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

Form 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended June 30, 2008

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 1-5507

Magellan Petroleum Corporation
(Exact name of registrant as specified in its charter)

Delaware *State or other jurisdiction of incorporation or organization*	**06-0842255** *(I.R.S. Employer Identification No.)*
10 Columbus Boulevard, Hartford, CT *(Address of principal executive offices)*	**06106** *(Zip Code)*

Registrant's telephone number, including area code
(860) 293-2006

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

Title of Each Class	Name of Each Exchange on Which Registered
Common stock, par value $.01 per share	NASDAQ Capital Market

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant at the $1.03 closing price on December 31, 2007 (the last business day of the most recently completed second quarter) was $42,659,981.

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

Common stock, par value $.01 per share, 41,500,325 shares outstanding as of September 25, 2008.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement related to the Annual Meeting of Stockholders for the fiscal year ended June 30, 2008, are incorporated by reference in Part III of this Form 10-K to the extent stated herein.

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Unless otherwise indicated, all dollar figures set forth herein are in United States currency. Amounts expressed in Australian currency are indicated as "A.$00". The exchange rate at September 25, 2008 was approximately A.$1.00 equaled U.S. $.84.

IMPORTANT INFORMATION REGARDING THIS FORM 10-K

Explanatory Note

As discussed in Note 12 to the accompanying consolidated financial statements in Item 8 of this Annual Report on Form 10-K, subsequent to the issuance of the Company's Forms 10-Q for the quarterly periods ended September 30, 2007, December 31, 2007 and March 31, 2008, the Company's management determined that depletion expense was miscalculated due to the misapplication of reserve information for a group of new wells which principally began production in fiscal 2008. Depletion expense for the three-month periods ended September 30, 2007, December 31, 2007 and March 31, 2008 was understated by $1,247,108, $1,569,467 and $1,075,003, respectively. Depletion expense was understated by $2,816,575 and $3,891,578 for the six months ended December 31, 2007 and the nine months ended March 31, 2008, respectively. This restatement has no impact on the consolidated balance sheets or consolidated cash flows from operations for any period presented in this Form 10-K. A summary of quarterly unaudited results as restated for the periods ended September 30, 2007, December 31, 2007 and March 31, 2008 is presented in Note 12.

In addition, as discussed in Note 13, the Company has restated the unaudited supplementary oil and gas disclosure that was presented in Note 14 of the consolidated financial statements included in Item 8 of the Company's 2007 Form 10-K. This restatement was due to the misapplication of reserve information referred to above.

The Company intends to amend its previously issued Form 10Qs for the three periods ended September 30, 2007, December 31, 2007 and March 31, 2008 to adjust for the restatement discussed above.

PART I

Item 1. ***Business***

Magellan Petroleum Corporation (the "Company" or "MPC" or "Magellan") is engaged in the sale of oil and gas and the exploration for and development of oil and gas reserves. At June 30, 2008, MPC's principal asset was a 100.00% equity interest in its subsidiary, Magellan Petroleum Australia Limited ("MPAL"). At June 30, 2005, MPC's equity interest in MPAL was 55.13%. During the fourth quarter of fiscal 2006, MPC completed an exchange offer (the "Offer") to acquire all of the 44.87% of ordinary shares of MPAL that it did not own. The Offer consideration was .75 newly-issued shares of MPC common stock and A$0.10 in cash consideration for each of the 20,952,916 MPAL shares that MPC did not own. New MPC shares were issued to MPAL's Australian shareholders either as registered MPC shares or in the form of CDIs (CHESS Depository Interests), which have been listed on the Australian Stock Exchange ("ASX"), effective April 26, 2006, under the symbol "MGN"(see Note 2 to the consolidated financial statements).

MPAL's major assets are two petroleum production leases covering the Mereenie oil and gas field (35% working interest), one petroleum production lease covering the Palm Valley gas field (52% working interest) and three petroleum production leases covering the Nockatunga oil fields (41% working interest). Both the Mereenie and Palm Valley fields are located in the Amadeus Basin in the Northern Territory of Australia and the Nockatunga fields are located in the Cooper Basin in Queensland, Australia. Santos Ltd ("Santos"), a publicly owned Australian company, owns a 65% interest in the Mereenie field, a 48% interest in the Palm Valley field and a 59% interest in the Nockatunga fields.

MPC has a direct 2.67% carried interest in the Kotaneelee gas field in the Yukon Territory of Canada. The following chart illustrates the various relationships between MPC and the various companies discussed above.

The following is a tabular presentation of the omitted material:

MPC — MPAL RELATIONSHIPS CHART

MPC owns 100% of MPAL.
MPC owns 2.67% of the Kotaneelee Field, Canada.
MPAL owns 52% of the Palm Valley Field, Australia.
MPAL owns 35% of the Mereenie Field, Australia.
MPAL owns 41% of the Nockatunga Fields, Australia.
SANTOS owns 48% of the Palm Valley Field, Australia.
SANTOS owns 65% of the Mereenie Field, Australia.
SANTOS owns 59% of the Nockatunga Fields, Australia.

(a) *General Development of Business.*

Operational Developments Since the Beginning of the Last Fiscal Year:

The following is a summary of oil and gas properties that the Company has an interest in. The Company is committed to certain exploration and development expenditures, some of which may be farmed out to third parties.

AUSTRALIA

Mereenie Oil and Gas Field

MPAL (35%) and Santos (65%), the operator (together known as the Mereenie Producers), own the Mereenie field which is located in the Amadeus Basin of the Northern Territory. MPAL's share of the Mereenie field proved developed oil reserves and gas reserves based upon contracted amounts (net of royalties) was approximately 423,000 barrels and 3.3 billion cubic feet (Bcf) of gas at June 30, 2008. During fiscal 2008, MPAL's share of oil sales was 111,000 barrels and 5.1 Bcf of gas, which is subject to net overriding royalties aggregating 4.0625% and the statutory government royalty of 10%. The oil is transported by means of a 167-mile eight-inch oil pipeline from the field to an industrial park near Alice Springs. The oil is then shipped south approximately 950 miles by road to the Port Bonython Export Terminal, Whyalla, South Australia for sale. The cost of transporting the oil to the terminal is borne by the Mereenie Producers. The petroleum leases covering the Mereenie field expire in November 2023.

The Mereenie Producers are contracted to provide Mereenie gas in the Northern Territory to the Power and Water Corporation (PWC) for use in Darwin and other Northern Territory centers. See “Gas Supply Contracts” below. The gas contract expires in June 2009.

Palm Valley Gas Field

MPAL has a 52.023% interest in, and is the operator of, the Palm Valley gas field which is also located in the Amadeus Basin of the Northern Territory. Santos, the operator of the Mereenie field, owns the remaining 47.977% interest in the Palm Valley field which provides gas to meet the Alice Springs and Darwin supply contracts with PWC. See “Gas Supply Contracts” below. MPAL’s share of the Palm Valley proved developed reserves (net of royalties) was 3.8 Bcf at June 30, 2008 and is based upon gas contract amounts. During fiscal 2008, MPAL’s share of gas sales was 1.6 bcf which is subject to a 10% statutory government royalty and net overriding royalties aggregating 7.3125%. The producers and PWC installed additional compression equipment in the field in early 2006 that will assist field deliverability during the remaining Darwin gas contract period. PWC funds the cost of additions and modifications to the gas delivery system under the gas supply agreement. The petroleum lease covering the Palm Valley field expires in November 2024.

Gas Supply Contracts

In 1983, the Palm Valley Producers (MPAL and Santos) commenced the sale of gas to Alice Springs under a 1981 agreement. In 1985, the Palm Valley Producers and Mereenie Producers signed agreements for the sale of gas to PWC, through its wholly-owned company Gasgo Pty. Ltd., for use in PWC’s Darwin electricity generating station and at a number of other generating stations in the Northern Territory. The price of gas under the Palm Valley and Mereenie gas contracts is adjusted quarterly to reflect changes in the Australian Consumer Price Index. The gas is being delivered via the 922-mile Amadeus Basin gas pipeline which was built by an Australian consortium. Since 1985, there have been several additional contracts for the sale of Mereenie gas, the latest being in June 2006 for the supply of an additional 4.4 bcf of gas to be supplied prior to December 31, 2008. The Palm Valley Darwin contract expires in the year 2012 and the principal Mereenie contracts expire in June 2009. Supply obligations under the Mereenie contracts cease in May 2009.

MPAL’s major customer, Gasgo Pty. Ltd., a subsidiary of PWC of the Northern Territory, has contracted with Eni Australia for the supply of PWC’s Northern Territory gas demand requirement for twenty five years commencing at the beginning of 2009. Eni Australia is to supply the gas from its Blacktip field offshore the Northern Territory. The Mereenie Producers will continue to supply PWC’s gas demand until Blacktip gas is available. MPAL is actively pursuing gas sales contracts for the remaining reserves. While gas marketing efforts to date have identified several potential customers, the majority have a gas requirement commencing in the 2010-2012 timeframe. When Blacktip gas becomes available, there will be strong competition within the market and MPAL may not be able to contract for the sale of the remaining uncontracted reserves in the short term, but may be able to do so in the longer term with increasing demand from new mining developments and industrial users in the Northern Territory and the adjacent areas of neighboring states. 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. Mereenie gas sales were approximately $15.5 million (net of royalties) or 85% of total gas sales for the year ended June 30, 2008.

At June 30, 2008, MPAL’s commitment to supply gas under the above agreements was as follows:

Period	Bcf
Less than one year	5.23
Between 1-5 years	3.22
Greater than 5 years	0.00
Total	8.45

Nockatunga Oil Fields

MPAL purchased its 40.936% working interest (38.703% net revenue interest) in the Nockatunga oil fields in the Cooper Basin in southwest Queensland effective from July 2003. Santos is operator of the fields and holds the remaining interest. The assets comprise eleven producing oil fields (Currambar, Kamel, Dilkera, Dilkera North, Koora, Maxwell, Maxwell South, Muthero, Nockatunga, Thungo and Winna) in Petroleum Leases 33, 50 and 51 and Petroleum Lease Applications 244 and 245, together with exploration acreage in the adjacent Authority to Prospect for Petroleum (“ATP”) No. 267P. The fields are currently producing about 750 barrels of oil per day (MPAL share is approximately 290 BOPD). During fiscal 2008, MPAL’s share of oil sales was 124,000 barrels which is subject to a 10% statutory government royalty and net overriding royalties aggregating 3.0%. MPAL’s share of the Nockatunga fields’ proved oil reserves (net of royalties) was approximately 218,000 barrels at June 30, 2008. Petroleum Lease 33 was due to expire in April 2007 and an application has been made to renew the lease for a further 21 years. The lease remains in effect until the renewal is determined by the Queensland Government and is awaiting finalization of the term of a new Environmental Authority by the Environment Protection Agency(“EPA”). Petroleum Leases 50 and 51 expire in June 2011. ATP 267P was due to expire in November 2007 and an application has been made to renew the ATP for a further four year term. The ATP remains in effect until the renewal is determined by the Queensland Government.

The drilling of an appraisal well and an exploration well was undertaken late in calendar 2007. The appraisal well, Maxwell-5, has been completed as an oil producing well and tied in to the surface facilities at the Maxwell field. The exploration well, Burundi-1, was plugged and abandoned without encountering hydrocarbons. MPAL’s share of the cost was approximately $1,400,000. The drilling of additional appraisal and development wells is planned for 2009.

Dingo Gas Field

MPAL has a 34.3365% interest in the Dingo gas field which is held under Retention License 2 in the Amadeus Basin in the Northern Territory. No market has emerged for the gas volumes that have been discovered in the Dingo gas field. MPAL’s share of potential production from this permit area is subject to a 10% statutory government royalty and overriding royalties aggregating 4.8125%. The license currently expires in February 2009 and is expected to be renewed.

Maryborough Basin

MPAL holds a 100% interest in exploration permit ATP 613P in the Maryborough Basin in Queensland, Australia. MPAL (100%) also has applications pending for permits ATP 674P and ATP 733P which are adjacent to ATP 613P. In May 2006, MPAL entered into a farm-out agreement in relation to a portion of ATP 613P, ATPA 674P and ATPA 733P with Eureka Petroleum, under which that company funded the drilling of two exploration wells in 2007 to test the coal seam gas potential of the Burrum Coal Measures near the city of Maryborough. The Burrum-1 and Burrum-2 farm-out wells drilled in early 2007 intersected multiple thin coal seams and evaluation of the gas potential is continuing. The grant of ATPA 674P and ATP 733P is subject to agreement of the native title claimants to the area.

Eureka Petroleum has the option to undertake a staged evaluation of the farm-out area to earn a 90% interest in any petroleum lease granted in the area. MPAL has the option to retain a 50% interest in any petroleum lease by carrying Eureka Petroleum through any development to the extent of Eureka Petroleum’s prior exploration and evaluation expenditures. MPAL operates the joint venture. At June 30, 2008, the work obligations of the ATP 613P permit were fully committed by Eureka Petroleum under the farm-out arrangement. ATP 613P was renewed in March 2008 for a further 12-year term ending in 2019.

Cooper/Eromanga Basin

PEL 94, PEL 95 & PPL 210

During fiscal year 1999, MPAL (50%) and its partner Beach Petroleum were successful in bidding for two exploration blocks, Petroleum Exploration License (“PEL”) 94 and PEL 95, in South Australia’s Cooper Basin. The

Aldinga-1 exploration well was drilled and completed in September 2002 and began producing in May 2003 at about 80 barrels of oil per day. Petroleum Production License ("PPL) 210 was granted over the Aldinga field in December 2004. By June 2008, production had declined to about 12 barrels of oil per day. No further development is planned for the field.

Black Rock Petroleum contributed to the cost of drilling the Myponga-1 well in June 2004 to earn a 15% interest in the PEL 94 permit. MPAL's interest in PEL 94 was reduced to 35%. Black Rock Petroleum subsequently assigned its interest in PEL 94 to Victoria Petroleum. At June 30, 2008, MPAL's share of the work obligations of PEL 94 totaled $554,000 of which $17,000 was committed and in PEL 95 totaled $1,104,000 of which $240,000 was committed. PEL 94 expires in May 2012 and PEL 95 expires in October 2011.

PEL 106, PEL 107 & PPL 212

During fiscal year 2005, MPAL entered into a farm-in arrangement with Great Artesian Oil and Gas to drill explorations wells in petroleum exploration permits PEL 106 and PEL 107 in the Cooper Basin of South Australia. The Kiana-1 well was drilled in PEL 107 in 2005 and was completed for production as an oil producer. PPL 212 was granted over the Kiana field in January 2006. MPAL earned a 30% interest in PPL 212 by contributing to the drilling cost of the Kiana-1 well. During fiscal 2008, MPAL's share of oil sales was approximately 5,000 barrels which is subject to a 10% statutory government royalty and net overriding royalties aggregating 4.0%. MPAL's share of the Kiana field's proved developed oil reserves was approximately 13,000 barrels at June 30, 2008. Beach Petroleum is operator of the joint venture.

MPAL exercised its option to participate in a further two wells in PEL 107 under the farm-in arrangement with Great Artesian Oil and Gas to earn a 30% interest in any discoveries and a 20% interest in the PEL 107 permit. The Keeley-1 and Cabbots-1 farm-in wells were drilled in late 2006. Both wells were dry holes. At June 30, 2008, the work obligations of PEL 107 had been fulfilled.

The Udacha-1 gas discovery well was drilled in February 2006 in the farm-in area with Great Artesian Oil and Gas, covering portion of PEL 106 and the adjacent PEL 91 permit. A production test was carried out in late 2006 which indicated that the discovery is potentially commercially viable. If the discovery is commercial, MPC will earn a 30% interest in any petroleum production license granted over the Udacha field. Beach Petroleum is operator of the joint venture and the participants are seeking a gas sales arrangement for the Udacha gas.

PEL 110

During fiscal year 2001, MPAL (50%) and its partner Beach Petroleum were successful in bidding for exploration block PEL 110 in the Cooper Basin. PEL 110 was granted in February 2003. During July 2005, Cooper Energy contributed to the cost of the Yanerbie-1 well to earn a 25% interest in PEL 110 which reduced MPAL's interest in PEL 110 to 37.5%. During fiscal year 2007, MPAL, Beach Petroleum and Cooper Energy entered into a farm-out arrangement with Red Sky Energy. Red Sky undertook to fund the drilling of one exploration well to earn a 50% interest in PEL 110, but has subsequently declined to drill the well. At June 30, 2008, MPAL's share of the work obligations of PEL 110 totaled $468,000 which was committed.

UNITED KINGDOM

PEDL 098 & PEDL 099

During fiscal year 2001, MPAL acquired an interest in two exploration licenses in southern England in the Weald-Wessex basin. The two licenses, Petroleum Exploration and Development License ("PEDL") 098 (22.5%) in the Isle of Wight and PEDL 099 (40%) in the Portsdown area of Hampshire, were each granted for a period of six years. The Sandhills-2 well, drilled in the PEDL 098 permit during 2005, encountered a heavily biodegraded remnant oil column and was plugged and abandoned. At June 30, 2008, MPAL's share of the work obligations of the PEDL 098 permit totaled $87,000 of which $22,000 was committed, and MPAL's share of the work obligations of the PEDL 099 permit totaled $1,870,000 which was fully committed. PEDL 098 expires in September 2011. PEDL 099 expired in September 2008. Work obligations and the planned well under PEDL 099 will be transferred and drilled under PEDL 155.

PEDL 112 & PEDL 113

During fiscal year 2002, MPAL acquired two additional exploration licenses in southern England. The two licenses, PEDL 113 (22.5%) in the Isle of Wight in the Wessex Basin and PEDL 112 (33.3%) in the Kent area on the north-eastern margin of the Weald Basin, were each granted for a period of six years. PEDL 112 expired in January 2008 and PEDL 113 was surrendered in August 2007. No drilling was carried out in the licenses.

PEDL 125 & PEDL 126

Effective July 1, 2003, MPAL acquired two exploration licenses, PEDL 125 (40%) in Hampshire and PEDL 126 (40%) in West Sussex, in the Weald Basin of southern England; each granted for a period of six years. The drilling plans for the Markwells Wood-1 well in PEDL 126 are in progress and have received all necessary approvals. However, due to certain delays and the availability of suitable rigs to perform the drilling work, the spudding of this well is expected to take place in the first quarter of fiscal 2009. Plans for drilling Hedge End-2 later in 2009 are in progress. The UK company, Oil Quest Resources, will fund part of MPAL's share of the cost of drilling the two wells to acquire a 10% interest in each of the permits. At June 30, 2008, MPAL's share of the work obligations of the two permits totaled $4,980,000 which was committed.

PEDL 135, PEDL 136 & PEDL 137

Effective October 1, 2004, MPAL was granted 100% interest in PEDL 135, PEDL 136 and PEDL 137 in the Weald Basin in southern England for a term of six years. Each has a drill or drop obligation at the end of the term. MPAL has undertaken a program of seismic data purchase, reprocessing and interpretation and has identified three drilling prospects. Drilling of two wells is planned for 2009. At June 30, 2008, MPAL's work obligation for the three licenses totaled $16,900,000, of which $336,000 was committed.

PEDL 152, PEDL 153, PEDL 154 & PEDL 155

Effective October 1, 2004, MPAL acquired five licenses in the Weald Basin in southern England, each granted for a period of six years; PEDL 151 (11.25%), PEDL 152 (22.5%), PEDL 153 (33.3%), PEDL 154 (50%) and PEDL 155 (40%). PEDL 151 was surrendered during fiscal 2007. Each remaining license has a drill or drop obligation at the end of its term. The well has to be drilled within the first six years of the initial term in order for the license to extend into the next five-year license term. The drilling plans for the Havant-1 well in PEDL 155 are in progress and spudding of this well is expected in 2009. The U.K. company, Oil Quest Resources, will fund part of MPAL's share of the PEDL 155 drilling and exploration costs to acquire a 10% interest in the license. At June 30, 2008, MPAL's work obligation for the five licenses totaled $8,100,000, of which $120,000 was committed.

PEDL 231, PEDL 232, PEDL 234, PEDL 240, PEDL 242, PEDL 243 & PEDL 246

Effective July 1, 2008, MPAL and its joint venture partners were granted interests in PEDL 231, PEDL 232, PEDL 234, PEDL 240, PEDL 242, PEDL 243 & PEDL 246 located in the Weald and Wessex Basins of southern England. Six of these PEDLs will be operated by MPAL.

CANADA

MPC owns a 2.67% carried interest in a lease (31,885 gross acres, 850 net acres) in the southeast Yukon Territory, Canada, which includes the Kotaneelee gas field. Devon Canada Corporation is the operator of this partially developed field which is connected to a major pipeline system. Production at Kotaneelee commenced in February 1991. The Company recorded revenue of $233,000 from this field in fiscal 2008.

(b) *Financial Information About Industry Segments.*

The Company is engaged in only one industry, namely, oil and gas exploration, development, production and sale. The Company conducts such business through its two operating segments; MPC and its wholly owned subsidiary MPAL.

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

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

(i) *Principal Products.*

MPAL has an interest in the Palm Valley gas field and in the Mereenie oil and gas field in the Amadeus Basin of the Northern Territory and in the Nockatunga, Kiana and Aldinga oil fields in the Cooper Basin of South Australia and Queensland. See Item 1(a) — Australia — for a discussion of the oil and gas production from these fields. MPC has a direct 2.67% carried interest in the Kotaneelee gas field in Canada.

(ii) *Status of Product or Segment.*

See Item 1(a) and (b) — Australia and Canada — for a discussion of the current and future operations of the Mereenie, Palm Valley, Nockatunga, Kiana and Aldinga fields in Australia and MPC's interest in the Kotaneelee field in Canada.

(iii) *Raw Materials.*

Not applicable.

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

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

Permit	Expiration Date	Location
Petroleum Lease No. 4 and No. 5 (Mereenie) (Amadeus Basin)	November 2023	Northern Territory, Australia
Petroleum Lease No. 3 (Palm Valley) (Amadeus Basin)	November 2024	Northern Territory, Australia
Retention License No. 2 (Dingo) (Amadeus Basin)	February 2009	Northern Territory, Australia
Petroleum Lease No. 33 (Nockatunga) (Cooper Basin)	April 2007 (Renewal application pending)	Queensland, Australia
Petroleum Lease No. 50 and No. 51 (Nockatunga) (Cooper Basin)	June 2011	Queensland, Australia
Petroleum Lease No. 244 (Currambar) (Cooper Basin)	Application pending	Queensland, Australia
Petroleum Lease No. 245 (Maxwell South) (Cooper Basin)	Application pending	Queensland, Australia
Petroleum Production License No. 210 (Aldinga) (Cooper Basin)	Held by production	South Australia
Petroleum Production License No. 212 (Kiana) (Cooper Basin)	Held by production	South Australia
ATP 267P (Nockatunga) (Cooper Basin)	November 2007 (Renewal application pending)	Queensland, Australia
ATP 613P (Maryborough Basin)	March 2019	Queensland, Australia
ATP 674P (Maryborough Basin)	Application pending	Queensland, Australia
ATP 733P (Maryborough Basin)	Application pending	Queensland, Australia
ATP 732P (Cooper Basin)	Application pending	Queensland, Australia
PEL 94 (Cooper Basin)	May 2012	South Australia
PEL 95 (Cooper Basin)	October 2011	South Australia
PEL 107 (Cooper Basin)	December 2008	South Australia
PEL 110 (Cooper Basin)	November 2008	South Australia
PEDL 098 (Weald-Wessex Basins)	September 2011	United Kingdom
PEDL 099 (Weald-Wessex Basins)	September 2008	United Kingdom
PEDL 125 (Weald-Wessex Basins)	June 2009	United Kingdom
PEDL 126 (Weald-Wessex Basins))	June 2009	United Kingdom
PEDL 135 (Weald Basin)	September 2010	United Kingdom
PEDL 136 (Weald Basin)	September 2010	United Kingdom
PEDL 137 (Weald Basin)	September 2010	United Kingdom
PEDL 152 (Weald-Wessex Basin)	September 2010	United Kingdom
PEDL 153 (Weald Basin)	September 2010	United Kingdom
PEDL 154 (Weald Basin)	September 2010	United Kingdom
PEDL 155 (Weald-Wessex Basins)	September 2010	United Kingdom

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

produce petroleum from the land subject to payment of a rental and a royalty at the rate of 10% of the wellhead value of the petroleum produced. Licenses terminate two years after production ceases. Petroleum Exploration and Development Licenses issued by the Government of the United Kingdom are subject to the Petroleum Act. Licensees have the exclusive right to produce petroleum from the land subject to payment of a rental. The term of the license is 31 years.

