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

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

For the fiscal year ended June 30, 2000

OR

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

For the transition period from -------------- to -----------------

Commission file number 1-5507

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

| | |
|---|---|
| DELAWARE | 06-0842255 |
| State or other jurisdiction of incorporation or organization | (I.R.S. Employer Identification No.) |
| 149 Durham Road, Madison, Connecticut | 06443 |
| (Address of principal executive offices) | (Zip Code) |

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

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

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

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

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was $31,111,000 at September 18, 2000.

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

Common stock, par value $.01 per share, 25,108,226 shares outstanding as of September 18, 2000.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement related to the Annual Meeting of Stockholders for the fiscal year ended June 30, 2000, are incorporated by reference in Part III of this Form 10-K to the extent stated herein.

TABLE OF CONTENTS

<TABLE>



</TABLE>

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

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 18, 2000 was approximately A.$1.00 equaled U.S. $ .54.

PART I

Item 1. Business

Magellan Petroleum Corporation (the "Company" or "MPC") is engaged, directly and through its majority-owned subsidiary, in the sale of oil and gas and the exploration for and development of oil and gas reserves. At June 30, 2000, the Company's principal asset was a 51.2% equity interest in its subsidiary, Magellan Petroleum Australia Limited ("MPAL"), which has one class of stock that is publicly held and traded in Australia.

MPAL's major assets are two petroleum production leases covering the Mereenie oil and gas field (35% working interest) and one petroleum production lease covering the Palm Valley gas field (50.8% working interest). Both fields are located in the Amadeus Basin in the Northern Territory of Australia. Santos Ltd., a publicly owned Australian company, owns a 48% interest in the Palm Valley field, a 65% interest in the Mereenie field and 18.2% of MPAL's outstanding stock. Origin Energy Limited, a publicly owned Australian company, owned 17.1% of MPAL's outstanding stock at June 30, 2000.

The Company has a direct 2.67% carried interest in the Kotaneelee gas field in the Yukon Territory of Canada. Although the field has been on production since 1991 the Company has not received any revenues from the field. See Item 3 - Legal Proceedings.

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

The following is a tabular presentation of the omitted material:

MPC - MPAL RELATIONSHIPS CHART

MPC owns 51.2% of MPAL.
MPAL owns 50.8% of the Palm Valley Field, Australia. MPAL owns 35% of the Mereenie Field, Australia. Origin Energy Limited owns 17.1% of MPAL. SANTOS owns 18.2% of MPAL. SANTOS owns 48% of the Palm Valley Field, Australia. SANTOS owns 65% of the Mereenie Field, Australia.

(a) General Development of Business.

Operational Developments Since the Beginning of the Last Fiscal Year.

AUSTRALIA

Mereenie

MPAL (35%) and Santos (65%), the operator, (together known as the Mereenie Participants) own the Mereenie field which is located in the Amadeus Basin of the Northern Territory. MPAL's share of production from the field is subject to net overriding royalties aggregating 3.0625% and the statutory government royalty of 10%. MPAL's share of the Mereenie field proved developed oil reserves was approximately 496,000 barrels at June 30, 2000.

The field was producing about 1,200 (MPAL share - 420) barrels of crude oil per day ("bpd") and 34 (MPAL share - 12) million cubic feet of gas per day ("mmcfd") at June 30, 2000. During 2000, MPAL's share of oil sales was 198,000 barrels and 4.3 billion cubic feet ("bcf") of gas sold from 33 producing oil and gas wells. The oil is transported by means of a 167 mile eight-inch oil pipeline from the field to the Brewer Estate industrial park near Alice Springs. Most of the oil is then shipped south approximately 950 miles by rail and road to a refinery in the Adelaide area. The cost of transporting the oil to the refinery is being borne by the producers. The Mereenie Participants are also providing Mereenie gas in the Northern Territory to the Power and Water Authority ("PAWA") and Gasgo Pty. Ltd., a company it wholly owns, for use in Darwin and other Northern Territory centers. See "Gas Supply Contracts".

Palm Valley

MPAL has a 50.8% interest in and is the operator of the Palm Valley gas field which is located in the Northern Territory. Santos, the operator of the Mereenie field, owns a 48% interest in Palm Valley. Ten wells have been drilled in the field, five of which are currently connected to the gas treatment plant and are flowed at maximum deliverability levels to meet the Alice Springs and Darwin supply contracts with PAWA. See "Gas Supply Contracts". During fiscal 2000, MPAL's share of gas sales was 3.1 bcf and the field was producing 16 (MPAL share - 8.2 ) mmcfd at June 30, 2000. MPAL has recommended that four additional wells be drilled at Palm Valley to improve the field's production capacity. Under the gas supply agreement with PAWA, the costs of these wells are reimbursed by PAWA and, consequently, the recommendation is under review by PAWA's consultants.

MPAL's share of Palm Valley production revenues is subject to a 10% statutory government royalty and net overriding royalties aggregating 4.2548%.

Gas Supply Contracts

In 1983, the Palm Valley Participants commenced the sale of gas to Alice Springs under a 1981 agreement. In 1985, the Palm Valley Participants and Mereenie Participants signed agreements for the sale of gas to PAWA for use in PAWA's Darwin generating station and at a number of other generating stations in the Northern Territory. The gas is being delivered via the 922 mile Amadeus Basin to Darwin gas pipeline which was built by an Australian consortium. Since 1985, there have been several additional contracts for the sale of Mereenie gas. The following is a summary of MPAL's interest in the Palm Valley and the Mereenie gas supply contracts:

<TABLE>

| | Maximum contract (balance/after royalties) (bcf) | Percentage of contract completed | Contract Period |
|---|---|---|---|
| Palm Valley: | | | |
| <S> | <C> | <C> | <C> |
| Alice Springs (1981) | 2.3 | 83 | 1983-2003 |
| Darwin (1985) | 41.7 | 45 | 1987-2009 |
| | ---- | | |
| | 44.0 | | |
| Mereenie: | | | |
| Darwin (1985) | 7.9 | 53 | 1987-2012 |
| Darwin (1999) | 17.3 | 5 | 1999-2009 |
| Other | 1.5 | - | Various |
| | ----- | | |
| | 26.7 | | |
| Total | 70.7 | | |
| | ==== | | |

</TABLE>

Under the 1985 contracts, there is a difference in price between Palm Valley gas and most of the Mereenie gas for the first 20 years of the 25 year contracts which takes into account the additional cost to the pipeline consortium to build a spur line to the Mereenie field and increase the size of the pipeline from Palm Valley to Mataranka.

In consideration for the Palm Valley Participants forgoing 20% of the Amadeus Basin to Darwin gas supply contract during the first 20 contract years, Mereenie Participants made a payment to the Palm Valley Participants to partially compensate the Palm Valley Participants for the reduced net present value of the future gas sales revenues which were postponed from contract years 1 to 20 to contract years 21 to 26. The agreement also provides that when the Mereenie Participants sell any additional gas from the Mereenie field, the Palm Valley Participants are entitled, as additional consideration, to 35% of the revenues from the first 38 bcf (MPAL share - 19.5 bcf) of gas sold. At June 30, 2000, the balance of the Mereenie Participants gas subject to this entitlement was approximately 1.3 bcf (MPAL share - .5 bcf).

Dingo Gas Field

MPAL has a 34.3% interest in the Dingo gas field which is held under Retention License 2 and is subject to renewal in 2003. The Dingo gas field, which is located in the Amadeus Basin in the Northern Territory, has approximately 25 bcf of presently proved and recoverable reserves based on four delineation wells. Dingo 2 and Dingo 3 wells are estimated to have the capacity of producing a combined rate of 5 mmcfd. MPAL's share of potential production from these permit areas is subject to a 10% statutory government royalty and overriding royalties aggregating 2.5043%.

Browse Basin

During the 1999 fiscal year, MPAL and its partners were granted exploration permits WA-281-P, WA-282-P and WA-283-P in the Browse Basin offshore Western Australia. MPAL's share (17.5%) of the remaining work obligations for the three permits total $7,290,000 at June 30, 2000 and are as follows: $835,000 for the year 2001, $2,277,000 for 2002, $355,000 for 2003, $3,740,000 for 2004 and $83,000 for 2005.

During January 1999, MPAL was granted exploration blocks WA-287-P and WA-288-P in the Eastern Browse Basin. MPAL's share (100%) of the remaining work obligations of the two permits total $9,309,000 and are as follows: $417,000 for the fiscal year 2001, $238,000 for 2002, $4,178,000 for the 2003, $298,000 for 2004 and $4,178,000 for 2005. The expenditures for the years 2001-2002 are obligatory and discretionary for the years 2003-2005.

Carnarvon Basin

During April 1999, MPAL was awarded permit WA-291-P, offshore Western Australia in the Carnarvon Basin. MPAL's share (100%) of the remaining work obligations of the permit total $4,626,000 at June 30, 2000 and are as follows: $60,000 for the fiscal year 2001, $221,000 for 2002, $30,000 for 2003, $4,178,000 for 2004, $107,000 for 2005 and $30,000 for 2006. The expenditures for the years 2001-2003 are obligatory and discretionary for the years 2004-2006.

Maryborough Basin

MPAL holds a 98% interest in exploration permit ATP 613P, a 670,000 acre block, in the Maryborough Basin in Queensland, Australia. A third party has agreed to pay A.$300,000 for additional seismic data, which was acquired during September 2000. Depending on the results of this work, the third party has an option to drill an exploration well in exchange for an approximate 50% interest in the permit.

Cooper Basin

During April 1999, MPAL (50%) and its partner Beach Petroleum NL were successful in bidding for two exploration blocks in South Australia's Cooper Basin. The formal grant of the permit is pending. MPAL's share of the work obligations will total $3,074,000 and are as follows: $1,074,000 for the fiscal year 2002, $656,000 for 2003, $478,000 for 2004, $388,000 for 2005 and $478,000 for 2006.

UNITED STATES

Baca County, Colorado

MPC (10%) and MPAL (90%) participated in an exploration program in Colorado. During 1995, MPAL commenced a three well drilling program. All three wells were dry holes. During fiscal 1996, the Company wrote off $809,000 in costs, respectively. During fiscal 1997, the Company drilled a fourth well which was a dry hole and all of the remaining costs of the project, which totaled $3,008,000, were written off. During fiscal 1999, MPAL spent approximately $16,000 on the project and it is allowing most of the leases to expire.

Stephens County, Texas

During fiscal 1999, MPC participated (20%) in the drilling of the Puckett No. 1 well. During late June 1999, MPC also participated (21.4%) in the drilling of the Smith No. 1 well. During the fiscal year 2000, the $119,000 cost of both wells was written off because the project was deemed to be uneconomic.

BELIZE

Southern Offshore Block PSA

During July 2000, MPC (3%) and MPAL (20%) withdrew from the joint venture which was formed to explore the Southern Offshore Blocks in Belize, Central America. Most of the costs related to this project had been written off in prior years except for $33,000 which was written off in fiscal 2000.

CANADA

The Company 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. Anderson Oil & Gas, Inc., is the operator of this partially developed field which is connected to a major pipeline system. Two wells are currently producing gas from the field approximately 60-65 mmcfd.

Although production at the Kotaneelee field commenced in 1979, sustained production from the field did not begin until February 1991. Total production from the field according to reports filed with the Yukon Government, has been as follows:

| Calendar Year | Production (bcf) |
|---|---|
| 1979-1980 | 1.6 |
| 1991 | 8.1 |
| 1992 | 18.0 |
| 1993 | 17.5 |
| 1994 | 16.7 |
| 1995 | 15.7 |
| 1996 | 15.2 |
| 1997 | 14.4 |
| 1998 | 16.0 |
| 1999 | 22.3 |
| 2000 (6 months) | 10.6 |
| Total through June 30, 2000 | 154.57 |

The operator has not permitted the Company access to detailed pricing and volume information, citing the litigation regarding the field. See Item 3 - Legal Proceedings for a discussion of litigation relating to the Kotaneelee field which may affect the status of the carried interest and the amount of the carried interest account.

For financial statement purposes in fiscal 1987 and 1988, the Company wrote down its Canada cost center which included the Kotaneelee field to a nominal value because of the uncertainty as to the date when sales of Kotaneelee gas might begin and the immateriality of the carrying value of the investment. Although the field is now producing and the carried interest account paid out during November 1999, the Company has not yet classified its share of the Kotaneelee gas reserves as proved because the gas field is still the subject of litigation and no payments have been received. The Company will reclassify the reserves at the Kotaneelee field as proved when there is greater assurance as to the timing and assumptions regarding the investment.

(b) Financial Information about Industry Segments.

Since the Company is engaged in only one industry, namely, oil and gas exploration, development, production and sale, this item is not applicable to the Company.

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

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

(i) Principal Products.

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

(ii) Status of Product or Segment.

See Item 1(a) - Australia - for a discussion of the current and future operations of the Mereenie and Palm Valley fields in Australia.

(iii) Raw Materials.

Not applicable.

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

In Australia, the Company has interests directly and indirectly through MPAL in the following permits. Permittees are required to carry out agreed work and expenditure programs.

| Permit | Expiration Date | Location |
|---|---|---|
| Retention License 2 (Dingo) | October 2003 | Northern Territory |
| ATP 613P (Maryborough) | Renewal pending | Queensland |
| WA-291-P (Carnarvon Basin) | August 2005 | Offshore Western Australia |
| WA-281-P (Browse Basin) | August 2004 | Offshore Western Australia |
| WA-282-P (Browse Basin) | August 2004 | Offshore Western Australia |
| WA-283-P (Browse Basin) | August 2004 | Offshore Western Australia |
| WA-287-P (Browse Basin) | February 2005 | Offshore Western Australia |
| WA-288-P (Browse Basin) | February 2005 | Offshore Western Australia |
| CO98I (Cooper Basin) | 2006 | South Australia |
| CO98J (Cooper Basin) | 2006 | South Australia |

In 1981, the Northern Territory issued Petroleum Leases No. 4 and No. 5 which cover the Mereenie oil and gas field to MPAL's subsidiaries. As part of the lease conditions, MPAL and its Mereenie partner agreed to construct an oil refinery near Alice Springs, if it were determined that such a refinery is economically feasible. MPAL believes that the oil refinery would not be economically viable under current market conditions, and the Northern Territory has not raised any current objection to this conclusion. In the event that a refinery becomes economically viable and the MJV does not construct the refinery, MPAL and its partners will be required to pay the Northern Territory liquidated damages based on the value of the crude oil produced from the lands under lease. The amount to be paid to the Territory is an amount per barrel which is the greater of (a) A.$3.00 per barrel or (b) A.$2.00 per barrel plus 10% of the amount by which the market price of Mereenie crude oil exceeds A.$27.50. Production is subject to a statutory 10 percent royalty payable to the Northern Territory.

