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

FORM 10-Q

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

For the quarterly period ended September 30, 2008

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

For the transition period from to

Commission file number 1-5507

MAGELLAN PETROLEUM CORPORATION

(Exact name of registrant as specified in its charter)

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

(860) 293-2006
(Registrant's telephone number, including area code)
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

The number of shares outstanding of the issuer's single class of common stock as of November 10, 2008 was 41,500,325.

MAGELLAN PETROLEUM CORPORATION

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September 30, 2008

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ITEM 1 FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2008 (UNAUDITED)	JUNE 30, 2008 (NOTE)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 35,945,887	$ 34,615,228
Accounts receivable — Trade (net of allowance for doubtful accounts of $89,091 and $99,344 at September 30, 2008 and June 30, 2008, respectively)	5,796,469	8,357,839
Accounts receivable — working interest partners	—	112,330
Marketable securities	1,253,018	1,708,222
Inventories	869,212	1,260,189
Other assets	325,733	404,160
Total current assets	44,190,319	46,457,968
Deferred income taxes	5,786,883	6,368,665
Property and equipment, net:		
Oil and gas properties (successful efforts method)	118,384,591	138,556,513
Land, buildings and equipment	2,890,888	3,346,368
Field equipment	888,377	1,040,281
	122,163,856	142,943,162
Less accumulated depletion, depreciation and amortization	(101,058,571)	(114,495,875)
Net property and equipment	21,105,285	28,447,287
Goodwill	4,020,706	4,020,706
Total assets	$ 75,103,193	$ 85,294,626
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,885,091	$ 2,929,445
Accounts payable-working interest partners	207,566	—
Accrued liabilities	1,740,211	1,891,194
Income taxes payable	4,408,596	3,857,766
Total current liabilities	8,241,464	8,678,405
Long term liabilities:		
Deferred income taxes	2,254,784	2,507,712
Other long term liabilities	52,137	48,998
Asset retirement obligations	9,198,850	11,596,084
Total long term liabilities	11,505,771	14,152,794
Stockholders' equity:		
Common stock, par value $.01 per share:		
Authorized 200,000,000 shares, outstanding 41,500,325	415,001	415,001
Capital in excess of par value	73,216,143	73,216,143
Accumulated deficit	(21,349,683)	(22,857,494)
Accumulated other comprehensive income	3,074,497	11,689,777
Total stockholders' equity	55,355,958	62,463,427
Total liabilities and stockholders' equity	$ 75,103,193	$ 85,294,626

Note: The balance sheet at June 30, 2008 has been derived from the audited consolidated financial statements at that date.

See accompanying notes.

MAGELLAN PETROLEUM CORPORATION
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PART I - FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	THREE MONTHS ENDED September 30, 2008	2007
REVENUES:		
Oil sales	$ 5,645,587	$ 4,732,820
Gas sales	4,309,072	3,989,184
Other production related revenues	484,025	599,929
Total revenues	10,438,684	9,321,933
COSTS AND EXPENSES:		
Production costs	2,986,862	2,098,026
Exploration and dry hole costs	723,400	2,013,474
Salaries and employee benefits	466,192	444,509
Depletion, depreciation and amortization	2,500,950	4,408,364
Auditing, accounting and legal services	267,470	237,051
Accretion expense	158,415	170,208
Shareholder communications	90,579	47,066
Gain on sale of field equipment	(3,506)	(9,653)
Other administrative expenses	769,069	869,913
Total costs and expenses	7,959,431	10,278,958
Operating income (loss)	2,479,253	(957,025)
Interest income	628,169	489,217
Income (loss) before income taxes	3,107,422	(467,808)
Income tax provision	(1,599,611)	(6,638)
NET INCOME (LOSS)	$ 1,507,811	$ (474,446)
Average number of shares outstanding		
Basic	41,500,325	41,500,325
Diluted	41,511,775	41,500,325
NET INCOME (LOSS) PER SHARE (BASIC AND DILUTED)	$ 0.04	$ (0.01)