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

(v) *Seasonality of Business.*

Although the Company's business is not seasonal, the demand for oil and especially gas is subject to seasonal fluctuations in the Australian weather.

(vi) *Working Capital Items.*

See Item 7 — Liquidity and Capital Resources for a discussion of this information.

(vii) *Customers.*

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

Natural Gas Production

MPAL's major customer, Gasgo Pty. Ltd., is a subsidiary of PWC, a Northern Territory Government corporation. The Northern Territory Government also has regulatory authority over MPAL's oil and gas operations in the Northern Territory. Gasgo Pty. Ltd. has contracted with Eni Australia for the supply of PWC's Northern Territory gas demand requirement for twenty five years commencing at the beginning of 2009. Eni Australia is to supply the gas from its Blacktip field offshore the Northern Territory. The Mereenie Producers will continue to supply PWC's gas demand until Blacktip gas is available. MPAL is actively pursuing gas sales contracts for the remaining reserves. While gas marketing efforts to date have identified several potential customers, the majority have a gas requirement commencing in the 2010-2012 timeframe. When Blacktip gas becomes available, there will be strong competition within the market and MPAL may not be able to contract for the sale of the remaining uncontracted reserves in the short term, but may be able to do so in the longer term with increasing demand from new mining developments and industrial users in the Northern Territory and the adjacent areas of neighboring states. 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. Mereenie gas sales were approximately $15.5 million (net of royalties) or 85% of total gas sales for the year ended June 30, 2008.

Oil Production

Presently all of the crude oil and condensate production from Mereenie is being shipped and sold through the Port Bonython Export Terminal, Whyalla, South Australia. Crude oil production from Kiana and Aldinga is shipped through the Moomba processing facility in northeastern South Australia and piped from there to the Port Bonython Export Terminal where it is sold. Nockatunga crude oil is shipped and sold through the IOR Energy refinery at Eromanga, Southwest Queensland. Oil sales during fiscal 2008 were 32.5% to the Santos group of companies, 9.9% to Delhi Petroleum, 6.4% to Origin Energy Resources and 51.2% to IOR Energy.

(viii) *Backlog.*

Not applicable.

(ix) *Renegotiation of Profits or Termination of Contracts or Subcontracts at the Election of the Government.*

Not applicable.

(x) *Competitive Conditions in the Business.*

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

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

At the present time, the Company's principal income producing operations are in Australia and for this reason, current competitive conditions in Australia are material to the Company's future. Currently, most indigenous crude oil is consumed within Australia. In addition, refiners and others import crude oil to meet the overall demand in Australia. The Palm Valley Producers and the Mereenie Producers are developing and separately marketing the production from each field. Because of the relatively remote location of the Amadeus Basin and the inherent nature of the market for gas, it would be impractical for each working interest partner to attempt to market separately its respective share of gas production from each field. MPAL's major customer, Gasgo Pty. Ltd., a subsidiary of PWC of the Northern Territory, has contracted with Eni Australia for the supply of PWC's Northern Territory gas demand requirement for twenty five years commencing at the beginning of 2009. Eni Australia is to supply the gas from its Blacktip field offshore the Northern Territory. The Mereenie Producers will continue to supply PWC's gas demand until Blacktip gas is available. MPAL is actively pursuing gas sales contracts for the remaining uncontracted reserves at both the Mereenie and Palm Valley gas fields in the Amadeus Basin. While gas marketing efforts to date have identified several potential customers, the majority have a gas requirement commencing in the 2010-2012 timeframe. When Blacktip gas becomes available there will be strong competition within the market and MPAL may not be able to contract for the sale of the remaining uncontracted reserves in the short term, but may be able to do so in the longer term with increasing demand from new mining developments and industrial users in the Northern Territory and the adjacent areas of neighboring states. 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. Mereenie gas sales were approximately $15.5 million (net of royalties) or 85% of total gas sales for the year ended June 30, 2008.

(xi) *Research and Development.*

Not applicable.

(xii) *Environmental Regulation.*

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

At June 30, 2008, the Company had accrued approximately $11.6 million for asset retirement obligations for the Mereenie, Palm Valley, Nockatunga, Kiana, Aldinga and Dingo fields. See Note 4 of the Consolidated Financial Statements under Item 8. Financial Statements and Supplementary Data.

(xiii) *Number of Persons Employed by Company.*

At June 30, 2008, MPC had 3 employees in the United States and MPAL had 26 employees in Australia.

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

See Note 10 to the Consolidated Financial Statements.

(3) *Risks Attendant to Foreign Operations.*

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

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

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

None.

Item 1A. ***Risk Factors***

Set forth below and elsewhere in this Annual Report on Form 10-K are risks that should be considered in evaluating the Company's common stock, as well as risks and uncertainties that could cause the actual future results of the Company to differ from those expressed or implied in the forward-looking statements contained in this Annual Report and in other public statements the Company makes. Additionally, because of the following risks and uncertainties, as well as other variables affecting the Company's operating results, the Company's past financial performance should not be considered an indicator of future performance.

The principal oil and gas properties owned by MPAL could stop producing oil and gas.

MPAL's Palm Valley, Mereenie and Nockatunga fields could stop producing oil and gas or there could be a material decrease in production levels at the fields. Since these are the three principal revenue producing properties of MPAL, any decline in production levels at these properties could cause MPAL's revenues to decline, thus reducing the amount of dividends paid by MPAL to Magellan. Any such adverse impact on the revenues being received by Magellan from MPAL could restrict our ability to explore and develop oil and gas properties in the future.

In addition, the Kotaneelee gas field, which has in recent years provided Magellan with an additional source of revenue, could stop producing natural gas, produce gas in decreased amounts, or be shut-in completely (so that production would cease). In this event, Magellan may experience a decline in revenues and would be forced to rely completely on our receipt of dividends from MPAL.

If MPAL's existing long-term gas supply contracts are terminated or not renewed, MPAL's business could be adversely affected.

MPAL's financial performance and cash flows are substantially dependent upon its Palm Valley and Mereenie existing supply contracts to sell gas produced at these fields to MPAL's major customer, Gasgo Pty. Ltd., a subsidiary of PWC of the Northern Territory. The Palm Valley Darwin contract expires in the year 2012 and the principal Mereenie contracts expire in 2009. The expiration of these contracts, if not replaced, will have an adverse effect on MPAL's revenues and business outlook and possibly its share price. MPAL's major customer, Gasgo Pty. Ltd., a subsidiary of PWC of the Northern Territory, has contracted with Eni Australia for the supply of PWC's Northern Territory gas demand requirement for twenty five years commencing at the beginning of 2009. Eni Australia is to supply the gas from its Blacktip field offshore the Northern Territory. The Mereenie Producers will continue to supply PWC's gas demand until Blacktip gas is available. MPAL is actively pursuing gas sales contracts for the remaining reserves. While gas marketing efforts to date have identified several potential customers, the majority have a gas requirement commencing in the 2010-2012 timeframe. When Blacktip gas becomes available, there will be strong competition within the market and MPAL may not be able to contract for the sale of the

remaining uncontracted reserves in the short term, but may be able to do so in the longer term with increasing demand from new mining developments and industrial users in the Northern Territory and the adjacent areas of neighboring states. 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. Mereenie gas sales were approximately $15.5 million (net of royalties) or 85% of total gas sales for the year ended June 30, 2008.

Our plans to successfully drill for oil and gas on fields located in the U.K. may not result in successful discoveries of oil and gas.

During fiscal year 2009, we expect that at least two new wells, Markwell Woods-1 and Havant-1, in the Weald Basin in the United Kingdom in which we hold interests will be drilled in an attempt to recover oil and gas in recoverable quantities. If either or both of these drilling projects are not successful, no revenues will be achieved from the drilling projects and our results of operations would be adversely effected.

We may not be successful in sharing the exploration and development costs of the fields and permits in which we hold interests.

Our plans for drilling in the U.K. and other areas depend, in certain cases, on our ability to enter into farm-in, joint venture or other cost sharing arrangements with other oil and gas companies. If we are not able to secure such farm-in or other arrangements in a timely manner, or on terms which are economically attractive to the Company, we may be forced to bear higher exploration and development costs with respect to our fields and interests. We may also be unable to fully develop and/or explore certain fields if the costs to do so would exceed our available exploration budget and capital resources. In either case, our results of operations could be adversely affected and the market price of our common shares could decline.

Fluctuations in our operating results and other factors may depress our stock price.

During the past few years, the equity trading markets in the United States have experienced price volatility that has often been unrelated to the operating performance of particular companies. These fluctuations may adversely affect the trading price of our common stock. From time to time, there may be significant volatility in the market price of our common stock. Investors could sell shares of our common stock at or after the time that it becomes apparent that the expectations of the market may not be realized, resulting in a decrease in the market price of our common stock.

The loss of key MPAL personnel could adversely affect our ability to operate.

We depend, and will continue to depend in the foreseeable future, on the services of the officers and key employees of MPAL. The ability to retain its officers and key employees is important to MPAL's and our continued success and growth. The unexpected loss of the services of one or more of these individuals could have a detrimental effect on MPAL's and our business. We do not maintain key person life insurance on any of our personnel.

There are risks inherent in foreign operations such as adverse changes in currency values and foreign regulations relating to MPAL's exploration and development operations and to MPAL's payment of dividends to us.

The properties in which Magellan has interests are located outside the United States and are subject to certain risks related to the indirect ownership and development of foreign properties, including government expropriation, adverse changes in currency values and foreign exchange controls, foreign taxes, nationalization and other laws and regulations, any of which may adversely affect the Company's properties. In addition, MPAL's principal present customer for gas in Australia is the Northern Territory Government, which also has substantial regulatory authority over MPAL's oil and gas operations. Although there are currently no exchange controls on the payment of dividends to the Company by MPAL, such payments could be restricted by Australian foreign exchange controls, if implemented.

Our Restated Certificate of Incorporation includes provisions that could delay or prevent a change in control of our Company that some of our shareholders may consider favorable.

Our Restated Certificate of Incorporation provides that any matter to be voted upon at any meeting of shareholders must be approved not only by a simple majority of the shares voted at such meeting, but also by a majority of the shareholders present in person or by proxy and entitled to vote at the meeting. This provision may have the effect of making it more difficult to take corporate action than customary "one share one vote" provisions, because it may not be possible to obtain the necessary majority of both votes.

As a consequence, our Restated Certificate of Incorporation may make it more difficult that a takeover of Magellan will be consummated, which could prevent the Company's shareholders from receiving a premium for their shares. In addition, an owner of a substantial number of shares of our common stock may be unable to influence our policies and operations through the shareholder voting process (e.g., to elect directors).

In addition, our Restated Certificate of Incorporation requires the approval of 66.67% of the voting shareholders and of the voting shares for the consummation of any business combination (such as a merger, consolidation, other acquisition proposal or sale, transfer or other disposition of $5 million or more of Magellan's assets) involving our company and certain related persons (generally, any 10% or greater shareholders and their affiliates and associates). This higher vote requirement may deter business combination proposals which shareholders may consider favorable.

Our dividend policy could depress our stock price.

We have never declared or paid dividends on our common stock and have no current intention to change this policy. We plan to retain any future earnings to reduce our accumulated deficit and finance growth. As a result, our dividend policy could depress the market price for our common stock and cause investors to lose some or all of their investment.

We may issue a substantial number of shares of our common stock under our stock option plans and shareholders may be adversely affected by the issuance of those shares.

As of June 30, 2008, there were 530,000 stock options outstanding all of which were fully vested and exercisable. There were also 295,000 options available for future grants under our Stock Option Plan. If all of these options, which total 825,000 in the aggregate, were awarded and exercised these shares would represent approximately 2% of our outstanding common stock and would, upon their exercise and the payment of the exercise prices, dilute the interests of other shareholders and could adversely affect the market price of our common stock.

If our shares are delisted from trading on the Nasdaq Capital Market, their liquidity and value could be reduced.

In order for us to maintain the listing of our shares of common stock on the Nasdaq Capital Market, the Company's shares must maintain a minimum bid price of $1.00 as set forth in Marketplace Rule 4310(c)(4). If the bid price of the Company's shares trade below $1.00 for 30 consecutive trading days, then the bid price of the Company's shares must trade at $1.00 or more for 10 consecutive trading days during a 180 day grace period to regain compliance with the rule. On September 24, 2008, the Company's shares closed at $1.05 per share. If the Company shares were to be delisted from trading on the Nasdaq Capital Market, then most likely the shares would be traded on the Electronic Bulletin Board, or OTC-BB. The delisting of the Company's shares from NASDAQ could adversely impact the liquidity and value of the Company's shares.

RISKS RELATED TO THE OIL AND GAS INDUSTRY

Oil and gas prices are volatile. A decline in prices could adversely affect our financial position, financial results, cash flows, access to capital and ability to grow.

Our revenues, operating results, profitability, future rate of growth and the carrying value of our oil and gas properties depend primarily upon the prices we receive for the oil and gas we sell. Prices also affect the amount of cash flow available for capital expenditures and our ability to borrow money or raise additional capital. The prices of oil, natural gas, methane gas and other fuels have been, and are likely to continue to be, volatile and subject to wide fluctuations in response to numerous factors, including the following:

- worldwide and domestic supplies of oil and gas;
- changes in the supply and demand for such fuels;
- political conditions in oil, natural gas, and other fuel-producing and fuel-consuming areas;
- the extent of Australian domestic oil and gas production and importation of such fuels and substitute fuels in Australian and other relevant markets;
- weather conditions, including effects on prices and supplies in worldwide energy markets because of recent hurricanes in the United States;
- the competitive position of each such fuel as a source of energy as compared to other energy sources; and
- the effect of governmental regulation on the production, transportation, and sale of oil, natural gas, and other fuels.

These factors and the volatility of the energy markets make it extremely difficult to predict future oil and gas price movements with any certainty. Declines in oil and gas prices would not only reduce revenue, but could reduce the amount of oil and gas that we can produce economically and, as a result, could have a material adverse effect on our financial condition, results of operations and reserves. Further, oil and gas prices do not necessarily move in tandem. Approximately 62% of our proved reserves at June 30, 2008 were natural gas reserves. Existing gas sales contracts in Australia are long term contracts with the gas price movements related to the Australian Consumer Price Index. Future gas sales not governed by existing contracts would generate lower revenue if natural gas prices in Australia were to decline. Sales of our proved oil reserves are dependent on world oil prices. The volatility of these prices will affect future oil revenues. Based on 2008 gas and oil sales volumes and revenues, a 10% change in gas prices would increase or decrease gas revenues by approximately $1,850,000 and a 10% change in oil prices would increase or decrease oil revenue by approximately $1,979,000.

Competition in the oil and natural gas industry is intense, and many of our competitors have greater financial and other resources than we do.

We operate in the highly competitive areas of oil and natural gas acquisition, development, exploitation, exploration and production and face intense competition from both major and other independent oil and natural gas companies. Many of our Australian competitors have financial and other resources substantially greater than ours, and some of them are fully integrated oil companies. These companies may be able to pay more for development prospects and productive oil and natural gas properties and may be able to define, evaluate, bid for and purchase a greater number of properties and prospects than our financial or human resources permit. Our ability to develop and exploit our oil and natural gas properties and to acquire additional properties in the future will depend upon our ability to successfully conduct operations, evaluate and select suitable properties and consummate transactions in this highly competitive environment. In addition, we may not be able to compete with, or enter into cooperative relationships with, any such firms.

Our oil and gas exploration and production operations are subject to numerous environmental laws, compliance with which may be extremely costly.

Our operations are subject to environmental laws and regulations in the various countries in which they are conducted. Such laws and regulations frequently require completion of a costly environmental impact assessment and government review process prior to commencing exploratory and/or development activities. In addition, such environmental laws and regulations may restrict, prohibit, or impose significant liability in connection with spills, releases, or emissions of various substances produced in association with fuel exploration and development.

We can provide no assurance that we will be able to comply with applicable environmental laws and regulations or that those laws, regulations or administrative policies or practices will not be changed by the various governmental entities. The cost of compliance with current laws and regulations or changes in environmental laws and regulations could require significant expenditures. Moreover, if we breach any governing laws or regulations, we may be compelled to pay significant fines, penalties, or other payments. Costs associated with environmental compliance or noncompliance may have a material adverse impact on our cash flows, financial condition or results of operations in the future.

The actual quantities and present value of our proved reserves may prove to be lower than we have estimated.

This annual report and the documents incorporated by reference in this annual report contain estimates of our proved reserves and the estimated future net revenues from our proved reserves as well as estimates relating to recent acquisitions. These estimates are based upon various assumptions, including assumptions required by the SEC relating to oil and gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. The process of estimating oil and gas reserves is complex. The process involves significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir. Therefore, these estimates are inherently imprecise.

Actual future production, oil and gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and gas reserves most likely will vary from these estimates. Such variations may be significant and could materially affect the estimated quantities and present value of our proved reserves. In addition, we may adjust estimates of proved reserves to reflect production history, results of exploration and development drilling, prevailing oil and gas prices and other factors, many of which are beyond our control. Our properties may also be susceptible to hydrocarbon drainage from production by operators on adjacent properties.

There are many uncertainties in estimating quantities of oil and gas reserves. In addition, the estimates of future net cash flows from our proved developed reserves and their present value are based upon assumptions about future production levels, prices and costs that may prove to be inaccurate. Our estimated reserves may be subject to upward or downward revision based upon our production, results of future exploration and development, prevailing oil and gas prices, operating and development costs and other factors.

We may not have funds sufficient to make the significant capital expenditures required to replace our reserves.

Our exploration, development and acquisition activities require substantial capital expenditures. Historically, we have funded our capital expenditures through a combination of cash flows from operations, farming-in other companies or investors to MPAL's exploration and development projects in which we have an interest and/or equity issuances. Future cash flows are subject to a number of variables, such as the level of production from existing wells, prices of oil and gas, and our success in developing and producing new reserves. If revenue were to decrease as a result of lower oil and gas prices or decreased production, and our access to capital were limited, we would have a reduced ability to replace our reserves. If our cash flow from operations is not sufficient to fund MPAL's capital expenditure budget, we may not be able to rely upon additional farm-in opportunities, debt or equity offerings or other methods of financing to meet these cash flow requirements.

If we are not able to replace reserves, we may not be able to sustain production.

Our future success depends largely upon our ability to find, develop or acquire additional oil and gas reserves that are economically recoverable. Unless we replace the reserves we produce through successful development, exploration or acquisition activities, our proved reserves will decline over time. Recovery of any additional reserves will require significant capital expenditures and successful drilling operations. We may not be able to successfully find and produce reserves economically in the future. In addition, we may not be able to acquire proved reserves at acceptable costs.

Exploration and development drilling may not result in commercially productive reserves.

We do not always encounter commercially productive reservoirs through our drilling operations. The new wells we drill or participate in may not be productive and we may not recover all or any portion of our investment in wells we drill or participate in. The seismic data and other technologies we use do not allow us to know conclusively prior to drilling a well that oil or gas is present or may be produced economically. The cost of drilling, completing and operating a well is often uncertain, and cost factors can adversely affect the economics of a project. Our efforts will be unprofitable if we drill dry wells or wells that are productive but do not produce enough reserves to return a profit after drilling, operating and other costs. Further, our drilling operations may be curtailed, delayed or canceled as a result of a variety of factors, including:

- unexpected drilling conditions;
- title problems;
- pressure or irregularities in formations;
- equipment failures or accidents;
- adverse weather conditions;
- compliance with environmental and other governmental requirements; and
- increases in the cost of, or shortages or delays in the availability of, drilling rigs and equipment.

Future price declines may result in a write-down of our asset carrying values.

We follow the successful efforts method of accounting for our 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. Magellan records its proportionate share in its working interest agreements in the respective classifications of assets, liabilities, revenues and expenses. Unproved properties with significant acquisition costs are periodically assessed for impairment in value, with any required 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 (including exploration rights), along with goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. We estimate 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. For Mereenie and Palm Valley, proved developed natural gas reserves are limited to contracted quantities. If such contracts are extended or replaced, the proved developed reserves will be increased to the lesser of the actual proved developed reserves or the contracted quantities. A significant decline in oil and gas prices from current levels, or other factors, without other mitigating circumstances, could cause a future write down of capitalized costs and a non-cash charge against future earnings.

Oil and gas drilling and producing operations are hazardous and expose us to environmental liabilities.

Oil and gas operations are subject to many risks, including well blowouts, cratering and explosions, pipe failure, fires, formations with abnormal pressures, uncontrollable flows of oil, natural gas, brine or well fluids, and

other environmental hazards and risks. Our drilling operations involve risks from high pressures and from mechanical difficulties such as stuck pipes, collapsed casings and separated cables. If any of these risks occur, we could sustain substantial losses as a result of:

- injury or loss of life;
- severe damage to or destruction of property, natural resources and equipment;
- pollution or other environmental damage;
- clean-up responsibilities;
- regulatory investigations and penalties;
- and suspension of operations.

Our liability for environmental hazards includes those created either by the previous owners of properties that we purchase or lease or by acquired companies prior to the date we acquire them. We maintain insurance against some, but not all, of the risks described above. Our insurance may not be adequate to cover casualty losses or liabilities. Also, in the future we may not be able to obtain insurance at premium levels that justify its purchase.

Item 1B. ***Unresolved Staff Comments.***

None

Item 2. ***Properties.***

(a) MPC has interests in properties in Australia through its 100% equity interest in MPAL which holds interests in the Northern Territory, Queensland and South Australia. MPAL also has interests in the United Kingdom. In Canada, MPC has a direct interest in one lease. For additional information regarding the Company's properties, See Item 1 — Business.

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

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

AUSTRALIAN MAP WITH MPAL PROJECTS SHOWN

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

AMADEUS BASIN PROJECTS MAP

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

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

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

CANADIAN PROPERTY INTERESTS MAP

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

Kotaneelee Gas Field
Pointed Mountain Gas Field
Beaver River Gas Field

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

UNITED KINGDOM PROPERTY INTERESTS MAP

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

(2) *Reserves Reported to Other Agencies.*

None

(3) *Production.*

MPC's production volumes, net of royalties, for gas and oil during the three years ended June 30, 2008 were as follows (data for Canada has not been included since MPC is in a carried interest position and the data is not material):

	2008	2007	2006
Australia:			
Gas (bcf)	5.7	5.9	5.7
Crude oil (bbl)	211,000	179,000	155,000

The average sales price per unit of production for Australia for the following fiscal years is as follows:

	2008	2007	2006
Australia:			
Gas (per mcf)	A.$ 3.39	A.$ 3.24	A.$ 3.04
Crude oil (per bbl)	A.$ 102.35	A.$ 80.75	A.$ 86.17

The average production cost per unit of production for Australia for the following fiscal years is as follows:

	2008	2007	2006
Australia:			
Gas (per mcf)	A.$ .82	A.$ .71	A.$ .93
Crude oil (per bbl)	A.$ 17.98	A.$ 18.55	A.$ 26.59

Amounts presented above are in Australian dollars to show a more meaningful trend of underlying operations. For the year ended June 30, 2008, 2007 and 2006 the average foreign exchange rates were .8965, .7860, and .7477, respectively.

