,265,110	3,162,263
Reclassification adjustment Unrealized gain on available- for-sale securities	-	-	-	44,054	-
Total comprehensive income (loss)	\$570,940	\$1,556,040	\$3,865,733	\$789,696	
Balance at March 31, 2004					\$(2,244,264)

</TABLE>

Note 6. Investment in MPAL

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, MPC's interest in MPAL increased to 55% from 52.44%. The value on July 10, 2003 of the Company's common stock issued to Origin Energy increased the amount of common stock by \$13,000 and increased capital in excess of par value by \$1,495,000 for a total of \$1,508,000. The difference of approximately \$661,000 between the acquisition cost of the MPAL shares and the book value of the additional MPAL interest acquired was allocated to oil and gas properties.

Note 7. Earnings per share

Earnings per common share are based upon the weighted average number of common and common equivalent shares outstanding during the period. The Company's basic and diluted calculations of EPS are the same for the three month period ended March 31, 2003 and the nine month period ended March 31, 2003 because the exercise of options is not assumed in calculating diluted EPS, as the result would be anti-dilutive. For the three and nine month periods ended March 31, 2004, the potential dilution items are the outstanding stock options disclosed in Note 3.

Note 8. Segment Information

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

<TABLE>
<CAPTION>

	Three months ended March 31,		Nine months ended March 31,	
	2004	2003	2004	2003
Revenues:				
MPC	\$ 134	\$ 185	\$ 2,500	\$ 1,093
MPAL	4,976	3,886	14,093	10,735
Intersegment dividend	-	-	(911)	(686)
Total consolidated revenues	\$ 5,110	\$ 4,071	\$ 15,682	\$ 11,142
Net income (loss) before cumulative effect of accounting change:				
MPC	\$(169)	\$ (70)	\$ 1,148	\$ 274
MPAL	311	300	466	624
Intersegment dividend	-	-	(911)	(686)
Consolidated net income (loss)	\$ 142	\$ 230	\$ 703	\$ (212)
Net income (loss):				
MPC	\$(169)	\$ (70)	\$ 1,148	\$ 274
MPAL	311	300	466	(114)
Intersegment dividend	-	-	(911)	(686)
Consolidated net income (loss)	\$ 142	\$ 230	\$ 703	\$ (526)

</TABLE>

Note 9. Unrealized Gain on Securities Held for Investment

During 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 2000, the purchaser became a public company,

Sefton Resources, Inc. 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 (secured by the Sefton Resources shares). The unpaid balance of \$81,000 at March 31, 2004, is being paid in monthly installments of \$3,000, plus interest.

Note 10. Exploration and Dry Hole Costs

The 2004 and 2003 costs related primarily to the exploration work being performed on MPAL's properties. The dry holes were drilled on MPAL properties in Australia and New Zealand.

Note 11. Asset Retirement Obligations

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

Upon the adoption of SFAS 143, the Company recorded a discounted liability (asset retirement obligations) 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 was included in net loss for the nine month period ended March 31, 2003.

A reconciliation of the Company's asset retirement obligations for the nine months ended March 31, 2004, is as follows:

Balance at July 1, 2003	\$3,858,000
Liabilities incurred	675,000
Liabilities settled	-
Accretion expense	273,000
Revisions to estimate	-
Exchange effect	611,000

Balance at March 31, 2004	\$5,417,000
	=====

During the nine month period ended March 31, 2004, the Company recorded a liability in the amount of \$526,000 for the Nockatunga project in the Eromanga Basin in Queensland and \$149,000 for the Kotaneelee gas field in Canada. The Kotaneelee settlement agreement provides that the carried interest partners will share in the abandonment of the Kotaneelee field wells and facilities.

Note 12. Commitments

The following is a summary of MPAL's required and contingent commitments for exploration expenditures for the five year period ending June 30, 2008 and its capital expenditure commitments for the fiscal year 2004. The

amount of capital expenditures for the period 2005-2008 is not known at this time. 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. It is not likely that the total amount of the contingent exploration expenditures will be incurred for the fiscal year ending June 30, 2004.

Fiscal Year	Capital Expenditures	Exploration Required Expenditures	Exploration Contingent Expenditures	Total
2004	\$2,652,000	\$2,693,000	\$4,713,000	\$ 10,058,000
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	\$2,652,000	\$3,805,000	\$30,407,000	\$36,864,000

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 effort to find partners is unsuccessful, it may be unable or unwilling to complete the exploration program for some of its properties.

Note 13. Accounts and Notes Receivable

Accounts and notes receivable consist primarily of the amounts due from the sale of oil and gas (\$2,824,000) and the amounts due from working interest partners (\$1,631,000).

Note 14. Pension plan costs

Pension plan costs for the three and nine month periods ended March 31, 2004 and 2003 are as follows:

Three months ended March 31,		Nine months ended March 31,	
2004	2003	2004	2003
\$43,007	\$37,475	\$127,115	\$112,424

The individual components of net pension expense for pension plan costs were not significantly different during the periods.

MAGELLAN PETROLEUM CORPORATION
FORM 10-Q
PART I - FINANCIAL INFORMATION
March 31, 2004

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

Results of Operations (Cont'd)

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 faces the risk that any wells drilled may fail to encounter hydrocarbons in commercially recoverable 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 No. 143, "Accounting for Asset Retirement Obligations." SFAS 143 requires legal obligations associated with the retirement of long-lived assets to be recognized at their fair value at the time that the obligations are incurred. Upon initial recognition of a liability, that cost is capitalized as part of the related long-lived asset (oil & gas properties) and amortized on a units-of-production basis over the life of the related reserves. Accretion expense in connection with the discounted liability is recognized over the remaining life of the related reserves.

The estimated liability was based on the future estimated cost of plugging the existing oil and gas wells and removing the surface facilities equipment in the Palm Valley and Mereenie fields in the Northern Territory of Australia. The liability is a discounted liability using a credit-adjusted risk-free rate of approximately 8%. Revisions to the liability could occur due to changes in the estimates of these costs. During the nine months ended March 31, 2004, the Company recorded a liability for the Nockatunga project using a credit-adjusted risk-free rate of 6.25% and for the Kotaneelee gas field using a credit-adjusted risk-free rate of 4.5%.

Revenue Recognition

The Company recognizes oil and gas revenue from its interests in producing wells as oil and gas is produced and sold from those wells. Oil and gas sold is not significantly different from the Company's share of production. Revenues from the purchase, sale and transportation of natural gas are recognized upon completion of the sale and when transported volumes are delivered. Shipping and handling costs in connection with such deliveries are included in production costs. Revenue under carried interest agreements is recorded in the period when the net proceeds become receivable, measurable and

collection is reasonably assured. The time the net revenues become receivable and collection is reasonably assured depends on the terms and conditions of the relevant agreements and the practices followed by the operator. As a result, net revenues may lag the production month by one or more months.

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. Estimates are particularly sensitive in the calculation of proven reserves, depletion, depreciation and amortization and the amount of the Company's asset retirement obligations. Actual results could differ from those estimates.

Liquidity and Capital Resources

Consolidated

At March 31, 2004, the Company on a consolidated basis had approximately \$22.8 million in cash and cash equivalents and marketable securities.