In 1982 the Northern Territory granted Petroleum Lease No. 3 for the Palm Valley gas field to a MPAL subsidiary. Production is subject to a statutory 10 percent royalty payable to the Northern Territory.

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

Since 1992, there has been an ongoing controversy regarding the Aborigines and the ownership of their traditional lands. There has been legislation aimed at resolving this controversy. The Company does not consider 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 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 the Company'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 the Company's gas production.

Natural Gas Production

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

Oil Production

There is presently a small local market for the Mereenie crude oil in the Alice Springs area. Most of the crude oil production is being shipped and sold to a refinery in Adelaide.

(viii) Backlog.
-------

Not applicable.

(ix) Renegotiation of Profits or Termination of Contracts or
-----------------------------------------------------
Subcontracts at the Electionof 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 possibilty 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, competitive conditions may be substantially affected by various forms of energy legislation which have been or may be proposed in Australia, Canada and the United States. 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, imports of crude oil are made by refiners and others to meet the overall demand in Australia. The Palm Valley Participants and the Mereenie Participants are developing and separately marketing the production from each field. Because of the relatively remote location of the Amadeus Basin and the inherent nature of the market for gas, it would be impractical for each working interest partner to attempt to market its respective share of production from each field.

(xi) Research and Development.
------------------------

Not applicable.

(xii) Environmental Regulation.
------------------------

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

At June 30, 2000, the Company had accrued $935,000 for future site restoration costs for the Mereenie and Palm Valley fields. The balance of the estimated liability is $2,836,000 at June 30, 2000 which will be accrued over the remaining life of the related reserves based on units of production.

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

At June 30, 2000, the Company had one part-time employee in the United States and MPAL had 35 employees in Australia. The Company relies to a great extent on consultants for legal, accounting and administrative services.

(d) Financial Information About Foreign and Domestic Operations and Export Sales.

(1) Financial Information Relating to Foreign and Domestic Operations.
See Note 12 to the Consolidated Financial Statements.

(2) 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.

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

MPAL and its co-venturer in the Mereenie field have been negotiating with PAWA and other parties to sell production out of the field's uncommitted gas reserves. A new gas supply contract for the uncommitted reserves in the Mereenie field could increase revenue from gas sales in the future.

Item 2. Properties.

(a) The Company has interests in properties in Australia interests through its 51.2% equity interest in MPAL which holds interests in the Northern Territory, Queensland, South Australia and Western Australia. In Canada, the Company 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 Item 8 - Financial Statements and Supplementary Data.

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

AUSTRALIAN MAP WITH MPAL PROJECTS SHOWN

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

AMADEUS BASIN PROJECTS MAP

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

Palm Valley Gas Field

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

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

CANADIAN PROPERTY INTERESTS MAP

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

Kotaneelee Gas Field
Wells drilled on the permit
Pointed Mountain Gas Field
Beaver River Gas Field
Westcoast Transmission Pipeline

(2) Reserves reported to other agencies.

None

(3) Production

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

<TABLE>

| | June 30, 2000 | 1999 | 1998 |
|---|---|---|---|
| Australia: | | | |
| <S> | <C> | <C> | <C> |
| Gas (per mcf) | A.$ 2.51 | A.$ 2.32 | A.$ 2.32 |
| Crude oil (per bbl) | A.$39.14 | A.$20.20 | A.$24.55 |

</TABLE>

The average production cost per unit of production for the following fiscal years has been impacted by transportation costs on Mereenie oil in Australia. During fiscal 1999, the cost of remedial work on various wells in the Mereenie field and lower production increased production costs.

<TABLE>

| | June 30, 2000 | 1999 | 1998 |
|---|---|---|---|
| Australia: | | | |
| <S> | <C> | <C> | <C> |
| Gas (per mcf) | A.$ .46 | A.$ .33 | A.$ .26 |
| Crude oil (per bbl) | A.$ 17.91 | A.$19.35 | A.$12.28 |

</TABLE>

(4) Productive Wells and Acreage.

Productive wells and acreage at June 30, 2000:

<TABLE>

| | Productive Wells | | | | Developed Acreage | |
|---|---|---|---|---|---|---|
| | Oil | | Gas | | | |
| | Gross | Net | Gross | Net | Gross Acres | Net Acres |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Australia | 25.0 | 8.8 | 16.0 | 6.37 | 72,025 | 30,001 |
| Americas | .0 | .0 | 2.0 | .05 | 3,350 | 89 |
| | 25.0 | 14.4 | 18.0 | 6.42 | 75,375 | 30,090 |

</TABLE>

(5) Undeveloped Acreage.

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

GROSS AND NET ACREAGE AS OF JUNE 30, 2000

(i) MPAL has interests in the following properties (before royalties). The Company has an interest in these properties through its 51.2% interest in MPAL.

<TABLE>

| Properties held by MPAL: | | MPAL | | The Company | |
|---|---|---|---|---|---|
| | Gross Acres | Net Acres | Interest % | Net Acres | Interest % |
| Australia | | | | | |
| Northern Territory: | | | | | |
| Amadeus Basin: | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Mereenie (OL4&5)(1) | 69,407 | 24,292 | 35.00 | 12,437 | 17.92 |
| Palm Valley (OL3)(2) | 151,905 | 77,130 | 50.78 | 39,491 | 26.00 |
| Dingo (RL2) | 115,596 | 39,696 | 34.34 | 20,324 | 17.58 |
| Total Amadeus Basin | 336,908 | 141,118 | | 72,252 | |
| Queensland: | | | | | |
| Maryborough Basin (ATP 613P) | 344,318 | 337,432 | 98.00 | 172,765 | 50.18 |
| South Australia: | | | | | |
| Cooper Basin (CO98I&J) | 1,621,802 | 810,902 | 50.00 | 415,182 | 25.60 |
| Western Australia: | | | | | |
| Browse WA-281-P | 1,147,315 | 200,780 | 17.50 | 102,799 | 8.96 |
| Browse WA-282-P | 1,468,662 | 257,016 | 17.50 | 131,592 | 8.96 |
| Browse WA-283-P | 1,060,618 | 185,608 | 17.50 | 95,031 | 8.96 |
| Carnarvon WA-291-P | 2,205,710 | 2,205,710 | 100.00 | 1,129,324 | 51.20 |
| Browse WA-287-P | 515,736 | 515,736 | 100.00 | 264,057 | 51.20 |
| Browse WA-288-P | 513,266 | 513,266 | 100.00 | 262,792 | 51.20 |
| Total Western Australia | 6,911,307 | 3,878,116 | | 1,985,865 | |
| Total MPAL | 9,214,335 | 5,167,568 | | 2,645,794 | |

| | | | | |
|---|---|---|---|---|
| Properties held directly by MPC: | | | | |
| Canada | | | | |
| Yukon and Northwest Territories: | | | | |
| Carried interest(4) | 35,076 | | 935 | 2.67 |
| Total | 9,249,411 | | 2,646,729 | |

</TABLE>

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

(1) Includes 41,644 gross developed acres and 14,575 net acres.
(2) Includes 30,381 gross developed acres and 15,426 net acres.
(3) Gross acres shown above.
(4) 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 is insignificant):

<TABLE>

| Australia | | | | |
|---|---|---|---|---|
| Year ended June 30, | Exploration Productive | Exploration Dry | Development Productive | Development Dry |
| 2000 | - | - | .70 | - |
| 1999 | - | .15 | .70 | - |
| 1998 | - | .55 | .70 | .35 |

| Americas | | | | |
|---|---|---|---|---|
| Year ended June 30, | Exploration Productive | Exploration Dry | Development Productive | Development Dry |
| 2000 | - | - | - | - |
| 1999 | .20 | .19 | - | - |
| 1998 | - | - | - | - |

</TABLE>

(7) Present Activities.

There are no wells being drilled at the present time.

(8) Delivery Commitments.

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

Item 3. Legal Proceedings.

Kotaneelee Gas Field

The Company's 2.67% carried interest in the Kotaneelee gas field is held in trust by Canada Southern Petroleum Ltd. ("Canada Southern") which has a 30% carried interest in the field. Canada Southern and the Company (the "Plaintiffs") believe that the working interest owners in the Kotaneelee gas field had not adequately pursued the attainment of contracts for the sale of Kotaneelee gas.

In October 1989 and in March 1990, Canada Southern filed statements of claim in the Court of Queens Bench of Alberta, Judicial District of Calgary, Canada, against the working interest partners in the Kotaneelee gas field. The named defendants were Amoco Canada Petroleum Corporation, Ltd., Dome Petroleum

Limited (now Amoco Canada Resources Ltd.), and Amoco Production Company (collectively the "Amoco Dome Group"), Columbia Gas Development of Canada Ltd., Mobil Oil Canada Ltd. ("Mobil") and Esso Resource of Canada Ltd. (collectively the "Defendants").

The Plaintiffs claim that the Defendants breached either a contract obligation or a fiduciary duty owed to the Plaintiffs to market gas from the Kotaneelee gas field when it was possible to so do. The Plaintiffs assert that marketing the Kotaneelee gas was possible in 1984 and that the Defendants deliberately failed to do so. The Plaintiffs seek monetary damages and the forfeiture of the Kotaneelee gas field. The Plaintiffs presented evidence at trial that the monetary damages sustained by the Plaintiffs were approximately Cdn.$110 million (Company share-U.S.$5.8 million).

In addition, the Plaintiffs have claimed that the Plaintiffs' carried interest account should be reduced because of the negligent operation of the field and improper charges to the carried interest account by the Defendants. The charges, the Plaintiffs claim, were inappropriately charged to the field's carried interest account. The effect of an increased carried interest account is to extend the period before payout begins to the carried interest account owners.

Although, according to the operator's reports, the Kotaneelee gas field reached pay out status on November 10, 1999, the operator has notified the Company that it will not make any payments to the carried interest owners, including the Company, until the issue of the amount of recoverable costs under the carried interest account has been resolved by the Court of Queen's Bench of Alberta, Canada. The operator has stated that it will deposit the Company's share of net production proceeds in an interest bearing account with an escrow agent. A motion was filed in December 1999 by the Plaintiffs in Canada to direct all of the Defendants to make timely payments of all current and future amounts due the Company. On April 10, 2000, the trial court dismissed the motion pending the Court's ultimate determination of the issues surrounding the Kotaneelee field carried-interest account. The Plaintiffs have filed a notice of appeal of the dismissal with the Alberta Court of Appeal. Net production proceeds are unlikely to be paid to the Company until final resolution of the Kotaneelee litigation by the courts.

Since March 2000, the operator of the Kotaneelee field has been reporting the amount of the Company's share of net revenues being deposited in escrow. The September 2000 report provided information for production during the month of June 2000. Based on the reported data, the Company believes that the total amount due the Company is $491,232 of which $162,874 has been deposited in escrow.

The parties to the litigation conducted extensive discovery since the filing of the claims. The trial began on September 3, 1996 and the Plaintiffs completed the presentation of their case against the Defendants during September 1998. The Company completed its rebuttal evidence on April 24, 2000. On June 26, 2000, the Plaintiffs filed their written closing arguments with the court. The Defendants filed their written arguments on August 28, 2000. Oral closing arguments will probably be held in late 2000 or early 2001 A decision in the litigation is not expected before late 2001.

The trial has been lengthy, complicated and costly to all parties and the Company believes that the prevailing party or parties in the litigation will argue for a substantial assessment of costs against the non-prevailing party or parties. The Court has very broad discretion as to whether to award costs and disbursements and as to the calculation of the amount to be awarded. Accordingly, the Company is unable to determine whether, in the event that the Plaintiffs do not prevail on their claims in the litigation, what costs will be assessed against them or in what amount. However, since the costs incurred by the Defendants have been substantial, and since the Court has broad discretion in the awarding of costs, an award to the Defendants potentially could be material, if such costs were to be directly assessed against the Company. MPC has not agreed to share any costs that might be assessed against Canada Southern.

There is no assurance whatever that Canada Southern and the Company will be successful on the merits of their claims, which have been vigorously defended by the Defendants. There is also no assurance that Canada Southern or the Company will be awarded any damages, or that, if damages are awarded, the Court will apply the measure of damages that Canada Southern and the Company claim should be applied.

Canada Southern has been advancing and paying all the legal and other expenses of the Kotaneelee litigation. The Company has not received an accounting of the amounts spent to date and understands that Canada Southern expects to recover its costs only from any judgment in favor of the Plaintiffs. The Company believes that the outcome of the Kotaneelee litigation is not reasonably likely to have a material adverse effect on the Company's future consolidated financial condition or results of operations.

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

None.

Executive Officers of the Registrant

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

<TABLE>

| Name | Age | Office Held | Length of Service as an Officer | Other Positions Held with Company |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> |
| James R. Joyce | 59 | President and Chief Financial Officer | President since 1993 | Director |
| Hedley Howard | 58 | General Manager - MPAL | Since August 13, 1999 | Director |

</TABLE>

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

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

## PART II

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

(a) Principal Market

The principal markets for the Company's common stock are the Pacific Exchange, Inc. symbol [MPC] and the NASDAQ SmallCap market symbol [MPET]. The stock is also traded on the Boston Stock Exchange. The quarterly high and low prices on the most active market, NASDAQ, during the calendar quarterly periods indicated were as follows:

<TABLE>

| 2000 | 1st quarter | 2nd quarter | 3rd quarter* | 4th quarter |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> |
| High.................. | 1.97 | 1.50 | 1.38 | |
| Low................... | 1.16 | 1.11 | .97 | |

| 1999 | 1st quarter | 2nd quarter | 3rd quarter* | 4th quarter |
|---|---|---|---|---|
| High.................. | 1.81 | 2.50 | 2.81 | 1.97 |
| Low................... | 1.27 | 1.19 | 1.63 | 1.16 |

| 1998 | 1st quarter | 2nd quarter | 3rd quarter | 4th quarter |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| High................. | 3.16 | 3.00 | 2.44 | 2.00 |
| Low.................. | 2.50 | 2.19 | 1.13 | 1.13 |

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

* Through September 22, 2000, on which date the closing price was $1.25.
</TABLE>

(b) Approximate Number of Holders of Common Stock at September 11, 2000

| Title of Class | Number of Record Holders |
|---|---|
| Common stock, par value $.01 per share | 8,800 |

(c) Frequency and Amount of Dividends

The Company has never paid a cash dividend on its common stock. The Company will consider the payment of dividends when it has the ability to make such payments.