(4) *Productive Wells and Acreage.*

Productive wells and acreage at June 30, 2008

	Productive Wells				Developed Acreage	
	Oil		Gas			
	Gross	Net	Gross	Net	Gross Acres	Net Acres
Australia	45.0	17.1	15.0	6.10	84,930	37,523
Canada	—	—	3.0	.08	3,350	89
	45.0	17.1	18.0	6.18	88,280	37,612

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(5) *Undeveloped Acreage.*

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

GROSS AND NET ACREAGE AS OF JUNE 30, 2008

MPAL has interests in the following properties (before royalties). MPC has an interest in these properties through its 100% interest in MPAL.

	MPC		
	Gross Acres	Net Acres	Interest %
Australia			
Northern Territory			
PL 4/PL 5 Mereenie (Amadeus Basin)(1)	70,049	24,517	35.0000
PL 3 Palm Valley (Amadeus Basin)(2)	157,932	82,161	52.0230
RL 2 Dingo (Amadeus Basin)	116,139	39,878	34.3365
	344,120	146,556	
Queensland:			
PL 33/PL 50/PL 51 Nockatunga (Cooper Basin)(3)	87,932	35,996	40.936
ATP 267P (Cooper Basin)	120,783	49,444	40.936
ATP 613P (Maryborough Basin)	153,387	153,387	100.000
	362,102	238,827	
South Australia:			
PPL 210 Aldinga (Cooper Basin)(4)	939	469	50.00
PPL 212 Kiana (Cooper Basin)(5)	395	119	30.00
PEL 94 (Cooper Basin)	445,588	155,956	35.00
PEL 95 (Cooper Basin)	637,507	318,754	50.00
PEL 107 (Cooper Basin)	201,058	40,212	20.00
PEL 110 (Cooper Basin)	361,114	135,418	37.50
	1,646,601	650,928	
United Kingdom:			
PEDL 098/152 (Wessex Basin)	29,467	6,630	22.50
PEDL 099/125/126/155 (Weald Basin)	137,602	55,041	40.00
PEDL 135/136/137 (Weald Basin)	123,152	123,152	100.00
PEDL 153 (Weald Basin)	66,242	22,078	33.33
PEDL 154 (Weald Basin)	84,834	42,417	50.00
	441,297	249,318	
Total MPAL	2,794,120	1,285,629	
Properties held directly by MPC:			
Canada			
Yukon and Northwest Territories:			
Kotaneelee carried interest(6)	31,885	850	2.67
Total	2,826,005	1,286,479	

(1) Includes 41,644 gross developed acres and 21,665 net acres.

(2) Includes 31,567 gross developed acres and 11,048 net acres.
(3) Includes 11,200 gross developed acres and 4,585 net acres.
(4) Includes 346 gross developed acres and 173 net acres.
(5) Includes 173 gross developed acres and 52 net acres.
(6) Includes 3,350 gross developed acres and 89 net acres.

(6) *Drilling Activity.*

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

Year Ended June 30,	Australia/New Zealand			
	Exploration		Development	
	Productive	Dry	Productive	Dry
2008	0.00	0.90	0.41	—
2007	0.82	1.55	3.27	—
2006	1.01	0.53	0.82	—

(7) *Present Activities.*

See Item 1 — Cooper Basin and United Kingdom for a discussion of the present activities of MPAL.

(8) *Delivery Commitments.*

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

Item 3. *Legal Proceedings.*

As previously disclosed, the Australian Taxation Office ("ATO") conducted an audit of the Australian income tax returns of MPAL and its wholly owned subsidiaries for the years 1997- 2005. The ATO audit focused on certain income tax deductions claimed by Paroo Petroleum Pty. Ltd. ("PPPL"), a wholly-owned subsidiary of MPAL related to the write-off of outstanding loans made by PPPL to other entities within the MPAL group of companies. As a result of this audit, the ATO in August 2007 issued "position papers" which set forth its opinions that these previous deductions should be disallowed, resulting in additional income taxes being payable by MPAL and its subsidiaries. In the position papers, the ATO sets out its legal basis for its conclusions. The ATO indicated in its position papers that the increase in taxes arising from its proposed positions would be (Aus) $13,392,460, plus possible interest and penalties, which could be substantial and exceed the amount of the increased taxes asserted by the ATO.

In a comprehensive audit conducted by the ATO in the period 1992-94, the ATO concluded that PPPL was carrying on business as a money lender and accordingly, should, for taxation purposes, account for its interest income on an accrual basis rather than a cash basis. MPAL accepted this conclusion and from that point has been determining its annual Australian taxation liability on this basis (including claiming deductions for bad debts as a money lender).

Recently, the ATO has taken a more aggressive approach with respect to its views regarding income tax deductions attributable to in-house finance companies. Since this change in approach, the ATO has commenced audits of a number of companies involving, among other issues, the appropriate treatment of bad debt deductions taken by in-house finance companies. Magellan understands that, at this time, while there have been negotiated settlements in relation to some of these audits, none of them has reached final resolution in court.

Based upon the advice of Australian tax counsel, the Company and the ATO held settlement discussions concerning this matter during the quarter ended December 31, 2007. In order to avoid a protracted and costly legal battle with the ATO, diversion of company management and resources away from Company business and the possibility of significantly higher payments with a loss in court, the Company decided to settle this matter. On December 19, 2007, MPAL reached a non-binding agreement in principle to settle this dispute for an aggregate settlement payment by MPAL to the ATO of (Aus) $14,641,994. The aggregate settlement payment was comprised

of (Aus) $10,340,796 in amended taxes and (Aus) $4,301,198 of interest on the amended taxes. No penalties were to be assessed as part of the terms of the settlement. The agreement in principle to settle the dispute was conditioned upon MPAL and the ATO agreeing on formal terms of settlement in a binding agreement (the Deed of Settlement) which the parties agreed to negotiate and sign promptly. As further agreed by the parties, the ATO issued assessments for the agreed upon amended tax liabilities in January 2008. Under the final terms of the Deed of Settlement signed by the parties on February 7, 2008, MPAL agreed not to object to or appeal the ATO's amended assessments. The Deed of Settlement with the ATO constitutes a complete release and extinguishment of the tax liabilities of MPAL and its subsidiaries with respect to the amended assessments and the prior bad debt deductions.

On January 21, 2008, MPAL paid (Aus) $5,000,000 to the ATO as a deposit towards this settlement. The remaining (Aus) $9,641,994 was paid by MPAL on February 14, 2008. As agreed upon by the parties, the matter is now closed.

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

None.

PART II

Item 5. ***Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Securities***

(a) *Principal Market*

The principal market for MPC's common stock is the NASDAQ Capital Market under the symbol **MPET**. The stock is also traded on the Australian Stock Exchange in the form of CHESS depository interests under the symbol **MGN**. The quarterly high and low prices on the most active market, NASDAQ, during the quarterly periods indicated were as follows:

2008	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
High	1.67	1.14	1.26	1.87
Low	1.01	0.89	0.87	1.16

2007	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
High	1.65	1.47	1.49	1.74
Low	1.25	1.20	1.21	1.38

(b) *Approximate Number of Holders of Common Stock at September 10, 2008*

Title of Class	Number of Record Holders
Common stock, par value $.01 per share	5,975

(c) *Frequency and Amount of Dividends*

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

Recent Sales of Unregistered Securities

None

Issuer Purchases of Equity Securities

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

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan(1)	Maximum Number of Shares that May Yet Be Purchased Under Plan
April 1-30, 2008	0	0	0	319,150
May 1-31, 2008	0	0	0	319,150
June 1-30, 2008	0	0	0	319,150

(1) The Company through its stock repurchase plan may purchase up to one million shares of its common stock in the open market. Through June 30, 2008, 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. No shares were purchased during 2008, 2007 or 2006.

Item 6. ***Selected Financial Data.***

The following table sets forth selected data (in thousands except for exchange rates and per share data) and other operating information of the Company. The selected consolidated financial data in the table, except for the exchange rate and market value per share, are derived from the consolidated financial statements of the Company. This data should be read in conjunction with the consolidated financial statements, related notes and other financial information included herein.

	Years Ended June 30,				
	2008	2007	2006	2005	2004
Financial Data					
Total revenues	$ 40,895	$ 30,675	$ 26,562	$ 21,871	$ 19,424
Net (loss) income	(8,892)	447	749	87	350
Net (loss) income per share (basic and diluted)	(.21)	.01	. 03	—	.01
Working capital	37,780	29,004	24,820	26,208	21,696
Cash provided by operating activities	4,211	21,274	11,766	8,776	10,718
Property and equipment (net)	28,447	40,321	27,783	24,265	24,421
Total assets	85,295	85,616	68,580	56,424	52,894
Long-term liabilities	14,153	13,076	8,583	5,729	5,256
Minority interests	—	—	—	18,583	16,533
Stockholders' equity:					
Capital	73,631	73,568	73,560	44,660	44,660
Accumulated deficit	(22,858)	(13,966)	(14,413)	(15,161)	(15,248)
Accumulated other comprehensive income (loss)	11,690	4,373	(3,028)	(2,323)	(4,491)
Total stockholders' equity	62,463	63,975	56,119	27,176	24,920
Exchange rate A.$ = U.S. at end of period	.96	.84	.73	.76	.70
Common stock outstanding shares end of period	41,500	41,500	41,500	25,783	25,783
Book value per share	1.51	1.54	1.35	1.05	.97
Quoted market value per share (NASDAQ)	1.62	1.52	1.57	2.40	1.31
Operating Data					
Standardized measure of discounted future cash flow relating to proved oil and gas reserves (approximately 45% attributable to minority interest in 2005 and prior) (See Note 13)	45,000	34,000(1)	70,000	31,000	30,000
Annual production (net of royalties) Gas (bcf)	5.7	5.9	5.7	5.7	5.7
Oil (bbls) (In thousands)	211	179	155	151	150

(1) Restated — see Note 13

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations.***

Restatement

As discussed in Note 13 to the accompanying consolidated financial statements in Item 8 of this Annual Report on Form 10-K, we have restated the unaudited supplementary oil and gas disclosure that was presented in Note 14 to the consolidated financial statements included in Item 8 of the Company's 2007 Form 10-K. This restatement was due to the misapplication of reserve information for a group of new wells which principally began production in fiscal 2008. This restatement has no effect on cash flow from operations.

In addition, previously issued condensed consolidated financial statements for the quarters ended September 30, 2007, December 31, 2007 and March 31, 2008 have been restated due to the misapplication of reserve information for a group of new wells which principally began production in fiscal 2008. A summary of quarterly unaudited results as restated for the periods ended September 30, 2007, December 31, 2007 and March 31, 2008 is presented in Note 12 to the accompanying consolidated financial statements in Item 8 of this Annual Report on Form 10-K.

Forward Looking Statements

Statements included in Management's Discussion and Analysis of Financial Condition and Results of Operations which are not historical in nature are intended to be, and are hereby identified as, forward looking statements for purposes of the "Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995. The Company cautions readers that forward looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in the forward looking statements. Among these risks and uncertainties are pricing and production levels from the properties in which the Company has interests, and the extent of the recoverable reserves at those properties. In addition, the Company has a large number of exploration permits and there is the risk that any wells drilled may fail to encounter hydrocarbons in commercial quantities. The Company undertakes no obligation to update or revise forward-looking statements, whether as a result of new information, future events, or otherwise.

Executive Summary

MPC is engaged in the sale of oil and gas and the exploration for and development of oil and gas reserves. MPC's principal asset is a 100.00% equity interest in its subsidiary, MPAL. During the fourth quarter of fiscal 2006, MPC completed an exchange offer (the "Offer") to acquire all of the 44.87% of ordinary shares of MPAL that it did not own. The Offer consideration was .75 newly-issued shares of MPC common stock and A$0.10 in cash consideration for each of the 20,952,916 MPAL shares that it did not own. New MPC shares were issued to MPAL's Australian shareholders either as registered MPC shares or in the form of CDIs (CHESS Depository Interests), which have been listed on the Australian Stock Exchange ("ASX"), effective April 26, 2006, under the symbol "MGN"(see Note 2 to the financial statements).

MPAL's major assets are two petroleum production leases covering the Mereenie oil and gas field (35% working interest) and one petroleum production lease covering the Palm Valley gas field (52% working interest). Both fields are located in the Amadeus Basin in the Northern Territory of Australia. Santos owns a 48% interest in the Palm Valley field and a 65% interest in the Mereenie field. In 1983, the Palm Valley Producers (MPAL and Santos) commenced the sale of gas to Alice Springs under a 1981 agreement. In 1985, the Palm Valley Producers and Mereenie Producers signed agreements for the sale of gas to PWC, through its wholly-owned company Gasgo Pty. Ltd., for use in PWC's Darwin electricity generating station and at a number of other generating stations in the Northern Territory. The price of gas under the Palm Valley and Mereenie gas contracts is adjusted quarterly to reflect changes in the Australian Consumer Price Index. The gas is being delivered via the 922-mile Amadeus Basin gas pipeline which was built by an Australian consortium. Since 1985, there have been several additional contracts for the sale of Mereenie gas, the latest being in June 2006 for the supply of an additional 4.4 bcf of gas to be supplied prior to December 31, 2008. The Palm Valley Darwin contract expires in the year 2012 and the principal Mereenie contracts expire in June 2009. Supply obligations under the Mereenie contracts cease in May 2009. PWC has contracted with Eni Australia for the supply of PWC's Northern Territory gas demand requirement for twenty five years commencing at the beginning of 2009. Eni Australia is to supply the gas from its Blacktip field offshore the

Northern Territory. The Mereenie Producers will continue to supply PWC's gas demand until Blacktip gas is available. MPAL is actively pursuing gas sales contracts for the remaining reserves. While gas marketing efforts to date have identified several potential customers, the majority have a gas requirement commencing in the 2010-2012 timeframe. When Blacktip gas becomes available there will be strong competition within the market and MPAL may not be able to contract for the sale of the remaining uncontracted reserves in the short term, but may be able to do so in the longer term with increasing demand from new mining developments and industrial users in the Northern Territory and the adjacent areas of neighboring states. 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. Mereenie gas sales were approximately $15.5 million (net of royalties) or 85% of total gas sales for the year ended June 30, 2008.

MPAL is refocusing its exploration activities into two core areas, the Cooper Basin in onshore Australia and the Weald Basin in the onshore southern United Kingdom with an emphasis on developing a low to medium risk acreage portfolio.

MPC also has a direct 2.67% carried interest in the Kotaneelee gas field in the Yukon Territory of Canada. The Company recorded revenue of $233,000 from this investment during fiscal year 2008.

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, productive leases, and permit and concession costs are capitalized and amortized on a units-of-production basis over the life of the related reserves. Cost centers for amortization purposes are determined on a field-by-field basis. The Company records its proportionate share in joint venture operations in the respective classifications of assets, liabilities and expenses. Unproved properties with significant acquisition costs are periodically assessed for impairment in value, with any impairment charged to expense. The successful efforts method also imposes limitations on the carrying or book value of proved oil and gas properties. Oil and gas properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The Company estimates the future undiscounted cash flows from the affected properties to determine the recoverability of carrying amounts. In general, analyses are based on proved reserves and risk adjusted probable and possible reserves. For Mereenie, natural gas reserves are limited to contracted quantities. If such contracts are extended, the reserves will be increased to the lesser of the actual proved reserves and risk adjusted probable and possible reserves or the contracted quantities.

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.

Nondepletable assets

Oil and gas properties include $6.8 million of capitalized costs that are currently not being depleted. This amount consists of $2.4 million of costs capitalized as exploratory well costs pending the start of production, of which $1.9 million related to PEL 106 in the Cooper Basin has been capitalized in excess of one year. This remains capitalized because the related well has sufficient quantity of reserves to justify its completion as a producing well. In addition, capitalized costs not currently being depleted include $4.4 million associated with exploration permits and licenses in Australia and the U.K. at June 30, 2008 and 2007. The Company evaluates exploration permits and licenses annually or whenever events or changes in circumstances indicate that the carrying value may be impaired. There was no impairment recorded for the year ended June 30, 2008. An impairment loss of $892,000 was recorded for the year ended June 30, 2007.

Goodwill

Goodwill is not amortized. The Company evaluates goodwill for impairment annually or whenever events or changes in circumstances indicate that the carrying value may be impaired in accordance with methodologies prescribed in Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets." There was no impairment of goodwill as of June 30, 2008 and 2007.

Asset Retirement Obligations

Statement of Financial Accounting Standards 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 land reclamation, plugging the existing oil and gas wells and removing the surface facilities equipment in the Palm Valley, Mereenie, Kotaneelee, Nockatunga and the Cooper Basin fields. The liability is a discounted liability using a credit-adjusted risk-free rate on the date such liabilities are determined. A market risk premium was excluded from the estimate of asset retirement obligations because the amount was not capable of being estimated. Revisions to the liability could occur due to changes in the estimates of these costs, acquisition of additional properties and as new wells are drilled.

Estimates of future asset retirement obligations include significant management judgment and are based on projected future retirement costs. Judgments are based upon such things as field life and estimated costs. Such costs could differ significantly when they are incurred.

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. Revenues from the purchase, sale and transportation of natural gas are recognized upon completion of the sale and when transported volumes are delivered. Other production related revenues are primarily MPAL's share of gas pipeline tariff revenues which are recorded at the time of sale. The Company records pipeline tariff revenues on a gross basis with the revenue included in other production related revenues and the remittance of such tariffs are included in production costs. 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 when 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 from carried interests may lag the production month by one or more months.

Liquidity and Capital Resources

Consolidated

At June 30, 2008, the Company on a consolidated basis had approximately $34.6 million of cash and cash equivalents and $1.7 million in marketable securities.

Net cash provided by operations was $4,211,265 in 2008 compared to $21,273,813 in 2007. The decrease is primarily related to a decrease of $9,338,484 in net income offset by an increase in the change in non-cash items of $1,313,022, an increase in accounts receivable of $3,113,078 and a decrease in accounts payable of $5,587,046.

During 2008, the Company had a net decrease in marketable securities of $2,670,045 compared to a net increase in marketable securities of $3,838,592 in 2007. The decrease in investments resulted from the use of investments to fund operations.

As previously disclosed, the ATO conducted an audit of the Australian income tax returns of MPAL and its wholly-owned subsidiaries for the years 1997-2005. As disclosed in Note 6 to the consolidated financial statements, the Company settled this matter and on January 21, 2008 MPAL paid (Aus) $5,000,000 to the ATO as a deposit towards this settlement. The remaining (Aus) $9,641,994 was paid by MPAL on February 14, 2008. By agreement of the parties, the matter is now closed.

MPAL's current contracts for the sale of Palm Valley and Mereenie gas will expire during fiscal years 2012 and 2009, respectively. 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 which could materially affect liquidity. For further information, see "Gas Supply Contracts" in Item 1-Business above. MPAL's oil sales are dependent on world oil prices. The volatility of these prices will affect future oil revenues. The Company will align operating expenses with any reductions in revenues.

As to MPC (Unconsolidated)

In August 2006, a dividend of approximately $5.9 million was received from MPAL. Also in August 2006, MPC loaned approximately $4.1 million to MPAL payable August 2011. The loan along with interest was repaid in May of 2007. The tax effects of these transactions was recorded in fiscal year 2007.

At June 30, 2008, MPC, on an unconsolidated basis, had working capital of $2,046,800. Working capital is comprised of current assets less current liabilities. MPC's current cash position and its expected annual MPAL dividends should be adequate to meet its current and future cash requirements.

MPC has a stock repurchase plan to purchase up to one million shares of its common stock in the open market. Through June 30, 2008, MPC purchased 680,850 of its shares at a cost of approximately $686,000. There were no shares purchased during fiscal years 2008, 2007 or 2006.

As to MPAL

At June 30, 2008, MPAL had working capital of $35,732,764. MPAL had budgeted approximately (Aus) $7.2 million for specific exploration projects in fiscal year 2008 as compared to the (Aus) $3.0 million expended during fiscal 2008. During the year, there was less money spent than budgeted in the United Kingdom. The current composition of MPAL's oil and gas reserves are such that MPAL's future revenues in the long-term are expected to be derived from the sale of oil and gas in Australia. MPAL's current contracts for the sale of Palm Valley and Mereenie gas will expire during fiscal year 2012 and 2009, respectively. MPAL's major customer, Gasgo Pty. Ltd., a subsidiary of PWC of the Northern Territory, has contracted with Eni Australia for the supply of PWC's Northern Territory gas demand requirement for twenty five years commencing at the beginning of 2009. Eni Australia is to supply the gas from its Blacktip field offshore the Northern Territory. The Mereenie Producers will continue to supply PWC's gas demand until Blacktip gas is available. MPAL is actively pursuing gas sales contracts for the remaining reserves. While gas marketing efforts to date have identified several potential customers, the majority have a gas requirement commencing in the 2010-2012 timeframe. When Blacktip gas becomes available there will be strong competition within the market and MPAL may not be able to contract for the sale of the remaining uncontracted reserves in the short term, but may be able to do so in the longer term with increasing demand from new mining developments and industrial users in the Northern Territory and the adjacent areas of neighboring states. 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 which could materially affect liquidity. Mereenie gas sales were approximately $15.5 million (net of royalties) or 85% of total gas sales for the year ended June 30, 2008.

Sales of MPAL's proved oil reserves are dependent on world oil prices. The volatility of these prices will affect future oil revenues.

MPAL will fund its exploration costs through its cash and cash equivalents of $34.5 million at June 30, 2008 and cash flow from Australian operations. MPAL also expects that it will continue to seek partners to share its 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.

Off Balance Sheet Arrangements

The Company does not use off-balance sheet arrangements such as securitization of receivables with any unconsolidated entities or other parties. The Company is exposed to oil and gas market price volatility and uses fixed pricing contracts with inflation clauses to mitigate this exposure.

Contractual Obligations

The following is a summary of our consolidated contractual obligations as of June 30, 2008:

	Payments Due by Period				
Contractual Obligations	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Operating Lease Obligations	$ 261,000	$ 256,000	$ 5,000	$ —	$ —
Purchase Obligations(1)	8,155,000	8,155,000	—	—	—
Asset Retirement Obligations	11,596,000	—	7,412,000	2,009,000	2,175,000
Total	$ 20,012,000	$ 8,411,000	$ 7,417,000	$ 2,009,000	$ 2,175,000

(1) Represents firm commitments for exploration and capital expenditures. The Company is committed to these expenditures, however some may be farmed out to third parties. Exploration contingent expenditures of $26,755,000 which are not legally binding have been excluded from the table above and based on exploration decisions would be due as follows: $0 (less than 1 year), $26,731,000 (1-3 years), $24,000 (3-5 years).

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS 157 is effective for the Company beginning July 1, 2008 for financial assets and liabilities and July 1, 2009 for nonfinancial assets and liabilities. The Company has concluded that the adoption of SFAS 157 will have no impact on its consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities," ("SFAS 159"). SFAS 159 provides companies with an option to report selected financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings at each subsequent reporting date. SFAS 159 is effective for the Company beginning July 1, 2008. The Company has concluded that the adoption of SFAS 159 will have no impact on its consolidated financial statements.