A summary of the major changes in cash and cash equivalents during the nine month period ended March 31, 2004 is as follows:

Cash and cash equivalents at beginning of period	\$20,041,000
Net cash provided by operations	4,395,000
Marketable securities (purchased) matured net	(694,000)
Net additions to property and equipment	(4,793,000)
Dividends to MPAL minority shareholders	(745,000)
Effect of exchange rate changes	1,675,000

Cash and cash equivalents at end of period	\$19,879,000
	=====

Net cash provided by operations

Net cash provided by operations decreased \$498,000 from \$4,893,000 during the 2003 period compared to \$4,395,000 in the 2004 period. Cash funds derived from operations increased \$1,880,000 during the 2004 period, which was offset by the \$2,378,000 decrease in changes in operating assets and liabilities during the 2004 period. The primary reason for the increase in cash funds derived from operations during the 2004 period was the nonrecurring receipt of the settlement payment of \$851,000 from the Kotaneelee litigation. The \$3,850,000 change in accounts payable reduced cash funds available during 2004.

Marketable securities purchased and sold or matured

During the 2004 period, part of the proceeds of the Kotaneelee gas field settlement was invested in securities with maturities of more than three months.

Net additions to property and equipment

The net additions to property and equipment of \$4,793,000 are primarily the purchase of the Nockatunga project for approximately \$1,400,000 and the upgrading of the Mereenie field.

Dividends to MPAL minority shareholders

During November 2003, MPAL paid a dividend of A.\$0.05 per share to all of its shareholders which totaled \$1,656,000. MPC's share of the dividend was approximately \$911,000 and the amount paid to the minority shareholders was

\$745,000.

Effect of exchange rate changes

The value of the Australian dollar relative to the U.S. dollar increased 14% to \$.7657 at March 31, 2004, compared to a value of \$.6737 at June 30, 2003.

As to MPC

At March 31, 2004, MPC, on an unconsolidated basis, had working capital of approximately \$3.8 million. MPC's current cash position, its annual MPAL dividend and the anticipated revenue from the Kotaneelee field should be adequate to meet its current cash requirements. MPC has in the past invested and may in the future invest substantial portions of its cash to maintain or increase its majority ownership interest in its subsidiary. 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, the Company's interest in MPAL increased to 55% from 52.44%.

During November 2003, MPC received a dividend of approximately \$911,000 from MPAL.

MPC through its stock repurchase plan may purchase up to one million shares of its common stock in the open market. Through March 31, 2004, MPC had purchased 680,850 of its shares at a cost of approximately \$686,000, all of which shares have been cancelled. No purchases of shares under the repurchase plan were made by MPC during the nine months ended March 31, 2004.

As to MPAL

At March 31, 2004, MPAL had working capital of approximately \$19.6 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. MPAL's future revenues are expected to be derived from the sale of gas in Australia, based on its current composition of oil and gas reserves. 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 and its capital expenditure commitments for the fiscal year 2004. The amount of capital expenditures for the period 2005-2008 is not known at this time. 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. It is not likely that the total amount of the contingent exploration expenditures will be incurred for the fiscal year ending June 30, 2004.

Fiscal Year	Capital Expenditures	Exploration Required Expenditures	Exploration Contingent Expenditures	Total
2004	\$2,652,000	\$2,693,000	\$4,713,000	\$ 10,058,000
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	\$2,652,000	\$3,805,000	\$30,407,000	\$36,864,000

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 expenditures discussed above, the operator of the Mereenie field is implementing an extensive program for additional drilling and capital improvements to meet gas sales' contract requirements. The Mereenie Producers are installing additional compression equipment in the field at a cost of \$13.1 million (MPAL share \$4.6 million) that will increase field deliverability and partially meet certain gas contract requirements. Two gas wells will also be drilled in fiscal 2005 to meet the gas contractual requirements until June 2007.

The operator of the Kotaneelee gas field is proposing, that commencing on about August 15, 2004, a development well be drilled in the field at a cost of approximately \$12 million of which MPC's approximate 2.67% share would be approximately \$320,000. Because MPC is in a carried interest position, MPC will not be required to advance any funds for the drilling of the proposed well. There are no assurances that the proposed well will be drilled. If the proposed well is drilled, the cost of the well would be charged to the Company's carried interest account as the costs are incurred. MPC's monthly revenue payments would be reduced until the working interest partners recover MPC's share of the cost of the proposed well. If the well is successful, MPC will receive its share of revenue from the sale of gas from well when the well is put on production.

Results of Operations

New Accounting Standards

Effective July 1, 2000, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. In April 2003, the Financial Accounting Standards Board (FASB) issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," which amends SFAS No. 133. This new statement incorporates interpretations that were included in previous Derivative Implementation Group (DIG) guidance, clarifies certain conditions, and amends other existing pronouncements. It is effective for contracts entered into or modified after June 30, 2003. Management has determined that the adoption of SFAS No. 149 did not have an impact on the Company's financial statements.

In January 2003, the FASB issued Interpretation No. (FIN) 46, "Consolidation of Variable Interest Entities," was effective for the Company on December 31, 2003. FIN 46 requires that the party to a VIE that absorbs the majority of the VIE's losses, defined as the "primary beneficiary," consolidate the VIE. The Company has determined that it is not required to consolidate or disclose information about a VIE. In December 2003, the FASB issued a revised version of FIN 46R that was effective for the Company on March 31, 2004. FIN 46R did not have an impact on the Company's consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS No. 150 establishes standards on how to classify and measure certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise effective for the Company for the first quarter of fiscal 2004. The adoption of SFAS No. 150 did not have an impact on the Company's financial statements.

In December 2003, the FASB issued SFAS No. 132 (Revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits." (SFAS No. 132R) This statement revises employers' disclosures about pension plans and other postretirement benefit plans, requires additional disclosures about the assets, obligations, cash flows, and the net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans and requires companies to disclose various elements of pension and postretirement benefit costs in interim period financial statements. The annual disclosures in SFAS No. 132R are effective for the Company's defined benefit pension plan for the fiscal year ending June 30, 2004, while the new interim period disclosures were required for the quarter ended December 31, 2003. The required disclosures are included in Note 14. Pension plan costs.

Three months ended March 31, 2004 vs. March 31, 2003

Revenues

Oil sales increased 39% in the 2004 quarter to \$1,362,000 from \$982,000 in 2003 because of a 29% Australian foreign exchange rate increase discussed below and new oil sales from the Cooper Basin and the Nockatunga project. Oil unit sales are expected to continue to decline in the Mereenie field unless additional development wells are drilled to maintain production levels. MPAL is dependent on the operator (65% control) of the Mereenie field to maintain production. Oil unit sales (before deducting royalties) in barrels (bbls) and the average price per barrel sold during the periods indicated were as follows:

<TABLE>
<CAPTION>

	Three months ended March 31,			
	2004		2003	
	Sales		Sales	
	Bbls	Average price A.\$ per bbl	Bbls	Average price A.\$ per bbl
Australia:				
<S> Mereenie field	32,301	43.93	36,676	49.44
Cooper Basin	1,565	37.51	-	-
Nockatunga project	12,077	37.67	-	-
Total	45,943	42.07	36,676	49.44

</TABLE>

Gas sales increased 21% to \$3,014,000 in 2004 from \$2,498,000 in 2003 because of the 29% Australian foreign exchange rate increase discussed below.