See accompanying notes

MAGELLAN PETROLEUM CORPORATION
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PART I - FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	THREE MONTHS ENDED September 30, 2008	2007
OPERATING ACTIVITIES:		
Net income (loss)	$ 1,507,811	$ (474,446)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Gain from sale of field equipment	(3,506)	(9,653)
Depletion, depreciation and amortization	2,500,950	4,408,364
Accretion expense	158,415	170,208
Deferred income taxes	(630,666)	(7,890)
Exploration and dry hole costs	515,595	2,013,474
Increase (decrease) in operating assets and liabilities:		
Accounts receivable	1,569,513	(1,433,939)
Other assets	78,430	88,106
Inventories	224,530	5,329
Accounts payable and accrued liabilities	12,994	(3,182,900)
Income taxes payable	1,192,182	(589,618)
Net cash provided by operating activities	7,126,248	987,035
INVESTING ACTIVITIES:		
Proceeds from sale of field equipment	3,506	9,653
Additions to property and equipment	(171,238)	(1,386,371)
Oil and gas exploration activities	(515,595)	(2,013,474)
Marketable securities matured	455,204	737,769
Marketable securities purchased	—	(250,747)
Net cash used in investing activities	(228,123)	(2,903,170)
FINANCING ACTIVITIES:		
Net cash used in financing activities	—	—
Effect of exchange rate changes on cash and cash equivalents	(5,567,466)	1,430,886
Net increase (decrease) in cash and cash equivalents	1,330,659	(485,249)
Cash and cash equivalents at beginning of period	34,615,228	28,470,448
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 35,945,887	$ 27,985,199
Cash Payments:		
Income taxes	1,038,095	615,388
Supplemental Schedule of Noncash Investing and Financing Activities:		
Revision to estimate of asset retirement obligations	(995,621)	—
Write off of expired license	252,276	—
Accounts payable related to property and equipment	1,346,046	872,847

See accompanying notes.

ITEM 1 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Presentation

Magellan Petroleum Corporation (the "Company" or "MPC") is engaged in the sale of oil and gas and the exploration for and development of oil and gas reserves. MPC's principal asset is a 100% equity interest in its subsidiary, Magellan Petroleum Australia Limited ("MPAL"). MPAL's major assets are two petroleum production leases covering the Mereenie oil and gas field (35% working interest), one petroleum production lease covering the Palm Valley gas field (52% working interest), three petroleum production leases covering the Nockatunga oil fields (41% working interest) and eleven licenses in the United Kingdom, three of which are operating licenses. Both the Mereenie and Palm Valley fields are located in the Amadeus Basin in the Northern Territory of Australia. The Nockatunga fields are located in the Cooper Basin in South West Queensland. Santos Ltd., a publicly owned Australian company, owns a 48% interest in the Palm Valley field, a 65% interest in the Mereenie field and a 59% interest in the Nockatunga fields. Santos Ltd. is the operator of the Mereenie and Nockatunga fields.

The accompanying unaudited condensed consolidated financial statements include the accounts of MPC and MPAL, collectively the Company, and have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal recurring nature. Operating results for the three months ended September 30, 2008 are not necessarily indicative of the results that may be expected for the year ending June 30, 2009. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended June 30, 2008. All amounts presented are in United States dollars, unless otherwise noted.

Recent Accounting Pronouncements

Statement of Financial Accounting Standards No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"), was effective for the Company beginning July 1, 2008. SFAS 159 provides companies with an option to report selected financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings at each subsequent reporting date. The Company has not elected to apply the fair value option and, therefore, concluded that the adoption of SFAS 159 has no impact on its consolidated financial statements.

Note 2. Comprehensive (Loss) Income

Total comprehensive (loss) income during the three month periods ended September 30, 2008 and 2007 was as follows:

	THREE MONTHS ENDED SEPTEMBER 30,		
	2008	**2007**	**ACCUMULATED OTHER COMPREHENSIVE INCOME**
Balance at June 30, 2008			$ 11,689,777
Net income (loss)	$ 1,507,811	$ (474,446)	
Foreign currency translation adjustments	(8,615,280)	2,305,487	(8,615,280)
Total comprehensive (loss) income	$ (7,107,469)	$ 1,831,041	
Balance at September 30, 2008			$ 3,074,497

Note 3. Earnings (Loss) per Share

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

For the three month period ended September 30, 2008, the Company had 100,000 outstanding options that were issued that had a strike price below the average stock price for the period and resulted in 11,450 incremental diluted shares for the respective period. For the three month period ended September 30, 2008 and 2007, the Company had 430,000 stock options outstanding that were anti-dilutive. There were no other potentially dilutive items at September 30, 2008 and 2007.