Results of Operations

2008 vs. 2007

Revenues

Oil sales increased 66% in 2008 to $19,786,175 from $11,922,574 in 2007 because of a 17% increase in barrels sold due mostly to the Nockatunga Project, a 27% increase in the average sales price per barrel and the 14.1%

Australian foreign exchange rate increase discussed below. Oil unit sales (net of royalties) in barrels (bbls) and the average price per barrel sold during the periods indicated were as follows:

	Twelve Months Ended June 30,			
	2008 Sales		2007 Sales	
	Bbls	Average Price A.$ per bbl	Bbls	Average Price A.$ per bbl
Australia:				
Mereenie Field	95,429	113.33	100,852	82.75
Cooper Basin	6,826	114.28	15,261	85.02
Nockatunga Project	108,311	91.82	63,252	76.50
Total	210,566	102.35	179,365	80.75

Amounts presented above for oil prices and below for gas prices are in Australian dollars to show a more meaningful trend of underlying operations. For the fiscal years ended June 30, 2008 and 2007, the average foreign exchange rates were .8965 and .7860 respectively.

Gas sales increased 13% to $18,523,095 in 2008 from $16,396,334 in 2007. The increase was primarily the result of a 5% increase in price per mcf sold and the 14.1% Australian foreign exchange rate increase discussed below, offset by a 5% decrease in sales volume.

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

	Twelve Months Ended June 30,			
	2008 Sales		2007 Sales	
	Bcf	A.$ Average Price per mcf	Bcf	A.$ Average Price per mcf
Australia: Palm Valley	1.319	2.22	1.499	2.20
Australia: Mereenie	4.388	3.77	4.489	3.60
Total	5.707	3.39	5.988	3.24

MPAL's current contracts for the sale of Palm Valley and Mereenie gas will expire during fiscal years 2012 and 2009, respectively. 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. Mereenie gas sales were approximately $15.5 million (net of royalties) or 85% of total gas sales for the year ended June 30, 2008. See discussion in "Gas Supply Contracts" under Item 1 and Executive Summary above.

Other production related revenues increased 10% to $2,585,540 in 2008 from $2,356,317 in 2007. Other production related revenues are primarily MPAL's share of gas pipeline tariff revenues which increased as a result of the 14.1% Australian foreign exchange rate increase discussed below offset by a decrease in volumes of gas sold at Mereenie.

Costs and Expenses

Production costs increased 27% in 2008 to $8,865,663 from $6,965,641 in 2007. The increase in 2008 was primarily the result of increased expenditures in the Nockatunga project due to increased production, an increase in field equipment repairs in the Mereenie project and the 14.1% increase in the exchange rate described below.

Exploration and dry hole costs decreased 40% to $3,318,810 in 2008 from $5,520,460 in 2007. These costs related to the exploration work being performed on MPAL's properties. The primary reason for the decrease in 2008 was the decreased drilling costs related to the Cooper Basin drilling program, partially offset by the 14.1% increase in the exchange rate described below.

Depletion, depreciation and amortization increased 69% to $18,021,236 in 2008 from $10,693,415 in 2007. This increase resulted from the higher book values of MPAL's oil and gas properties acquired during fiscal 2006 resulting from an updated valuation at June 30, 2007, increased depletion in the Nockatunga project due to

increased production resulting from the 10 wells drilled in the fourth quarter of fiscal 2007, increased expenditures and the 14.1% increase in the exchange rate described below, partially offset by lower depletion in the Mereenie and Palm Valley and Cooper Basin projects due to lower depletable costs.

Auditing, accounting and legal expenses increased 75% to $1,102,115 in 2008 from $628,114 in 2007 due to higher auditing, accounting and legal costs incurred in connection with the ATO audit and settlement and tax planning.

Accretion expense increased 38% to $716,130 in 2008 from $517,856 in 2007. Accretion expense represents the accretion on the asset retirement obligations (“ARO”) under SFAS 143. The increase was due mostly to accretion of asset retirement obligations relating to the new wells drilled in fiscal 2007 in the Nockatunga project and the 14.1% increase in the exchange rate described below.

A non-cash impairment loss of $1,876,171 was recorded in 2007 relating to the decreased value of the Kiana field in the Cooper Basin ($984,171) and the decreased value of exploration permits and licenses included in oil and gas properties ($892,000). The net book value of the Kiana oil and gas property was written down to its future estimated discounted cash flow. No impairment loss was recorded in fiscal 2008.

Other administrative expenses increased 33% to $3,591,856 in 2008 from $2,699,733 in 2007. This was due mostly to increased consulting costs related to the ATO audit and settlement, an increase due to the issuance of directors’ stock options in February, 2008, increased consulting fees relating to research and development in the U.K. and the 14.1% increase in the exchange rate described below.

Income Taxes

Provision for income tax for the year ended June 30, 2008 was $14,330,301 compared to $998,565 for the year ended June 30, 2007. The increase in the tax provision relates primarily to the payment of tax assessed by the Australian Taxation Office (see Note 6 to the Consolidated Financial Statements) upon settlement of an audit of the Australian income tax returns of MPAL and its wholly owned subsidiaries for the years 1997- 2005.

Exchange Effect

The value of the Australian dollar relative to the U.S. dollar increased to $.9615 at June 30, 2008 compared to $.8433 at June 30, 2007. This resulted in a $7,317,151 credit to accumulated translation adjustments for fiscal 2008. The 14% increase in the value of the Australian dollar increased the reported asset and liability amounts in the balance sheet at June 30, 2008 from the June 30, 2007 amounts. The annual average exchange rate used to translate MPAL’s operations in Australia for fiscal 2008 was $.8965, which is a 14.1% increase compared to the $.7860 rate for fiscal 2007.

2007 vs. 2006

Revenues

Oil sales increased 12% in 2007 to $11,922,574 from $10,615,761 in 2006 because of a 16% increase in barrels sold due mostly to the Nockatunga Project and the 5% Australian foreign exchange rate increase discussed below, offset by a 6% decrease in the average sales price per barrel. Oil unit sales (net of royalties) in barrels (bbls) and the average price per barrel sold during the periods indicated were as follows:

	Twelve Months Ended June 30,			
	2007 Sales		2006 Sales	
	Bbls	Average Price A.$ per bbl	Bbls	Average Price A.$ per bbl
Australia:				
Mereenie Field	100,852	82.75	99,838	86.23
Cooper Basin	15,261	85.02	20,700	94.91
Nockatunga Project	63,252	76.50	34,127	80.79
Total	179,365	80.75	154,665	86.17

Amounts presented above for oil prices and below for gas prices are in Australian dollars to show a more meaningful trend of underlying operations. For the fiscal years ended June 30, 2007 and 2006, the average foreign exchange rates were .7860 and .7477 respectively.

Gas sales increased 17% to $16,396,334 in 2007 from $14,060,968 in 2006. The increase was primarily the result of a 7% increase in price per mcf sold, a 5% increase in sales volume and the 5% Australian foreign exchange rate increase discussed below.

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

	Twelve Months Ended June 30,			
	2007 Sales		2006 Sales	
	Bcf	A.$ Average Price per mcf	Bcf	A.$ Average Price per mcf
Australia: Palm Valley	1.499	2.20	1.698	2.17
Australia: Mereenie	4.489	3.60	4.028	3.42
Total	5.988	3.24	5.726	3.04

Other production related revenues increased 25% to $2,356,317 in 2007 from $1,885,706 in 2006. 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 the 5% Australian foreign exchange rate increase discussed below.

Costs and Expenses

Production costs decreased 15% in 2007 to $6,965,641 from $8,220,013 in 2006. The decrease in 2007 was primarily the result of decreased expenditures of $1,106,555 in the Mereenie and Palm Valley fields due to the completion of the Mereenie workover program in 2006. The decrease was partially offset by the 5% Australian foreign exchange rate increase discussed below.

Exploration and dry hole costs increased 69% to $5,520,460 in 2007 from $3,264,837 in 2006. These costs related to the exploration work being performed on MPAL's properties. The primary reasons for the increase in 2007 were the higher drilling costs related to the Cooper Basin drilling program ($2,393,853) and the 5% Australian foreign exchange rate increase discussed below.

Depletion, depreciation and amortization increased 70% to $10,693,415 in 2007 from $6,308,608 in 2006. This increase was mostly due to depletion of the higher book value of MPAL's oil and gas properties acquired during fiscal 2006 ($1,962,784), increased depletion in the Nockatunga project due to increased production and capitalized costs ($1,027,556), increased depreciation on revised asset retirement obligations ($582,579) and the 5% Australian foreign exchange rate increase discussed below.

Auditing, accounting and legal expenses increased 58% to $628,114 in 2007 from $398,514 in 2006 primarily because of increased legal and accounting fees related to the ATO audit (see Note 6) and required filings with the Australian stock exchange. The Company will continue to incur significant administrative, auditing and legal expenses with respect to the Sarbanes-Oxley Act of 2002, particularly the requirements to document, test and audit the Company's internal controls to comply with Section 404 of the Act and rules adopted thereunder. Management's opinion on the internal controls of the Company is required for this annual report covering the fiscal year ending June 30, 2008. An audit opinion on the design and operating effectiveness of controls is expected to be required for the fiscal year ending June 30, 2009.

Accretion expense increased 22% to $517,856 in 2007 from $425,254 in 2006. Accretion expense represents the accretion on the asset retirement obligations ("ARO") under SFAS 143. The increase was due mostly to accretion of the revised asset retirement obligations recorded in fiscal 2006.

Loss on asset retirement obligation settlement is the result of adjusting the estimated asset retirement cost to actual expenditures incurred for producing wells in the Mereenie field that were plugged and restored in accordance

with environmental regulations. The loss recorded for 2006 was $444,566. No settlements occurred during fiscal 2007.

A non-cash impairment loss of $1,876,171 was recorded in 2007 relating to the decreased value of the Kiana field in the Cooper Basin ($984,171) and the decreased value of exploration permits and licenses included in oil and gas properties ($892,000). The net book value of the Kiana oil and gas property was written down to its future estimated discounted cash flow.

Income Taxes

Provision for income tax for the year ended June 30, 2007 was $998,565 compared to $1,678,980 for the year ended June 30, 2006. The decrease in the tax provision relates primarily to the decrease in income for the year ended June 30, 2007 (see Note 6.) The increase in the effective tax rate is due to the effect of permanent differences on the lower income.

Exchange Effect

The value of the Australian dollar relative to the U.S. dollar increased to $.8433 at June 30, 2007 compared to $.7301 at June 30, 2006. This resulted in a $7,401,076 credit to accumulated translation adjustments for fiscal 2007. The 15.5% increase in the value of the Australian dollar increased the reported asset and liability amounts in the balance sheet at June 30, 2007 from the June 30, 2006 amounts. The annual average exchange rate used to translate MPAL's operations in Australia for fiscal 2007 was $.7860, which is a 5.1% increase compared to the $.7477 rate for fiscal 2006.

Item 7A. ***Quantitative and Qualitative Disclosure About Market Risk.***

The Company does not have any significant exposure to market risk, other than as previously discussed regarding foreign currency risk and the risk of fluctuations in the world price of crude oil, as the only market risk sensitive instruments are its investments in marketable securities. At June 30, 2008, the carrying value of such investments and those classified as cash and cash equivalents was approximately $36.3 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. Marketable securities have not been impacted by the US credit crisis. A 10% change in the Australian foreign currency rate compared to the U.S. dollar would increase or decrease revenues and costs and expenses by $4.1 million and $3.8 million, respectively. For the twelve months ended June 30, 2008, oil sales represented approximately 52% of production revenues. Based on 2008 sales volume and revenue, a 10% change in oil price would increase or decrease oil revenues by approximately $2.0 million. Gas sales, which represented approximately 48% of production revenues in 2008, 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.

Item 8. ***Financial Statements and Supplementary Data.***

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Magellan Petroleum Corporation
Hartford, Connecticut

We have audited the accompanying consolidated balance sheets of Magellan Petroleum Corporation and subsidiaries (the "Company") as of June 30, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Magellan Petroleum Corporation and subsidiaries as of June 30, 2008 and 2007, and the results of their operations and cash flows for each of the three years in the period ended June 30, 2008, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

September 25, 2008
Hartford, Connecticut

MAGELLAN PETROLEUM CORPORATION

CONSOLIDATED BALANCE SHEETS

	June 30, 2008	June 30, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 34,615,228	$ 28,470,448
Accounts receivable — Trade (net of allowance for doubtful accounts of $99,344 and $69,658 at June 30, 2008 and 2007, respectively)	8,357,839	5,044,258
Accounts receivable — working interest partners	112,330	—
Marketable securities	1,708,222	2,974,280
Inventories	1,260,189	702,356
Other assets	404,160	378,808
Total current assets	46,457,968	37,570,150
Deferred income taxes	6,368,665	2,300,830
Marketable securities	—	1,403,987
Property and equipment, net:		
Oil and gas properties (successful efforts method)	138,556,513	120,734,449
Land, buildings and equipment	3,346,368	2,846,433
Field equipment	1,040,281	912,396
	142,943,162	124,493,278
Less accumulated depletion, depreciation and amortization	(114,495,875)	(84,172,522)
Net property and equipment	28,447,287	40,320,756
Goodwill	4,020,706	4,020,706
Total assets	$ 85,294,626	$ 85,616,429
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,929,445	$ 5,313,653
Accounts payable-working interest partners	—	222,883
Accrued liabilities	1,891,194	1,382,320
Income taxes payable	3,857,766	1,647,137
Total current liabilities	8,678,405	8,565,993
Long term liabilities:		
Deferred income taxes	2,507,712	3,518,990
Other long term liabilities	48,998	100,578
Asset retirement obligations	11,596,084	9,456,088
Total long term liabilities	14,152,794	13,075,656
Commitments (Note 11)	—	—
Stockholders' equity:		
Common stock, par value $.01 per share: Authorized 200,000,000 shares outstanding 41,500,325	415,001	415,001
Capital in excess of par value	73,216,143	73,153,002
Accumulated deficit	(22,857,494)	(13,965,849)
Accumulated other comprehensive income	11,689,777	4,372,626
Total stockholders' equity	62,463,427	63,974,780
Total liabilities and stockholders' equity	$ 85,294,626	$ 85,616,429

See accompanying notes.

MAGELLAN PETROLEUM CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended June 30,		
	2008	2007	2006
Revenues:			
Oil sales	$ 19,786,175	$ 11,922,574	$ 10,615,761
Gas sales	18,523,095	16,396,334	14,060,968
Other production related revenues	2,585,540	2,356,317	1,885,706
Total revenues	40,894,810	30,675,225	26,562,435
Costs and expenses:			
Production costs	8,865,663	6,965,641	8,220,013
Exploratory and dry hole costs	3,318,810	5,520,460	3,264,837
Salaries and employee benefits	1,605,341	1,549,277	1,448,004
Depletion, depreciation and amortization	18,021,236	10,693,415	6,308,608
Auditing, accounting and legal services	1,102,115	628,114	398,514
Accretion expense	716,130	517,856	425,254
Shareholder communications	392,880	459,298	449,561
Loss on settlement of asset retirement obligation	—	—	444,566
Gain on sale of field equipment	(35,235)	(10,346)	(119,445)
Impairment loss	—	1,876,171	—
Other administrative expenses	3,591,856	2,699,733	2,795,387
Total costs and expenses	37,578,796	30,899,619	23,635,299
Operating income (loss)	3,316,014	(224,394)	2,927,136
Interest income	2,122,642	1,669,798	1,268,641
Income before income taxes and minority interests	5,438,656	1,445,404	4,195,777
Income tax expense	14,330,301	998,565	1,678,980
(Loss) income before minority interests	(8,891,645)	446,839	2,516,797
Minority interests	—	—	(1,768,023)
Net (loss) income	$ (8,891,645)	$ 446,839	$ 748,774
Average number of shares:			
Basic	41,500,325	41,500,325	28,353,463
Diluted	41,500,325	41,500,325	28,453,270
Per share (basic and diluted)			
Net (loss) income	$ (.21)	$ .01	$ .03

See accompanying notes.

MAGELLAN PETROLEUM CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Three Years Ended June 30, 2008

	Number of Shares	Common Stock	Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total	Total Comprehensive Income (Loss)
June 30, 2005	25,783,243	$ 257,832	$ 44,402,182	$ (15,161,462)	$ (2,322,633)	$ 27,175,919	
Net income	—	—	—	748,774	—	748,774	$ 748,774
Foreign currency translation adjustments	—	—	—	—	(705,817)	(705,817)	(705,817)
Stock exchange	15,716,895	157,169	28,367,956	—	—	28,525,125	
Stock option compensation	—	—	375,439	—	—	375,439	
Total comprehensive income	—	—	—	—	—	—	42,957
June 30, 2006	41,500,138	415,001	73,145,577	(14,412,688)	(3,028,450)	56,119,440	
Net income	—	—	—	446,839	—	446,839	446,839
Foreign currency translation adjustments	—	—	—	—	7,401,076	7,401,076	7,401,076
Stock exchange	187	—		—	—	—	
Stock option compensation	—	—	7,425	—	—	7,425	
Total comprehensive income	—	—	—	—	—	—	7,847,915
June 30, 2007	41,500,325	415,001	73,153,002	(13,965,849)	4,372,626	63,974,780	
Net loss	—	—	—	(8,891,645)	—	(8,891,645)	(8,891,645)
Foreign currency translation adjustments	—	—	—	—	7,317,151	7,317,151	7,317,151
Stock option compensation	—	—	63,141	—	—	63,141	
Total comprehensive loss	—	—	—	—	—	—	$ (1,574,494)
June 30, 2008	41,500,325	$ 415,001	$ 73,216,143	$ (22,857,494)	$ 11,689,777	$ 62,463,427	

See accompanying notes.

MAGELLAN PETROLEUM CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended June 30,		
	2008	2007	2006
Operating Activities:			
Net (loss) income	$ (8,891,645)	$ 446,839	$ 748,774
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain from sale of field equipment	(35,235)	(10,346)	(119,445)
Depletion, depreciation and amortization	18,021,236	10,693,415	6,314,049
Accretion expense	716,130	517,856	425,254
Deferred income taxes	(4,541,695)	(1,818,631)	(157,300)
Director’s options expense	63,141	7,425	375,439
Minority interests	—	—	1,768,023
Exploration and dry hole costs	3,227,200	4,871,865	2,997,026
Loss on settlement of asset retirement obligation	—	—	444,566
Impairment loss	—	1,876,171	—
Increase (decrease) in operating assets and liabilities:			
Accounts receivable	(2,640,315)	472,763	(774,696)
Other assets	(26,946)	(61,312)	209,207
Inventories	(428,332)	143,951	(170,664)
Accounts payable and accrued liabilities	(3,112,940)	2,474,106	(368,724)
Income taxes payable	1,860,666	1,659,711	74,416
Net cash provided by operating activities	4,211,265	21,273,813	11,765,925
Investing Activities:			
Additions to property and equipment(1)	(1,628,476)	(9,231,029)	(5,700,232)
Proceeds from sale of field equipment	35,235	10,346	119,445
Oil and gas exploration activities	(3,227,200)	(4,871,865)	(2,997,026)
Acquisition of minority interest in MPAL	—	(88,432)	(3,630,374)
Marketable securities matured	4,435,820	1,855,609	5,044,574
Marketable securities purchased	(1,765,775)	(5,694,201)	(2,367,707)
Net cash used in investing activities(1)	(2,150,396)	(18,019,572)	(9,531,320)
Financing Activities:			
Dividends to MPAL minority shareholders	—	—	(765,641)
Net cash used in financing activities	—	—	(765,641)
Effect of exchange rate changes on cash and cash equivalents	4,083,911	3,333,325	(1,319,457)
Net increase in cash and cash equivalents	6,144,780	6,587,566	149,507
Cash and cash equivalents at beginning of year	28,470,448	21,882,882	21,733,375
Cash and cash equivalents at end of year	$ 34,615,228	$ 28,470,448	$ 21,882,882
Cash Payments:			
Income taxes	13,072,505	1,427,327	1,773,727
Interest on tax settlement	3,893,014	—	—
Supplemental Schedule of Noncash Investing and Financing Activities:			
Revision to estimate of asset retirement obligations	43,482	(54,765)	1,667,877
Asset retirement obligation liabilities incurred	—	718,048	—
Accounts payable related to property and equipment	1,993,964	1,417,051	802,781

The allocation of the purchase price to the assets acquired in the purchase of remaining minority interest in MPAL in 2006 was finalized in the fourth quarter of fiscal 2007. This resulted in a decrease in the amount of goodwill by $1,626,041 which was reallocated to oil and gas properties ($4,642,233) offset by an increase to deferred tax liabilities ($3,016,192). In fiscal year 2006, the Company purchased the remaining minority shares of MPAL for $32,155,498 which included cash consideration of $1,563,507, transaction costs of $2,078,804 and stock consideration of $28,601,581. Costs of registering securities in the amount of $76,457 were treated as a reduction to additional paid in capital (see Note 2 to the Consolidated Financial Statements).

Fair value of assets acquired	$ 41,085,190
Consideration paid for capital stock	32,243,893
Liabilities assumed	8,841,297

(1) Due to a typographical error, 2006 numbers are changed from previously reported.

See accompanying notes.

1. Summary of Significant Accounting Policies

Principles of Consolidation

Magellan Petroleum Corporation (the "Company" or "MPC" or "Magellan") is engaged in the sale of oil and gas and the exploration for and development of oil and gas reserves. At June 30, 2008 and 2007, MPC's principal asset was a 100% equity interest in its subsidiary, Magellan Petroleum Australia Limited ("MPAL") (See Note 2). MPAL's major assets are two petroleum production leases covering the Mereenie oil and gas field (35% working interest), one petroleum production lease covering the Palm Valley gas field (52% working interest), and three petroleum production leases covering the Nockatunga oil field (41% working interest). Both the Mereenie and Palm Valley fields are located in the Amadeus Basin in the Northern Territory of Australia. The Nockatunga field is located in the Cooper Basin in South Australia. MPC has a direct 2.67% carried interest in the Kotaneelee gas field in the Yukon Territory of Canada.

The accompanying consolidated financial statements include the accounts of MPC and its subsidiary, MPAL, collectively the Company. All intercompany transactions have been eliminated.

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. Other production related revenues are primarily MPAL's share of gas pipeline tariff revenues which are recorded at the time of sale. The Company records pipeline tariff revenues on a gross basis. The revenue is included in other production related revenues, while the remittance of such tariffs are included in production costs. 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 at which 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 from carried interests may lag the production month by one or more months.

Stock-Based Compensation

The Company has one stock option plan. Under FASB Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment" ("SFAS 123(R)") the costs resulting from all share-based payment transactions are recognized in the consolidated financial statements. This statement establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires the application of a fair-value measurement method of accounting for share-based payment transactions with employees and non-employees. The Company uses the Black-Scholes option valuation model to determine the fair value of its stock option share awards. The Black-Scholes model includes various assumptions, including the expected volatility and the expected life of the share awards. These assumptions reflect the Company's best estimates, but they involve inherent uncertainties based on market conditions generally outside of the control of the Company. As a result, if other assumptions had been used, stock-based compensation expense, as calculated and recorded under SFAS 123(R) could have been significantly impacted. Furthermore, if the Company uses different assumptions in future periods, stock-based compensation expense could be significantly impacted in future periods. The Company's policy for attributing the value of graded vested share-based payments is an accelerated multiple-option approach.