	Three months ended March 31,	
	2004	2003
Australia	\$2,895,000	\$2,335,000
Canada-recurring	119,000	163,000
Total	\$3,014,000	\$2,498,000

During the 2004 period, the volume of gas sold in Australia decreased 4%, and the average price of gas sold decreased 1%. The volumes in billion cubic feet (bcf) (before deducting royalties) and the average price of gas per thousand cubic feet (mcf) sold during the periods indicated were as follows:

<TABLE>
<CAPTION>

	Three months ended March 31,			
	2004 Sales		2003 Sales	
	bcf	A.\$ average price per mcf	bcf	A.\$ average price per mcf

<S>	<C>	<C>	<C>	<C>
Australia: Palm Valley	.711	2.13	.756	2.14
Australia: Mereenie	.960	2.78	.987	2.85
	----	----	----	----
Total	1.671	2.51	1.743	2.54
	=====	=====	=====	=====

</TABLE>

Other production related revenues increased 21% to \$463,000 in 2004 from \$384,000 in 2003 because of the 29% Australian foreign exchange rate increase discussed below. Other production related revenues are primarily MPAL's share of gas pipeline tariff revenues.

Interest and other income increased 30% to \$270,000 in 2004 from \$207,000 in 2003 primarily because of the 29% Australian foreign exchange rate increase discussed below.

Costs and Expenses

Production costs increased 9% in 2004 to \$1,277,000 from \$1,169,000 in 2003. The increase in 2004 is primarily the 29% Australian foreign exchange rate increase discussed below and the new production costs of \$128,000 for the Nockatunga project and the Cooper Basin. These increases were partially offset by a decrease in production costs applicable to two wells that were plugged and abandoned in the Mereenie field in 2003. In addition, a Mereenie two well workover program was completed during the 2003 period.

Exploration and dry hole costs increased 4% to \$680,000 in 2004 from \$656,000 in 2003. The 2004 and 2003 costs related to the exploration work being performed on MPAL's properties. The primary reason for the increase is the 29% Australian foreign exchange rate increase discussed below. For the 2004 period, exploration costs totaled \$370,000 and dry hole costs totaled \$310,000. For the 2003 period, exploration costs totaled \$656,000. The dry holes were drilled on MPAL properties in Australia and New Zealand.

Salaries and employee benefits increased 50% to \$702,000 in 2004 from \$469,000 in 2003. During the 2004 period, there was a 29% increase in the Australian foreign exchange rate as discussed below. In addition, there were also regular annual increases in salaries and MPC hired a new officer.

Depletion, depreciation and amortization increased 74% from \$907,000 in 2003 to \$1,581,000 in 2004. During the 2004 period, there was a 29% increase in the Australian foreign exchange rate as discussed below. Depletion expense for the Palm Valley and Mereenie fields increased 26% during the period primarily because of the increased costs of the current Mereenie development program. In addition, \$128,000 in DD&A was also recorded in the 2004 period for the Nockatunga project and the Cooper Basin. In the 2003 period, there was a reduction in the depletion costs attributable to the Palm Valley field because the gas reserves were increased by 35%.

Auditing, accounting and legal expenses increased 82% in 2004 to \$89,000 from \$49,000 in 2003 primarily because of the 29% Australian foreign exchange rate increase discussed below and complying with the statutory requirements applicable to public companies.

Accretion expense increased 29% in the 2004 period from \$80,000 in 2003 to \$103,000 in 2004. Accretion expense represents the accretion on the asset retirement obligations (ARO) under SFAS 143 that was adopted effective July 1, 2002. The increase in the 2004 period is primarily the 29% increase in the Australian foreign exchange rate as discussed below and the additions for the Nockatunga project and the Kotaneelee gas field. These increases were offset by a revision of estimates that reduced the amount of ARO in 2003.

Shareholder communications costs increased 3% from \$34,000 in 2003 to \$35,000 in 2004 primarily because of MPC and MPAL's increased costs related to their status as public companies.

Other administrative expenses increased 908% from \$13,000 in 2003 to \$131,000 in 2004. During the 2004 period, there was a 29% increase in the Australian foreign exchange rate as discussed below. In addition, there were increases in consultants' fees (\$71,000), directors' fees and expenses (\$38,000), insurance costs (\$23,000), rent (\$24,000) and taxes (\$10,000) during the 2004 period that were partially offset by the amount of \$48,000 in overhead charges that MPAL as operator was able to charge its partners.

Income Taxes

Income tax provision decreased in 2004 to a tax provision of \$115,000 from a tax provision of \$190,000 in 2003 because of lower book taxable income in 2004. The components of the income tax (in thousands) between MPC and MPAL are as follows:

	2004	2003
	-----	-----
Pretax consolidated income	\$511	\$ 693
MPC's non Australian loss not recognized	139	32
Permanent differences-Australia	(337)	(217)
	-----	-----
Book taxable income-Australia	\$313	\$ 508
	=====	=====
Australian tax rate	30%	30%
	====	====
Australian income tax provision	\$(94)	\$(152)
Tax benefit of MPAL priors year losses	8	-
MPC income tax provision	(29)	(38)
	-----	-----
Income tax provision	\$(115)	\$(190)
	=====	=====
Current income tax provision	\$(29)	\$(38)
Deferred income tax provision	(86)	(152)
	-----	-----
Income tax provision	\$(115)	\$ (190)
	=====	=====
Effective tax rate	22%	27%
	====	====

MPC's 2004 and 2003 income tax provisions represent the 25% Canadian withholding tax on its Kotaneelee gas field carried interest net proceeds. As of June 30, 2003, MPAL had an operating loss of \$5,550,000 from financing the exploration activities, the \$1,665,000 benefit of which had not been taken into account because there was no assurance at the time that the loss benefit would be realized.

Exchange Effect

The value of the Australian dollar relative to the U.S. dollar increased to \$.7657 at March 31, 2004 compared to a value of \$.7529 at December 31, 2003. This resulted in a \$429,000 credit to the foreign currency translation adjustments account for the three months ended March 31, 2004. The average exchange rate used to translate MPAL's operations in Australia was \$.7658 for the quarter ended March 31, 2004, which is a 29% increase compared to the \$.5938 rate for the quarter ended March 31, 2003.

Nine months ended March 31, 2004 vs. March 31, 2003

Revenues

Oil sales increased 45% in 2004 to \$3,637,000 from \$2,507,000 in 2003

because of a 26% Australian foreign exchange rate increase discussed below and new oil sales from the Cooper Basin and the Nockatunga project. Oil unit sales are expected to continue to decline in the Mereenie field unless additional development wells are drilled to maintain production levels. MPAL is dependent on the operator (65% control) of the Mereenie field to maintain production. Oil unit sales (before deducting royalties) in barrels (bbls) and the average price per barrel sold during the periods indicated were as follows:

<TABLE>
<CAPTION>

	Nine months ended March 31,			
	2004 Sales		2003 Sales	
	Bbls	Average price A.\$ per bbl	Bbls	Average price A.\$ per bbl
Australia:				
<S> Mereenie field	101,317	41.48	106,686	45.44
Cooper Basin	6,227	36.14	-	-
Nockatunga project	30,344	36.60	-	-
Total	137,888	40.16	106,686	45.44

</TABLE>

Gas sales increased 39% to \$9,932,000 in 2004 from \$7,153,000 in 2003 because of the 26% Australian foreign exchange rate increase discussed below and the proceeds from the Canadian Kotaneelee gas field settlement.