Note 4. Segment Information

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

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

	THREE MONTHS ENDED September 30, 2008	THREE MONTHS ENDED September 30, 2007
Revenues:		
MPC	$ 91	$ 59
MPAL	10,348	9,263
Total consolidated revenues	$ 10,439	$ 9,322
Net income (loss):		
MPC	$ (615)	$ (489)
MPAL	2,123	15
Consolidated net income (loss)	$ 1,508	$ (474)

Note 5. Exploration and Dry Hole Costs

These costs relate primarily to the exploration work being performed on MPAL's properties. During the three months ended September 30, 2008 and 2007, the Company incurred exploration and dry hole costs of $723,400 and $2,013,474.

Note 6. Asset Retirement Obligations

A reconciliation of the Company's asset retirement obligations for the three months ended September 30, 2008 was as follows:

Balance at July 1, 2008	$ 11,596,084
Liabilities incurred	—
Liabilities settled	—
Accretion expense	158,415
Revisions to estimate	(995,621)
Exchange effect	(1,560,028)
Balance at September 30, 2008	$ 9,198,850

During the three month period ended September 30, 2008, the Company decreased the Mereenie asset retirement obligation by a net amount of $995,621 due to extending the expected restoration date from 2009 to 2014, which was partially offset by an increase in estimated costs. It was originally estimated that this liability would be retired at the end of the supply contract, but due to potential supply obligations this has been extended to 2014.This change in estimate resulted in a decrease to operating income and income before income taxes of $177,944 and a decrease in net income of $90,306, or $0.00 per share (basic and diluted).

Note 7. Income Taxes

The Company has estimated the effective tax rate expected to be applicable for the full fiscal year. This rate has been used in providing for income taxes on a current year-to-date basis. The effective rate used in providing for income taxes for the period ended September 30, 2008 and 2007, respectively, was 51% and (1%). The increase in the effective rate is due to higher estimated U. K. exploration expenses in the current year which do not generate a tax benefit.

Note 8. Fair Value Measurements

On July 1, 2008 the Company adopted Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS 157"), which establishes a framework for defining and measuring fair value and requires expanded disclosures about fair value measurements. The Company's only items to which SFAS 157 applies are cash equivalents which are classified as Level 1 in the fair value hierarchy. These investments are traded in active markets and quoted prices are available for identical investments. The fair value of these investments at September 30, 2008 is $34,020,521.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD LOOKING STATEMENTS

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

Oil and Gas Properties

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

Exploratory drilling costs are initially capitalized pending determination of proved reserves but are charged to expense if no proved reserves are found. Other exploration costs, including geological and geophysical expenses, leasehold expiration costs and delay rentals, are expensed as incurred. Because the Company follows the successful efforts method of accounting, the results of operations may vary materially from quarter to quarter. An active exploration program may result in greater exploration and dry hole costs.

Income Taxes

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

FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") is an interpretation of SFAS 109 and was adopted by the Company July 1, 2007. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting, and disclosing in the financial statements uncertain tax positions that the company has taken or expects to take in its tax returns. Under FIN 48, the Company is able to recognize a tax position based on whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, the Company has presumed that its positions will be examined by the appropriate taxing authority that has full knowledge of all relevant information. The second step of FIN 48 adoption is measurement. A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. An uncertain income tax position will not be recognized if it does not meet the more-likely-than-not threshold. To appropriately account for income tax matters in accordance with SFAS 109 and FIN 48, the Company is required to make significant judgments and estimates regarding the recoverability of deferred tax assets, the likelihood of the outcome of examinations of tax positions that may or may not be currently under review and potential scenarios involving settlements of such matters. Changes in these estimates could materially impact the consolidated financial statements.