Oil and Gas Properties

Oil and gas properties are located in Australia, Canada and the United Kingdom. The Company follows the successful efforts method of accounting for its oil and gas operations. Under this method, the costs of successful wells, development dry holes, productive leases, and permitted concession costs 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 its working interest agreements in the respective classifications of assets, liabilities and expenses. Unproved properties with significant acquisition costs

are periodically assessed for impairment in value, with any impairment charged to expense. The successful efforts method also imposes limitations on the carrying or book value of proved oil and gas properties. Oil and gas properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The Company estimates the future undiscounted cash flows from the affected properties to determine the recoverability of carrying amounts. In general, analyses are based on proved reserves and risk adjusted probable and possible reserves. For Mereenie, natural gas reserves are limited to contracted quantities. If such contracts are extended, the reserves will be increased to the lesser of the actual proved reserves and risk adjusted probable and possible reserves or the contracted quantities.

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.

Nondepletable assets

Oil and gas properties include $6.8 million of capitalized costs that are currently not being depleted. This amount consists of $2.4 million of costs capitalized as exploratory well costs pending the start of production, of which $1.9 million related to PEL 106 in the Cooper Basin has been capitalized in excess of one year. This remains capitalized because the related well has sufficient quantity of reserves to justify its completion as a producing well. In addition, capitalized costs not currently being depleted include $4.4 million at June 30, 2008 and 2007 associated with exploration permits and licenses in Australia and the U.K. The Company evaluates exploration permits and licenses annually or whenever events or changes in circumstances indicate that the carrying value may be impaired. There was no impairment recorded for the year ended June 30, 2008. An impairment loss of $892,000 was recorded for the year ended June 30, 2007.

Goodwill

Goodwill is not amortized. The Company evaluates goodwill for impairment annually or whenever events or changes in circumstances indicate that the carrying value may be impaired in accordance with methodologies prescribed in Statement of Financial Accounting Standards No. 142 “Goodwill and Other Intangible Assets.” There was no impairment of goodwill as of June 30, 2008.

Asset Retirement Obligations

Statement of Financial Accounting Standards No. 143, “Accounting for Asset Retirement Obligations” 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 land reclamation, plugging the existing oil and gas wells and removing the surface facilities equipment in the Palm Valley, Mereenie, and Nockatunga fields and the Cooper Basin. The liability is a discounted liability using a credit-adjusted risk-free rate on the date such liabilities are determined. A market risk premium was excluded from the estimate of asset retirement obligations because the amount was not capable of being estimated. Revisions to the liability could occur due to changes in the estimates of these costs, acquisition of additional properties and as new wells are drilled.

Estimates of future asset retirement obligations include significant management judgment and are based on projected future retirement costs. Judgments are based upon such things as field life and estimated costs. Such costs could differ significantly when they are incurred.

Use of Estimates

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

Land, Buildings and Equipment and Field Equipment

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

Inventories

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

Foreign Currency Translations

The accounts of MPAL, whose functional currency is the Australian dollar, are translated into U.S. dollars in accordance with Statement of Financial Accounting Standards No. 52, “Foreign Currency Translation”. The translation adjustment is included as a component of stockholders’ equity and comprehensive income (loss), whereas gains or losses on foreign currency transactions are included in the determination of income. All assets and liabilities are translated at the rates in effect at the balance sheet dates. Revenues, expenses, gains and losses are translated using quarterly weighted average exchange rates during the period. At June 30, 2008 and 2007, the Australian dollar was equivalent to U.S. $.9615 and $.8433, respectively. The annual average exchange rates used to translate MPAL’s operations in Australia for the fiscal years 2008, 2007 and 2006 were $.8965, $.7860 and $.7477, respectively.

Accrued Liabilities

At June 30, 2008 and 2007, balances in accrued liabilities which exceeded 5% of current liabilities include $953,240 and $865,304 of employment benefits, respectively, and $596,975 and $358,589 of withholding and sale taxes, respectively.

Accounting for Income Taxes

The Company follows FASB Statement of Financial Accounting Standards No. 109, “Accounting for Income Taxes” (“SFAS 109”), the liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company records a valuation allowance for deferred tax assets when it is more likely than not that such assets will not be recovered.

FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes” (“FIN 48”) is an interpretation of SFAS 109 and was adopted by the Company on July 1, 2007. Under FIN 48, a company recognizes an uncertain tax position (“UTP”) based on whether it is more likely than not that the UTP will be sustained upon examination by the appropriate taxing authority, including resolution of any related appeals or litigation processes, based solely on the technical merits of the position. In evaluating whether a UTP has met the more-likely-than-not recognition threshold, a company must presume that its positions will be examined by the appropriate taxing authority that has full knowledge of all relevant information. The second step of FIN 48 adoption is measurement. A UTP that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The UTP is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. A UTP is not recognized if it does not meet the more-likely-than-not threshold.

The Company has adopted an accounting policy to record all tax related interest and penalties in its tax provision calculation.

Financial Instruments

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

Cash and Cash Equivalents

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

	June 30,	
	2008	2007
Cash	$ 2,916,069	$ 3,421,271
Australian money market accounts and short-term commercial paper	31,699,159	25,049,177
	$ 34,615,228	$ 28,470,448

Marketable Securities

The Company has determined that declines in fair value below amortized costs are temporary and as management has the intent and ability to hold the securities to maturity, no impairment loss has been recognized. At June 30, 2008 and 2007, MPC had the following marketable securities which are expected to be held until maturity:

June 30, 2008	Par Value	Maturity Date	Amortized Cost	Fair Value
Short-term securities				
U.S. government agency note	$ 200,000	Aug. 15, 2008	$ 200,152	$ 200,688
U.S. government agency note	250,000	Oct. 15, 2008	250,142	251,485
U.S. government agency note	250,000	Nov. 21, 2008	252,314	251,952
U.S. government agency note	255,000	Dec. 15, 2008	250,560	252,042
U.S. government agency note	250,000	Jan. 15, 2009	254,141	253,283
U.S. government agency note	250,000	Apr. 20, 2009	255,473	254,220
U.S. government agency note	250,000	Mar. 30, 2009	245,440	245,050
Total short-term	$ 1,705,000		$ 1,708,222	$ 1,708,720

June 30, 2007	Par Value	Maturity Date	Amortized Cost	Fair Value
Short-term securities				
Marketable securities				
U.S. government agency note	$ 250,000	July 10, 2007	$ 246,291	$ 249,725
U.S. government agency note	250,000	Aug. 13, 2007	245,124	248,500
U.S. government agency note	250,000	Sept. 17, 2007	243,943	247,275
U.S. government agency note	250,000	Oct. 15, 2007	243,119	246,300
U.S. government agency note	250,000	Nov. 30, 2007	241,548	244,675
U.S. government agency note	250,000	Dec. 18, 2007	251,283	250,848
U.S. government agency note	250,000	Jan. 15, 2008	250,562	250,158
U.S. government agency note	250,000	Feb. 08, 2008	249,843	249,375
U.S. government agency note	250,000	Mar. 05, 2008	249,814	249,140
U.S. government agency note	250,000	Apr. 18, 2008	250,254	249,610
U.S. government agency note	250,000	May. 15, 2008	252,251	251,408
U.S. government agency note	250,000	Jun. 20, 2008	250,248	249,298
Total short-term	3,000,000		2,974,280	2,986,312
Long-term securities				
U.S. government agency note	200,000	Aug. 15, 2008	201,344	200,376
U.S. government agency note(1)	200,000	Sept. 12, 2008	200,052	199,074
U.S. government agency note(2)	500,000	Apr. 15, 2009	501,246	499,065
U.S. government agency note(2)	500,000	Feb. 08, 2010	501,345	499,020
Total long-term	1,400,000		1,403,987	1,397,535
Total securities	$ 4,400,000		$ 4,378,267	$ 4,383,847

(1) This security was sold in June 2008

(2) These securities were called in February 2008

Earnings per Share

Earnings per common share are based upon the weighted average number of common and common equivalent shares outstanding during the period. The only reconciling item in the calculation of diluted EPS is the dilutive effect of stock options which were computed using the treasury stock method. In 2008, the Company had 100,000 outstanding options that were issued that had a strike price below the average stock price for the period and resulted in 8,661 incremental diluted shares for the respective period. However, since the Company incurred a loss from operations, the incremental shares are anti-dilutive. In 2007, the Company did not issue any stock options. At June 30, 2007, the Company had 430,000 stock options outstanding that were anti-dilutive. There were no other potentially dilutive items at June 30, 2007. At June 30, 2006, the Company had 430,000 stock options that were issued that had a strike price below the average stock price for the year and resulted in 99,807 incremental diluted shares. There were no other potentially dilutive items at June 30, 2006.

Stock Options

The Company's 1998 Stock Option Plan (the "Plan") provides for grants of non-qualified stock options principally at an option price per share of 100% of the fair value of the Company's common stock on the date of the grant. The Plan originally had 1,000,000 shares authorized for awards of equity share options. Stock options are generally granted with a 3-year vesting period and a 10-year term. The stock options vest in equal annual installments over the vesting period, which is also the requisite service period. The 400,000 options granted to Directors on November 28, 2005 and 100,000 on February 18, 2008 each vested immediately.

SFAS 123(R) requires recognition in the financial statements of the cost resulting from all share-based payment transactions by applying a fair-value-based measurement method to account for all share-based payment transactions with employees.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income at June 30, 2008 and 2007 was as follows:

	2008	2007
Foreign currency translation adjustments	$11,689,777	$4,372,626

Sales Taxes

Government sales taxes related to MPAL's oil and gas production revenues are collected by MPAL and remitted to the Australian government. Such amounts are recorded net in the consolidated statements of income.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS 157 is effective for the Company beginning July 1, 2008 for financial asset and liabilities and July 1, 2009 for nonfinancial assets and liabilities. The Company has concluded that the adoption of SFAS 157 will have no impact on its consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities," ("SFAS 159"). SFAS 159 provides companies with an option to report selected financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings at each subsequent reporting date. SFAS 159 is effective for the Company beginning July 1, 2008. The Company has concluded that the adoption of SFAS 159 will have no impact on its consolidated financial statements.

2. Acquisition of Minority Interest of MPAL

During the fourth quarter of fiscal 2006, MPC completed an exchange offer (the Offer) to acquire all of the 44.87% of ordinary shares of MPAL that it did not own (the "Minority Shares"). The Offer consideration was .75 newly-issued shares of MPC common stock and A$0.10 in cash consideration for each of the 20,952,916 MPAL shares that it did not own. New MPC shares were issued to MPAL's Australian shareholders either as MPC registered shares or in the form of CDIs (CHESS Depository Interests), which have been listed on the Australian Stock Exchange ("ASX"), effective April 26, 2006, under the symbol "MGN."

The purpose of the acquisition of the Minority Shares was to create a simpler, unified capital structure in which equity investors can participate at a single level. The Company believes that the unified capital structure provides the following benefits: 1) greater liquidity for investors due to a larger combined public float of MPC shares in the US and on the Australian Stock Exchange ("ASX"), 2) more efficient uses of consolidated financial resources through the facilitation of the investment and transfer of funds between Magellan and MPAL and its subsidiaries, 3) alignment of corporate strategies, 4) improved ability of Magellan to raise equity capital or debt financing for future strategic initiatives or exploration activities on potentially more favorable terms, and 5) opportunities for significant cost reductions and organizational efficiencies such as the reduction in costs related to ASX listing fees, regulatory filings and compliance related to MPAL shares that have now been delisted from the ASX. Effective July 1, 2006, 100% of MPAL's operations are reflected in the consolidated statement of income.

The Offer was accounted for using the purchase method of accounting. Under the purchase method of accounting, the total purchase price was allocated to the minority interests' proportionate interest in MPAL's identifiable assets and liabilities acquired by MPC based upon their estimated fair values. The fair value of the significant assets acquired (primarily oil and gas properties) and the liabilities assumed was determined by management. The purchase price allocation process was finalized in the fourth quarter of fiscal year 2007 after receipt of final appraisals.

The purchase price of the exchange offer was $32,243,893. This was based upon a value of $1.82 per share of MPC common stock for the 15,716,895 shares issued, cash consideration of $1,563,507 and transaction costs of $2,078,804. The value of the MPC common stock issued was determined based on the average market price of MPC's common stock over the 3-day period before and 3-day period after the date that MPAL agreed to recommend the terms of the acquisition.

The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed at June 30, 2006:

Current assets	$ 12,153,855
Property and equipment	24,418,588
Deferred income taxes	492,041
Goodwill	4,020,706
Total assets acquired	41,085,190
Current liabilities	(1,396,332)
Long term liabilities	(7,444,965)
Total liabilities assumed	(8,841,297)
Net assets acquired	$ 32,243,893

Pro Forma Condensed Consolidated Statements of Income

	For the Year Ended June 30, 2006		
	Historical	Pro Forma Adjustments to Reflect Exchange Offer	Pro Forma
Total revenues	$ 26,562,435	—	$ 26,562,435
Costs and expenses	23,635,299	2,242,135(1)	25,877,434
Operating income	2,927,136	(2,242,135)	685,001
Other income	1,268,641	—	1,268,641
Income before income taxes and minority interests	4,195,777	(2,242,135)	1,953,642
Income tax (provision) benefit	(1,678,980)	672,640(2)	(1,006,340)
Income before minority interests	2,516,797	(1,569,495)	947,302
Minority interests	(1,768,023)	1,768,023(3)	—
Net income	$ 748,774	$ 198,528	$ 947,302
Average number of shares outstanding			
Basic	25,783,243(A)	15,716,895(4)	41,500,138
Diluted	25,783,243(A)	15,716,895(4)	41,500,138
Net income per share (basic and diluted)	$ 0.03		$ 0.02

(A) Represents outstanding shares prior to the Offer.

Pro Forma Adjustments

1. Represents the depletion on the excess of the purchase price over the identifiable assets and liabilities acquired which has been allocated to oil and gas properties of $2,242,135 for the fiscal years ended June 30, 2006.
2. Represents the income tax effect on the depletion and transaction costs calculated based on an Australian statutory rate of 30%.
3. Represents the reversal of the income allocated to the minority interest as 100% of MPAL subject to the Exchange Offer is assumed to be acquired by Magellan at the beginning of the period.
4. Represents the number of shares assumed to be issued by Magellan pursuant to the terms of the Exchange Offer calculated as follows:

Shares of MPAL not owned by Magellan	20,952,916
Exchange ratio	.75
Magellan shares issued pursuant to the Exchange Offer	15,716,895

3. Oil and Gas Properties

MPC had the following amounts recorded in oil and gas properties at June 30, 2008 and 2007.

Location	2008	2007
Mereenie and Palm Valley (Australia)(1)	$ 109,674,080	$ 95,578,259
Nockatunga (Australia)(2)	20,301,033	17,126,416
Cooper Basin (Australia)(3)	5,604,219	5,046,996
Other (Australia)(4)	548,945	548,947
Weald/Wessex Basin (U.K.)(4)	2,428,236	2,433,831
	$ 138,556,513	$ 120,734,449

(1) At June 30, 2008, includes $549,935 costs capitalized as exploratory well costs pending the start of production.

(2) At June 30, 2007, includes $8,812,420 of costs capitalized as exploratory well costs pending the start of production.

(3) At June 30, 2008 and 2007, includes $1,855,186 and $1,615,943, respectively, of costs capitalized as exploratory well costs pending the start of production as well as $1,448,568 of nondepletable exploration permits and licenses at June 30, 2008 and 2007.

(4) Nondepletable exploration permits and licenses related to the Maryborough Basin and Amadeus Basin in Australia and the Weald/Wessex Basin in the U.K.

Accumulated Depletion, Depreciation and Amortization

Location	2008	2007
Mereenie and Palm Valley (Australia)	$ 94,218,078	$ 74,885,273
Nockatunga (Australia)	14,780,819	4,568,503
Cooper Basin (Australia)	2,132,354	1,787,837
	$ 111,131,251	$ 81,241,613

Depletion, Depreciation and Amortization

During the years ended June 30, 2008, 2007 and 2006, the depletion rate by field was as follows:

	2008	2007	2006
Mereenie and Palm Valley (Australia)	45.3	35.5	24.6
Nockatunga (Australia)	66.5	53.6	24.7
Cooper Basin (Australia)	35.9	32.3	42.2
Kotaneelee (Canada)	—	—	10.0

Exploratory and Dry Hole Costs

The 2008, 2007 and 2006 costs relate primarily to the geological and geophysical work and seismic acquisition on MPAL's exploration permits. The costs for MPAL were $3,318,810, $5,520,460 and $3,264,837 for 2008, 2007, and 2006, respectively.

See Note 11 — Commitments for a summary of MPAL's required and contingent commitments for exploration expenditures for the five year period beginning July 1, 2008.

Impairment Loss

A non-cash impairment loss of $1,876,171 was recorded in 2007 relating to the decreased value of the Kiana field in the Cooper Basin ($984,171) and the decreased value of exploration permits and licenses that were recognized in purchase accounting ($892,000). The net book value of the Kiana oil and gas property was written down to its future estimated discounted cash flow. As a result of declining production discounted cash flows were utilized to calculate the fair value of the Kiana field. The losses related to the exploration permits and licenses resulted from the ongoing exploration program which did not result in discovery of reserves. These losses related to the MPAL segment. There was no impairment loss recorded for fiscal 2008.

4. Asset Retirement Obligations

A reconciliation of the Company's asset retirement obligations for the years ended June 30, 2008 and 2007, is as follows:

	2008	2007
Balance at beginning of year	$ 9,456,088	$ 7,147,261
Liabilities incurred	—	718,048
Liabilities settled	—	—
Accretion expense	716,130	517,856
Revisions to estimate	43,482	(54,765)
Exchange effect	1,380,384	1,127,688
Balance at end of year	$ 11,596,084	$ 9,456,088

During 2007, the Company recorded liabilities of $718,048 for 11 new wells drilled in the Nockatunga field.

5. Capital and Stock Options

The Company's Stock Option Plan provides for options to be granted with an exercise price of not less than fair value of the stock price on the date of grant and for a term of not greater than ten years. As of June 30, 2008, 295,000 options were available for future issuance under the Plan.

The following is a summary of option transactions for the three years ended June 30, 2008:

Options Outstanding	Expiration Dates	Number of Shares	Exercise Prices($)	Fair Value at Grant Date
June 30, 2006 and 2007		430,000	(1.59 weighted average price)	
Granted	Feb. 2018	100,000	1.16	$ 63,141
June 30, 2008		530,000	(1.51 weighted average price)	

The weighted average remaining contractual term as of June 30, 2008 is 7.5 years.

Summary of Options Outstanding at June 30, 2008

	Expiration Dates	Total	Vested	Exercise Prices($)
Granted fiscal year 2004	Jul. 2014	30,000	30,000	1.45
Granted fiscal year 2006	Nov. 2015	400,000	400,000	1.60
Granted fiscal year 2008	Feb. 2018	100,000	100,000	1.16

All of the options have been granted with an exercise price equal to the fair value of the Company's stock at the date of grant. Upon exercise of options, the excess of the proceeds over the par value of the shares issued is credited to capital in excess of par value. For the years ended June 30, 2008, 2007 and 2006, the Company recorded stock-based compensation expense for the cost of stock options of $63,141, $7,425 and $375,439 both pre-tax and post-tax (or $.00, $.00 and $.01 per basic and diluted share), respectively. The grant date fair value of the options granted on February 18, 2008 and November 28, 2005 was $63,141 and $365,539, respectively. These expenses have no effect on cash flow. As of June 30, 2008, there was $0 of total unrecognized compensation costs related to stock options.

The Company determined the fair value of the options at the date of grant using the Black-Scholes option pricing model. Option valuation models require the input of highly subjective assumptions including the expected stock price volatility. The assumptions used to value the Company's grants on July 1, 2004 and November 28, 2005, respectively were as follows:

	Feb. 18, 2008	Nov. 28, 2005	Jul. 1, 2004
Risk free interest rate	3.20%	4.58%	4.95%
Expected life	5 yrs	5 yrs	10 yrs
Expected volatility (based on historical price)	.611	.627	.518
Expected dividend	$0	$0	$0

The expected life of the options granted on November 28, 2005 and February 18, 2008 was determined under the "simplified" method described in SEC Staff Accounting Bulletin No. 107.

6. Income Taxes

Components of income before income taxes and minority interests by geographic area (in thousands) are as follows:

	Years Ended June 30,		
	2008	2007	2006
United States	$ (2,119)	$ (1,386)	$ (1,753)
Foreign	7,558	2,831	5,949
Total	$ 5,439	$ 1,445	$ 4,196

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

	Years Ended June 30,		
	2008	2007	2006
Tax provision computed at statutory rate (30)%	$ (1,632)	$ (434)	$ (1,259)
MPC (parent company) losses	(636)	(416)	(526)
Non-taxable Australian revenue	443	404	311
MPAL non-deductible foreign losses (New Zealand)	(14)	(10)	(88)
MPAL write off of foreign advances (New Zealand)	—	—	218
Increase in valuation reserve for foreign (UK) exploration expenditures	(271)	(374)	(243)
Australian Taxation Office settlement(c)	(12,085)	—	—
Repatriation of foreign earnings(a)	—	—	(1,964)
Reversal of reserve on MPC deferred tax assets(a)	—	—	879
Benefit for previously taxed foreign earnings	—	—	1,085
MPC income tax provision(b)	(58)	(48)	(13)
Other	(77)	(121)	(79)
Consolidated income tax provision	$ (14,330)	$ (999)	$ (1,679)
Current income tax provision (foreign)	$ (18,872)	$ (2,817)	$ (1,841)
Deferred income tax benefit (foreign)	4,542	1,818	162
Consolidated income tax provision	$ (14,330)	$ (999)	$ (1,679)
Effective tax rate	263%	69%	40%

(a) The Corporation has indefinitely reinvested undistributed earnings from subsidiary companies outside the U.S. Unrecognized deferred taxes on remittance of these funds are not expected to be material.

(b) MPC's income tax provisions represent the 25% Canadian withholding tax on its Kotaneelee gas field carried interest net proceeds and 10% Australian withholding tax on interest income from intercompany loans.

(c) See discussion below under Australia.

Significant components of the Company's deferred tax assets and liabilities (in thousands) were as follows:

	June 30, 2008	June 30, 2007
Deferred tax liabilities		
Acquisition and development costs	$ —	$ (425)
Stepped up basis of oil and gas properties	(2,508)	(3,519)
Other	(8)	(24)
Total deferred tax liabilities	(2,516)	(3,968)
Deferred tax assets		
Acquisition and development costs	2,486	—
Asset retirement obligations	3,883	3,100
Net operating losses	4,079	3,719
United Kingdom exploration costs	1,031	—
Stock options	174	149
Interest	539	422
Total deferred tax assets	12,192	7,390
Valuation allowance	(5,815)	(4,640)
Net deferred tax asset/(liabilities)	$ 3,861	$ (1,218)

The Company records a valuation allowance for deferred tax assets when it is more likely than not that such assets will not be recovered. The valuation allowance increased to $5,815,000 in 2008 from $4,640,000 in 2007. The change in the valuation allowance is due to an increase in net operating losses in the US netted against losses which expired on June 30, 2008, and an increase in the valuation allowance for the tax benefit of U.K. exploration costs.