	Nine months ended March 31,	
	2004	2003
Australia	\$8,487,000	\$6,820,000
Canada-recurring	310,000	333,000
Canada-settlement	1,135,000	-
Total	\$9,932,000	\$7,153,000

During the 2004 period, the volume of gas sold in Australia remained relatively unchanged but the average price of gas sold decreased 2%. The volumes in billion cubic feet (bcf) (before deducting royalties) and the average price of gas per thousand cubic feet (mcf) sold during the periods indicated were as follows:

<TABLE>
<CAPTION>

	Nine months ended March 31,			
	2004 Sales		2003 Sales	
	bcf	A.\$ average price per mcf	bcf	A.\$ average price per mcf
<S> Australia: Palm Valley	2.166	2.19	2.333	2.37
Australia: Mereenie	2.989	2.81	2.805	2.78
Total	5.155	2.54	5.138	2.58

</TABLE>

Other production related revenues increased 49% to \$1,266,000 in 2004 from \$849,000 in 2003. Other production related revenues are primarily MPAL's share of gas pipeline tariff revenues which increased as a result of the higher volumes of gas sold at Mereenie, and because of the 26% Australian foreign exchange rate increase discussed below.

Interest and other income increased 34% to \$848,000 in 2004 from

\$632,000 in 2003 primarily because of the \$102,000 interest received from the funds held in escrow from the Kotaneelee settlement and because of the 26% Australian foreign exchange rate increase discussed below.

Costs and Expenses

Production costs increased 32% in 2004 to \$4,055,000 from \$3,065,000 in 2003 in part because of the 26% Australian foreign exchange rate increase discussed below. During 2004, production costs also increased because of the new costs of \$431,000 for the Nockatunga project and the Cooper Basin. These increase were partially offset by a decrease in production costs applicable to two wells that were plugged and abandoned in the Mereenie field in 2003. In addition, a Mereenie two well workover program was completed during the 2003 period.

Exploration and dry hole costs increased 32% to \$2,585,000 in 2004 from \$1,952,000 in 2003. The 2004 and 2003 costs related to the exploration work being performed on MPAL's properties. The primary reason for the increase in 2004 is the 26% Australian foreign exchange rate increase discussed below. For the 2004 period, exploration costs totaled \$1,145,000 and dry hole costs totaled \$1,440,000. For the 2003 period, exploration costs totaled \$1,366,000 and dry hole costs totaled \$586,000. The dry holes were drilled on MPAL properties in Australia and New Zealand

Salaries and employee benefits increased 40% to \$1,983,000 in 2004 from \$1,416,000 in 2003. During the 2004 period, there was a 26% increase in the Australian foreign exchange rate as discussed below. In addition, there were also regular annual increases in salaries and MPC hired a new officer.

Depletion, depreciation and amortization increased 69% from \$2,563,000 in 2003 to \$4,325,000 in 2004. During the 2004 period, there was a 26% increase in the Australian foreign exchange rate as discussed below. Depletion expense for the Palm Valley and Mereenie fields increased 27% during the period primarily because of the increased costs of the current Mereenie development program. In addition in 2004, \$356,000 in DD&A was also recorded for the Nockatunga project and the Cooper Basin. The reserves in the Cooper Basin were reduced by 50% from 50,000 barrels to 25,000 barrels during the current period because of lower oil production than estimated. In the 2003 period the Palm Valley gas reserves were increased by 35% and DD&A decreased by approximately \$405,000 because of this change in gas reserves. In addition, in 2003 the amount estimated for salvage value was increased and reduced DD&A by approximately \$145,000.

Auditing, accounting and legal expenses increased 5% in 2004 to \$330,000 from \$314,000 in 2003 primarily because of the 26% Australian foreign exchange rate increase discussed below and complying with the statutory requirements applicable to public companies. The increase was partially offset because the 2003 period included higher audit fees in connection with the adoption of the new accounting standard for asset retirement obligations.

Accretion expense increased 19% in the 2004 period from \$229,000 in 2003 to \$273,000 in 2004. Accretion expense represents the accretion on the asset retirement obligations (ARO) under SFAS 143 that was adopted effective July 1, 2002. The increase in the 2004 period results from the 26% increase in the Australian foreign exchange rate as discussed below and the additions for the Nockatunga project and the Kotaneelee gas field. In 2003, there was a revision of estimates that reduced the amount of ARO in 2003 that partially offset the increase in 2004.

Shareholder communications costs increased 5% from \$149,000 in 2003 to \$156,000 in 2004 primarily because of MPC and MPAL's increased costs related to their status as public companies.

Other administrative expenses increased 63% from \$262,000 in 2003 to \$427,000 in 2004. During the 2004 period, there was a 26% increase in the Australian foreign exchange rate as discussed below. In addition, there were increases in consultants' fees (\$65,000), directors' fees and expenses (\$89,000), insurance costs (\$25,000), rent (\$39,000) and travel expenses (\$26,000) during the 2004 period that were partially offset by the amount of \$79,000 in overhead charges that MPAL as operator was able to charge its partners.

Income Taxes

Income tax provision increased in 2004 to \$463,000 from \$403,000 in 2003 primarily because of MPC's income from the Kotaneelee settlement. The components of the income tax (in thousands) between MPC and MPAL are as follows:

	2004	2003	
	-----	-----	
Pretax consolidated income		\$1,549	\$ 1,192
MPC's non Australian (income) loss not recognized		(700)	333
Permanent differences-Australia		(819)	(448)
	-----	-----	
Book taxable income-Australia		\$ 30	\$ 1,077
	=====	=====	
 Australian tax rate		30%	30%
	=====	=====	
 Australian income tax provision		\$(9)	\$ (323)
Tax benefit of MPAL prior year losses		9	-
MPC income tax provision		(463)	(80)
	-----	-----	
Income tax provision		\$(463)	\$ (403)
	=====	=====	
 Current income tax provision		\$(463)	\$(80)
Deferred income tax provision		-	(323)
	-----	-----	
Income tax provision		\$(463)	\$ (403)
	=====	=====	
 Effective tax rate		30%	34%
	=====	=====	

MPC's 2004 and 2003 income tax provisions represent the 25% Canadian withholding tax on its Kotaneelee gas field carried interest net proceeds. As of June 30, 2003, MPAL had an operating loss of \$5,550,000 from financing the exploration activities, the \$1,665,000 benefit of which had not been taken into account because there was no assurance at the time that the loss benefit would be realized.

Exchange Effect

The value of the Australian dollar relative to the U.S. dollar increased to \$.7657 at March 31, 2004 compared to a value of \$.6737 at June 30, 2003. This resulted in a \$3,162,000 credit to the foreign currency translation adjustments account for the nine months ended March 31, 2004. The 14% increase in the value of the Australian dollar increased the reported asset and liability amounts in the balance sheet at March 31, 2004 from the June 30, 2003 amounts. The average exchange rate used to translate MPAL's operations in Australia was \$.7138 for the nine month period ended March 31, 2004, which is a 26% increase compared to the \$.5664 rate for nine month period ended March 31, 2003.

MAGELLAN PETROLEUM CORPORATION
FORM 10-Q
PART I - FINANCIAL INFORMATION
March 31, 2004

Item 3. Quantitative and Qualitative Disclosure About Market Risk

The Company does not have any significant exposure to market risk, other than as previously discussed regarding foreign currency risk 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. For the nine month period ended March 31, 2004, oil sales represented approximately 27% of production revenues, therefore, an increase in the world price of crude oil would only have a modest positive impact on the Company's earnings, while a decrease in crude oil prices would have a similar negative impact on earnings. Gas sales, which represented approximately 73% of production revenues in 2004, are derived primarily from the Palm Valley and Mereenie fields in the Northern Territory of Australia and the gas prices are set according to long term contracts that are subject to changes in the Australian Consumer Price Index. At March 31, 2004, the carrying value of such investments in marketable securities including those classified as cash and cash equivalents was approximately \$21.6 million, which approximates the fair value of the securities. Since the Company expects to hold the investments to maturity, the maturity value should be realized.