The Company has estimated the effective tax rate expected to be applicable for the full fiscal year. This rate has been used in providing for income taxes on a current year-to-date basis. The effective rate used in providing for income taxes for the period ended September 30, 2008 and 2007, respectively, was 51% and (1%). The increase in the effective rate is due to higher estimated U. K. exploration expenses in the current year which do not generate a tax benefit.

Nondepletable Assets

At September 30, 2008 and June 30, 2008, oil and gas properties include $6.2 million and $6.8 million, respectively, of capitalized costs that are currently not being depleted. Components of these costs are as follows:

	At September 30, 2008		At June 30, 2008	
Nondepletable capitalized costs	**A.$**	**US.$**	**A.$**	**US.$**
PEL 106 – Cooper Basin (1) (2)	$ 1,929,470	$ 1,584,288	$ 1,929,470	$ 1,855,186
Weald/Wessex Basin U.K. (1)	578,686	475,159	571,955	549,935
Exploration permits and licenses – Australia and U.K. (3)	—	4,173,473	—	4,425,749
Total		$ 6,232,920		$ 6,830,870

(1) Capitalized exploratory well costs pending the start of production.
(2) These costs were capitalized during the year ended June 30, 2006 and remain capitalized because the related well has sufficient quantity of reserves to justify its completion as a producing well. Efforts are currently being made to market the gas from this well.
(3) The Company evaluates exploration permits and licenses annually or whenever events or changes in circumstances indicate that the carrying value may be impaired. The Company estimates the value of these assets based upon drilling activity, estimated cash flow and commitments.

Goodwill

Goodwill is not amortized. The Company evaluates goodwill for impairment annually or whenever events or changes in circumstances indicate that the carrying value may be impaired in accordance with methodologies prescribed in Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). The Company estimates future cash flows to determine if any impairment has occurred. There were no indicators of impairment during the quarter ended September 30, 2008. The annual impairment test will be performed in the fourth quarter.

Asset Retirement Obligations

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

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

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

Revenue Recognition

The Company recognizes oil and gas revenue (net of royalties) from its interests in producing wells as oil and gas is produced and sold from those wells. Revenues from the purchase, sale and transportation of natural gas are recognized upon completion of the sale and when transported volumes are delivered. Other production related revenues are primarily MPAL's share of gas pipeline tariff revenues which are recorded at the time of sale. The Company records pipeline tariff revenues on a gross basis with the revenue included in other production related revenues and the remittance of such tariffs are included in production costs. Government sales taxes related to MPAL's oil and gas production revenues are collected by MPAL and remitted to the Australian government. Such amounts are excluded from revenue and expenses. Shipping and handling costs in connection with such deliveries are included in production costs. Revenue under carried interest agreements is recorded in the period when the net proceeds become receivable, measurable and collection is reasonably assured. The time when the net revenues become receivable and collection is reasonably assured depends on the terms and conditions of the relevant agreements and the practices followed by the operator. As a result, net revenues may lag the production month by one or more months.

Executive Summary

MPC is engaged in the sale of oil and gas and the exploration for and development of oil and gas reserves. MPC's principal asset is a 100% equity interest in its subsidiary, MPAL. MPAL's major assets are two petroleum production leases covering the Mereenie oil and gas field (35% working interest), one petroleum production lease covering the Palm Valley gas field (52% working interest), three petroleum production leases covering the Nockatunga oil fields (41% working interest) and eleven licenses in the United Kingdom, three of which are operating licenses. Both the Mereenie and Palm Valley fields are located in the Amadeus Basin in the Northern Territory of Australia. The Nockatunga fields are located in the Cooper Basin in South West Queensland. Santos Ltd., a publicly owned Australian company, owns a 48% interest in the Palm Valley field, a 65% interest in the Mereenie field and a 59% interest in the Nockatunga fields. Since 2006, MPAL has refocused its exploration activities into two core areas, the Cooper Basin in onshore Australia and the Weald Basin in the onshore southern United Kingdom with an emphasis on developing a low to medium risk acreage portfolio.