(d) Recent Sales of Unregistered Securities

None.

Item 6. Selected Consolidated Financial Information.

The following table sets forth selected data (in thousands) and other operating information of the Company. The selected financial data in the table 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.
<TABLE>

| | Year ended June 30, | | | | |
|---|---|---|---|---|---|
| | 2000 | 1999 | 1998 | 1997 | 1996 |
| Financial Data | $ | $ | $ | $ | $ |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Operating revenues | 16,330 | 13,398 | 15,235 | 19,936 | 17,027 |
| Total revenues | 17,147 | 14,115 | 15,340 | 20,758 | 18,073 |
| Net income | 1,490 | 945 | 1,037 | 694 | 1,411 |
| Net income per share (Basic and Diluted) | .06 | .04 | .04 | .03 | .06 |
| Working capital | 15,046 | 12,772 | 13,452 | 14,219 | 9,858 |
| Cash provided by operating activities | 6,149 | 4,993 | 6,737 | 11,181 | 9,185 |
| Property and equipment (net) | 21,741 | 26,725 | 23,019 | 28,623 | 32,912 |
| Total assets | 43,976 | 44,234 | 39,779 | 46,230 | 47,816 |
| Long-term liabilities | 5,190 | 6,910 | 6,512 | 7,738 | 6,981 |

| | | | | | |
|---|---|---|---|---|---|
| Minority interests | 14,696 | 15,318 | 13,123 | 16,147 | 16,682 |
| | ====== | ====== | ====== | ====== | ====== |
| Stockholders' equity: | | | | | |
| Capital | 43,838 | 43,838 | 43,782 | 43,659 | 43,492 |
| Accumulated deficit | (16,914) | (18,405) | (19,350) | (20,387) | (21,080) |
| Accumulated other comprehensive loss | (7,827) | (5,699) | (7,013) | (3,729) | (2,785) |
| | -------- | --------- | --------- | --------- | --------- |
| Total stockholders' equity | 19,097 | 19,734 | 17,419 | 19,543 | 19,627 |
| | ====== | ====== | ====== | ====== | ====== |
| Exchange rate A.$=U.S. at end of period | .5968 | .6675 | .6194 | .7538 | .7875 |
| | ===== | ===== | ===== | ===== | ===== |
| Common stock outstanding shares | 25,108 | 25,108 | 24,982 | 24,851 | 24,691 |
| | ====== | ====== | ====== | ====== | ====== |
| Book value per share | .76 | .79 | .70 | .78 | .79 |
| | === | === | === | === | === |
| Quoted market value per share | 1.28 | 2.50 | 2.28 | 2.38 | 2.50 |
| | ==== | ==== | ==== | ==== | ==== |
| Operating Data | | | | | |
| Annual production (Net of royalties) | | | | | |
| Gas (BCF) | 6.047 | 5.898 | 5.844 | 5.673 | 5.422 |
| | ===== | ===== | ===== | ===== | ===== |
| Oil (BBLS)(In thousands)(net of royalties) | 172 | 205 | 248 | 307 | 318 |
| | === | === | === | === | === |
| Standard measure of discounted future cash flow relating to proved oil and gas (approximately 49% attributable to minority interests) | 44,000 | 53,000 | 48,000 | 68,000 | 44,000 |
| | ====== | ====== | ====== | ====== | ====== |

</TABLE>

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

(1) Liquidity and Capital Resources

Consolidated

At June 30, 2000, the Company on a consolidated basis had approximately $16.9 million of cash and cash equivalents and marketable securities.

A summary of the major changes in cash and cash equivalents during the period is as follows:

<TABLE>

| <S> | <C> |
|---|---|
| Cash and cash equivalents at beginning of period | $13,381,000 |
| Cash provided by operations | 6,149,000 |
| Dividends to MPAL minority shareholders | (731,000) |
| Additions to property and equipment | (2,512,000) |
| Effect of exchange rate changes | (1,440,000) |
| Marketable securities purchased | (956,000) |
| | --------------- |
| Cash and cash equivalents at end of period | $13,891,000 |
| | =========== |

</TABLE>

As to the Company (unconsolidated)

At June 30, 2000, Magellan Petroleum Corporation ("MPC"), on an unconsolidated basis, had working capital of approximately $2 million. MPC's annual operating budget is approximately $700,000 and its current cash position and annual MPAL dividend should be adequate to meet its current cash requirements. During the fiscal year 2001, MPC has budgeted approximately $200,000 for oil and gas exploration compared to the $54,000 expended during 2000. MPC has in the past invested and may in the future invest substantial portions of its cash to maintain its majority interest in its subsidiary company, MPAL. During fiscal 2000, MPC purchased 121,000 shares of MPAL at a cost of approximately $110,000.

During fiscal 2000, MPC received a net dividend from MPAL of $646,000 (after the $114,000 Australian withholding tax) which was added to MPC's working capital.

As to MPAL

At June 30, 2000, MPAL had working capital of approximately $13 million. MPAL has budgeted approximately $3 million for specific exploration projects in the fiscal year 2001 as compared to the $2 million expended during fiscal 2000. However, the total amount to be expended may be as much as $6 million depending on the timing of when the various projects reach the drilling phase. The current composition of MPAL's oil and gas reserves are such that MPAL's future revenues in the long term are expected to be derived from the sale of gas in Australia.

The following is a summary of MPAL's required and contingent commitments for exploration expenditures for the five year period ending June 30, 2005. The contingent amounts will be dependent on such factors as the results of the current program to evaluate the exploration permits, drilling results and the Company's financial position.

<TABLE>

| Fiscal Year | Expenditures Required | Contingent Expenditures | Total |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| 2001 | $2,934,000 | $ 75,000 | $ 3,009,000 |
| 2002 | 1,961,000 | 937,000 | 2,898,000 |
| 2003 | 706,000 | 12,314,000 | 13,020,000 |
| 2004 | 937,000 | 1,085,000 | 2,022,000 |
| 2005 | 2,000 | 4,792,000 | 4,794,000 |
| | $6,540,000 | $19,203,000 | $25,743,000 |

</TABLE>

MPAL expects to fund its exploration costs through its cash and cash equivalents, cash flow from Australian operations and any balance remaining from its available A.$10 million bank line of credit. MPAL also expects that it will find partners to share the above exploration costs.

(2) Results of Operations

2000 vs. 1999

The components of consolidated net income for the comparable years 2000 and 1999 were as follows:

<TABLE>

| | Year ended June 30, 2000 | 1999 |
|---|---|---|
| <S> | <C> | <C> |
| MPC unconsolidated pretax loss | $ (709,939) | $ (688,814) |
| MPC income tax expense | (113,989) | (105,370) |
| Share of MPAL pretax income | 2,347,857 | 1,659,185 |
| Share of MPAL income (tax) benefit | (33,525) | 80,211 |
| Consolidated net income | $ 1,490,404 | $ 945,212 |
| Net income per share (basic and diluted) | $.06 | $.04 |

</TABLE>

Revenues

Oil sales increased 80% in fiscal 2000. Oil sales in Australia increased in 2000 to $4,637,000 from $2,573,000 in 1999 because of a 94% increase in oil prices which was partially offset by a 16% decrease in the number of units produced. Oil unit sales (before deducting royalties) in barrels ("bbls") and the average price per barrel sold during the periods indicated were as follows:

| | Fiscal 2000 Sales | | Fiscal 1999 Sales | |
|---|---|---|---|---|
| | Bbls | Average Price per bbl | Bbls | Average Price per bbl |
| Australia - Mereenie | 198,272 | A.$39.14 | 235,808 | A.$20.20 |

Gas sales in Australia increased 9% in fiscal 2000. Gas sales increased from $9,640,000 in 1999 to $10,510,000 in 2000 because of the 4% increase in the volume of gas sold and an 8% increased in prices The volumes in billion cubic feet ("bcf") (before deducting royalties) and the average price of gas per thousand cubic feet ("mcf") sold during the periods indicated were as follows:

| | Fiscal 2000 Sales | | Fiscal 1999 Sales | |
|---|---|---|---|---|
| | Bcf | Average Price per mcf | bcf | Average Price per mcf |
| Australia: | | (A.$) | | (A.$) |
| Palm Valley | | | | |
| Alice Springs contract | 0.922 | 2.97 | 1.232 | 2.95 |
| Darwin contract | 2.216 | 2.02 | 2.507 | 2.02 |
| Mereenie | | | | |
| Darwin contract | 2.497 | 2.33 | 2.289 | 2.08 |
| Other | 1.817 | 3.13 | 1.138 | 2.77 |
| Total | 7.452 | | 7.166 | |

Other production income decreased to $1,184,000 in 2000 compared to $1,185,000 in 1999. Other production income includes royalties and MPAL's share of gas pipeline tariffs.

Interest income increased 14% to $817,000 in 2000 from $717,000 in 1999 because additional funds were available for investment and interest rates were higher.

Costs and Expenses

Production costs increased 3% to $4,492,000 in 2000 from $4,372,000 in 1999. The costs relate primarily to the Mereenie field where substantial remedial work is being performed.

Exploratory and dry hole costs totaled $2,089,000 during 2000 compared to $2,059,000 in 1999. The 2000 costs relate primarily to the work being performed on MPAL's offshore Western Australian properties. The costs in 1999 related primarily to the Springbok-1 well offshore Western Australia which was plugged and abandoned during the first quarter and the Belize project which was written off in the third quarter of the fiscal year. The costs (in thousands) for MPC and MPAL were as follows:

<TABLE>

| | 2000 | | | 1999 | | |
|---|---|---|---|---|---|---|
| Location | MPAL | MPC | Total | MPAL | MPC | Total |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| United States/Belize | $ 32 | $ 124 | $ 156 | $ 361 | $ 50 | $ 411 |
| Australia | 1,933 | - | 1,933 | 1,648 | - | 1,648 |
| | $1,965 | $ 124 | $2,089 | $2,009 | $ 50 | $2,059 |

</TABLE>

Salaries and employee benefits increased 37% to $1,780,000 in 2000 from $1,297,000 in 1999. Compensation costs increased approximately $397,000 in Australia. During August 1999, MPAL's General Manager retired and received the balance of his unpaid salary under his employment contract which included his salary for the period July-December 2000. In addition, there was an increase in staff compensation levels. Effective January 1, 2000, the President of MPC became a paid employee instead of a consultant and this resulted in an increase of $86,000. This arrangement resulted in a corresponding reduction in accounting and administrative expenses.

Depreciation, depletion and amortization increased 56% in 2000 to $3,670,000 from $2,357,000 in 1999. The operator of the Mereenie field has implemented an extensive program for additional drilling and capital improvements. The estimated cost of these expenditures (MPAL share $8 million) increased the amount of depletion by approximately $763,000 in the 2000 period. In addition, there was a 14% net decrease in reserves used to calculate the depletion rate during the 2000 period.

Auditing, accounting and legal expenses decreased 37% from $510,000 in 1999 to $323,000 in 2000. Effective January 1, 2000, the President of MPC became a paid employee instead of a consultant which reduced the amount of auditing, accounting and legal expenses. In addition, 1999 includes expenses related in part to legal and tax advice sought in connection with an unsuccessful bid to acquire certain oil and gas properties in Australia.

Shareholder communications costs increased 3% to $191,000 in 2000 compared to $185,000 in 1999.

Other administrative expenses decreased 6% from $765,000 in 1999 to $721,000 in 2000. Consulting and travel expenses decreased during 2000.

Income Taxes

Income tax expense increased from a credit of $52,000 in 1999 to an expense of $180,000 in 2000. The effective income tax rate for 2000 was 5% compared to (2%) in 1999. The components of income tax expense (benefit) between MPC and MPAL were as follows:

<TABLE>

| | 2000 | 1999 |
|---|---|---|
| <S> | <C> | <C> |
| MPC | $ 114,000 | $105,000 |
| MPAL | 66,000 | (157,000) |
| Consolidated income tax (benefit) | $ 180,000 | $(52,000) |

</TABLE>

MPC's income tax represents the 15% Australian withholding tax on the dividend it received from MPAL. Income tax benefit in 1999 was due to the effect of permanent tax benefits ($452,000) under Australian tax law and the utilization of prior year losses ($879,000) not previously taken into account. The 2000 income tax provision also reflects the effect of permanent tax benefits ($552,000). In addition, Australia has enacted corporate tax rate reductions for the fiscal year ending June 30, 2001 (36% to 34%) and for the fiscal year ending June 30, 2002 (34% to 30%) which reduced the provision by $656,000. The utilization of prior year losses ($378,000) not previously taken into account also reduced the provision.

### Exchange Effect

The value of the Australian dollar relative to the U.S. dollar decreased to $.5986 at June 30, 2000 compared to $.6675 at June 30, 1999. This resulted in a $2,128,000 charge to accumulated translation adjustments for fiscal 2000. The 11% decrease in the value of the Australian dollar decreased the reported asset and liability amounts in the balance sheet at June 30, 2000 from the June 30, 1999 amounts. The annual average exchange rates of $.63 used to translate MPAL's operations in Australia for fiscal 2000 and fiscal 1999 were approximately the same.