Item 4. 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 March 31, 2004. 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 fiscal quarter ended March 31, 2004 of the Company's fiscal year ending June 30, 2004 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

MAGELLAN PETROLEUM CORPORATION
FORM 10-Q
PART II - OTHER INFORMATION
March 31, 2004

Item 1 Legal Proceedings

During September 2003, the litigants in the Kotaneelee litigation entered into a settlement agreement. During October 2003, the Company received approximately \$851,000, after Canadian withholding taxes and reimbursement of certain past legal costs. The plaintiffs agreed to 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 agreed to bear its own legal costs, there were no taxable costs assessed against any of the parties.

Item 2 Changes in Securities, Use of Proceeds and Issuer Purchases of

Equity Securities

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

<TABLE>
<CAPTION>

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan (1)	Maximum Number of Shares that May Yet Be Purchased Under Plan
<S> <C> <C>	<C>	<C>	<C>	<C>
Jan. 1-31, 2004	0	0	0	319,150
Feb. 1-29, 2004	0	0	0	319,150
Mar. 1- 31, 2004	0	0	0	319,150

</TABLE>

(1) The Company through its stock repurchase plan may purchase up to one million shares of its common stock in the open market. Through March 31, 2004, the Company had purchased 680,850 of its shares at an average price of \$1.01 per share or a total cost of approximately \$686,000, all of which shares have been cancelled.

Item 5 Other Information

During March 2004, MPAL reached an agreement with Antrim Energy Australia regarding its 50 percent interest in each of exploration permits WA-306-P and WA-307-P in the Barcoo Sub-Basin located in the southwest portion of the Browse Basin. Antrim Energy Australia, Operator of the joint ventures, will fund the drilling of the South Galapagos-1 well in WA-306-P to earn a further 37.5% interest in the WA-306-P permit. MPAL's interest in WA-306-P will reduce to 12.5%. The operator has entered into a drilling contract with SedcoForex International Inc to use the Sedco 703 semi-submersible drilling rig to drill the well later this year.

During March 2004, MPAL reached an agreement with a United Kingdom listed company, Black Rock Oil & Gas Plc, to farmout a 15% interest in PEL 94 and a 10% interest in PEL 110, located in the Cooper Basin of South Australia. Black Rock will fund part of the cost of the upcoming Malleus 2D seismic survey in PEL 94 and part of the cost of the next well drilled in each of the two permits to earn the interests. MPAL currently holds a 50% interest in PEL 94 and a 37.5% interest in PEL 110, and these interests will reduce accordingly.

MAGELLAN PETROLEUM CORPORATION
Form 10-Q

PART II - OTHER INFORMATION

March 31, 2004

Beach Petroleum (Operator) will drill the Myponga-1 well in PEL 94 and the Noarlunga-1 well in PEL 95 (MPAL 50% interest), commencing in June 2004.

A development well, Palm Valley-11, received approval from the Northern Territory Government in January 2004 and is scheduled for drilling in May to increase deliverability from the field. MPAL is currently planning to start the drilling of the well on May 17, 2004.

A United Kingdom company, Electro Silica Oil & Gas Plc, is earning a 25% interest in exploration permit PEP 38222 (MPAL currently holds a 100% interest) in the Great South Basin, offshore the South Island of New Zealand, by funding the acquisition, processing and interpretation of 2000 line kilometers

of 2D seismic data in the permit. The acquisition of the survey was completed in late April. Under the farmout arrangement, Electro Silica has the option to acquire a further 50% interest from MPAL by funding the drilling of an exploration well in the permit.

In February 2004, the New Zealand Government announced the award of six offshore and seven onshore permits in the Taranaki Basin of the North Island of New Zealand. MPAL and its co-venturers were successful in their bid for Block M (formerly PPP 38761) and Block N, which were granted as PEP 38765 (MPAL 12.5% interest) and PEP 38766 (MPAL 25% interest). The operator, Tap Oil, will drill an exploration well in PEP 38765 later this year.

Effective March 1, 2004, the Company appointed Daniel J. Samela as its Treasurer pursuant to an employment agreement with a continually renewing three-year and 30 day term. The employment agreement provides that Mr. Samela will serve as the Company's Chief Financial Officer and Acting President and Chief Executive Officer, effective July 1, 2004. Mr. Samela will replace Mr. James R. Joyce, the Company's President and Chief Financial Officer, upon Mr. Joyce's previously announced retirement from the Company, effective June 30, 2004. Mr. Samela, 56, a Certified Public Accountant has held various senior level financial positions during his career. Most recently he was Chief Financial Officer of Evercel, Inc., a publicly held energy related company. Prior to that position he was Controller and Chief Accounting Officer of Trigen Energy Corporation, a publicly held thermal and electric cogeneration company.

Under the employment agreement, Mr. Samela will receive an annual salary of \$125,000, increasing to \$175,000 effective July 1, 2004. Mr. Samela is also eligible to receive an annual bonus award of up to \$25,000 in the discretion of the Board of Directors. In addition, Mr. Samela will receive reimbursements of approximately \$21,000 for insurance costs and there will be a annual contribution of 15% of his total compensation to a Simplified Employee Pension. The agreement also provides that Mr. Samela will be awarded options to acquire 30,000 shares of the Company's common stock, with an exercise price per share equal to the closing price per share of the Company's common stock as reported by the Nasdaq SmallCap Market on July 1, 2004. Options covering 10,000 of such shares will vest as of July 1, 2005, with the remaining shares vesting ratably on the second and third anniversaries of the effective date of the grant. A copy of Mr. Samela's employment agreement is filed herewith as Exhibit 10.1.

MAGELLAN PETROLEUM CORPORATION
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PART II - OTHER INFORMATION

March 31, 2004

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10(1) Material contracts

Employment Agreement between Daniel J. Samela and Magellan Petroleum Corporation effective March 1, 2004 is filed herein.

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 furnished herein.

(b) Reports on Form 8-K

On February 20, 2004, the Company filed a Current Report on Form 8-K to report that the Company's registration statement in Form S-3 relating to the public sale of up to 1,300,000 shares of the Company's Common stock became effective.

MAGELLAN PETROLEUM CORPORATION

FORM 10-Q

March 31, 2004

SIGNATURES

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

MAGELLAN PETROLEUM CORPORATION

Registrant

Date: May 13, 2004

By /s/ James R. Joyce

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

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT made as of March 1, 2004, by and between MAGELLAN PETROLEUM CORPORATION, a Delaware corporation (hereinafter called the "Company"), having its principal place of business in the Town of Madison in the state of Connecticut, and DANIEL J. SAMELA, an individual residing at 201 Redwood Lane, Cheshire, Connecticut 06410 (hereinafter called "Employee").

W I T N E S S E T H

WHEREAS, Employee desires to render faithful and efficient service to the Company; and

WHEREAS, the Company desires receive the benefit of Employee's service ; and

WHEREAS, Employee is willing to be employed by the Company; and

WHEREAS, the Board of Directors of the Company, has determined that it is in the best interests of the Company and its shareholders to (i) assure that the Company will have the dedication and services of the Employee, notwithstanding the possibility, threat of occurrence of a Change of Control (as defined below) of the Company, and (ii) to provide the Employee with compensation and benefits arrangements upon a Change of Control which ensure that the compensation and benefits expectations of the Employee will be satisfied and which are competitive with those of other corporations.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties agree as follows:

1. Offices.

(a) The Company hereby employs Employee as its Assistant Treasurer for the transition period of March 1 - June 30, 2004 (the "Transition Period"). Employee hereby agrees to serve the Company in such capacity for the Transition Period. The parties agree that Employee will work with the Company's current Chief Financial Officer for the Transition Period, during which time Employee shall become familiar with the business operations and financial reporting functions of the Company.