United States

At June 30, 2008, the Company had approximately $11,031,000 and $6,635,000 of net operating loss carry forwards for federal and state income tax purposes, respectively, which are scheduled to expire periodically as follows (in thousands):

	Paroo USA Federal	MPC Federal	MPC State
Expires:			
2010	$ 1,669	$ —	$ —
2011	1,764	—	—
2012	2,856	—	—
2013	230	—	—
2019	96	408	—
2020	—	52	—
2021	25	—	56
2022	74	110	302
2023	3	—	359
2024	2	—	—
2025	1	296	1,058
2026	—	1,374	1,341
2027	—	—	1,462
2028	—	2,071	2,057
Total	$ 6,720	$ 4,311	$ 6,635

For financial reporting purposes, a full valuation allowance has been recognized to offset the deferred tax assets related to the U.S. tax loss carry forwards and other deductible temporary differences as it is more likely than not that under current circumstances such assets will not be recovered.

Australia

The net deferred tax asset at June 30, 2008, consists of a deferred tax asset of $2,486,000, primarily relating to acquisition and development costs and $3,883,000 primarily relating to asset retirement obligations which will result in tax deductions when paid.

The net deferred tax liability at June 30, 2007 consists of deferred tax liabilities of $3,519,000 relating to a financial statement basis step up for oil and gas properties and $425,000, primarily relating to the deduction of acquisition and development costs which are capitalized for financial statement purposes, offset by deferred tax assets of $3,100,000 primarily relating to asset retirement obligations which will result in tax deductions when paid.

As previously disclosed, the Australian Taxation Office (“ATO”) conducted an audit of the Australian income tax returns of MPAL and its wholly owned subsidiaries for the years 1997- 2005. The ATO audit focused on certain income tax deductions claimed by Paroo Petroleum Pty. Ltd. (“PPPL”), a wholly-owned subsidiary of MPAL related to the write-off of outstanding loans made by PPPL to other entities within the MPAL group of companies. As a result of this audit, the ATO in August 2007 issued “position papers” which set forth its opinions that these previous deductions should be disallowed, resulting in additional income taxes being payable by MPAL and its subsidiaries. In the position papers, the ATO set out its legal basis for its conclusions. The ATO indicated in its position papers that the increase in taxes arising from its proposed positions would be (Aus) $13,392,460 plus possible interest and penalties, which could have exceeded the amount of the increased taxes asserted by the ATO.

In a comprehensive audit conducted by the ATO in the period 1992-94, the ATO concluded that PPPL was carrying on business as a money lender and accordingly, should, for taxation purposes, account for its interest income on an accrual basis rather than a cash basis. MPAL accepted this conclusion and from that point has been

determining its annual Australian taxation liability on this basis (including claiming deductions for bad debts as a money lender).

Recently, the ATO has taken a more aggressive approach with respect to its views regarding income tax deductions attributable to in-house finance companies. Since this change in approach, the ATO has commenced audits of a number of companies involving, among other issues, the appropriate treatment of bad debt deductions taken by in-house finance companies. Magellan understands that, at this time, while there have been negotiated settlements in relation to some of these audits, none of them has reached final resolution in court.

Based upon the advice of Australian tax counsel, the Company and the ATO held settlement discussions concerning this matter during the quarter ended December 31, 2007. In order to avoid a protracted and costly legal battle with the ATO, diversion of company management and resources away from Company business and the possibility of significantly higher payments with a loss in court, the Company decided to settle this matter. On December 19, 2007, MPAL reached a non-binding agreement in principle to settle this dispute for an aggregate settlement payment by MPAL to the ATO of (Aus) $14,641,994. The aggregate settlement payment was comprised of (Aus) $10,340,796 in amended taxes and (Aus) $4,301,198 of interest on the amended taxes. No penalties were to be assessed as part of the terms of the settlement. The agreement in principle to settle the dispute was conditioned upon MPAL and the ATO agreeing on formal terms of settlement in a binding agreement (the Deed of Settlement) which the parties agreed to negotiate and sign promptly. As further agreed by the parties, the ATO issued assessments for the agreed upon amended tax liabilities in January 2008. Under the final terms of the Deed of Settlement signed by the parties on February 7, 2008, MPAL agreed not to object to or appeal the ATO's amended assessments. The Deed of Settlement with the ATO constitutes a complete release and extinguishment of the tax liabilities of MPAL and its subsidiaries with respect to the amended assessments and the prior bad debt deductions.

On January 21, 2008, MPAL paid (Aus) $5,000,000 to the ATO as a deposit towards this settlement. The remaining (Aus) $9,641,994 was paid by MPAL on February 14, 2008. As agreed upon by the parties, the matter is now closed.

Both the amended taxes and interest in the amount of (US) $13,252,469 has been recorded as part of the income tax provision for the year ended June 30, 2008 ($.31 per share). During the current year the Company recorded (US) $2,725,110, of net interest related to tax matters.

FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") is an interpretation of SFAS 109 and was adopted by the Company on July 1, 2007. Under FIN 48, a company recognizes an uncertain tax position ("UTP") based on whether it is more likely than not that the UTP will be sustained upon examination by the appropriate taxing authority, including resolution of any related appeals or litigation processes, based solely on the technical merits of the position. In evaluating whether a UTP has met the more-likely-than-not recognition threshold, a company must presume that its positions will be examined by the appropriate taxing authority that has full knowledge of all relevant information. The second step of FIN 48 adoption is measurement. A UTP that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The UTP is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. A UTP is not recognized if it does not meet the more-likely-than-not threshold.

Upon the adoption of FIN 48, MPAL received a legal opinion from its Australian tax counsel that concluded that the Company would be more likely than not to sustain the Australian tax deductions under audit in court. Australian tax counsel also advised the Company that 100% of the tax benefit of these deductions is the largest amount of the benefit that would be more than 50% likely to be realized. As a result, the Company recorded no liability for this UTP prior to the settlement which was negotiated in December 2007.

The ATO matter was the only UTP identified upon adoption of FIN 48. No other UTPs have been identified for the year ended June 30, 2008.

7. Related Party and Other Transactions

Mr. Timothy L. Largay, a director of the Company, is a member of the law firm of Murtha Cullina LLP, which firm was paid fees of $264,170, $114,415 and $170,481 by the Company in fiscal years 2008, 2007 and 2006, respectively.

8. Leases

At June 30, 2008, future minimum rental payments applicable to MPC's and MPAL's non-cancelable office operating leases were as follows:

Fiscal Year	Future Minimum Rental Payments
2009	$ 256,000
2010	$ 5,000

Operating lease rental expenses for each of the years ended June 30, 2008, 2007 and 2006 were $473,944, $362,2005 and $303,536 respectively.

9. Segment Information

The Company has two reportable segments, MPC and its wholly owned subsidiary, MPAL. The Company's chief operating decision maker is Daniel J. Samela (President, Chief Executive Officer and Chief Accounting and Financial Officer) who reviews the results of the MPC and MPAL businesses on a regular basis. MPC and MPAL both engage in business activities from which it may earn revenues and incur expenses. MPAL and its subsidiaries are considered one segment. Although there is discreet information available below the MPAL level, their products and services, production processes, market distribution and customers are similar in nature. In addition, MPAL has a management team which focuses on drilling efforts, capital expenditures and other operational activities.

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

	Years Ended June 30, 2008	2007	2006
Revenues:			
MPC	$ 233	$ 5,996	$ 973
MPAL	40,662	30,545	26,530
Elimination of intersegment dividend	—	(5,866)	(941)
Total consolidated revenues	$ 40,895	$ 30,675	$ 26,562
Interest income:			
MPC	$ 159	$ 259	$ 100
MPAL	1,964	1,411	1,169
Total consolidated	$ 2,123	$ 1,670	$ 1,269
Net (loss) income:			
MPC	$ (2,177)	$ 4,432	$ (826)
Equity in earnings of MPAL, net of related costs(1)	(6,715)	1,881	2,516
Elimination of intersegment dividend	—	(5,866)	(941)
Consolidated net (loss) income	$ (8,892)	$ 447	$ 749
Assets:			
MPC(2)	$ 65,555	$ 61,810	
MPAL	82,935	80,334	
Equity elimination	(63,195)	(56,528)	
Total consolidated assets	$ 85,295	$ 85,616	

	Years Ended June 30, 2008	2007	2006
Other significant items:			
Depletion, depreciation and amortization:			
MPC	$ 6	$ 6	$ 10
MPAL	18,015	10,687	6,299
Total consolidated	$ 18,021	$ 10,693	$ 6,309
Exploratory and dry hole costs:			
MPC	$ —	$ —	$ —
MPAL	3,319	5,520	3,265
Total consolidated	$ 3,319	$ 5,520	$ 3,265
Income tax expense (benefit):			
MPC	$ 58	$ 48	$ 13
MPAL	14,272	951	1,666
Total consolidated	$ 14,330	$ 999	$ 1,679

(1) Equity in earnings (losses) of MPAL for 2008, 2007 and 2006 of ($4,222,000), $3,408,000 and $2,665,000 respectively is reported net of $2,493,000, $1,527,000 and $149,000 for 2008, 2007 and 2006, respectively, of oil and gas property depletion, net of tax benefit, related to MPC's stepped up book value of MPAL's oil and gas

properties which resulted from MPC's acquisition of the remaining 45% interest in MPAL in 2006. As of June 30, 2006, MPC owned 100% of MPAL as a result of the Offer. See Note 2 to the Consolidated Financial Statements.

(2) Goodwill attributable to MPAL was $4,020,706 for 2008 and 2007, respectively

10. Geographic Information

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

	Years Ended June 30,		
	2008	2007	2006
Revenue:			
Australia	$ 40,662	$ 30,545	$ 26,530
Canada	233	130	32
	$ 40,895	$ 30,675	$ 26,562
Income (loss) before income taxes and minority interests:			
Australia	$ 7,257	$ 3,152	$ 6,103
New Zealand	(42)	(25)	(211)
United Kingdom	(904)	(1,162)	(812)
United States-Canada	233	161	27
	6,544	2,126	5,107
Corporate overhead and interest, net of other income (expense)	(1,105)	(681)	(911)
Consolidated income before income taxes and minority interests	$ 5,439	$ 1,445	$ 4,196

	Years Ended June 30,		
	2008	2007	2006
Net income (loss):			
Australia	$ (5,767)	$ 3,074	$ 3,621
New Zealand	(44)	(32)	(293)
United Kingdom	(904)	(1,162)	(812)
United States	(2,177)	(1,433)	(1,767)
	$ (8,892)	$ 447	$ 749
Identifiable assets:			
Australia	$ 82,935	$ 80,334	
Corporate assets	2,360	5,282	
	$ 85,295	$ 85,616	

Substantially all of MPAL's gas sales were to the Power and Water Corporation ("PWC") of the Northern Territory of Australia. Oil sales during 2008 were 32.5% to the Santos group of companies, 9.9% to Delhi Petroleum, 6.4% to Origin Energy Resources and 51.2% to IOR Energy.

11. Commitments

The Company is exposed to oil and gas market price volatility and for gas sales uses fixed pricing contracts with inflation clauses to mitigate this exposure.

The following is a summary of our consolidated contractual obligations as of June 30, 2008

	Payments Due by Period				
Contractual Obligations	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Operating Lease Obligations	261,000	256,000	5,000	—	—
Purchase Obligations(1)	8,155,000	8,155,000	—	—	—
Asset Retirement Obligations	11,596,000	—	7,412,000	2,009,000	2,175,000
Total	$ 20,012,000	$ 8,411,000	$ 7,417,000	$ 2,009,000	$ 2,175,000

(1) Represents firm commitments for exploration and capital expenditures. The Company is committed to these expenditures, however some may be farmed out to third parties. Exploration contingent expenditures of $26,755,000 which are not legally binding have been excluded from the table above and based on exploration decisions would be due as follows: $0 (less than 1 year), $26,731,000 (1-3 years), $24,000 (3-5 years).

Gas Supply Contracts

In 1983, the Palm Valley Producers (MPAL and Santos) commenced the sale of gas to Alice Springs under a 1981 agreement. In 1985, the Palm Valley Producers and Mereenie Producers signed agreements for the sale of gas to PWC, through its wholly-owned company Gasgo Pty. Ltd., for use in PWC's Darwin electricity generating station and at a number of other generating stations in the Northern Territory. The price of gas under the Palm Valley and Mereenie gas contracts is adjusted quarterly to reflect changes in the Australian Consumer Price Index. The gas is being delivered via the 922-mile Amadeus Basin gas pipeline which was built by an Australian consortium. Since 1985, there have been several additional contracts for the sale of Mereenie gas, the latest being in June 2006 for the supply of an additional 4.4 bcf of gas to be supplied prior to December 31, 2008. The Palm Valley Darwin contract expires in the year 2012 and the principal Mereenie contracts expires in 2009. Supply obligations under the Mereenie contracts cease in May 2009.

MPAL's major customer, Gasgo Pty. Ltd., a subsidiary of PWC of the Northern Territory, has contracted with Eni Australia for the supply of PWC's Northern Territory gas demand requirement for twenty five years commencing at the beginning of 2009. Eni Australia is to supply the gas from its Blacktip field offshore the Northern Territory. The Mereenie Producers will continue to supply PWC's gas demand until Blacktip gas is available.

At June 30, 2008, MPAL's commitment to supply gas under the above agreements was as follows:

Period	Bcf
Less than one year	5.23
Between 1-5 years	3.22
Greater than 5 years	0.00
Total	8.45

12. Selected Quarterly Financial Data (Unaudited and Restated)

Subsequent to the issuance of the Company's Forms 10-Q for the quarterly periods ended September 30, 2007, December 31, 2007 and March 31, 2008, the Company's management determined that depletion expense was miscalculated due to the misapplication of reserve information for a group of new wells which principally began production in the 2008 fiscal year. Depletion expense for the three months ended September 30, 2007, December 31, 2007 and March 31, 2008 was understated by $1,247,108, $1,569,467 and $1,075,003, respectively. Depletion expense was understated by $2,816,575 and $3,891,578 for the six months ended December 31, 2007 and the nine

months ended March 31, 2008, respectively. This correction has no impact on cash flow from operations for any period presented.

The following is a summary (in thousands, except for per share amounts) of the quarterly results of operations for the years ended June 30, 2008 and 2007:

	September 30, 2007 3 Months	December 30, 2007 3 Months	March 31, 2008 3 Months	June 30, 2008 3 Months
AS PREVIOUSLY REPORTED:				
2008				
Total revenues	$ 9,322	$ 10,374	$ 9,536	$ 11,663
Costs and expenses	(9,032)	(7,827)	(6,828)	(10,000)
Interest income	490	570	500	563
Income tax (provision) benefit	(381)	(12,798)	(1,520)	(799)
Net income (loss)	$ 399	$ (9,681)	$ 1,688	$ 1,427
Per share (basic & diluted)	$ .01	$ (.23)	$ .04	$ .03
Average number of shares outstanding	41,500	41,500	41,500	41,500

	September 30, 2007 3 Months	December 30, 2007 3 Months	March 31, 2008 3 Months	June 30, 2008 3 Months
RESTATEMENT ADJUSTMENT:				
2008				
Total revenues	$ —	$ —	$ —	$ —
Costs and expenses	(1,247)	(1,570)	(1,075)	—
Interest income	—	—	—	—
Income tax (provision) benefit	375	471	322	—
Net income (loss)	$ (872)	$ (1,099)	$ (753)	$ —
Per share (basic & diluted)	$ (.02)	$ (.03)	$ (.02)	$ —
Average number of shares outstanding	—	—	—	—

	September 30, 2007 3 Months	December 30, 2007 3 Months	March 31, 2008 3 Months	June 30, 2008 3 Months
AS RESTATED:				
2008				
Total revenues	$ 9,322	$ 10,374	$ 9,536	$ 11,663
Costs and expenses	(10,279)	(9,397)	(7,903)	(10,000)
Interest income	490	570	500	563
Income tax (provision) benefit	(6)	(12,327)	(1,198)	(799)
Net income (loss)	$ (473)	$ (10,780)	$ 935	$ 1,427
Per share (basic & diluted)	$ (.01)	$ (.26)	$ .02	$ .03
Average number of shares outstanding	41,500	41,500	41,500	41,500

	September 30, 2006 3 Months	December 30, 2006 3 Months	March 31, 2007 3 Months	June 30, 2007 3 Months
2007				
Total revenues	$ 6,823	$ 8,414	$ 6,849	$ 8,589
Costs and expenses	(5,447)	(8,592)	(6,708)	(10,153)
Interest income	345	426	438	461
Income tax (provision) benefit	(691)	(255)	(292)	240
Net income (loss)	$ 1,030	$ (7)	$ 287	$ (863)
Per share (basic & diluted)	$ .02	$ —	$ .01	$ (.02)
Average number of shares outstanding	41,500	41,500	41,500	41,500

An impairment loss of $1,876,171 was recorded in the fourth quarter of 2007 relating to the decreased value of the Kiana field in the Cooper Basin ($984,171) and the decreased value of exploration rights ($892,000). See Note 3 for further discussion.

13. Supplementary Oil and Gas Disclosure (Unaudited and Restated)

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

Estimated Net Quantities of Proved and Proved Developed Oil and Gas Reserves:

	Natural Gas (Bcf)		Oil (1,000 Bbls)
Proved Reserves:	**Australia***	**Canada**	**Australia**
June 30, 2005	25.284	.121	487
Extensions and discoveries	—	.035	71
Revision of previous estimates	(.142)	—	406
Purchase of reserves	—	—	—
Production	(5.706)	(.070)	(154)
June 30, 2006	19.436	.086	810
Extensions and discoveries	—	.067	218
Revision of previous estimates	.014	—	(127)
Purchase of reserves	—	—	—
Production	(5.978)	(.093)	(179)
June 30, 2007	13.472	.060	722
Extensions and discoveries	—	.087	141
Revision of previous estimates	(.652)	—	125
Purchase of reserves	—	—	—
Production	(5.707)	(.077)	(210)
June 30, 2008	7.113	.070	778
Proved Developed Reserves:			
June 30, 2005	25.284	.121	487
June 30, 2006	19.436	.086	327
June 30, 2007	13.472	.060	347
June 30, 2008	7.113	.070	520

* The amount of proved reserves applicable to the Palm Valley and Mereenie fields only reflects the amount of gas committed to specific contracts and are net of royalties. There were no minority interests at June 30, 2006, 2007 or 2008. Approximately 44.9% of reserves were attributable to minority interests at June 30, 2005.

Costs of Oil and Gas Activities (In thousands):

	Australia		
Fiscal Year	**Exploration Costs(1)**	**Development Costs(2)**	**Acquisition Costs**
2008	3,810	1,200	—
2007	5,250	20,067	—
2006	3,284	(2,842)(3)	—

(1) These costs have been expensed.

(2) These costs have been capitalized.

(3) Development costs include the net increase or decrease in development related assets. The decrease in the Australian exchange rate caused a foreign translation loss in excess of costs incurred.

Capitalized Costs Subject to Depletion, Depreciation and Amortization (DD&A) (In thousands):

Australia	June 30, 2008	2007
Costs subject to DD&A	$ 131,726	$ 105,874
Costs not subject to DD&A	6,831	14,860
Less accumulated DD&A	(111,131)	(81,242)
Net capitalized costs	$ 27,426	$ 39,492

Discounted Future Net Cash Flows:

The misapplication of reserve information discussed in Note 12 for a group of new wells which principally began production in the current fiscal year also affected the unaudited Supplementary Oil and Gas Disclosure that was presented in Note 14 to the consolidated financial statements included in the Company's 2007 Form 10-K. The restated discounted future net cash flows is presented below and includes the restatement reduction of $4,460,000.

The following is the standardized measure of discounted (at 10%) future net cash flows (in thousands) relating to proved oil and gas reserves during the three years ended June 30, 2008. There were no minority interests at June 30, 2006 or June 30, 2007.

	Australia		
	2008	2007 Restated	2006
Future cash inflows	$ 147,581	$ 125,333	$ 161,788
Future production costs	(62,027)	(52,994)	(33,814)
Future development costs	(21,263)	(14,036)	(16,196)
Future income tax expense	(12,823)	(14,018)	(28,900)
Future net cash flows	51,468	44,285	82,878
10% annual discount for estimating timing of cash flows	(6,532)	(10,437)	(12,680)
Standardized measures of discounted future net cash flows	$ 44,936	$ 33,848	$ 70,198

	Canada		
	2008	2007	2006
Future cash inflows	$ 380	$ 184	$ 332
Future production costs	(129)	(88)	(74)
Future development costs	—	—	—
Future income tax expense	(63)	(24)	(65)
Future net cash flows	188	72	193
10% annual discount for estimating timing of cash flows	(6)	(7)	(4)
Standardized measures of discounted future net cash flows	$ 182	$ 65	$ 189

	Total		
	2008	2007 Restated	2006
Future cash inflows	$ 147,961	$ 125,517	$ 162,120
Future production costs	(62,156)	(53,082)	(33,888)
Future development costs	(21,263)	(14,036)	(16,196)
Future income tax expense	(12,886)	(14,042)	(28,965)
Future net cash flows	51,656	44,357	83,071
10% annual discount for estimating timing of cash flows	(6,538)	(10,444)	(12,684)
Standardized measures of discounted future net cash flows	$ 45,118	$ 33,913	$ 70,387

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

	2008	2007 Restated	2006
Net change in prices and production costs	$ 41,125	$ (66,738)	$ 69,970
Extensions and discoveries	—	—	2,714
Revision of previous quantity estimates	(1,351)	14,996	1,037
Changes in estimated future development costs	(5,015)	7,144	(4,999)
Sales and transfers of oil and gas produced	(30,637)	(20,660)	(16,462)
Previously estimated development cost incurred during the period	(696)	(179)	(438)
Accretion of discount	1,917	8,838	7,017
Net change in income taxes	331	15,577	(17,025)
Net change in exchange rate	5,531	4,548	(3,060)
	$ 11,205	$ (36,474)	$ 38,754

Additional Information Regarding Discounted Future Net Cash Flows:

Australia

Reserves — Natural Gas

Future net cash flows from net proved gas reserves in Australia were based on MPAL's share of reserves in the Palm Valley and Mereenie fields. Reserves in the Mereenie field were limited to the quantities of gas committed to specific contract and the ability of the field to deliver the gas in the contract years. Reserves in the Palm valley field were based upon the quantities of gas committed to the contract and estimated sales subsequent to the contract date. Gas prices are computed on the prices set forth in the respective gas sales contracts at June 30, 2008 and estimated future prices for Palm Valley subsequent to the contract date.

Reserves and Costs — Oil

At June 30, 2008, future net cash flows from the net proved oil reserves in Australia were calculated by the Company. Estimated future production and development costs were based on current costs and rates for each of the three years ended at June 30, 2008. All of the crude oil reserves are developed reserves. Undeveloped proved reserves have not been estimated since there are only tentative plans to drill additional wells.

Income Taxes

Future Australian income tax expense applicable to the future net cash flows has been reduced by the tax effect on unrecouped capital expenditures of approximately A.$26,145,000, A.$29,167,000 and A.$23,976,000 at June 30, 2008, 2007 and 2006 respectively. The tax rate used in computing Australian future income tax expense was 30%.

Canada

Reserves and Costs

Future net cash flows from net proved gas reserves in Canada were based on the Company's share of reserves in the Kotaneelee gas field which was prepared by independent petroleum consultants, Paddock Lindstrom & Associates Ltd., Calgary, Canada. The estimates were based on the selling price of gas Can. $9.61 at June 30, 2008 (Can. $6.28 — 2007) and estimated future production and development costs at June 30, 2008.