### 1999 vs. 1998

The components of consolidated net income for the comparable years 1999 and 1998 were as follows:

<TABLE>

| | Year ended June 30, | |
|---|---|---|
| | 1999 | 1998 |
| <S> | <C> | <C> |
| MPC unconsolidated pretax loss | $ (688,814) | $ (688,596) |
| MPC income tax expense | (105,370) | (1,000) |
| Share of MPAL pretax income | 1,659,185 | 1,798,595 |
| Share of MPAL income (tax) benefit | 80,211 | (72,486) |
| Consolidated net income | $ 945,212 | $1,036,513 |
| Net income per share (basic and diluted) | $.04 | $.04 |

</TABLE>

### Revenues

Oil sales decreased 37% in fiscal 1999. Oil sales in Australia decreased in 1999 to $2,573,000 from $4,098,000 in 1998 because of an 18% decrease in oil prices, the 8% Australian foreign exchange rate decrease discussed below and a 17% decrease in the number of units produced. Because of low oil prices, it has not been economic to drill additional wells to increase production. Oil unit sales (before deducting royalties) in barrels ("bbls") and the average price per barrel sold during the periods indicated were as follows:

<TABLE>

| | Fiscal 1999 Sales | | Fiscal 1998 Sales | |
|---|---|---|---|---|
| | Bbls | Average Price per bbl | bbls | Average Price per bbl |
| <S> | <C> | <C> | <C> | <C> |
| Australia - Mereenie | 235,806 | A.$20.20 | 284,757 | A.$24.55 |

</TABLE>

Gas sales in Australia decreased 8% in fiscal 1999. Gas sales decreased from $10,485,000 in 1998 to $9,640,000 in 1999 because of the 8% Australian foreign exchange rate decrease discussed below. The volumes in billion cubic feet ("bcf") (before deducting royalties) and the average price of gas per thousand cubic feet ("mcf") sold during the periods indicated were as follows:

<TABLE>

| | Fiscal 1999 Sales | | Fiscal 1998 Sales | |
|---|---|---|---|---|
| | Bcf | Average Price per mcf | bcf | Average Price per mcf |
| Australia: | | (A.$) | | (A.$) |
| Palm Valley | | | | |
| <S> | <C> | <C> | <C> | <C> |
| Alice Springs contract | 1.232 | 2.95 | 1.147 | 2.96 |
| Darwin contract | 2.507 | 2.02 | 2.395 | 2.02 |
| Mereenie | | | | |
| Darwin contract | 2.289 | 2.08 | 2.171 | 2.02 |
| Other | 1.138 | 2.77 | 1.416 | 2.74 |
| Total | 7.166 | | 7.129 | |

</TABLE>

Other production income increased 82% to $1,185,000 in 1999 compared to $652,000 in 1998. The primary reason for this increase was that MPAL's share of gas pipeline tariffs increased to $1,061,000 in 1999 compared to $531,000 in 1998. In the 4th quarter of fiscal 1999 the amount increased because of an anticipated resolution of a dispute regarding the producers' share of the tariffs.

Interest income decreased 3% to $717,000 in 1999 from $741,000 in 1998. Although additional funds were available for investment, substantially lower interest rates and the 8% Australian foreign exchange rate decrease discussed below offset the increase.

## Costs and Expenses

Production costs increased 20% to $4,372,000 in 1999 from $3,647,000 in 1998. The increase relates to the costs at Mereenie where substantial remedial work was performed on 8 wells and the costs associated with the proposed LPG plant. During the 4th quarter of fiscal year 1999, the loss attributable to the LPG plant was reduced by $300,000 to $190,000.

Salaries and employee benefits decreased 10% from $1,435,000 in 1998 to $1,297,000 in 1999. Compensation costs decreased in Australia together with the 8% Australian foreign exchange rate decrease discussed below.

Depreciation, depletion and amortization increased 7% in 1999 to $2,357,000 from $2,205,000 in 1998. The increase was the result of the additional costs from the Mereenie Central Treatment Plant upgrade added to the depletion calculation which was partially offset by the 8% Australian foreign exchange rate decrease discussed below.

Exploratory and dry hole costs totaled $2,059,000 during 1999 compared to $3,346,000 in 1998. The costs in 1999 related primarily to the Springbok-1 well offshore Western Australia which was plugged and abandoned during the first quarter and the Belize project which was written off in the third quarter of the fiscal year. In 1998, the Schilling-1 well and the Kittiwake-1 well which were drilled offshore Western Australia were also abandoned. The costs (in thousands) in fiscal 1999 and fiscal 1998 for MPC and MPAL were as follows:

<TABLE>

| | 1999 | | | 1998 | | |
|---|---|---|---|---|---|---|
| Location | MPAL | MPC | Total | MPAL | MPC | Total |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |

| | | | | | | |
|---|---|---|---|---|---|---|
| United States/Belize | $ 361 | $50 | $ 411 | $ 118 | $32 | $ 150 |
| Australia | 1,648 | - | 1,648 | 3,196 | - | 3,196 |
| | $2,009 | $50 | $2,059 | $3,314 | $32 | $3,346 |

</TABLE>

Auditing, accounting and legal expenses increased 6% from $480,000 in 1998 to $510,000 in 1999. The increase in the 1999 period relates to the legal and tax advice sought in connection with an unsuccessful bid to acquire certain oil and gas properties in Australia.

Shareholder communications costs increased 9% to $185,000 in 1999 compared to $169,000 in 1998 because of increased exchange listing fees.

Other administrative expenses decreased 20% from $957,000 in 1998 to $765,000 in 1999. Rent and travel expenses decreased and there was an 8% Australian foreign exchange rate decrease as discussed below.

Income Taxes

Income tax expense decreased from $144,000 in 1998 to a credit of $52,000 in 1999. The effective income tax rate for 1999 was -2% compared to 5% in 1998. The components of income tax expense (benefit) between MPC and MPAL were as follows:

<TABLE>

| <S> | 1999 <C> | 1998 <C> |
|---|---|---|
| MPC | $105,000 | $ 1,000 |
| MPAL | (157,000) | 143,000 |
| Consolidated tax (credit) | $(52,000) | $144,000 |

</TABLE>

In 1998, there was no 15% Australian withholding tax on the dividend paid by MPAL to MPC compared to a withholding tax of $105,000 in 1999. In addition, MPAL's income tax expense in 1999 and 1998 was lower due to the effect of permanent tax benefits under Australian tax law and the utilization of prior year losses not previously taken into account.

Exchange Effect

The value of the Australian dollar relative to the U.S. dollar increased to $.6675 at June 30, 1999 compared to the value of $.6194 at June 30, 1998. This resulted in a $1,314,000 credit to accumulated translation adjustments for fiscal 1999. The 8% increase in the value of the Australian dollar increased the reported asset and liability amounts in the balance sheet at June 30, 1999 from the June 30, 1998 amounts. The annual average exchange rate used to translate MPAL's operations in Australia for fiscal 1999 was $.6281, which is a 8% decrease compared to a $.6810 rate for the comparable 1998 period.

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, as the only market risk sensitive instruments are its investments in marketable securities. At June 30, 2000, the carrying value of such investments was approximately $3.06 million, the fair value was $3.0 million and the face value was $3.05 million. Since the Company expects to hold the investments to maturity, the maturity value should be realized.

Item 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Magellan Petroleum Corporation

We have audited the accompanying consolidated balance sheets of Magellan Petroleum Corporation as of June 30, 2000 and 1999 and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended June 30, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Magellan Petroleum Corporation at June 30, 2000 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 2000, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Stamford, Connecticut
September 18, 2000

<TABLE>

MAGELLAN PETROLEUM CORPORATION
CONSOLIDATED BALANCE SHEETS

| | June 30, 2000 | 1999 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| <S> | <C> | <C> |
| Cash and cash equivalents | $13,890,834 | $13,380,699 |
| Accounts receivable | 3,873,398 | 1,588,851 |
| Marketable securities | 1,581,730 | 392,973 |
| Reimbursable development costs | 138,077 | 95,743 |
| Inventories | 289,743 | 215,953 |
| Other assets | 265,462 | 282,900 |
| | ------------ | ------------ |
| Total current assets | 20,039,244 | 15,957,119 |
| | ----------- | ----------- |
| Marketable securities | 1,476,449 | 1,709,455 |
| Property and equipment: | | |
| Oil and gas properties (successful efforts method) | 42,766,638 | 46,430,741 |
| Land, buildings and equipment | 1,763,272 | 1,822,094 |
| Field equipment | 1,236,097 | 1,373,326 |
| | ------------ | ------------ |
| | 45,766,007 | 49,626,161 |
| Less accumulated depletion, depreciation and amortization | (24,025,493) | (22,901,263) |
| | ------------ | ------------ |
| Total net property and equipment | 21,740,514 | 26,724,898 |
| | ----------- | ----------- |

| | | |
|---|---|---|
| Other assets | 719,510 | 754,639 |
| | -------------- | -------------- |
| | $43,975,717 | $45,146,111 |
| | =========== | =========== |
| LIABILITIES, MINORITY INTERESTS | | |
| Current liabilities: | | |
| Accounts payable | $ 3,024,604 | $ 2,284,184 |
| Accrued liabilities | 751,399 | 780,570 |
| Income taxes payable | 1,216,995 | 120,150 |
| | ------------- | ------------- |
| Total current liabilities | 4,992,998 | 3,184,904 |
| | ------------- | ------------- |
| Long term liabilities: | | |
| Deferred income taxes | 4,255,096 | 6,060,402 |
| Reserve for future site restoration costs | 934,790 | 849,311 |
| | ------------- | ------------- |
| Total long term liabilities | 5,189,886 | 6,909,713 |
| | ------------ | ------------ |
| Minority interests | 14,696,267 | 15,317,698 |
| Commitments (Note 2) | - | - |
| Stockholders' equity: | | |
| Common stock, par value $.01 per share: | | |
| Authorized 50,000,000 shares | | |
| Outstanding 25,108,226 shares | 251,082 | 251,082 |
| Capital in excess of par value | 43,586,606 | 43,586,606 |
| | ------------ | ------------ |
| Total capital | 43,837,688 | 43,837,688 |
| Accumulated deficit | (16,914,420) | (18,404,824) |
| Accumulated other comprehensive loss | (7,826,702) | (5,699,068) |
| | -------------- | -------------- |
| Total Stockholders' equity | 19,096,566 | 19,733,796 |
| | ------------ | ------------ |
| | $43,975,717 | $45,146,111 |
| | =========== | =========== |

</TABLE>

See accompanying notes.

<TABLE>

MAGELLAN PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

| | Year ended June 30, 2000 | 1999 | 1998 |
|---|---|---|---|
| Revenues: | | | |
| <S> | <C> | <C> | <C> |
| Oil sales | $ 4,636,595 | $ 2,572,966 | $ 4,097,570 |
| Gas sales | 10,509,600 | 9,639,657 | 10,485,380 |
| Other production related revenues | 1,183,570 | 1,185,020 | 651,706 |
| Interest income | 817,066 | 717,118 | 741,011 |
| Gain (loss) on sale of assets | - | (635,882) | |
| | ---------- | ---------- | ----------- |
| | 17,146,831 | 14,114,761 | 15,339,785 |
| | ---------- | ---------- | ---------- |
| Costs and expenses: | | | |
| Production costs | 4,492,443 | 4,372,253 | 3,647,135 |
| Exploratory and dry hole costs | 2,088,871 | 2,058,977 | 3,346,329 |
| Salaries and employee benefits | 1,780,076 | 1,297,036 | 1,434,868 |
| Depletion, depreciation and amortization | 3,670,417 | 2,356,582 | 2,205,127 |
| Auditing, accounting and legal services | 323,353 | 509,891 | 479,623 |
| Bad debts | - | - | 239,201 |
| Shareholder communications | 191,057 | 184,721 | 168,715 |
| Other administrative expenses | 721,255 | 764,503 | 956,932 |
| | ---------- | ---------- | ---------- |
| | 13,267,472 | 11,543,963 | 12,477,930 |
| | ---------- | ---------- | ---------- |

| | | | |
|---|---|---|---|
| Income before income taxes and minority interests | 3,879,359 | 2,570,798 | 2,861,855 |
| Income tax provision (benefit) | 179,520 | (52,211) | 144,087 |
| | --------- | ---------- | --------- |
| Income before minority interests | 3,699,839 | 2,623,009 | 2,717,768 |
| Minority interests | 2,209,435 | 1,677,797 | 1,681,255 |
| | ----------- | ----------- | ----------- |
| Net income | $ 1,490,404 | $ 945,212 | $ 1,036,513 |
| | =========== | =========== | =========== |
| Average number of shares | | | |
| Basic | 25,108,226 | 25,040,300 | 24,949,322 |
| | ========== | ========== | ========== |
| Diluted | 25,227,519 | 25,040,300 | 25,126,523 |
| | ========== | ========== | ========== |
| Per share, based on average number of shares outstanding during the period: | | | |
| Net income (Basic and Diluted) | $.06 | $.04 | $.04 |
| | ==== | ==== | ==== |

See accompanying notes.

</TABLE>

<TABLE>

MAGELLAN PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF
CHANGES IN STOCKHOLDERS' EQUITY
Three years ended June 30, 2000

| | Number of shares | Common stock | Capital in excess of par value | Accumulated deficit | Accumulated other comprehensive Loss | Total | Comprehensive income (loss) |
|---|---|---|---|---|---|---|---|
| | ---------- | --------- | ------------ | ------------ | ------------- | ------------ | ------------- |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| July 1, 1997 | 24,851,245 | $ 248,512 | $ 43,410,176 | $(20,386,549) | $ (3,729,205) | $ 19,542,934 | |
| Net income | - | - | - | 1,036,513 | - | 1,036,513 | $ 1,036,513 |
| Currency translation Adjustments | - | - | - | - | (3,283,734) | (3,283,734) | (3,283,734) |
| Exercise of stock Options | 131,250 | 1,313 | 122,062 | - | - | 123,375 | - |
| | ---------- | ------- | --------- | ----------- | ---------- | ----------- | --------- |
| Comprehensive loss | | | | | | | $(2,247,221) |
| June 30, 1998 | 24,982,495 | 249,825 | 43,532,238 | (19,350,036) | (7,012,939) | 17,419,088 | |
| Net income | - | - | - | 945,212 | - | 945,212 | $ 945,212 |
| Currency translation Adjustments | - | - | - | - | 1,313,871 | 1,313,871 | 1,313,871 |
| Exercise of stock Options | 125,731 | 1,257 | 54,368 | - | - | 55,625 | - |
| | ---------- | ----- | ------ | ----------- | ---------- | ---------- | ----------- |
| Comprehensive income | | | | | | | $ 2,259,083 |
| | | | | | | | =========== |
| June 30, 1999 | 25,108,226 | 251,082 | 43,586,606 | (18,404,824) | (5,699,068) | 19,733,796 | |
| Net income | - | - | - | 1,490,404 | - | 1,490,404 | 1,490,404 |
| Currency translation Adjustments | - | - | - | - | (2,127,634) | (2,127,634) | (2,127,634) |
| Exercise of stock Options | - | - | - | - | - | - | - |
| | ---------- | ------- | ---------- | ----------- | ---------- | ---------- | ---------- |
| Comprehensive loss | | | | | | | $ (637,230) |
| | | | | | | | ============ |

| | | | | | | |
|---|---|---|---|---|---|---|
| June 30, 2000 | 25,108,226 | $251,082 | $43,586,606 | $(16,914,420) | $(7,826,702) | $19,096,566 |
| | ========== | ======== | =========== | ============= | ============ | =========== |

See accompanying notes.