(b) Following the end of the Transition Period, Employee shall assume full responsibilities as Chief Financial and Accounting Officer and Acting Chief Executive Officer of the Company effective July 1, 2004. Employee hereby agrees to serve the Company in such capacities for the remainder of the Employment Period (as hereinafter defined). Employee will have such duties as are appropriate to his positions, and will have such authority as required to enable him to perform these duties. Consistent with the foregoing, the Employee shall comply with all reasonable instructions of the Board of Directors of the Company (the "Board").

2. Term of Employment. Employee's employment shall be for the "Employment Period", with the term commencing March 1, 2004 and continuing for a period of three (3) years and thirty (30) days commencing as of said date. Such three (3) year, thirty (30) day term shall automatically be renewed on the same terms and conditions contained herein at the end of each thirty (30) day period such that at no time will the balance of the term of Employee's employment hereunder be less than three (3) years, unless the Employee elects to retire or unless this Agreement is sooner terminated in accordance with the terms hereof.

3. Disability. If the Company determines in good faith that the Disability of the Employee has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Employee written notice in accordance with Section 16 of this Agreement of its intention to terminate the Employee's employment. In such event, the Employee' employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Employee (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Employee shall not have returned to fulltime performance of the Employee's duties. For purposes of this Agreement, "Disability" shall be deemed to have occurred when Employee shall be unable to

perform the duties of his employment with the Company for an aggregate period of more than 90 days in a consecutive period of 52 weeks as a result of incapacity due to mental or physical illness or impairment (other than as a result of addiction to alcohol or any drug) as determined by a physician selected by the Company or its insurers and acceptable to the Employee or the Employee's legal representative.

4. Death. The Employment Period shall automatically terminate upon the death of Employee.

5. Responsibilities.

(a) During the Employment Period, and excluding any periods of vacation and sick leave to which the Employee is entitled, the Employee agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Employee by the Board hereunder, to use the Employee's reasonable best efforts to perform faithfully and efficiently such responsibilities. As part of his employment duties hereunder, Employee shall be required to make business trips to visit the principal business offices of the Company's majority-owned subsidiary, Magellan Petroleum Australia Limited ("MPAL"), located in Brisbane, Australia and other Australian locations of MPAL business operations, from time to time as reasonably requested by the Board.

(b) During the Employment Period it shall not be a violation of this Agreement for the Employee to (i) serve on corporate, civic or charitable boards or committees, or (ii) manage personal investments, so long as such activities do not significantly interfere with the performance of the Employee's responsibilities as an employee of the Company in accordance with this Agreement. In addition, Employee shall advise the Board not later than May 31, 2004 whether or not he intends, during the Employment Period, to continue to provide consulting services for H.L. Schiff, P.C., which shall not exceed 64 hours per month and which shall also be subject to the preceding sentence.

6. Compensation; Benefit Plans and Programs.

(a) Base Salary. During the Transition Period, Employee shall receive an annual base salary of \$125,000, pro rated for the four (4) months of such period. Commencing July 1, 2004 and during the remainder of the Employment Period, Employee shall receive an annual base salary of not less than \$175,000 (the "Base Salary") which shall be payable in equal monthly installments in advance not later than the sixth day of each month. Commencing January 1, 2005, the Board may, in its sole and absolute discretion, increase the Employee's Base Salary in light of the Employee's performance, inflation, changes in the cost of living and other factors deemed relevant by the Board. The Compensation Committee of the Company's Board of Directors shall meet with the Employee annually to review the Employee's performance, objectives and compensation, including salary, bonus and stock options. If the Compensation Committee determines that any adjustments thereto are appropriate, such committee shall make a recommendation to the full Board and the Board shall make such adjustments, if any, as it deems appropriate and consistent with this Agreement.

(b) Bonus. During the Employment Period, Employee will be eligible to receive an annual bonus award (a "Bonus") of up to \$25,000, if and as determined by the Board in its sole and absolute discretion after receiving the recommendation of the Compensation Committee. Following Employee's first year of employment hereunder, the Compensation Committee and Employee shall discuss the development of an incentive-based bonus plan for Employee which shall be based upon the achievement of suitable performance goals, which may include absolute or relative growth in earnings per share, rate of return on stockholders' equity, earnings per share, or other measurement of corporate performance and may be determined by the Compensation Committee in its sole discretion after consultation with Employee.

(c) Grant of Non-Qualified Stock Option. As soon as practicable after the date of execution of this Agreement, Employee shall be granted a non-qualified stock option (the "Stock Option") under the Magellan Petroleum Corporation 1998 Stock Option Plan (the "Option Plan"), which Stock Option shall entitle Employee to purchase up to Thirty Thousand (30,000) shares of Common Stock of the Company. The exercise price per share of the Stock Option shall be \$1.75, which shall be equal to the closing price per share of the Company's common stock as reported by the Nasdaq Stock Market, Inc. on March 1, 2004. The Stock Option shall have a term of ten (10) years commencing on March

1, 2004. The shares covered by the Stock Option shall vest in equal annual installments, each such installment covering 10,000 of the shares covered thereby, as of the first, second and third anniversaries of March 1, 2004; provided, however, that all future vesting of the Stock Option shall be expressly conditioned on this Agreement not having been terminated and continuing in full force and effect. These and any other terms and conditions of the Stock Option shall be set forth in a written agreement, the form and content of which shall be substantially similar to the option agreements evidencing other awards under the Plan. Future awards of stock options under the Plan (or any successor plan), if any, shall be made by the Board in its sole discretion, after receipt of a recommendation by the Compensation Committee.

(d) Benefit Plans; Retirement Program. The Company shall make an annual contribution of 15% of Employee's total Base Salary and Bonus to the Company's SEP/IRA plan. During the Employment Period, Employee shall be eligible for participation in all other incentive, bonus and benefit plans and programs made available by the Company to its employees.

(e) Insurance Coverage. During the Employment Period, the Company shall reimburse Employee a maximum of \$15,000 per year family health insurance coverage, which shall consist of medical, prescription and dental benefits, as well as short and long term disability insurance coverage. In addition, the Company shall purchase a term life insurance policy with coverage of up to \$300,000 to supplement Employee's existing term life insurance coverage.

(f) Vacation and Holidays. During the Employment Period, the Employee will be entitled to paid vacation leave of four (4) weeks per year. The Employee will be entitled to such holidays as are established by the Company for all employees.

7. Business Expenses. During the Employment Period the Company shall allow Employee his reasonable expenses of travel and business entertainment incurred in the performance of his duties hereunder, subject to the rules and regulations adopted by the Company for the handling of such business expenses.

8. Office Relocation and Expenses; Administrative Support Services.

(a) Office Relocation. During the Transition Period, the parties intend that Employee shall perform services hereunder at the offices of the Company located in Madison, Connecticut. As soon as practicable, the Company and Employee shall cooperate to identify and lease a new office facility for the Company at a location within the State of Connecticut to be selected by Employee and mutually agreeable to the Company. The Company shall provide a reasonable allowance to Employee to relocate the offices of the Company to the location selected under this Section 8(a).