Results of Operations

The following are the Company's results of operations (in thousands) for the oil and gas producing activities during the three years ended June 30, 2008:

	Americas			Australia/New Zealand/United Kingdom		
	2008	2007	2006	2008	2007	2006
Revenues:						
Oil sales	$ —	$ —	$ —	$ 19,786	$ 11,922	$ 10,616
Gas sales	233	130	32	18,290	16,267	14,028
Other production income	—	—	—	2,586	2,356	1,886
Total revenues	233	130	32	40,662	30,545	26,530
Costs:						
Production costs	—	—	—	8,866	6,965	8,220
Depletion, exploratory and dry hole costs	—	—	5	21,222	16,105	9,391
Total costs	—	—	5	30,088	23,070	17,611
Income before taxes and minority interest	233	130	27	10,574	7,475	8,919
Income tax provision*	(58)	(33)	(7)	(3,172)	(2,242)	(2,676)
Income before minority interests	175	97	20	7,402	5,233	6,243
Minority interests**	—	—	—	—	—	(2,491)
Net income from operations	$175	$ 97	$ 20	$ 7,402	$ 5,233	$ 3,752
Depletion per unit of production	$ —	$ —	$ —	A.$ 14.66	A. $ 7.44	A. $ 6.71

* Income tax provision used for Australia is based on a rate of 30%. Americas 25% is due to a 25% Canadian withholding tax on Kotaneelee gas sales.

** Effective minority interest for 2006 was 39.9%.

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

None

Item 9A. *Controls and Procedures*

Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including Daniel J. Samela, the Company's President, Chief Executive Officer and Chief Financial and Accounting 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, the "Exchange Act") as of June 30, 2008. 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 the information required to be disclosed was accumulated and communicated to management as appropriate to allow timely decisions for disclosure.

Internal Control Over Financial Reporting

Internal control over financial reporting (as defined in Rule 13a-15(f) adopted under the Exchange Act) is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that the Company's receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated financial statements.

In order to achieve timely compliance with Section 404 of the Sarbanes-Oxley Act of 2002, in 2005 the Company initiated a process to document and evaluate and test its internal controls over financial reporting. In 2005, the Company engaged two consulting firms to assist management with documenting, evaluating and strengthening the Company's internal controls in the United States and the related internal controls maintained by the Company's Australian subsidiary, Magellan Petroleum Australia Limited, with the objective of full compliance with the Sarbanes-Oxley Act of 2002. Because the Company is a "non-accelerated filer" under the Exchange Act, this Item 9A sets forth the first report of management on the Company's internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002, as follows:

Management acknowledges its responsibility for establishing and maintaining adequate internal control over financial reporting. We have used the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in conducting our evaluation of the effectiveness of the internal control over financial reporting. Based on our evaluation, we concluded that the Company's internal control over financial reporting was effective as of June 30, 2008.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Because of its inherent limitations, internal control over financial reporting and procedures may not prevent or detect misstatements. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of

fraud, if any, have been detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate. Other than as described in this paragraph, there have not been any other changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth fiscal quarter of the Company's fiscal year ended June 30, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Changes in Internal Control Over Financial Reporting

As part of the Company's annual financial close and reporting process, the misapplication of reserve data in the calculation of depletion expense was discovered by management (see Note 12 of Item 8). Since MPAL's calculation of depletion ratios used in their local reporting under Australian International Financial Reporting Standards have been harmonized with generally accepted accounting standards in the United States in the fourth quarter of fiscal 2008 and since the depletion ratios will be independently calculated and compared by both MPAL and MPC management, the likelihood of a similar error occurring in the future is considered to be remote. The harmonization of the depletion calculation, which was undertaken to promote efficiency in the financial close and reporting process, and the independent calculations described above materially affected and improved the Company's internal controls over financial reporting.

Item 9B. ***Other Information***

The Company has entered into an amended and restated employment agreement, effective as of September 28, 2008, with Daniel J. Samela, the Company's President, Chief Executive Officer and Chief Financial/Accounting Officer. The principal purpose of the Amended and Restated Agreement is to conform them to the substantive and procedural requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"). The terms of the Amended and Restated Agreement are substantially identical to Mr. Samela' prior agreement. A description of the material terms of the officers' prior agreements was included in the proxy statement dated October 28, 2007, under the heading "Employment Agreements with Executive Officers," which description is hereby incorporated herein by reference.

In order to conform to Section 409A's requirements, Mr. Samela's Employment Agreement was revised to provide that 1) generally, payments made to Mr. Samela following a separation from service from the Company are delayed for a period of six months following such separation; 2) cash payments have been substituted for continuation of various benefits following Mr. Samela' separation from service from the Company. A copy of Mr. Samela's Amended and Restated Employment Agreement is attached hereto as Exhibit 10(p), and is hereby incorporated herein by reference.

PART III

Pursuant to General Instruction G(3), the information called for by Items 10, (except for information concerning the executive officers of the Company) 11, 12, 13 and 14 is hereby incorporated by reference to the Company's definitive proxy statement to be filed on EDGAR on or about October 26, 2008. Certain information concerning the executive officers of the Company is included as Item 10 of this report.

Item 10. *Directors, Executive Officers and Corporate Governance*

The following is a list of the executive officers of the Company:

Name	Age	Office Held	Length of Service as an Officer	Other Positions Held with Company
Daniel J. Samela	60	President and Chief Financial Officer	Since 2004	Treasurer
T. Gwynn Davies	62	General Manager — MPAL	Since 2001	None

For further information regarding the executive officers see the Company's Proxy Statement to be filed with the SEC on or about October 26, 2008.

Item 11. *Executive Compensation*

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

Equity Compensation Plan Information

The following table provides information about the Company's common stock that may be issued upon the exercise of options and rights under the Company's existing equity compensation plan as of June 30, 2008.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a) (#)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)($)	Number of Securities Remaining Available for Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c) (#)
Equity compensation plans approved by security holders	530,000	$ 1.51	295,000

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

Item 14. *Principal Accounting Fees and Services*

PART IV

Item 15. ***Exhibits, Financial Statement Schedules***

(a) (1) *Financial Statements.*

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

	Page Reference
Report of Independent Registered Public Accounting Firm	35
Consolidated balance sheets as of June 30, 2008 and 2007	36
Consolidated statements of operations for each of the three years in the period ended June 30, 2008	37
Consolidated statements of stockholders' equity for each of the three years in the period ended June 30, 2008	38
Consolidated statements of cash flows for each of the three years in the period ended June 30, 2008	39
Notes to consolidated financial statements	40
Supplementary oil and gas information (unaudited and restated)	59

(2) *Financial Statement Schedules.*

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

(c) *Exhibits.*

The following exhibits are filed as part of this report:

Item Number

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

None.

3. *Articles of Incorporation and By-Laws.*

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

(b) By-Laws, as amended on April 18, 2007, as filed as Exhibit 3.1 to current Report on Form 8-K filed on April 23, 2007 are incorporated by reference.

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

None.

9. *Voting Trust Agreement.*

None.

10. *Material contracts.*

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

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

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

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

(e) Agreements relating to Kotaneelee.

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

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

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

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

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

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

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

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

(j) Agreements dated June 28, 1985 relating to Amadeus Basin -Darwin Pipeline which include Deed of Trust Amadeus Gas Trust, Undertaking by the Northern Territory Electric Commission and Undertaking from the

Northern Territory Gas Pty Ltd. filed as Exhibit 10(j) to Annual Report on Form 10-K for the year ended June 30, 1999 (File No. 001-5507) is incorporated herein by reference.

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

(l) Form of Agreement pursuant to Article SIXTEENTH of the Company's Certificate of Incorporation and the applicable By-Law to indemnify the Company's directors and officers is filed herewith.

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

(n) First Amendment to the 1998 Stock Option Plan dated October 24, 2007 is filed herewith.

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

(p) Amended and Restated Employment Agreement between Daniel J. Samela and Magellan Petroleum Corporation effective September 28, 2008 is filed herewith.

(q) Palm Valley Renewal of Petroleum Lease dated November 6, 2003, filed as Exhibit 10 (s) to Annual Report on Form 10-K for the year ended June 30, 2005, is incorporated herein by reference.

11. Statement re computation of per share earnings.

Not applicable.

12. Statement re computation of ratios.

None.

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

Not applicable.

14. Code of Ethics

Magellan Petroleum Corporation Standards of Conduct filed as Exhibit 14 to Annual Report Form 10-K for the year ended June 30, 2006, is incorporated herein by reference.

16. Letter re change in certifying accountant.

None

18. Letter re change in accounting principles.

None.

21. Subsidiaries of the registrant.

Filed herein.

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

Not applicable.

23. Consent of experts and counsel.

1. Consent of Deloitte & Touche LLP is filed herein.

2. Consent of Paddock Lindstrom & Associates, Ltd. is filed herein.

24. Power of attorney.

None.

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

Certification of Daniel J. Samela, 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 Daniel J. Samela, President, Chief Executive Officer and Chief Financial and Accounting Officer, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, is filed herein.

(d) Financial Statement Schedules.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MAGELLAN PETROLEUM CORPORATION
(Registrant)

/s/ Daniel J. Samela
Daniel J. Samela
President, Chief Executive Officer, Chief Financial and Accounting Officer

Dated: September 25, 2008

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

Signature	Title	Date
/s/ Daniel J. Samela Daniel J. Samela	President, Chief Executive Officer, Chief Financial and Accounting Officer	Dated: September 25, 2008
/s/ Donald V. Basso Donald V. Basso	Director	Dated: September 25, 2008
/s/ Timothy L. Largay Timothy L. Largay	Director	Dated: September 25, 2008
/s/ Robert Mollah Robert Mollah	Director	Dated: September 25, 2008
/s/ Walter Mccann Walter Mccann	Director	Dated: September 25, 2008
/s/ Ronald P. Pettirossi Ronald P. Pettirossi	Director	Dated: September 25, 2008

INDEX TO EXHIBITS

10(l)	Form of Indemnification Agreement with the Company's officers and directors.
10(n)	First Amendment to the 1998 Stock Option Plan dated October 24, 2007.
10(p)	Amended and Restated Employment Agreement between the Company and Daniel J. Samela, effective September 28, 2008.
21.	Subsidiaries of the Registrant.
23.	1. Consent of Deloitte & Touche LLP
	2. Consent of Paddock Lindstrom & Associates, Ltd.
31.	Rule 13a-14(a) Certifications.
32.	Section 1350 Certifications.

INDEMNIFICATION AGREEMENT

This Indemnification Agreement (this "**Agreement**") is made as of the ___day of __________, 200_, by and between Magellan Petroleum Corporation, a Delaware corporation (the "**Company**"), and _____________________, an individual residing at ___________ __________, _____________________, __________ (the "**Indemnitee**").

Recitals

A. The Indemnitee is a director, officer, employee or agent of the Company and in such capacity is performing a valuable service for the Company.

B. The Delaware General Corporation Law, as amended from time to time (the "**DGCL**"), permits the Company to indemnify the officers, directors, employees and agents of the Company.

C. The Company desires to hold harmless and indemnify the Indemnitee to the fullest extent authorized or permitted by the provisions of the DGCL, or by any amendment thereof or other statutory provisions authorizing or permitting such indemnification which hereafter may be adopted.

D. The Company has entered into this Agreement and has assumed the obligations imposed on the Company hereby in order to induce the Indemnitee to serve or to continue to serve as a director, officer, employee or agent of the Company, and acknowledges that the Indemnitee is relying upon this Agreement in serving or continuing to serve in such capacity.

Agreement

Accordingly, in consideration of the Indemnitee's agreement to serve or continue to serve as a director and/or officer of the Company, the Company and the Indemnitee agree as follows:

1. Initial Indemnification.

(a) General. From and after the date hereof, the Company shall indemnify the Indemnitee whenever he was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Company to procure a judgment in its favor), by reason of the fact that he is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in any such capacity, against any and all expenses (including, without limitation, attorneys' fees and expenses), judgments, fines, settlements and other amounts actually and reasonably incurred by the Indemnitee in connection with such action, suit or proceeding and any appeal therefrom if the Indemnitee acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal action or proceeding, had no reasonable cause

to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the Indemnitee did not satisfy the foregoing standard of conduct to the extent applicable thereto.

(b) Derivative Actions. From and after the date hereof, the Company shall indemnify the Indemnitee when he was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by or in the right of the Company to procure a judgment in its favor by reason of the fact that he is or was or had agreed to become a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including, without limitation, attorneys' fees and expenses) actually and reasonably incurred by him in connection with the defense or settlement of such action, suit or proceeding or any appeal therefrom if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company, except that no indemnification shall be made in respect of any claim, issue or matter as to which the Indemnitee shall have been adjudged to be liable to the Company unless and only to the extent that the Delaware Court of Chancery, or the court in which such action, suit or proceeding is or was brought, shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, the Indemnitee is fairly and reasonably entitled to indemnity for such expenses and then only to the extent that the Delaware Court of Chancery or such other court shall determine.

(c) Determination of Entitlement. Any indemnification under Section 1(a) or 1(b) hereof (unless ordered by a court) shall be made by the Company only if authorized in the specific case upon a determination, in accordance with Section 4 hereof or any applicable provision of the Company's Restated Certificate of Incorporation, as then amended (the "**Charter**"), its By-laws as then amended (the "**By-laws**"), any other agreement, any resolution or otherwise, that indemnification of the Indemnitee is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 1(a) or (b) above. Such determination shall be made (i) by the Company's Board of Directors (the "**Board**") by a majority vote of a quorum consisting of directors who are not parties to such action, suit or proceeding, (ii) by a committee of such directors designate by majority vote of such directors, even though less than a quorum, (iii) if such a quorum of disinterested directors is not available, or if such directors so direct, by independent legal counsel in a written opinion or (iv) by the stockholders of the Company (the "**Stockholders**").

(d) Expenses. To the extent that the Indemnitee has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1(a) or 1(b) hereof, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including, without limitation, attorneys' fees and expenses) actually and reasonably incurred by him in connection therewith. Expenses (including, without limitation, attorneys' fees and expenses) incurred by the Indemnitee in defending a civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Company in advance of the final disposition of such action, suit or proceeding as authorized in accordance with Section 4 hereof or any applicable provision of the Charter, the By-laws, any other agreement, any resolution or otherwise.

(e) <u>Benefit Plan Matters</u>. For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on the Indemnitee with respect to any employee benefit plan; references to "serving at the request of the Company" shall include any service as a director, officer, employee or agent of the Company which imposes duties on, or involves services by, the Indemnitee with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and the beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Section 1.

2. <u>Additional Indemnification</u>.

(a) <u>General</u>. If and to the extent that (i) the DGCL is amended hereafter to require or permit indemnification, expense advancement or exculpation that is or may be more favorable to the Indemnitee than the maximum permissible indemnification, expense advancement and exculpation now permitted thereunder and provided in this Agreement, or (ii) the Company reincorporates in or merges, consolidates or combines into or with any other corporation or entity by virtue of which transaction the Company is not the surviving, resulting or acquiring corporation and the surviving, resulting or acquiring corporation is incorporated in a different jurisdiction which at such time requires or permits indemnification, expense advancement or exculpation that is or may be more favorable to the Indemnitee than the maximum permissible indemnification, expense advancement and exculpation now permitted under the DGCL and provided in this Agreement, then pursuant to this Agreement the Indemnitee shall be entitled to, and this Agreement shall be deemed to be amended to provide for the Indemnitee's contractual entitlement to, indemnification, expense advancement and exculpation to the maximum extent that may be permitted or required under such applicable law at the time of any initial or subsequent request for indemnity hereunder (determined as contemplated by Section 4 hereof), whether or not the Company has adopted any Charter or By-law provisions adopting, effecting or implementing any provisions thereof which are permissive and not mandatory in nature. Nothing contained herein shall be deemed to detract from, diminish, impair, limit or adversely affect any right which the Indemnitee may have under this Agreement, and to the extent that any terms, conditions or provisions of this Agreement (including, without limitation, those in Section 1 hereof) are more favorable to the Indemnitee than the maximum indemnification, expense advancement and exculpation then permitted or required under such applicable law (determined as aforesaid), then such terms, conditions and provisions of this Agreement shall be preserved and integrated with such more favorable terms from then applicable law and shall continue to apply to the Indemnitee's rights by virtue of this Agreement. The same expansion of the Indemnitee's rights and deemed inclusion herein and integration herewith of any terms, conditions or provisions more favorable to the Indemnitee shall occur upon and with respect to any amendment of the provisions relating to indemnification, expense advancement and exculpation in the Company's Charter or By-laws and any provision by the Company to any other officer or director of the Company of any other different form of indemnification contract or agreement.

(b) Examples and Limitations. Without limiting the generality of Section 2(a) hereof, the Indemnitee hereby may become entitled to indemnification of any and all amounts which he becomes legally obligated to pay (including, without limitation, damages, judgments, fines, settlements, expenses of investigation and defense of legal actions, proceedings or claims and appeals therefrom, and expenses of appeal, attachment or similar bonds) relating to or arising out of any claim made against him because of any act, failure to act or neglect or breach of duty, including any actual or alleged error, misstatement or misleading statement, which he commits, suffers, permits or acquiesces in while acting in his capacity as an officer, director, employee or agent of the Company, subject only to any limitations on the maximum permissible, expense advancement or indemnification which may exist under applicable law (determined as provided in Section 2(a) hereof). In no event, however, shall the Company be obligated under this Section 2 to make any payment in connection with any claim against the Indemnitee:

(i) for which payment actually has been made to the Indemnitee under a valid and collectible insurance policy, except in respect of any retention or excess beyond the amount of payment under such insurance;

(ii) which results in a final, nonappealable order for the Indemnitee to pay a fine or similar governmental imposition which the Company is prohibited by applicable law from paying; or

(iii) which is based upon or attributable to the Indemnitee gaining in fact a personal profit to which he was not legally entitled, including, without limitation, any profits made from the purchase and sale by the Indemnitee of equity securities of the Company which are recoverable by the Company pursuant to Section 16(b) of the Securities Exchange Act of 1934 and any profits arising from transactions in any publicly traded securities of the Company which were effected by the Indemnitee in violation of Section 10(b) of the Securities Exchange Act of 1934 or Rule 10b-5 promulgated thereunder.

3. Effect of Future Adverse Changes in Charter, By-laws or Applicable Law.

Nothing herein shall prevent the adoption by the Board or Stockholders of the Company of any amendment to the Charter or By-laws of the Company, the effect of which would be to detract from, diminish, impair, limit or adversely affect the Indemnitee's rights to indemnification, expense advancement or exculpation that otherwise exist as of the date hereof pursuant to such Charter or By-laws as applied to any act or failure to act occurring in whole or in part after the date hereof. In the event that the Company shall adopt any such amendment to its Charter or By-laws, however, or in the event that the indemnification, expense advancement or exculpation provisions of the DGCL (or any other then applicable law) hereafter shall be amended in a manner which may be deemed to detract from, diminish, impair, limit or adversely affect the Indemnitee's rights with respect thereto, such events and changes shall not in any manner or to any extent detract from, diminish, impair, limit or adversely affect in any manner the contractual indemnification rights and procedures granted to and benefiting the Indemnitee

under this Agreement, unless and then except only to the extent that any of such rights or any of the terms, conditions and provisions of this Agreement shall thereby be made illegal or otherwise violative of applicable law, in which case the provisions of Section 10(c) hereof shall apply. For purposes only of determining the Indemnitee's rights to indemnification pursuant to the Company's Charter or By-laws as so amended, and not for purposes of the continuing applicability of this Agreement in accordance with its terms, any such amendment to the Company's Charter or By-laws shall apply to acts or failures to act occurring entirely after the date on which such amendment was approved and adopted by the Board or the Stockholders, as the case may be, unless the Indemnitee shall have voted in favor of such approval and adoption as a director or holder of record of the Company's voting stock, as the case may be.

4. Certain Procedures.

(a) Indemnification Procedures. For purposes of pursuing his rights to indemnification under Section 1 (other than the second sentence of Section 1(d) hereof, which shall be governed by Section 4(b) hereof) or Section 2 hereof, as the case may be, the Indemnitee shall be required to submit to the Board a sworn statement of request for indemnification substantially in the form of Exhibit 1 hereto (the "**Indemnification Statement**") averring that he is entitled to indemnification hereunder. Submission of an Indemnification Statement to the Board shall create a presumption that the Indemnitee is entitled to indemnification under Section 1 (other than the second sentence of Section 1(d) hereof, which shall be governed by Section 4(b) hereof) or Section 2 hereof, as the case may be, and, except as set forth below, the Board shall within 30 calendar days after submission of the Indemnification Statement specifically determine that the Indemnitee is so entitled, unless within such 30-calendar day period it shall determine by Board action, based upon clear and convincing evidence (sufficient to rebut the foregoing presumption) that the Indemnitee is not entitled to indemnification under Sections 1 or 2 hereof. The Company shall notify the Indemnitee promptly in writing following such determination. Any evidence rebutting the Indemnitee's presumption, to which the Board gave weight in arriving at its determination, shall be disclosed to the Indemnitee with particularity in such written notice. Notwithstanding anything to the contrary contained in the three preceding sentences, if the Board determines that it cannot act on the request for indemnification submitted by the Indemnitee because a determination of entitlement can not be made in the manner required by Section 1(c) hereof, the Board will act promptly to retain independent legal counsel or convene a meeting of Stockholders to act on the request.

(b) Expense Advancement Procedures. For purposes of determining whether to authorize advancement of expenses pursuant to the second sentence of Section 1(d) hereof or Section 2(b) hereof, the Indemnitee shall be required to submit to the Board a sworn statement of request for advancement of expenses substantially in the form of Exhibit 2 hereto (the "**Undertaking**"), averring that (i) he has incurred or will incur actual expenses in defending a civil, criminal, administrative or investigative action, suit or proceeding and (ii) he undertakes to repay such amount if it shall be determined ultimately that he is not entitled to be indemnified by the Company under this Agreement or otherwise. Within 30 calendar days after receipt of the Undertaking, the Board shall authorize payment of the expenses described in the Undertaking, whereupon such payments shall be made promptly by the Company. No security shall be

required in connection with any Undertaking, and any Undertaking shall be accepted without reference to the Indemnitee's ability to make repayment.

(c) Selection of Counsel. In the event the Company shall be obligated under this Section 4 to pay the expenses of any action, suit or proceeding against the Indemnitee, the Company shall be entitled to assume the defense of such proceeding, with counsel acceptable to and approved by the Indemnitee, upon the delivery to the Indemnitee of written notice of the Company's election to do so. After delivery of such notice, approval of such counsel by the Indemnitee and the retention of such counsel by the Company, the Company will not be liable to the Indemnitee under this Agreement for any fees of separate counsel subsequently incurred by the Indemnitee with respect to the same action, suit or proceeding; provided, however, that if (i) the employment of counsel by the Indemnitee has been previously authorized by the Company, (ii) the Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and the Indemnitee in the conduct of any such defense, or (iii) the Company shall not, in fact, have employed counsel to assume the defense of such proceeding, then the Indemnitee may select and employ his own counsel to direct the defense thereof and the fees and expenses of such counsel shall be paid by the Company. Notwithstanding any assumption of the defense of any such action, suit or proceeding and employment of counsel with respect thereto by the Company in accordance with the foregoing, the Indemnitee shall have the right to employ his own separate counsel to participate in any such action, suit or proceeding at the Indemnitee's expense.

5. Corporate Approval. The Company represents and warrants to the Indemnitee that: (i) the Company has all requisite power and authority to enter into this Agreement and to perform its obligations hereunder; (ii) this Agreement and the performance of all of the Company's obligations hereunder have been approved by all corporate action required on the part of the Company under the Charter, the By-laws or applicable law or contract; and (iii) this Agreement, when executed, will constitute the valid and legally binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to any applicable bankruptcy law and equitable limitations.