</TABLE>

MAGELLAN PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>

| | Year ended June 30, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| Operating Activities: | | | |
| <S> | <C> | <C> | <C> |
| Net income | $ 1,490,404 | $ 945,212 | $ 1,036,513 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Exploratory and dry hole costs | 70,634 | 420,748 | 775,150 |
| Depletion, depreciation and amortization | 3,670,417 | 2,356,582 | 2,205,127 |
| Deferred income taxes | (1,805,306) | 206,141 | (1,232,963) |
| Minority interests | 2,209,435 | 1,677,797 | 1,681,255 |
| Increase (decrease) in operating assets and liabilities: | | | |
| Accounts receivable | (1,864,595) | (78,785) | 1,058,967 |
| Reimbursable development costs | (23,652) | 103,461 | 145,024 |
| Other assets | 87,695 | (330,742) | (97,483) |
| Inventories | (33,385) | 14,367 | 109,923 |
| Accounts payable and accrued liabilities | 1,250,716 | (442,159) | 829,314 |
| Income taxes payable | 1,096,845 | 120,150 | - |
| | ---------- | ----------- | ---------- |
| Net cash provided by operating activities | 6,149,208 | 4,992,772 | 6,510,827 |
| | ---------- | ---------- | ---------- |
| Investing Activities: | | | |
| Additions to property and equipment | (2,512,483) | (4,679,109) | (2,997,791) |
| Marketable securities sold (purchased) | (955,751) | 364,957 | (256,180) |
| | ------------ | ----------- | ------------ |
| Net cash used in investing activities | (3,468,234) | (4,314,152) | (3,253,971) |
| | ----------- | ----------- | ----------- |
| Financing Activities: | | | |
| Dividends to MPAL minority shareholders | (730,709) | (686,567) | (1,506,103) |
| Exercise of stock options | | 55,625 | 123,375 |
| | ---------------- | ------------- | ------------ |
| Net cash used in financing activities | (730,709) | (630,942) | (1,382,728) |
| | ------------- | ------------- | ------------ |
| Effect of exchange rate changes on cash and cash equivalents | (1,440,130) | 896,724 | (2,380,693) |
| | ------------- | ------------ | ------------ |
| Net increase (decrease) in cash and cash Equivalents | 510,135 | 944,402 | (506,565) |
| Cash and cash equivalents at beginning of year | 13,380,699 | 12,436,297 | 12,942,862 |
| | ---------- | ---------- | ---------- |
| Cash and cash equivalents at end of year | $13,890,834 | $13,380,699 | $12,436,297 |
| | =========== | =========== | =========== |

</TABLE>

See accompanying notes.

MAGELLAN PETROLEUM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2000

1. Summary of significant accounting policies

Principles of consolidation

The accompanying consolidated financial statements include the accounts of Magellan Petroleum Corporation ("MPC") and its majority owned subsidiary, Magellan Petroleum Australia Limited ("MPAL")., hereafter referred to collectively as the "Company". At June 30, 2000 and 1999, MPC owned a 51.2% and 50.9% interest in MPAL, respectively, During fiscal 2000, MPC increased its interest in MPAL by purchasing an additional 121,000 MPAL shares for approximately $110,000. 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.

Oil and Gas Properties

Oil and gas properties are located in Australia and Canada. The Company follows the successful efforts method of accounting for its oil and gas operations. Under this method, the costs of successful wells, development dry holes and productive leases are capitalized and amortized on a unit-of-production basis over the life of the related reserves. Cost centers for amortization purposes are determined on a field-by-field basis. Estimated future abandonment and site restoration costs, net of anticipated salvage values, are accrued based on units of production. 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 and requires an impairment provision or noncash charge against earnings for any period in which their carrying value exceeds the standardized measure of undiscounted future net cash flows from proved oil and gas reserves based on prices received for oil and gas production as of the end of that period or a subsequent date prior to publication of financial results for the period.



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

---

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.

Use of Estimates

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

Land, buildings and equipment and field equipment

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

Inventories

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

Foreign currency translations

The accounts of MPAL, whose functional currency is the Australian dollar, are translated into U.S. dollars in accordance with Statement of Financial Accounting Standards No. 52. The translation adjustment is included as a component of stockholders' equity and comprehensive income (loss), whereas gain or loss on foreign currency transactions is included in the determination of income. All assets and liabilities are translated at the rates in effect at the balance sheet dates. Revenues, expenses, gains and losses are translated using a quarterly weighted average exchange rate for the period. At June 30, 2000 and 1999, the Australian dollar was equivalent to U.S.$.5968 and $.6675, respectively.

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

Recently issued accounting standards

In June 1998, FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS No. 133"), as amended by SFAS 137. SFAS No. 133 provides a comprehensive and consistent standard for the recognition and measurement of derivatives and hedging activities. The statement requires all derivatives to be recognized on the balance sheet at fair value and establishes standards for the recognition of changes in such fair value. SFAS No. 133 is effective for the Company's 2001 fiscal year. Because the Company does not currently use derivatives, the adoption of SFAS No. 133 will not have a significant effect on earnings or the financial condition of the Company.

Accounting for income taxes

The Company follows FASB Statement 109, the liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

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:

<TABLE>

| | June 30, 2000 | June 30, 1999 |
|---|---|---|
| <S> | <C> | <C> |
| Cash | $ 140,732 | $ 132,589 |
| U.S. marketable securities | - | 1,087,601 |
| Australian money market accounts and short term commercial paper | 13,750,102 | 12,160,509 |
| | $13,890,834 | $13,380,699 |

</TABLE>

Marketable securities

At June 30, 2000 and 1999, the Company has the following marketable securities which are expected to be held until maturity:

<TABLE>

| June 30, 2000 | Par value | Maturity Date | Amortized Cost | Fair value |
|---|---|---|---|---|
| Short-term securities | | | | |
| <S> | <C> | <C> | <C> | <C> |
| Federal National Mortgage Association | $ 164,000 | Jul. 7, 2000 | $ 160,139 | $ 163,512 |
| Federal National Mortgage Association | 200,000 | Aug. 2, 2000 | 196,296 | 198,818 |
| Federal National Mortgage Association | 300,000 | Sep. 5, 2000 | 294,317 | 296,371 |
| Federal National Mortgage Association | 200,000 | Oct. 6, 2000 | 195,978 | 196,450 |
| Federal National Mortgage Association | 400,000 | Feb. 16, 2001 | 400,000 | 396,148 |
| New Britain Connecticut Bond | 335,000 | May 1, 2001 | 335,000 | 330,407 |
| | ------- | | ------- | ------- |
| Total short-term | $ 1,599,000 | | $ 1,581,730 | $ 1,581,706 |
| | ============ | | ============ | ============ |
| Long-term securities | | | | |
| State of Connecticut Bond | $550,000 | Jan. 15, 2003 | $555,558 | $532,285 |
| State of Connecticut Bond | 400,000 | Jul.1, 2003 | 412,210 | 388,528 |
| State of Connecticut Bond | 500,000 | Dec.15, 2001 | 508,681 | 500,450 |
| | ----------- | | ------------ | ------------ |
| Total long-term | $1,450,000 | | $1,476,449 | $1,421,263 |
| | ========== | | ========== | ========== |

| June 30, 1999 | Par value | Maturity Date | Amortized Cost | Fair value |
|---|---|---|---|---|
| Short-term securities | | | | |
| Federal National Mortgage Association | $ 400,000 | Jul. 15, 1999 | $ 392,973 | $ 399,258 |
| | ========== | | ========== | ========== |
| Long-term securities | | | | |
| Federal National Mortgage Association | $ 400,000 | Feb. 16, 2001 | $ 400,000 | $ 395,560 |
| New Britain Connecticut Bond | 335,000 | May 1, 2001 | 335,417 | 330,578 |
| State of Connecticut Bond | 550,000 | Jan. 15, 2003 | 557,747 | 540,337 |
| State of Connecticut Bond | 400,000 | Jul.1, 2003 | 416,291 | 396,224 |
| | ----------- | | ------------ | ------------ |
| Total long-term | $1,685,000 | | $1,709,455 | $1,662,699 |
| | ========== | | ========== | ========== |

</TABLE>

Earnings per share

Earnings per common share is based upon the weighted average number of common and common equivalent shares outstanding during the period. The only reconciling item in the calculation of diluted EPS is the dilutive effect of stock options which was computed using the treasury stock method. The Company's basic and diluted calculations of EPS are the same.

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.

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

Segment Disclosure

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

2. Oil and gas properties

(a) Australia

Mereenie

MPAL (35%) and Santos (65%), the operator, (together known as the Mereenie Participants) own the Mereenie field which is located in the Amadeus Basin of the Northern Territory. MPAL's share of production from the field is subject to net overriding royalties aggregating 3.0625% and the statutory government royalty of 10%. MPAL's share of the Mereenie field proved developed oil reserves was approximately 496,000 barrels at June 30, 2000.

The field was producing about 1,200 (MPAL share - 420) barrels of crude oil per day ("bpd") and 34 (MPAL share - 12) million cubic feet of gas per day ("mmcfd"), at June 30, 2000. During 2000, MPAL's share of oil sales was 198,000 barrels and 4.3 billion cubic feet ("bcf") of gas sold from oil and gas wells. The oil is transported by means of a 167 mile eight-inch oil pipeline from the field to the Brewer Estate industrial park near Alice Springs. Most of the oil is then shipped south approximately 950 miles by rail and road to a refinery in the Adelaide area. The cost of transporting the oil to the refinery is being borne by the producers. The Mereenie Participants are also providing Mereenie gas in the Northern Territory to the Power and Water Authority ("PAWA") and Gasgo Pty. Ltd., a company it wholly owns, for use in Darwin and other Northern Territory centers. See "Gas Supply Contracts".

Palm Valley

MPAL has a 50.8% interest in and is the operator of the Palm Valley gas field which is located in the Northern Territory. Santos, the operator of the Mereenie field, owns a 48% interest in Palm Valley. Ten wells have been drilled in the field, five of which are currently connected to the gas treatment plant and are flowed at maximum deliverability levels to meet the Alice Springs and Darwin supply contracts with PAWA.

2. Oil and gas properties (Cont'd)

See "Gas Supply Contracts". During fiscal 2000, MPAL's share of gas sales was 3.1 bcf and the field was producing 16 (MPAL share - 8.2) MMCFD at June 30, 2000.

MPAL has recommended that four additional wells be drilled at Palm Valley to improve the field's production capacity. Under the gas supply agreement with PAWA, the costs of these wells are reimbursed by PAWA and, consequently, the recommendation is under review by PAWA's consultants.

MPAL's share of Palm Valley production revenues is subject to a 10% statutory government royalty and net overriding royalties aggregating 4.2548%.

Gas Supply Contracts

<TABLE>

| | Maximum contract (balance/after royalties) (bcf) | Percentage of Contract completed | Contract Period |
|---|---|---|---|
| Palm Valley: | | | |
| <S> | <C> | <C> | <C> |
| Alice Springs (1981) | 2.3 | 83 | 1983-2003 |
| Darwin (1985) | 41.7 | 45 | 1987-2009 |
| | ---- | | |
| | 44.0 | | |
| Mereenie: | | | |
| Darwin (1985) | 7.9 | 53 | 1987-2012 |
| Darwin (1999) | 17.3 | 5 | 1999-2009 |
| Other | 1.5 | - | Various |
| | ----- | | |
| | 26.7 | | |
| Total | 70.7 | | |
| | ==== | | |

</TABLE>

Under the 1985 contracts, there is a difference in price between Palm Valley gas and most of the Mereenie gas for the first 20 years of the 25 year contracts which takes into account the additional cost to the pipeline consortium to build a spur line to the Mereenie field and increase the size of the pipeline from Palm Valley to Mataranka.

In consideration for the Palm Valley Participants forgoing 20% of the Amadeus Basin to Darwin gas supply contract during the first 20 contract years, Mereenie Participants made a payment to the Palm Valley Participants to partially compensate the Palm Valley Participants for the reduced net present value of the future gas sales revenues which were postponed from contract years 1 to 20 to contract years 21 to 26. The agreement also provides that when the Mereenie Participants sell any additional gas from the Mereenie field, the Palm Valley Participants are entitled, as additional 2. Oil and gas properties (Cont'd)

consideration, to 35% of the revenues from the first 38 bcf (MPAL share - 19.5 bcf) of gas sold. At June 30, 2000, the balance of the Mereenie Participants gas subject to this entitlement was approximately 1.3 bcf (MPAL share - .5 bcf).

At June 30, 2000, the Company had accrued $935,000 for future site restoration costs for the Mereenie and Palm Valley fields. The balance of the estimated liability is $2,836,000 at June 30, 2000 which will be accrued over the remaining life of the related reserves based on units of production.

Dingo Gas Field

MPAL has a 34.3% interest in the Dingo gas field which is held under Retention License 2 and is subject to renewal in 2003. The Dingo gas field, which is located in the Amadeus Basin in the Northern Territory, has approximately 25 bcf of presently proved and recoverable reserves based on four delineation wells. Dingo 2 and Dingo 3 wells are estimated to have the capacity of producing a combined rate of 5 mmcfd per day. MPAL's share of potential production from these permit areas is subject to a 10% statutory government royalty and overriding royalties aggregating 2.5043%.

Browse Basin

During the 1999 fiscal year, MPAL and its partners were granted exploration permits WA-281-P, WA-282-P and WA-283-P in the Browse Basin offshore Western Australia. MPAL's share (17.5%) of the remaining work obligations for the three permits total $7,290,000 at June 30, 2000 and are as follows: $835,000 for the year 2001, $2,277,000 for 2002, $355,000 for 2003, $3,740,000 for 2004 and $83,000 for 2005.

During January 1999, MPAL was granted exploration blocks WA-287-P and WA-288-P in the Eastern Browse Basin. MPAL's share (100%) of the remaining work obligations of the two permits total $9,309,000 and are as follows: $417,000 for the fiscal year 2001, $238,000 for 2002, $4,178,000 for the 2003, $298,000 for 2004 and $4,178,000 for 2005. The expenditures for the years 2001-2002 are obligatory and discretionary for the years 2003-2005.

Carnarvon Basin

During April 1999, MPAL was awarded permit WA-291-P, offshore Western Australia in the Carnarvon Basin. MPAL's share (100%) of the remaining work obligations of the permit total $4,626,000 at June 30, 2000 and are as follows: $60,000 for the fiscal year 2001, $221,000 for 2002, $30,000 for 2003, $4,178,000 for 2004,

2. Oil and gas properties (Cont'd)

$107,000 for 2005 and $30,000 for 2006. The expenditures for the years 2001-2003 are obligatory and discretionary for the years 2004-2006.