(b) Office Expenses and Rent; Administrative Support Services. Following the relocation of the Company's offices, the Company shall reimburse the costs of maintaining and operating Employee's office. The Company shall provide Employee with administrative support services at Employee's office, as reasonably determined by Employee.

9. Termination Without Cause. In the event that Employee is terminated without Cause and while this Agreement is in effect:

(a) the Company shall pay to Employee an amount equal to three (3) times the sum of (x) the Employee's annual Base Salary in effect at the Date of Termination and (y) the average of the Employee's annual Bonus paid for the three full fiscal years preceding the date of termination of the Employment Period; and

(b) all options granted to him shall be vested and exercisable to the extent provided in the applicable agreements relating thereto.

(c) For purposes of this Agreement, "Cause" shall be limited to and mean only the following:

(i) Misappropriating any funds or property of the Company;

(ii) Attempting to obtain any personal profit from any transaction in which the Employee has an interest which is adverse to the

interest of the Company, unless Employee shall have first obtained the consent of the Board of Directors;

(iii) Neglect or unreasonable refusal or continued failure (other than any such failure resulting from incapacity due to physical or mental illness) to perform the duties assigned to Employee under or pursuant to this Agreement; or

(iv) Being convicted of any felony or an offense involving moral turpitude.

10. Grounds for Termination of Employment. The Company may terminate the Employment Period by written notice to Employee, specifying the ground or grounds for such termination, if any, but should the Employee's termination be without Cause, the provisions of section 9 of this Agreement will be applicable.

11. Effect of Termination of the Employment Period. Upon the termination of the Employment Period, this Agreement shall terminate, and all of the parties' obligations hereunder shall forthwith terminate, except that rights and remedies accruing prior to such termination or arising out of this Agreement shall survive.

12. Change of Control. In the event of a Change of Control, as defined herein, the provisions of this Section 12 shall supersede the provisions of Sections 3 through 10 of this Agreement, except as otherwise provided herein.

(a) Effective Date. The "Effective Date" shall mean the date upon which a Change of Control occurs. Anything in this Agreement to the contrary notwithstanding, if a Change of Control occurs and if the Employee's employment with the Company is terminated prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Employee that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise arose in connection with or anticipation of a Change of Control, then for all purposes of this Agreement the "Effective Date" shall mean and a Change of Control shall be deemed to occur on the date immediately prior to the date of such termination of employment.

(b) Change of Control. For the purpose of this Agreement, a "Change of Control" shall mean:

(i) the acquisition by any individual, entity or Group (within the meaning of section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (A) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subparagraph (i), the following acquisitions shall not constitute a Change of Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (D) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of subparagraph (iii) of this paragraph (b); or

(ii) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board; or

(iii) consummation of a reorganization, merger or consolidation or sale or other disposition of all or

substantially all of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

Anything herein to the contrary notwithstanding, if the Incumbent Board (as defined in Section 12(b)(ii) hereof) by a majority vote of directors then in office, consents in advance to any action, event, or occurrence set forth in Sections 12(b)(i), (ii), (iii) or (iv) hereof which would otherwise be deemed to be a Change in Control, such action, event, or occurrence shall not be deemed to be a Change in Control.

(c) Terms of Employment Following Change of Control. During the Employment Period following a Change of Control, the Employee shall continue to receive the same compensation (other than the initial award of the Stock Option), retirement benefits, insurance coverage and vacation and holiday benefits described in Section 6 of this Agreement.

(d) Termination of Employment Following Change of Control.

(i) Death or Disability. The Employee's employment shall terminate automatically upon the Employee's death during the Employment Period following a Change of Control. If the Company determines in good faith that the Disability of the Employee has occurred during the Employment Period following a Change of Control, the provisions of section 3 hereof shall be applicable.

(ii) Cause. The Company may terminate the Employee's employment during the Employment Period following a Change of Control for Cause, as said term is defined in Section 9(c) hereof.

(iii) Good Reason. The Employee's employment may be terminated by the Employee during the Employment Period following a Change of Control for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(A) the assignment to the Employee of any duties inconsistent in any respect with the Employee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 12(c), or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for that purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the

Employee;

(B) any failure by the Company to comply with any of the provisions of Section 12(c), other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Employee;

(C) the Company's requiring the Employee to be based at any office or location other than as provided in Section 8 hereof or the Company's requiring the Employee to travel on Company business to a substantially greater extent than required immediately prior to the Effective Date;

(D) any purported termination by the Company of the Employee's employment otherwise than as expressly permitted by this Agreement; or

(E) any failure by the Company to comply with and satisfy Section 18(c) of this Agreement.

For purposes of this subparagraph (d)(iii), any good faith determination of "Good Reason" made by the Employee shall be conclusive.

(iv) Notice of Termination. Any termination by the Company for Cause, or by the Employee for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 16 of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (A) indicates the specific termination provision in this Agreement relied upon, (B) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment under the provision so indicated and (C) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). The failure by the Employee or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Employee or the Company, respectively, hereunder or preclude the Employee or the Company, respectively, from asserting such fact or circumstance in enforcing the Employee's or the Company's rights hereunder.

(v) Date of Termination. "Date of Termination" means (A) if the Employee's employment is terminated by the Company for Cause, or by the Employee for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (B) if the Employee's employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Employee of such termination and (C) if the Employee's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Employee or the Disability Effective Date, as the case may be.

(e) Obligations of the Company upon Termination of Employment Following a Change of Control.

(i) Good Reason: other Than for Cause, Death or Disability and Within Two Years. If, during the Employment Period following a Change of Control and within the two (2) year period following a Change of Control, the Company shall terminate the Employee's employment other than for Cause or Disability or the Employee shall terminate employment for Good Reason, then:

(A) the Company shall pay to the Employee in a lump sum in cash within 30 days after the Date of Termination the aggregate of the following amounts:

(1) the sum of (I) the Employee's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (II) the product of (x) the average of the Employee's annual Bonus paid for the

three full fiscal years preceding the date of termination of the Employment Period and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365; and (III) any compensation previously deferred by the Employee (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (I), (II), and (III) shall be hereinafter referred to as the "Accrued Obligation"); and

(2) An amount equal to three (3) times the sum of (x) the Employee's annual Base Salary in effect at the Date of Termination and (y) the average of the Employee's annual Bonus paid for the three full fiscal years preceding the date of termination of the Employment Period.

(B) for three years after the Employee's Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue to reimburse the Employee up to a maximum of \$15,000 for medical benefits and insurance coverage to the Employee and/or the Employee's family, provided, however, that if the Employee becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer-provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility;

(C) to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Employee any other amounts or benefits required to be paid or provided or which the Employee is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits"); and

(D) all options granted to him shall be vested and exercisable to the extent provided in the applicable agreements relating thereto.

(ii) Good Reason: Other Than for Cause, Death or Disability and After Two Years. If, during the Employment period following a Change of Control, and after two (2) years have elapsed following a Change of Control, the Company shall terminate the Employee's employment other than for Cause or Disability or the Employee shall terminate employment for Good Reason, the provisions of subparagraph (e)(i) of this Section 12 shall not apply, and the following provisions shall apply instead:

(A) the Company shall pay to Employee an amount equal to his then current annual Base Salary; plus the average of the Employee's annual Bonus paid for the three full fiscal years preceding the date of termination of the Employment Period; and

(B) all options granted to him shall be vested and exercisable to the extent provided in the applicable agreements relating thereto.