6. Fees and Expenses of Enforcement. It is the intent of the Company that the Indemnitee not be required to incur the expenses associated with the enforcement of his rights under this Agreement by litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Indemnitee hereunder. Accordingly, if it should appear to the Indemnitee that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any action, suit or proceeding designed (or having the effect of being designed) to deny, or to recover from, the Indemnitee the benefits intended to be provided to the Indemnitee hereunder, the Company irrevocably authorizes the Indemnitee from time to time to retain counsel of his choice, at the expense of the Company as hereafter provided, to represent the Indemnitee in connection with the initiation or defense of any litigation or other legal action, whether by or against the Company or any director, officer, stockholder or other person affiliated with the Company, in any jurisdiction. Regardless of the outcome thereof, the Company shall pay and be solely responsible for any and all expenses, including without limitation attorneys' fees and

expenses, actually and reasonably incurred by the Indemnitee (i) as a result of the Company's failure to perform this Agreement or any provision hereof or (ii) as a result of the Company or any person contesting the validity or enforceability of this Agreement or any provision hereof as aforesaid.

7. Maintenance of Insurance and Self Insurance.

(a) The Company represents that it presently has in force and effect policies of D & O Insurance in insurance companies and amounts as follows (the "Insurance Policies").

Insurer	Policy No.	Amount	Deductible
Chubb Group of Insurance Companies	81691712	$10,000,000	$250,000

Subject only to the provisions of Section 7(b) hereof, the Company hereby agrees that, so long as Indemnitee shall continue to serve as a director of officer of the Company (or shall continue at the request of the Company to serve as a director, officer, employee or agent of another company, partnership, joint venture, trust or other enterprise) and thereafter so long as Indemnitee shall be subject to any possible claim or threatened, pending or completed action, suit or proceeding, whether civil, criminal or investigative by reason of the fact that Indemnitee was a director of the Company (or served in any of said other capacities), the Company will purchase and maintain in effect for the benefit of Indemnitee one or more valid, binding and enforceable policy or policies of D & O Insurance providing, in all respects, coverage at least comparable to that presently provided pursuant to the Insurance Policies.

(b) The Company shall not be required to maintain said policy or policies of D & O Insurance in effect if said insurance is not reasonably available or if, in the reasonable business judgment of the then directors of the Company, either (i) the premium cost for such insurance is substantially disproportionate to the amount of coverage or (ii) the coverage provided by such insurance is so limited by exclusions that there is insufficient benefit from such insurance.

8. Reorganizations. In the event that the Company shall be a constituent corporation (including any constituent of a constituent) in a merger, reorganization, consolidation, combination or similar transaction, the Company, if it shall not be the surviving, resulting or acquiring corporation therein, shall require as a condition thereto the surviving, resulting or acquiring corporation to expressly assume and adopt this Agreement and to agree to indemnify the Indemnitee to the full extent provided in this Agreement. Whether or not the Company is the resulting, surviving or acquiring corporation in any such transaction, the Indemnitee shall stand in the same position under this Agreement with respect to the resulting, surviving or acquiring corporation as he would have with respect to the Company if its separate existence had continued.

9. Nonexclusivity, Survival and Subrogation.

(a) Nonexclusivity. The rights to indemnification and advancement provided by this Agreement shall not be exclusive of any other rights to which the Indemnitee may be entitled under the Charter, the By-laws, the DGCL, any other statute, insurance policy, agreement, vote of shareholders or of directors or otherwise, both as to actions in his official capacity and as to actions in another capacity while holding such office.

(b) Survival. The provisions of this Agreement shall survive the death, disability, or incapacity of the Indemnitee or the termination of the Indemnitee's service as an officer, director, employee or agent of the Company and shall inure to the benefit of, and be enforceable by, the Indemnitee's heirs, executors, guardians, administrators or assigns.

(c) Subrogation. In the event of any payment by the Company under this Agreement, the Company shall be subrogated to the extent thereof to all rights of recovery previously vested in the Indemnitee, who shall cooperate with the Company, at the Company's expense, in executing all such instruments and taking all such other actions as shall be reasonably necessary for the Company to enforce such right or as the Company may reasonably request.

10. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the principles of conflict of laws thereof.

11. Miscellaneous.

(a) This Agreement contains the entire agreement of the parties relating to the subject matter hereof.

(b) Any provision of this Agreement may be amended or waived only if such amendment or waiver is in writing and signed, in the case of an amendment, by both parties hereto or, in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by either party in exercising any right, power or privilege hereunder shall operate as a waiver hereof nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right, power or privilege.

(c) If any provision of this Agreement or the application of any provision hereof to any person or circumstance is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal shall be reformed to the extent (and only to the extent) necessary to make it enforceable, valid and legal.

(d) Nothing contained in this Agreement is intended to create in the Indemnitee any separate or independent right to continued employment by the Company.

(e) This Agreement may be executed in counterparts, but all such counterparts taken together shall constitute on and the same Agreement.

(f) The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement. The use of the word “including” in this Agreement shall be by way of example rather than limitation. The use of the word “or” in this Agreement is intended to be conjunctive rather than disjunctive.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first above written.

MAGELLAN PETROLEUM CORPORATION

By: ______________________________
Name:
Title:

____
[NAME OF INDEMNITEE]

EXHIBIT 1

Indemnification Statement

STATE OF)
) ss.
COUNTY OF)

I, ____________________, being first duly sworn, do depose and state as follows:

1. This Indemnification Statement is submitted pursuant to the Indemnification Agreement, dated ____________________, 200___between Magellan Petroleum Corporation, a Delaware corporation (the "**Company**"), and the undersigned.

2. I am requesting indemnification against expenses (including, without limitation, attorneys' fees and expenses), costs, judgments, damages, fines and amounts paid in settlement, all of which (collectively, "**Liabilities**") have been or will be actually and reasonably incurred by me in connection with an actual or threatened action, suit or proceeding to which I was or am a party or am threatened to be made a party.

3. With respect to all matters related to any such action, suit or proceeding, I am entitled to be indemnified as herein contemplated pursuant to the aforesaid Indemnification Agreement.

4. Without limiting any other rights which I have or may have, I am requesting indemnification against Liabilities which have arisen or may arise out of

____

____

____

____.

Indemnitee

____

Subscribed and sworn to before me, a Notary Public in and for said County and State, this ___day of____________________, 20_.

[Seal]

My commission expires the ___day of ____________________, 20 _.

EXHIBIT 2

Undertaking

STATE OF)
) ss.
COUNTY OF)

I, ____________________, being first duly sworn, do depose and state as follows:

1. This Undertaking is submitted pursuant to the Indemnification Agreement, dated ____________________ ___, 200___, between Magellan Petroleum Corporation, a Delaware corporation (the "**Company**"), and the undersigned.

2. I am requesting advancement of certain expenses (including, without limitation, attorneys' fees and expenses) which I have incurred or will incur in defending a civil, criminal, administrative or investigative action, suit or proceeding.

3. I hereby undertake to repay this advancement of expenses if it shall ultimately be determined that I am not entitled to be indemnified by the Company under the aforesaid Indemnification Agreement or otherwise.

4. The expenses for which advance is requested are, in general, all expenses related to

____
____
____
____.

Indemnitee

____

Subscribed and sworn to before me, a Notary Public in and for said County and State, this ___day of____________________, 20_.

[Seal]

My commission expires the ___day of ____________________, 20_.

EXHIBIT 10(n)

FIRST AMENDMENT TO THE MAGELLAN PETROLEUM CORPORATION 1998 STOCK OPTION PLAN

This First Amendment to the Magellan Petroleum Corporation 1998 Stock Option Plan (the "Plan") is adopted this 24th day of October 2007, by Magellan Petroleum Corporation (the "Company").

W I T N E S S E T H :

WHEREAS, the Board of Directors of the Company approved the Plan on December 3, 1997 and the Company's shareholders approved the Plan, effective December 2, 1998;

WHEREAS, the Company reserved the right to the Board of Directors to amend the Plan in Section 14 thereof "in order to conform to any change in the law or regulation applicable" to the Company;

WHEREAS, the American Jobs Creation Act of 2004 added a new Section 409A to the Internal Revenue Code of 1986, as amended;

WHEREAS, the Company wishes to amend the Plan to eliminate the Plan's provisions on "repricing" and "reload" of option and SAR awards in order to conform the provisions of the Plan to the requirements of Section 409A and the IRS final regulations adopted thereunder; and

WHEREAS, the Company's common stock has been voluntarily delisted from the Pacific Exchange and the Company wishes and to delete all references to the "Pacific Exchange" from the Plan.

NOW, THEREFORE, BE IT RESOLVED THAT the Plan is hereby amended as set forth below.

1. Section 5(a)(v) of the Plan and subsection (v) in the first sentence of Section 6 are hereby deleted in their entirety.

2. All references in the Plan to the "Pacific Exchange" are hereby deleted and the term "Nasdaq Stock Market, Inc." is hereby substituted therefor.

3. Section 10 of the Plan is deleted in its entirety and the following is substituted therefore:

   Section 10. No Repricings. Notwithstanding anything to the contrary in this Plan, the purchase price of each share of Stock subject to an outstanding option granted under the Plan may not be decreased after the date of grant nor may an outstanding option granted under the Plan be surrendered to the Company as consideration for the grant of a new option with a lower exercise price (except as otherwise provided in Section 11 hereof relating to the adjustment of awards upon changes in capitalization of the Company).

4. Except as hereby amended, the Plan remains in full force and effect.

EXHIBIT 10(p)

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

This AMENDED AND RESTATED EMPLOYMENT AGREEMENT made as of September 28, 2008, by and between MAGELLAN PETROLEUM CORPORATION, a Delaware corporation (hereinafter called the "Company"), having its principal place of business located at 10 Columbus Boulevard, Hartford, Connecticut 06106, 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, the Company and Employee entered into an Employment Agreement dated March 1, 2004; and

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

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

WHEREAS, Employee is willing to continue 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 Employee, notwithstanding the possibility, threat of occurrence of a Change of Control (as defined below) of the Company, and (ii) to provide Employee with compensation and benefits arrangements upon a Change of Control which ensure that the compensation and benefits expectations of Employee will be satisfied and which are competitive with those of other corporations; and

WHEREAS, the Company and Employee wish to amend and restate the Agreement to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

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 Chief Financial/Accounting Officer and Acting President and Chief Executive Officer. 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, 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 Employee elects to retire or unless this Agreement is sooner terminated by one of the parties in accordance with the terms hereof or is terminated under Section 4 hereof.

3. Disability. If the Company determines in good faith that the Disability of Employee has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to Employee written notice in accordance with Section 16 of this Agreement of its intention to terminate Employee's employment. In such event, Employee' employment with the Company shall terminate effective on the 30th day after receipt of such notice by Employee (the "Disability Effective Date"), provided that, within the 30 days after such receipt, Employee shall not have returned to fulltime performance of his 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 Employee or his 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 Employee is entitled, Employee shall 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 Employee by the Board hereunder, to use 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 wholly-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 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 Employee's responsibilities as an employee of the Company in accordance with this Agreement.

6. Compensation; Benefit Plans and Programs.

(a) Base Salary. 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 Employee’s Base Salary in light of 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 (or the entire Board acting as such Committee) shall meet with Employee annually to review 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. Payment of any such Bonus shall be made 30 days following the Board’s determination that Employee will receive a Bonus. 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. Effective July 1, 2004, Employee was granted a non-qualified stock option (the “Stock Option”) under the Magellan Petroleum Corporation 1998 Stock Option Plan, as amended on October 24, 2007 (the “Option Plan”), which Stock Option entitled Employee to purchase up to Thirty Thousand (30,000) shares of Common Stock of the Company. These and any other terms and conditions of the Stock Option were set forth in a written agreement dated July 1, 2004, the form and content of which was substantially similar to the option agreements evidencing other awards under the Plan. Future awards of stock options or other awards 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 for family health insurance coverage,

which shall consist of medical, prescription and dental benefits, and shall also reimburse Employee for long term disability insurance coverage with an annual premium not to exceed $6,000. In addition, the Company shall purchase a term life insurance policy with coverage of up to $400,000 to supplement Employee's existing term life insurance coverage. Reimbursements under this paragraph shall be made no later than the end of the year following the year in which such expenses were incurred by Employee. The expenses eligible for reimbursement during Employee's taxable year may not affect the expenses eligible for reimbursement in any other year, and the right to reimbursement is not subject to liquidation or exchange for another benefit.

(f) Vacation and Holidays. During the Employment Period, Employee shall be entitled to paid vacation leave of four (4) weeks per year. 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. Reimbursements under this Section shall be made no later than the end of the year following the year in which such expenses were incurred by Employee.

8. Office Expenses and Rent; Administrative Support Services. The Company shall bear the costs of maintaining and operating the Company's head office located in Hartford, Connecticut. The Company shall provide Employee with administrative support services at such head 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) Employee's annual Base Salary in effect at the Date of Termination and (y) the average of Employee's annual Bonus paid for the three full fiscal years preceding the date of termination of the Employment Period. Payment of these amounts shall be made in two lump sums. The first lump sum shall be paid on the day following the date of Employee's separation from service and shall equal the lesser of two times (i) the sum of Employee's annualized compensation based upon the annual rate of pay for services provided to the Company for the taxable year of Employee preceding the taxable year in which Employee has a separation from service or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which Employee has a separation from service. The second lump sum payment shall be equal to the difference between the amount calculated under the first sentence of this paragraph and the amount calculated under the third sentence of this paragraph, and such lump sum shall be paid on the first day of the seventh (7th) month following Employee's separation from service. Each lump sum shall be deemed a separate payment for purposes of Section 409A of the Code.

(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 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 Employee's termination be without Cause, the provisions of Section 9 of this Agreement shall 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. Separation from Service. No termination shall be deemed to have occurred under this Agreement unless there has been a "separation from service" as defined under Section 409A of the Code, and the term "termination of employment" and the like shall be construed to mean "separation from service" as so defined.

13. Change of Control. In the event of a Change of Control, as defined herein, the provisions of this Section 13 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 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 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 13(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 13(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, 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. Employee's employment shall terminate automatically upon Employee's death during the Employment Period following a Change of Control. If the Company determines in good faith that the Disability of 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 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. Employee's employment may be terminated by Employee during the Employment Period following a Change of Control for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(A) a material negative change to Employee resulting from the assignment to Employee of any duties inconsistent in any respect with Employee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 13(c), or any other action by the Company which results in a material diminution in such position, authority, duties or responsibilities;

(B) any failure by the Company to comply with any of the provisions of Section 13(c) that results in a material negative change to Employee;

(C) The Company materially changing the geographic location in which Employee must perform services from the location at which he is performing such services at the time this Amended and Restated Employment Agreement is entered into; or

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

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

(iv) Notice of Termination. Any termination by the Company for Cause, or by 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 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. If Employee is providing Notice of Termination to the Company under Section 13(d)(iii), Employee shall provide such notice to the Company not later than 90 days following the initial existence of the condition constituting Good Reason. If the Company shall have remedied the condition giving rise to such Good Reason condition within 30 days of the receipt of such notice, no "Good Reason" condition shall have been deemed to have occurred. The failure by 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 Employee or the Company, respectively, hereunder or preclude Employee or the Company, respectively, from asserting such fact or circumstance in enforcing Employee's or the Company's rights hereunder.

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

Good Reason, the Date of Termination shall be the date 30 days following the date of receipt of the Notice of Termination or any later date specified therein, 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 Employee's employment other than for Cause or Disability or Employee shall terminate employment for Good Reason, then the Company shall pay to Employee the following amounts:

(A) The product of (x) the average of 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; such payment shall be made in a lump sum on the first day of the seventh month following Employee's separation from service; and

(B) An amount equal to three (3) times the sum of (x) Employee's annual Base Salary in effect at the Date of Termination and (y) the average of Employee's annual Bonus paid for the three full fiscal years preceding the date of termination of the Employment Period. Payment of these amounts shall be made in two lump sums. The first lump sum shall be paid on the date of Employee's separation from service and shall equal the lesser of two times (i) the sum of Employee's annualized compensation based upon the annual rate of pay for services provided to the Company for the taxable year of Employee preceding the taxable year in which Employee has a separation from service or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) for the year in which Employee has a separation from service. The second lump sum payment shall be equal to the difference between the amount calculated under the first sentence of this paragraph and the amount calculated under the third sentence of this paragraph, and such lump sum shall be paid on the first day of the seventh (7th) month following Employee's separation from service. Each lump sum shall be deemed a separate payment for purposes of 409A; and (C) for three years after Employee's separation from service, the Company shall pay Employee $15,000 per year, in lieu of medical benefits and medical insurance coverage to Employee and/or Employee's family. The first such payment shall be made on the first day of the seventh month following Employee's separation from service. The second such payment shall be made on the first anniversary of Employee's separation from service, and the third such payment shall be made on the second anniversary of Employee's separation from

service. Nothing herein shall limit Employee's right to elect continuation of medical benefits under Section 4980B of the Code or similar state law, if the Company maintains a group health plan subject to any such requirements; 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 Employee's employment other than for Cause or Disability or 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 Employee's annual Bonus paid for the three full fiscal years preceding the date of termination of the Employment Period. Payment of these amounts shall be made in two lump sums. The first lump sum shall be paid on the date of Employee's separation from service and shall equal the lesser of two times (i) the sum of Employee's annualized compensation based upon the annual rate of pay for services provided to the Company for the taxable year of Employee preceding the taxable year in which Employee has a separation from service or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) for the year in which Employee has a separation from service. The second lump sum payment (if any) shall be equal to the difference between the amount calculated under the first sentence of this paragraph and the amount calculated under the third sentence of this paragraph, and such lump sum shall be paid on the first day of the seventh (7th) month following Employee's separation from service. Each lump sum shall be deemed a separate payment for purposes of 409A; 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 Employee's employment is terminated by reason of Employee's death during the Employment Period following a Change of Control, this Agreement shall terminate without further obligations to Employee's legal representatives under this Agreement, other than for payment of amounts under Section 15 or 16, if any.

Amounts described in Section 16 shall be paid to Employee's estate in a lump sum in cash on the date which is 30 days following the Date of Termination.

(iv) Disability. If Employee's employment is terminated by reason of Employee's Disability during the Employment Period following a Change of Control, this Agreement shall terminate without further obligations to Employee, other than for payment of amounts under Section 15 or 16, if any.

(v) Cause: Other than for Good Reason. If 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 Employee amounts under Section 15 or 16, in each case to the extent theretofore unpaid. If 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 Employee, other than for amounts described in Section 15 or 16, if any.

14. 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 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 Employee notice to that effect and a copy of the detailed calculation thereof and of the Reduced Amount, and all payments hereunder shall be reduced on a pro rata basis to the extent necessary so that no payment hereunder shall constitute an excess parachute payment.

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

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

15. Compensation Under Other Plans. In the event of Employee's termination for any reason, any compensation previously deferred by him shall be paid in accordance with the terms of the plan, program, or agreement pursuant to which such deferral was made. In addition, to the extent not theretofore paid or provided, the Company shall timely pay or provide to Employee any other amounts or benefits required to be paid or provided or which Employee is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies, such amounts or benefits to be paid in accordance with the terms of the applicable plan, program, policy, practice, contract or agreement.

16. Accrued Obligations. In the event of Employee's termination for any reason, the Company shall pay to him a lump sum equal to the sum of Employee's Annual Base Salary through the Date of Termination to the extent not theretofore paid, and any accrued vacation pay to the extent not theretofore paid. Such payment will be made on the day following the date of the of Employee's separation from service from the Company.

17. 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.

18. 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 Employee during 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 Employee or representatives of 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 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 18 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 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 18 should ever be deemed to exceed the time, geographic or occupational limitations permitted by applicable laws, 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.

19. 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 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: Edward B. Whittemore, Secretary

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.

20. 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.

21. Successors.

(a) Benefits payable pursuant to this Agreement shall not be funded, and the Company shall not be required to segregate or earmark any of its assets for the benefit of Employee or his estate. Such benefits shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment by creditors of Employee or his estate, and any attempt to anticipate, alienate, transfer, assign or attach these benefits shall be void. Employee or his estate shall have only a contractual right against the Company for the benefits hereunder and shall have the status of general unsecured creditors.

(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.

22. 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) 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 Employee or the Company may have hereunder, including, without limitation, the right of Employee to terminate employment for Good Reason following a Change of Control pursuant to Section 13(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) 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.

(f) This Agreement is intended to comply with the provisions of Section 409A of the Code and shall be interpreted and administered in a manner consistent therewith.

(g) This Amendment and Restatement shall be effective as of September 28, 2008.

* * * * * *

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

MAGELLAN PETROLEUM CORPORATION

/s/ Daniel J. Samela
Daniel J. Samela

By /s/ Edward B. Whittemore
Name: Edward B. Whittemore
Title: Secretary

Exhibit 21

SUBSIDIARIES OF THE REGISTRANT

Subsidiary	State of Incorporation	Ownership
Magellan Petroleum Australia Limited	Queensland, Australia	100%
Magellan Petroleum Australia Limited owns the following subsidiaries directly or indirectly:		
Magellan Petroleum (N.T.) Pty. Ltd.	Queensland, Australia	100%
Paroo Petroleum Pty. Ltd.	Queensland, Australia	100%
Paroo Petroleum (Holdings), Inc.	Delaware, U.S.A.	100%
Paroo Petroleum (USA), Inc.	Delaware, U.S.A.	100%
Magellan Petroleum (W.A.) Pty. Ltd.	Queensland, Australia	100%
Magellan Petroleum (Eastern) Pty. Ltd.	Queensland, Australia	100%
Magellan Petroleum (Southern) Pty. Ltd.	Queensland, Australia	100%
Magellan Petroleum (NZ) Limited	New Zealand	100%
United Oil & Gas Co. (N.T.) Pty. Ltd.	Queensland, Australia	100%
Magellan Petroleum (Qld.) Pty. Ltd.	Queensland, Australia	80%
Magellan Petroleum (Ventures) Pty. Ltd.	Queensland, Australia	100%
Jarl Pty. Ltd.	Queensland, Australia	100%

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-70567 on Form S-8 of our report dated September 25, 2008, relating to the consolidated financial statements of Magellan Petroleum Corporation and subsidiaries, appearing in this Annual Report on Form 10-K of Magellan Petroleum Corporation for the year ended June 30, 2008.

/s/ Deloitte & Touche LLP

Hartford, Connecticut
September 25, 2008

Exhibit 23.2

CONSENT OF INDEPENDENT PETROLEUM ENGINEERS

The undersigned firm of Independent Petroleum Engineers, of Calgary, Alberta, Canada, knows that it is named as having prepared a constant dollar evaluation dated July 24, 2008 of the Kotaneelee interests of Magellan Petroleum Corporation, and hereby gives its consent to the use of its name and to the use of the said estimates.

Paddock Lindstrom & Associates Ltd.

/s/ L. K. Lindstrom

L. K. Lindstrom, P. Eng.
President

September 25, 2008

Exhibit 31

RULE 13A-14(a) CERTIFICATIONS

I, Daniel J. Samela, certify that:

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

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

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

4. The registrants other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15a-15(f)) for the registrant and have:

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

/s/ Daniel J. Samela
Daniel J. Samela
President and Chief Executive Officer,
Chief Accounting and Financial Officer

Dated: September 25, 2008

Exhibit 32

SECTION 1350 CERTIFICATIONS

In connection with the Annual Report of Magellan Petroleum Corporation (the “Company”) on Form 10-K for the period ending June 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Daniel J. Samela, President, Chief Executive Officer and Chief Financial and Accounting Officer of the Company, does hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

By: /s/ Daniel J. Samela

Daniel J. Samela

President, Chief Executive Officer and
Chief Accounting and Financial Officer

September 25, 2008