Maryborough Basin

MPAL holds a 98% interest in exploration permit ATP 613P, a 670,000 acre block, in the Maryborough Basin in Queensland, Australia. A third party has agreed to pay A.$300,000 for additional seismic data, which was acquired during September 2000. Depending on the results of this work, the third party has an option to drill an exploration well in exchange for an approximate 50% interest in the permit.

Cooper Basin

During April 1999, MPAL (50%) and its partner Beach Petroleum NL were successful in bidding for two exploration blocks in South Australia's Cooper Basin. The formal grant of the permit is pending. MPAL's share of the work obligations will total $3,074,000 and are as follows: $1,074,000 for the fiscal year 2002, $656,000 for 2003, $478,000 for 2004, $388,000 for 2005 and $478,000 for 2006.

(b) Canada

The Company has a 2.67% carried interest in the Kotaneelee gas field in the Yukon Territory which has been on production since February 1991 with two producing wells. For financial statement purposes in fiscal 1987 and 1988, the Company wrote down its Canada cost center, which included the Kotaneelee field to a nominal value because of the uncertainty as to the date when sales of Kotaneelee gas might begin and the immateriality of the carrying value of the investment. Although the field is now producing, the Company has not yet classified its share of the Kotaneelee gas reserves as proved because the gas field is still the subject of litigation. The Company will reclassify the reserves at the Kotaneelee field as proved when there is greater assurance as to the timing and assumptions regarding the investment. The operator reported that as of November 30, 1999, the carried interest account had paid out.

In December 1999, the Company and the other carried interest parties filed a motion to have the Court of Queen's Bench direct the working interest parties in the Kotaneelee gas field to make timely payments of all current and future amounts due from their share of the Kotaneelee gas field revenues. In April 2000, the trial court dismissed the motion pending the Court's ultimate determination of the issues surrounding the Kotaneelee field carried-interest account. The trial court's decision is being appealed to the Alberta Court of Appeal.

2. Oil and gas properties (Cont'd)

In view of the trial court's dismissal of the motion, the Company does not intend to accrue any revenues from the Kotaneelee gas field until collection of the amounts due is reasonably assured.

Since March 2000, the operator of the Kotaneelee field has been reporting the amount of the Company's share of net revenues being deposited in escrow. The September 2000 report provided information for production during the month of June 2000. Based on the reported data, the Company believes that the total amount due the Company is $491,232 of which $162,874 has been deposited in escrow. At June 30, 2000, the Company has accrued approximately $43,000 of such gas sales.

(c) United States

Tapia Canyon, California

Effective December 1, 1997, MPC acquired a 20% interest in a heavy oil recovery project in Tapia Canyon, California. Because the Company was dissatisfied with the program to develop the field reserves, the Company sold its interest for its approximate cost of $101,000 effective August 31, 1999.

Stephens County, Texas

During fiscal 1999, MPC participated (20%) in the drilling of the Puckett No. 1 well. During late June 1999, MPC also participated (21.4%) in the drilling of the Smith No. 1 well. During the fiscal year 2000, the $119,000 cost of both wells was written off because the project was deemed to be uneconomic.

(d) Belize

Southern Offshore Block PSA

During July 2000, MPC (3%) and MPAL (20%) withdrew from the joint venture which was formed to explore the Southern Offshore Blocks in Belize, Central America. Most of the costs related to this project had been written off in prior years except for the $33,000 written off in fiscal 2000.

(e) Exploratory and dry hole costs

During 2000, MPC wrote off its costs relating to its properties in Texas. The costs in Australia relate primarily to the work being performed on

MPAL's offshore Western

2. Oil and gas properties (Cont'd)

Australia properties. The costs in 1999 related primarily to the Springbok - 1 well offshore Western Australia which was plugged and abandoned and the Belize project which was written off. In 1998, the Schilling -1 well and the Kittiwake - - 1 well which were drilled offshore Western Australia were also abandoned. The costs (in thousands) for MPC and MPAL were as follows:

<TABLE>

| 2000 Location | MPC | MPAL | Total |
|---|---|---|---|
| U.S. / Belize | $ 124 | $ 32 | $ 156 |
| Australia | - | 1,933 | 1,933 |
| Total | $ 124 | $ 1,965 | $ 2,089 |
| 1999 | | | |
| U.S. / Belize | $ 50 | $ 361 | $ 411 |
| Australia | - | 1,648 | 1,648 |
| Total | $ 50 | $ 2,009 | $ 2,059 |
| 1998 | | | |
| U.S. / Belize | $ 32 | $ 118 | $ 150 |
| Australia | - | 3,196 | 3,196 |
| Total | $ 32 | $3,314 | $ 3,346 |

</TABLE>

Commitments

The following is a summary of MPAL's required and contingent commitments for exploration expenditures for the five year period ending June 30, 2005. The contingent amounts will be dependent on such factors as the results of the current program to evaluate the exploration permits, drilling results and the Company's financial position.

<TABLE>

| Fiscal Year | Expenditures Required | Contingent Expenditures | Total |
|---|---|---|---|
| 2001 | $2,934,000 | $ 75,000 | $ 3,009,000 |
| 2002 | 1,961,000 | 937,000 | 2,898,000 |
| 2003 | 706,000 | 12,314,000 | 13,020,000 |
| 2004 | 937,000 | 1,085,000 | 2,022,000 |
| 2005 | 2,000 | 4,792,000 | 4,794,000 |
| | $6,540,000 | $19,208,000 | $25,743,000 |

</TABLE>

MPAL expects to fund its exploration costs through its cash and cash equivalents, cash flow from Australian operations and any balance remaining from its available A.$10 million bank line of credit. MPAL also expects that it will find partners to share the above exploration costs.

3. MPC condensed financial statements

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

Magellan Petroleum Corporation
Condensed Balance Sheets

<TABLE>

| | June 30, 2000 | June 30, 1999 |
|---|---|---|

| Assets | | |
|---|---|---|
| <S> | <C> | <C> |
| Current assets | $ 2,044 | $ 1,967 |
| Other assets | 1,476 | 1,709 |
| Oil and gas properties - net | 100 | 171 |
| Investment in MPAL | 15,495 | 15,957 |
| Total assets | $19,115 | $19,804 |

| Liabilities And Stockholders' Equity | | |
|---|---|---|
| Current liabilities | $ 18 | $ 70 |
| Stockholders' equity: | | |
| Capital | 43,838 | 43,838 |
| Accumulated deficit | (16,914) | (18,405) |
| Accumulated other comprehensive loss | (7,827) | (5,699) |
| Total stockholders' equity | 19,097 | 19,734 |
| Total liabilities and stockholders' equity | $19,115 | $19,804 |

</TABLE>

Magellan Petroleum Corporation
Condensed Statements Of Income

<TABLE>

| | Year ended June 30, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| <S> | <C> | <C> | <C> |
| Revenues | $ 220 | $ 190 | $ 175 |
| Costs and expenses | 930 | (879) | (863) |
| Loss before income taxes | (710) | (689) | (688) |
| Income tax provision | 114 | 105 | 1 |
| Loss before equity in MPAL | (824) | (794) | (689) |
| Equity in MPAL net income | 2,314 | 1,739 | 1,726 |
| Net income | $ 1,490 | $ 945 | $1,037 |

</TABLE>

3. MPC condensed financial statements (Cont'd)

Magellan Petroleum Corporation
Condensed Statements Of Cash Flows

<TABLE>

| | Year ended June 30, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| Operating Activities: | | | |
| <S> | <C> | <C> | <C> |
| Net income | $ 1,490 | $ 945 | $ 1,037 |
| Adjustments to reconcile net income to net cash used in operating activities: | | | |
| Abandonments | 71 | 47 | - |
| Equity in MPAL income | (2,314) | (1,739) | (1,726) |
| Change in operating assets and liabilities: | | | |
| Accounts receivable and other assets | (6) | (37) | (59) |
| Accounts payable and accrued liabilities | (52) | (27) | 79 |
| Net cash used in operating activities | (811) | (811) | (669) |
| Investing Activities: | | | |
| Additions to property and equipment | - | (92) | (79) |
| Marketable securities (purchased) sold | (956) | 365 | (256) |
| Purchase of MPAL shares | (110) | (112) | - |

| | | | |
|---|---|---|---|
| Net cash used in investing activities | (1,066) | 161 | (335) |
| Financing Activities: | | | |
| Dividends from MPAL | 760 | 705 | 1,546 |
| Exercise of stock options | - | 56 | 122 |
| Net cash provided from financing activities | 760 | 761 | 1,668 |
| Net increase (decrease) in cash and | | | |
| Cash and cash equivalents at beginning of year | 1,199 | 1,088 | 424 |
| Cash and cash equivalents at end of year | $ 82 | $1,199 | $1,088 |

</TABLE>

4. MPAL transactions and condensed financial statements

The following are the condensed consolidated balance sheets and consolidated statements of income of MPAL (in thousands). At June 30, 2000, Santos Ltd. held 18.2% of MPAL and Origin Energy Limited held 17.1% with the balance of 13.7% held by approximately 2,000 shareholders in Australia.

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

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

Magellan Petroleum Australia Limited
Condensed Consolidated Balance Sheets

<TABLE>

| | June 30, 2000 | June 30, 1999 |
|---|---|---|
| Assets | | |
| <S> | <C> | <C> |
| Current assets | $17,995 | $13,989 |
| Other assets | 720 | 755 |
| Oil and gas properties - net | 20,510 | 25,313 |
| Land, building and equipment - net | 928 | 1,073 |
| Total | $40,153 | $41,130 |
| Liabilities And Stockholders' Equity | | |
| Current liabilities | $ 4,975 | $ 3,114 |
| Long term liabilities | 5,285 | 7,005 |
| Stockholders' equity: | | |
| Capital | 34,408 | 34,408 |
| Retained earnings | 9,923 | 6,890 |
| Accumulated other comprehensive loss | (14,438) | (10,287) |
| | 29,893 | 31,011 |
| Total | $40,153 | $41,130 |

</TABLE>

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

Magellan Petroleum Australia Limited
Condensed Consolidated Statements of Income

| | Year ended June 30, 2000 | 1999 | 1998 |
|---|---|---|---|
| Revenues | $16,927 | $13,925 | $15,165 |
| Costs and expenses | 12,337 | 10,666 | 11,615 |
| Income before income taxes | 4,590 | 3,259 | 3,550 |
| Income tax provision (benefit) | 66 | (158) | 143 |
| Net income | $ 4,524 | $ 3,417 | $ 3,407 |

Magellan and Minority Equity in MPAL

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| Magellan equity interest in MPAL: | | | |
| Magellan equity in net income | $ 2,314 | $ 1,739 | $ 1,726 |
| Minority equity interest in MPAL: | | | |
| Minority interest in net income | $ 2,210 | $ 1,678 | $ 1,681 |
| Other comprehensive income (loss) | (2,023) | 1,203 | (3,198) |
| Other | (77) | - | - |
| Dividends paid | (731) | (687) | (1,506) |
| Total minority interest increase (decrease) | $ (621) | $ 2,194 | $ (3,023) |

5. Capital and stock options

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

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

At June 30, 2000, 706,000 of the stock options outstanding were vested and exercisable. During fiscal 1999, options to purchase 50,000 were repriced from $2.75 to $1.57, the fair market value on the date of repricing. In addition, options to purchase 175,000 shares of common stock were exercised in a cashless exchange which resulted in the issuance of 75,731 shares during fiscal 1999. Following is a summary of option transactions for the three years ended June 30, 2000:

| Options outstanding | Expiration Dates | Number of shares | Exercise Prices ($) |
|---|---|---|---|
| June 30, 1997 | | 406,250 | .8125-2.75 |

| | | | |
|---|---|---|---|
| Exercised | | (131,250) | .94 |
| | | --------- | |
| June 30, 1998 | | 275,000 | .8125 - 2.75 |
| Granted | Oct. 2003 | 146,000 | 1.57 |
| Exercised | | (225,000) | .8125 |
| | | --------- | |
| June 30, 1999 | | 196,000 | 1.57 |
| Granted | Feb. 2005 | 745,000 | 1.28 |
| | | ------- | |
| June 30, 2000 | | 941,000 | ($1.34 weighted average) |
| | | ======= | |

Summary of Options Outstanding at June 30, 2004

| | | | |
|---|---|---|---|
| Granted 1997 | Sep. 2001 | 50,000 | 1.57 |
| Granted 1999 | Oct. 2003 | 146,000 | 1.57 |
| Granted 2000 | Feb. 2005 | 745,000 | 1.28 |
| | | ------- | |
| 941,000 | | | |
| Options reserved for future grants | | 255,000 | |
| | | ======= | |

</TABLE>

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB No. 25) and related interpretations in accounting for its stock options because the alternative fair value accounting provided

5. Capital and stock options (Cont'd)

under FASB Statement No. 123, "Accounting for Stock Based Compensation," requires use of option valuation models that were not developed for use in valuing stock options. Under APB No. 25, because the exercise price of the Company's stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Upon exercise of options, the excess of the proceeds over the par value of the shares issued is credited to capital in excess of par value. No charges have been made against income in accounting for options during the three year period ended June 30, 2000.

Pro forma information regarding net income and earnings per share is required by Statement 123, and has been determined as if the Company had accounted for its stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model.