(iii) Death. If the Employee's employment is terminated by reason of the Employee's death during the Employment Period following a Change of Control, this Agreement shall terminate without further obligations to the Employee's legal representatives under this Agreement, other than for payment of Accrued Obligations and

the timely payment or provision of Other Benefits, if any. Accrued Obligations shall be paid to the Employee's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination.

(iv) Disability. If the Employee's employment is terminated by reason of the Employee's Disability during the Employment Period following a Change of Control, this Agreement shall terminate without further obligations to the Employee, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits, if any. Accrued Obligations shall be paid to the Employee in a lump sum in cash within 30 days of the Date of Termination.

(v) Cause: Other than for Good Reason. If the Employee's employment shall be terminated for Cause during the Employment Period following a Change of Control, this Agreement shall terminate without further obligations to the Employer other than the obligation to pay to the Employee (x) his annual Base Salary through the Date of Termination, (y) the amount of any compensation previously deferred by the Employee, and (z) Other Benefits, in each case to the extent theretofore unpaid. If the Employee voluntarily terminates employment during the Employment Period following a Change of Control, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Employee, other than for Accrued obligations and the timely payment or provision of Other Benefits. In such case, all Accrued Obligations shall be paid to the Employee in a lump sum in cash within 30 days of the Date of Termination.

13. Payment Limit.

(a) Notwithstanding the other provisions of this Employment Agreement, the Company shall make no payment that would constitute an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986 or any successor provision.

(b) In the event that the accounting firm selected in accordance with Section 13(e) hereof (the "Auditors") determines that any payment or benefit provided by the Company to or for the benefit of the Employee, whether paid, payable or provided pursuant to the terms of this Agreement or otherwise (a "Payment") would constitute an excess parachute payment, then the aggregate present value of the Payments pursuant to this Agreement shall be reduced (but not below zero) to the Reduced Amount. The "Reduced Amount" shall be an amount expressed in present value which maximizes the aggregate present value of Payments without causing any Payment to constitute an excess parachute payment.

(c) If the Auditors determine that any Payment would constitute an excess parachute payment, then the Company shall promptly give the Employee notice to that effect and a copy of the detailed calculation thereof and of the Reduced Amount, and the Employee may then elect, in his sole discretion, which and how much of the Payments under this Agreement shall be eliminated or reduced in order that no Payment shall constitute an excess parachute payment, and shall advise the Company in writing of his election within 10 days of receipt of notice. If no such election is made by the Employee within such 10-day period, then the Company may elect which and how much of the Payments under this Agreement shall be eliminated or reduced and shall notify the Employee promptly of such election.

(d) All determinations made by the Auditors shall be binding upon the Company and the Employee and shall be made within 60 days of the Employee's Date of Termination.

(e) The Auditors shall be a national accounting firm selected by mutual agreement of the Company and the Employee and may, but need not be, the auditors of the Company.

14. Restrictive Covenants. Employee shall not, during the Employment Period, directly or indirectly, alone or as a member of a partnership or association, or as an officer, director, advisor, consultant, agent or employee of any other company, be engaged in or concerned with any other business duties or pursuits requiring his personal services except as may be permitted under Section 5 hereof or otherwise with the prior written consent of the Board of Directors of the Company. Nothing herein contained shall preclude the ownership

by Employee of stocks or other investment securities.

15. Trade Secrets and Non-compete. Employee shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its subsidiaries or affiliates, and their respective businesses, which shall have been obtained by the Employee during the Employee's employment by the Company or any of its subsidiaries or affiliates and which shall not be or become public knowledge (other than by act by the Employee or representatives of the Employee in violation of this Agreement). Employee hereby covenants and agrees to use his best efforts and the utmost diligence to guard and protect such confidential information, knowledge and data and that he will not, without the prior written consent of the Company, for a period of three (3) years following the termination of this Agreement use for himself or others or disclose or permit to be disclosed to any third party by any method whatsoever any such confidential information, knowledge and data of the Company. For purposes of this paragraph, confidential information, knowledge or data shall include, but not be limited to, any and all records, notes, memoranda, data, ideas, processes, methods, devices, programs, computer software, writings, research, personnel information, customer information, financial information, plans or any information of whatever nature, in the possession or control of the Company which gives to the Employee an opportunity to obtain an advantage over competitors who do not know or use it.

Employee recognizes that the Company is engaged in a highly competitive business. Therefore, Employee further covenants that for a period of one (1) year after ceasing employment with the Company he shall not, without the prior written approval of the Board of Directors of the Company:

(a) become an officer, employee, agent or partner of any business enterprise in substantial direct competition with the Company (or any of its subsidiaries or affiliates), as the business of the Company (or any such subsidiary or affiliate) may be constituted during the term of employment or at the termination thereof.

(b) interfere with the relationship of the Company and any employee, agent or representative;

(c) directly or indirectly divert or attempt to divert from the Company any business in which the Company has been actively engaged during the past three (3) years nor interfere with relationships of the Company with policyholders, dealers, distributors, marketers, sources of supply, or customers; or

(d) engage in any pattern of conduct that involves the making or publishing or written or oral statements or remarks (including, without limitation, the repetition or distribution of derogatory rumors, allegations, negative reports or comments) which are disparaging or damaging to the integrity, reputation or good will of the Company and its management.

Employee further specifically acknowledges that the geographic area to which the covenants contained in paragraphs (a) through (d) applies is the same geographic area in which he performed services for the Company during the past three (3) years. In the event that Employee is terminated without Cause, Employee will not be subject to the covenants set forth in this Section.

If the provisions of this Section 16 are violated, in whole or in part, the Company shall be entitled to seek, upon application to any court of proper jurisdiction and an appropriate showing to such court, a temporary restraining order or preliminary injunction to restrain and enjoin the Employee from such violation without prejudice to any other remedies the Company may have at law or in equity. Further, in the event that the provisions of this Section 16 should ever be deemed to exceed the time, geographic or occupational limitations permitted by applicable laws, the Employee and the Company agree that such provisions shall be and hereby are reformed to the maximum time, geographic or occupational limitations permitted by the applicable laws.

16. Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail return receipt requested, postage prepaid, addressed as follows:

If to the Employee

Daniel J. Samela
201 Redwood Lane
Cheshire, Connecticut 06410

If to the Company:

Magellan Petroleum Corporation
c/o Murtha Cullina LLP
CityPlace I
185 Asylum Street
Hartford, Connecticut 06103-3469
Attention: Timothy L. Largay, Esq.

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

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

18. Successors.

(a) This Agreement is personal to the Employee and without the prior written consent of the Company shall not be assignable by the Employee otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Employee's legal representatives.

(b) This Agreement shall inure to the benefit or and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

19. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Connecticut, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force and effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(c) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(d) The Employee's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Employee or the Company may have hereunder, including, without

limitation, the right of the Employee to terminate employment for Good Reason following a Change of Control pursuant to Section 12(d)(iii) of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(e) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

* * * * *

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

MAGELLAN PETROLEUM CORPORATION

By /s/ James R. Joyce

James R. Joyce
President

/s/ Daniel J. Samela

Daniel J. Samela
Employee

Rule 13a-14(a) Certifications

I, James R. Joyce, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Magellan Petroleum Corporation;
2. Based on my knowledge, this 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 pursuant to the guidance contained in SEC Release No. 33-8238.]
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 13, 2004 /s/ James R. Joyce

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

SECTION 1350 Certifications

In connection with the Quarterly Report of Magellan Petroleum Corporation (the "Company") on Form 10-Q for the period ending March 31, 2004 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, do 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.

May 13, 2004

By: /s/ James R. Joyce

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