Option valuation models require the input of highly subjective assumptions including the expected stock price volatility. The assumptions used in the 2000 valuation model were: risk free interest rate - 6.65%, expected life - - 5 years, expected volatility - .419, expected dividend - 0. The assumptions used in the 1999 valuation model were: risk free interest rate - 4.45%, expected life - 5 years, expected volatility - 1.0, expected dividend - 0. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

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

| | Amount | Per Share |
|---|---|---|
| <S> | <C> | <C> |
| Net income as reported - June 30, 1999 | $ 945,000 | $ .04 |
| Stock option expense | (200,000) | (.01) |
| | ----------- | ------- |
| Pro forma net income - June 30, 1999 | $ 745,000 | $ .03 |

| | | |
|---|---|---|
| Net income as reported - June 30, 2000 | $1,490,000 | .06 |
| Stock option expense | (336,000) | (.01) |
| Pro forma net income - June 30, 2000 | $ 1,154,000 | $ .05 |

</TABLE>

6. Income taxes

(a) Components of pretax income (loss) by geographic area (in thousands) are as follows:

<TABLE>

| | Year ended June 30, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| <S> | <C> | <C> | <C> |
| United States | $ (686) | $ (743) | $ (850) |
| Foreign | 4,565 | 3,314 | 3,712 |
| Total | $3,879 | $2,571 | $2,862 |

</TABLE>

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

<TABLE>

| | Year ended June 30, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| <S> | <C> | <C> | <C> |
| Pretax consolidated income | $3,879 | $2,571 | $2,862 |
| Losses not recognized: | | | |
| MPC's operations | 710 | 689 | 689 |
| Permanent differences | (1,534) | (1,256) | (2,443) |
| Book taxable income - Australia | $3,055 | $2,004 | $1,108 |
| Australian tax rate | 36% | 36% | 36% |
| Australian income tax | $1,100 | $ 722 | $ 399 |
| Tax (benefit) attributable to reconciliation of | | | |
| Year end deferred tax liability | (1,034) | (879) | (256) |
| MPAL Australian tax (benefit) | 66 | (157) | 143 |
| MPC income tax | 114 | 105 | 1 |
| Consolidated income tax (benefit) | $ 180 | $ (52) | $ 144 |
| Current income tax provision | $ 1,343 | $ 225 | $ 1 |
| Deferred income tax provision (benefit) | (1,163) | (277) | 143 |
| Consolidated income tax provision (benefit) | $ 180 | $ (52) | $ 144 |
| Effective tax rate | 5% | (2%) | 5% |

</TABLE>

The amount of $4,255,000 and $6,060,000 in deferred income tax liability at June 30, 2000 and June 30, 1999, respectively, relates primarily to the deduction of acquisition and development costs which are capitalized for financial statement purposes. The 2000 credit of $1,034,000 represents the tax benefit of $378,000 of prior years' losses previously not taken into account and the tax benefit of $656,000 from the reduction in the Australian income tax rate. The 1999 and 1998 credits of $879,000 and

6. Income taxes (Cont'd)

$256,000 represent the tax benefit of prior years' losses previously not taken into account.

(c) United States

At June 30, 2000, the Company had approximately $15,375,000 and $3,702,000 of net operating loss carryforwards for federal and state income tax purposes, respectively, which are scheduled to expire periodically between the years 2001 and 2019. Of this amount, MPC has federal loss carryforwards that expire as follows: $624,000 expires in 2001, $912,000 in 2002, $209,000 in 2003, $915,000 in 2004, $570,000 in 2005, $865,000 in 2007 and $2,055,000 in 2008. MPAL's U.S. subsidiary has federal loss carryforwards that expire as follows: $220,000 expires in 2005, $2,392,000 in 2006, $1,669,000 in 2010, $1,764,000 in 2011, $2,855,000 in 2012, $229,000 in 2013 and $96,000 in 2019. The Company also has approximately $743,000 of foreign tax credit carryovers, which are scheduled to expire periodically between the years 2001 and 2005. MPC's state loss carryforwards expire periodically between the years 2001 and 2005. For financial reporting purposes, a valuation allowance has been recognized to offset the deferred tax assets related to those carryforwards and other temporary differences. Significant components of the Company's deferred tax assets were as follows:

<TABLE>

| <S> | June 30, 2000 <C> | June 30, 1999 <C> |
|---|---|---|
| Net operating losses | $3,889,000 | $4,223,000 |
| Foreign tax credits | 743,000 | 887,000 |
| Interest | 214,000 | 214,000 |
| | ------- | ------- |
| Total deferred tax assets | 4,846,000 | 5,324,000 |
| Valuation allowance | (4,846,000) | (5,324,000) |
| | ------------ | ------------ |
| Net deferred tax assets | $ - | $ - |
| | ================== | ================== |

</TABLE>

7. Bank loan

MPAL has a $6 million line of credit with an Australian bank at the bank's prime rate of interest (5.9% at June 30, 2000, and 4.9% at June 30, 1999) plus .5%. The line of credit, which is renewed annually, is unsecured and expires December 31, 2000. In addition, there is an annual fee of A.$30,000 payable with respect to the line of credit. At June 30, 2000 and 1999, the line of credit was not being utilized.

8. Related party and other transactions

G&O'D INC, a firm that provides accounting and administrative services, office facilities and support staff to the Company, was paid $138,953, $235,028 and $248,174 in fees for fiscal years 2000, 1999 and 1998, respectively. James R. Joyce, the President and Chief Financial Officer, is the owner of G&O'D INC. Effective January 1, 2000, Mr. Joyce is being paid an annual salary of $150,000. 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 $29,943, $44,860 and $36,366 for fiscal years 2000, 1999 and 1998, respectively. In addition, Mr. Heath, a director, has overriding royalty interests which were granted between 1957 and 1968 on certain of the Company's oil and gas properties prior to any discoveries. The following gross royalty amounts represent payments by all of the owners of the fields, not just the Company's share. The payments to Mr. Heath with respect to these royalties in fiscal 2000 were $47,270, in fiscal 1999 were $44,469 and in fiscal 1998 were $46,044.

9. Leases

At June 30, 2000, future minimum rental payments applicable to MPAL's noncancelable operating (office) lease were as follows:

| Fiscal Year | Amount |
|---|---|
| 2001 | 93,000 |
| 2002 | 98,000 |
| 2003 | 116,000 |
| 2004 | 122,000 |
| Total | 429,000 |

The information regarding the rental expense for all operating leases is included in Note 13.

10. Pension Plan

MPAL maintains a defined benefit pension plan and contributes to the plan at rates which (based on actuarial determination) are sufficient to meet the cost of employees' retirement benefits. No employee contributions are required. MPAL is committed to make up any shortfall in the plan's assets to meet payments to employees as they become due. Plan participants are entitled to defined benefits on normal retirement, death or disability.

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

| | June 30, 2000 | June 30, 1999 |
|---|---|---|
| Change in Benefit Obligation | | |
| <S> | <C> | <C> |
| Benefit obligation at beginning of year | $2,834,084 | $2,412,353 |
| Service cost | 194,154 | 207,386 |
| Interest cost | 125,634 | 137,739 |
| Actuarial gains and losses | 285,652 | 61,692 |
| Benefits paid | (784,168) | (87,691) |
| Taxes on contributions | (33,506) | (43,022) |
| Expenses | (40,303) | (41,707) |
| Foreign currency effect | 252,537 | 187,334 |
| Benefit obligation at end of year | $2,281,366 | $2,834,084 |
| Change in Plan Assets | | |
| Fair value of plan assets at beginning of year | $3,498,661 | $2,974,283 |
| Actual return on plan assets | 371,209 | 232,262 |
| Contributions by employer | 170,907 | 233,566 |
| Benefits paid | (784,164) | (87,691) |
| Foreign currency effect | (370,570) | 230,970 |
| Other (expenses) | (73,809) | (84,729) |
| Fair value of plan assets at end of year | $2,812,230 | $3,498,661 |
| Reconciliation of Funded Status | | |
| Funded Status | $ 530,864 | $ 664,577 |
| Unrecognized actuarial loss (gain) | (106,195) | (148,469) |
| Unrecognized prior service cost | 294,842 | 238,530 |
| Prepaid benefit costs | $ 719,511 | $ 754,638 |

</TABLE>

10. Pension Plan (Cont'd)

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

<TABLE>

| | Year ended June 30, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| <S> | <C> | <C> | <C> |
| Service cost | $194,154 | $207,386 | $186,819 |
| Interest cost | 125,634 | 137,739 | 135,945 |
| Actual return on plan assets | (167,133) | (209,038) | (192,079) |
| Net amortization and deferred items | (26,549) | (29,694) | (27,554) |
| Net pension cost | $126,106 | $106,393 | $103,131 |
| Plan contributions by MPAL | $180,000 | $220,000 | $224,000 |

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

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| Assumed discount rate | 6.0% | 6.0% | 5.5% |
| Rate of increase in future compensation levels | 4.5% | 4.5% | 4.0% |
| Expected long term rate of return on plan assets | 6.5% | 6.0% | 6.5% |
| Australian exchange rate | $.5968 | $.6675 | $.6194 |

</TABLE>

11. Segment information

The Company has two reportable segments, MPC and its majority owned subsidiary, MPAL. Although each company is in the same business, MPAL is also a publicly held company with its shares traded on the Australian Stock Exchange. MPAL issues separate audited consolidated financial statements and operates independently of MPC.

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

<TABLE>

| | Year ended June 30, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| Revenues: | | | |
| <S> | <C> | <C> | <C> |
| MPC | $ 980 | $ 895 | $ 1,721 |
| MPAL | 16,927 | 13,925 | 15,165 |
| Elimination of intersegment dividend | (760) | (705) | (1,546) |
| Total consolidated revenues | $17,147 | $14,115 | $15,340 |

</TABLE>

11. Segment information (Cont'd)

<TABLE>

| | Year ended June 30, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| Interest income: | | | |
| <S> | <C> | <C> | <C> |
| MPC | $ 174 | $ 183 | $ 171 |
| MPAL | 643 | 534 | 570 |
| Total consolidated | $ 817 | $ 717 | $ 741 |
| Net income (loss): | | | |
| MPC | $ (64) | $ (89) | $ 857 |
| MPAL | 2,314 | 1,739 | 1,726 |
| Elimination of intersegment dividend | (760) | (705) | (1,546) |

| | | | |
|---|---|---|---|
| Consolidated net income | $ 1,490 | $ 945 | $ 1,037 |
| | | | |
| Assets: | | | |
| MPC | $ 19,115 | $ 19,804 | $ 17,516 |
| MPAL | 40,153 | 41,130 | 35,638 |
| Equity elimination | (15,292) | (15,788) | (13,375) |
| Total consolidated assets | $ 43,976 | $ 45,146 | $ 39,779 |
| | | | |
| Other significant items: | | | |
| Depletion, depreciation and amortization: | | | |
| MPC | $ - | $ - | $ - |
| MPAL | 3,670 | 2,357 | 2,205 |
| Total consolidated | $ 3,670 | $ 2,357 | $ 2,205 |
| | | | |
| Exploratory and dry hole costs: | | | |
| MPC | $ 124 | $ 50 | $ 32 |
| MPAL | 1,965 | 2,009 | 3,314 |
| Total consolidated | $ 2,089 | $ 2,059 | $ 3,346 |
| | | | |
| Income tax expense (benefit): | | | |
| MPC | $ 114 | $ 105 | $ 1 |
| MPAL | 66 | (157) | 143 |
| Total consolidated | $ 180 | $ (52) | $ 144 |

</TABLE>

12. Geographic information

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

<TABLE>

| | Year ended June 30, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| Revenue: | | | |
| <S> | <C> | <C> | <C> |
| Australia | $16,927 | $13,924 | $15,148 |
| United States | 220 | 191 | 192 |
| | $17,147 | $14,115 | $15,340 |
| Operating income (loss): | | | |
| Australia | $ 4,038 | $ 3,144 | $ 3,979 |
| Belize | (80) | (351) | (195) |
| United States | 94 | (46) | (163) |
| | 4,052 | 2,747 | 3,621 |
| Corporate overhead and interest, net of other income | (173) | (176) | (759) |
| Consolidated operating income before income taxes and minority interests | $ 3,879 | $ 2,571 | $ 2,862 |
| | | | |
| Net income (loss): | | | |
| Australia | $ 2,332 | $ 1,945 | $ 1,911 |
| Belize | (42) | (178) | (103) |
| United States | (800) | (822) | (771) |

| | | | |
|---|---|---|---|
| | $ 1,490 | $ 945 | $ 1,037 |
| Identifiable assets: | | | |
| Australia | $40,152 | $41,130 | $35,236 |
| Belize | - | - | 433 |
| United States | 100 | 169 | 17 |
| | 40,252 | 41,299 | 35,686 |
| Corporate assets | 3,724 | 3,847 | 4,093 |
| | $43,976 | $45,146 | $39,779 |

</TABLE>

Substantially all of MPAL's gas sales were to the Power and Water Authority ("PAWA") of the Northern Territory of Australia ("NTA"). Most of MPAL's crude oil production was sold to the Mobil Port Stanvac Refinery near Adelaide.

13. Other financial information

<TABLE>

| | Year ended June 30, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| Costs and expenses - Other | | | |
| <S> | <C> | <C> | <C> |
| Consultants | $ 91,524 | $ 160,684 | $ 52,741 |
| Directors' fees and expense | 210,449 | 200,373 | 181,466 |
| Insurance | 166,004 | 189,765 | 217,503 |
| Interest expense | 19,093 | 19,259 | 24,468 |
| Rent | 193,098 | 167,947 | 271,241 |
| Taxes | 195,305 | 158,925 | 218,467 |
| Travel | 97,110 | 145,046 | 219,172 |
| Other (net of overhead reimbursements) | (251,328) | (277,496) | (228,126) |
| | $ 721,255 | $ 764,503 | $ 956,932 |
| Royalty payments | $1,508,146 | $1,224,149 | $1,464,478 |
| Interest payments | $ 19,093 | $ 19,259 | $ 24,468 |
| Income tax payments | $ 239,750 | $ 105,370 | $ 1,000 |

</TABLE>

14. Selected quarterly financial data (unaudited)

The following is a summary (in thousands) of the quarterly results of operations for the years ended June 30, 2000 and 1999:

<TABLE>

| 2000 | QTR 1 ($) | QTR 2 ($) | QTR 3 ($) | QTR 4* ($) |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> |
| Total revenues | 3,630 | 4,622 | 4,282 | 4,614 |
| Costs and expenses | (2,931) | (4,209) | (2,700) | (3,428) |
| Income tax (provision) benefit | (228) | 531 | (491) | 8 |
| Minority interests | 328 | (615) | (594) | (673) |
| Net income (loss) | 143 | 329 | 497 | 521 |
| Per share (basic & diluted) | .01 | .01 | .02 | .02 |

| 1999 | QTR 1 ($) | QTR 2 ($) | QTR 3 ($) | QTR 4* ($) |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| Total revenues | 3,200 | 3,570 | 3,319 | 4,026 |
| Costs and expenses | (3,398) | (2,781) | (3,332) | (2,033) |
| Income tax (provision) benefit | 53 | (372) | (98) | 469 |
| Minority interests | (28) | (358) | (38) | (1,254) |
| | --------- | -------- | --------- | ------- |
| Net income (loss) | (173) | 59 | (149) | 1,208 |
| | ======== | ======== | ======== | ======= |
| Per share (basic & diluted) | .01 | - | (.01) | .05 |
| | === | == | ===== | === |

</TABLE>

*See Management's Discussion and Analysis of Financial Condition and Results of Operations. There were 25,209,226 shares of common stock outstanding during all of the above periods.

MAGELLAN PETROLEUM CORPORATION
SUPPLEMENTARY OIL AND GAS INFORMATION
(unaudited)

June 30, 2000

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 therefrom, and the costs related thereto, could be more or less than the amounts used in estimating future net cash flows. Moreover, estimates of proved reserves may increase or decrease as a result of future operations and economic conditions, and any production from these properties may commence earlier or later than anticipated.

Estimated net quantities of proved developed and proved oil and gas reserves:
<TABLE>

| | Natural Gas (Bcf) | Oil (Thousand Bbls) |
|---|---|---|
| Proved Reserves: | Australia | Australia |
| - ---------------- | --------- | --------- |
| | (*) | |
| <S> | <C> | <C> |
| June 30, 1997 | 96.082 | 959 |
| Revision of previous estimates | (5.071) | 204 |
| Extensions and discoveries | - | - |
| Production | (5.844) | (248) |
| | -------- | ----- |
| June 30, 1998 | 85.167 | 915 |
| Revision of previous estimates | .011 | 20 |
| Extensions and discoveries | 1.258 | - |
| Production | (5.898) | (205) |
| | ------- | ----- |
| June 30, 1999 | 80.538 | 730 |
| Revision of previous estimates | (3.902) | (62) |
| Extensions and discoveries | - | - |
| Production | (6.047) | (172) |
| | ------- | ----- |
| June 30, 2000 | 70.589 | 496 |
| | ====== | === |
| Proved Developed Reserves: | | |
| June 30, 1997 | 96.082 | 959 |
| | ====== | === |
| June 30, 1998 | 85.167 | 915 |
| | ====== | === |
| June 30, 1999 | 80.538 | 730 |
| | ====== | === |
| June 30, 2000 | 70.589 | 496 |

====== ===
- -------------------

(*) The amount of proved reserves applicable to the Palm Valley and Mereenie fields only reflects the amount of gas committed to specific contracts. Approximately 48.8% of reserves are attributable to minority interests at June 30, 2000 (49.1% for 1999 and 49.3% for 1998).
</TABLE>

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

| | Australia | |
|---|---|---|
| Fiscal Year | Exploration Costs | Development Costs |
| <S> | <C> | <C> |
| 2000 | $ 2,001 | $ 2,080 |
| 1999 | 1,648 | 3,757 |
| 1998 | 3,196 | 3,474 |

| | Americas | |
|---|---|---|
| Fiscal Year | Exploration Costs | Acquisition Costs |
| 2000 | $ 17 | $ -- |
| 1999 | 81 | -- |
| 1998 | 150 | 79 |

</TABLE>

Capitalized costs subject to depletion, depreciation and amortization ("DD&A") (in thousands):
<TABLE>

| June 30, 2000 | Australia | Americas | Total |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Costs subject to DD&A | $45,666 | $ - | $45,666 |
| Costs not subject to DD&A | - | 100 | 100 |
| Less accumulated DD&A | (24,025) | - | (24,025) |
| Net capitalized costs | $21,641 | $100 | $21,741 |

| June 30, 1999 | Australia | Americas | Total |
|---|---|---|---|
| Costs subject to DD&A | $49,456 | $ - | $49,456 |
| Costs not subject to DD&A | - | 171 | 171 |
| Less accumulated DD&A | (22,902) | - | (22,902) |
| Net capitalized costs | $26,554 | $171 | $26,725 |

</TABLE>

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

The following is the standardized measure of discounted (at 10%) future net cash flows (in thousands) relating to proved oil and gas reserves during the three years ended June 30, 2000. Australia was the only cost center with proved reserves. At June 30, 2000, approximately 48.8% (49.1% for 1999 and 49.3% for 1998) of the reserves and the respective discounted future net cash flows are attributable to minority interests.
<TABLE>

| | Total | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |

| <S> | <C> | <C> | <C> |
|---|---|---|---|
| Future cash inflows | $120,385 | $144,116 | $136,828 |
| Future production costs | (16,696) | (17,917) | (17,441) |
| Future development costs | (7,896) | - | (893) |
| Future income tax expense | (26,482) | (42,288) | (40,429) |
| Future net cash flows | 69,311 | 83,911 | 78,065 |
| 10% annual discount for estimating timing of cash flows | (25,261) | (30,590) | (29,813) |
| Standardized measures of discounted future net cash flows | $44,050 | $ 53,321 | $ 48,252 |

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

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| Net change in prices and production costs | $1,123 | $ 952 | $ (4,318) |
| Extensions and discoveries | - | 1,123 | - |
| Revision of previous quantity estimates | 929 | (62) | (6,675) |
| Changes in estimated future development costs | (8,831) | - | (1,087) |
| Sales and transfers of oil and gas produced | (7,990) | (6,033) | (8,849) |
| Previously estimated development cost incurred during the period | - | 893 | - |
| Accretion of discount | 4,372 | 3,966 | 5,623 |
| Net change in income taxes | 6,344 | 386 | 5,716 |
| Net change in exchange rate | (5,218) | 3,844 | (10,471) |
| | $(9,271) | $ 5,069 | $(20,061) |

</TABLE>

Additional information regarding discounted future net cash flows:

Australia

Reserves - Natural Gas

Future net cash flows from net proved gas reserves in Australia were based on MPAL's share of reserves in the Palm Valley and Mereenie fields which have been limited to the quantities of gas committed to specific contracts.

Reserves and Costs - Oil

At June 30, 2000, 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, 2000. All of the crude oil reserves are developed reserves. Undeveloped proved reserves have not been estimated since there are only tentative plans to drill additional wells.

Income taxes

Future Australian income tax expense applicable to the future net cash flows has been reduced by the tax effect of approximately A.$13,248,000, A.$13,081,000 and A.$9,995,000 in unrecouped capital expenditures at 2000, 1999 and 1998, respectively. The tax rate in computing Australian future income tax expense was 34% for the fiscal year 2000 and 30% for the all other years.

For financial statements purposes in fiscal 1987 and 1988, MPC wrote down its Canada cost center which included the Kotaneelee gas field to a nominal value because of the uncertainty as to the date when sales of Kotaneelee gas might begin and the immateriality of the carrying value of the investment. Although the field is now producing, the Company has not yet classified its share of the Kotaneelee gas reserves as proved because the gas field is still the subject of litigation. The Company will reclassify the reserves at the Kotaneelee field as proved when there is greater assurance as to the timing and assumptions of the investment.

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, 2000:

<TABLE>

| | Americas | | | Australia | | |
|---|---|---|---|---|---|---|
| | 2000 | 1999 | 1998 | 2000 | 1999 | 1998 |
| Revenues: | | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Oil sales | $ 2 | $ 7 | $ 3 | $4,634 | $ 2,566 | $ 4,095 |
| Gas sales | 43 | - | - | 10,466 | 9,640 | 10,485 |
| Other production income | - | - | - | 1,225 | 1,180 | 632 |
| Total revenues | 45 | 7 | 3 | 16,325 | 13,386 | 15,212 |
| Costs: | | | | | | |
| Production costs | 2 | 14 | 5 | 4,490 | 4,358 | 3,642 |
| Depletion, exploratory and dry hole costs | 88 | 410 | 151 | 5,264 | 3,905 | 5,937 |
| Total costs | 90 | 424 | 156 | 9,754 | 8,263 | 9,579 |
| Income (loss) before taxes and minority interest | (45) | (417) | (153) | 6,571 | 5,123 | 5,633 |
| Income tax provision (36%) | - | - | - | (2,365) | (1,844) | (2,028) |
| Income before minority interests | (46) | (417) | (153) | 4,206 | 3,279 | 3,605 |
| Minority interests* | 17 | 177 | 74 | (2,054) | (1,610) | (1,779) |
| Net income (loss) from Operations | $ (62) | $ (240) | $ (79) | $ 2,154 | $ 1,669 | $ 1,826 |
| Depletion per unit of Production | - | - | - | A.$4.27 | A.$2.73 | A.$2.30 |

* Minority interests 48.8% in 2000, 49.1 % in 1999 and 49.3% in 1998

</TABLE>

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

None.

PART III

For information concerning Item 10 - Directors and Executive Officers of the Company, Item 11 - Executive Compensation, Item 12 - Security Ownership of Certain Beneficial Owners and Management and Item 13 - Certain Relationships and Related Transactions, see the Proxy Statement of Magellan Petroleum Corporation relative to the Annual Meeting of Stockholders for the fiscal year ended June 30, 2000, which will be filed with the Securities and Exchange Commission, which information is incorporated herein by reference. For information concerning Item 10 - Executive Officers of the Company, see Part I.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) (1) Financial Statements.

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



(2) Financial Statement Schedules.

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

(b) Reports on Form 8-K.

None.

(c) Exhibits.

The following exhibits are filed as part of this report:

Item Number

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

None.

3. Articles of Incorporation and By-Laws.

(a) Restated Certificate of Incorporation as filed on May 4, 1987 with the State of Delaware and Amendment of Article Twelfth as filed on February 12, 1988 with the State of Delaware filed as exhibit 4(b) to Form S-8 Registration Statement, filed on January 14, 1999, are incorporated herein by reference.

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

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

None.

9. Voting Trust Agreement.
----------------------

None.

10. Material contracts.

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

(l) Form of Agreement pursuant to Article SIXTEENTH of the Company's Certificate of Incorporation and the applicable By-Law to indemnify the Company's directors and officers filed as Exhibit 10(l) to Annual Report on Form 10-K for the year ended June 30, 1999 is incorporated herein by reference.

.

(m) 1998 Stock Option Plan, filed as exhibit 4(a) to Form S-8 Registration Statement on January 14, 1999, is incorporated filed as Exhibit 10(m) to Annual Report on Form 10-K for the year ended June 30, 1999 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.

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.
------------------------------

Consent of Ernst & Young LLP filed herein.

24. Power of attorney.
-----------------

None.

27. Financial Data Schedule.
-----------------------

Filed herein (EDGAR filing only).

99. Additional Exhibits.
-------------------

None.

(d) Financial Statement Schedules.
-----------------------------

None.

SIGNATURES

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

MAGELLAN PETROLEUM CORPORATION
(Registrant)

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

Dated: September 25, 2000

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.

<TABLE>

| <S> | <C> |
|---|---|
| /s/ Benjamin W. Heath | /s/ James R. Joyce |
| Benjamin W. Heath<br>Director | James R. Joyce<br>Director, President and Chief Executive Officer,<br>Chief Financial and Accounting Officer |
| Dated: September 25, 2000 | Dated: September 25, 2000 |
| /s/ Hedley Howard<br>Hedley Howard<br>Director | /s/ Walter McCann<br>Walter McCann<br>Director |
| Dated: September 25, 2000 | Dated: September 25, 2000 |
| /s/ Timothy L. Largay | /s/ Ronald P. Pettirossi |
| Timothy L. Largay<br>Director | Ronald P. Pettirossi<br>Director |
| Dated: September 25, 2000 | Dated: September 25, 2000 |

</TABLE>

INDEX TO EXHIBITS

21. Subsidiaries of the Registrant

23. Consent of Independent Auditors

27. Financial Data Schedule (Edgar filing only)

<TABLE>

EXHIBIT 21

Subsidiaries of the Registrant

| Subsidiary | State of Incorporation | Ownership |
|---|---|---|
| <S> | <C> | <C> |
| Magellan Petroleum Australia Limited | Queensland, Australia | 51.2% |

The following subsidiaries are owned directly or indirectly by Magellan Petroleum Australia Limited:

| | | |
|---|---|---|
| Magellan Petroleum (N.T.) Pty. Ltd. | Queensland, Australia | 100% |
| Paroo Petroleum Pty. Ltd. | Queensland, Australia | 100% |
| Paroo Petroleum (Holdings), Inc. | Delaware, U.S.A. | 100% |
| Paroo Petroleum (USA), Inc. | Delaware, U.S.A. | 100% |
| Magellan Petroleum (W.A.) Pty. Ltd. | Queensland, Australia | 100% |
| Magellan Petroleum (Belize) Limited | Belize, C.A. | 100% |
| Magellan Petroleum (Eastern) Pty. Ltd. | Queensland, Australia | 100% |
| Magellan Petroleum (Southern) Pty. Ltd. | Queensland, Australia | 100% |

</TABLE>

EXHIBIT 23

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-38429) pertaining to the Stock Option Plan of Magellan Petroleum Corporation of our report dated September 18, 2000 with respect to the consolidated financial statements of Magellan Petroleum Corporation included in this Annual Report (Form 10-K) for the year ended June 30, 2000.

/s/ Ernst & Young LLP

Stamford, Connecticut
September 25, 2000

<TABLE> <S> <C>

<ARTICLE> 5
<MULTIPLIER> 1
<CURRENCY> U.S. Dollars

<S> <C>
<PERIOD-TYPE> 12-MOS
<FISCAL-YEAR-END> JUN-30-2000
<PERIOD-START> JUL-01-1999
<PERIOD-END> JUN-30-2000
<EXCHANGE-RATE> 1
<CASH> 13,890,834
<SECURITIES> 1,581,730
<RECEIVABLES> 4,011,475
<ALLOWANCES> 0
<INVENTORY> 289,743
<CURRENT-ASSETS> 20,039,244
<PP&E> 45,766,007
<DEPRECIATION> 24,025,493
<TOTAL-ASSETS> 43,975,717
<CURRENT-LIABILITIES> 4,992,998
<BONDS> 0
<PREFERRED-MANDATORY> 0
<PREFERRED> 0
<COMMON> 251,082
<OTHER-SE> 18,845,484
<TOTAL-LIABILITY-AND-EQUITY> 43,975,717
<SALES> 15,146,195
<TOTAL-REVENUES> 17,146,831
<CGS> 0
<TOTAL-COSTS> 13,267,472
<OTHER-EXPENSES> 2,209,435
<LOSS-PROVISION> 0
<INTEREST-EXPENSE> 0
<INCOME-PRETAX> 1,669,924
<INCOME-TAX> 179,520
<INCOME-CONTINUING> 1,490,404
<DISCONTINUED> 0
<EXTRAORDINARY> 0
<CHANGES> 0
<NET-INCOME> 1,490,404
<EPS-BASIC> 0.06
<EPS-DILUTED> 0.06

</TABLE>