The Palm Valley Darwin contract expires in January 2012 and the Mereenie contracts expire in June 2009. MPC also has a direct 2.67% carried interest in the Kotaneelee gas field in the Yukon Territory of Canada. Supply obligations under the Mereenie contracts cease in May 2009. Power and Water Corporation ("PWC") has contracted with Eni Australia for the supply of PWC's Northern Territory gas demand requirement for twenty five years commencing at the beginning of 2009. Eni Australia is to supply the gas from its Blacktip field offshore the Northern Territory. The Mereenie Producers will continue to supply PWC's gas demand until Blacktip gas is available. MPAL is actively pursuing gas sales contracts for the remaining reserves. While gas marketing efforts to date have identified several potential customers, the majority have a gas requirement commencing in the 2010-2012 timeframe. When Blacktip gas becomes available there will be stronger competition within the market and MPAL may not be able to contract for the sale of the remaining uncontracted reserves in the short term, but may be able to do so in the longer term with increasing demand from new mining developments and industrial users in the Northern Territory and the adjacent areas of neighboring states. Unless MPAL is able to obtain additional contracts for its remaining gas reserves or be successful in its current exploration program, its revenues will be materially reduced after 2009. Mereenie gas sales were approximately $15.5 million (net of royalties) or 85% of total gas sales for the year ended June 30, 2008 and $3.5 million (net of royalties) or 84% of total gas sales for the quarter ended September 30, 2008.

LIQUIDITY AND CAPITAL RESOURCES

Consolidated

At September 30, 2008, the Company on a consolidated basis had $35,945,887 of cash and cash equivalents and $1,253,018 of marketable securities.

For the three months ended September 30, 2008 net cash provided by operations was $7,126,248 versus $987,035 in 2007. The increase in cash provided by operations is primarily due to the increase in net income, income taxes and accounts payable and a decrease in accounts receivable.

The Company invested $686,833 and $3,399,845 in oil and gas exploration activities, which includes additions to property and equipment, during the three months ended September 30, 2008 and 2007, respectively. The decrease was due to reduced drilling activities in 2008.

Effect of exchange rate changes

The value of the Australian dollar relative to the U.S. dollar decreased 15% to $.8211 at September 30, 2008, compared to a value of $.9615 at June 30, 2008.

As to MPC

At September 30, 2008, MPC, on an unconsolidated basis, had working capital of approximately $1.4 million. Working capital is comprised of current assets less current liabilities. MPC's current cash position and its annual MPAL dividend should be adequate to meet its current and near term cash requirements.

As to MPAL

At September 30, 2008, MPAL had working capital of approximately $34.3 million. MPAL has budgeted approximately (Aus) $6.0 million for specific exploration projects in fiscal year 2009 as compared to (Aus) $0 expended in the three months ended September 30, 2008. However, the total amount to be expended may vary depending on when various projects reach the drilling phase. The current composition of MPAL's oil and gas reserves are such that MPAL's future revenues in the long-term are expected to be derived from the sale of oil and gas in Australia. MPAL's current contracts for the sale of Palm Valley and Mereenie gas will expire during fiscal year 2012 and 2009, respectively. MPAL's major customer, Gasgo Pty. Ltd., a subsidiary of PWC of the Northern Territory, has contracted with Eni Australia for the supply of PWC's Northern Territory gas demand requirement for twenty five years commencing at the beginning of 2009. Eni Australia is to supply the gas from its Blacktip field offshore the Northern Territory. The Mereenie Producers will continue to supply PWC's gas demand until Blacktip gas is available. MPAL is actively pursuing gas sales contracts for the remaining reserves. While gas marketing efforts to date have identified several potential customers, the majority have a gas requirement commencing in the 2010-2012 timeframe. When Blacktip gas becomes available there will be strong competition within the market and MPAL may not be able to contract for the sale of the remaining uncontracted reserves in the short term, but may be able to do so in the longer term with increasing demand from new mining developments and industrial users in the Northern Territory and the adjacent areas of neighboring states. Unless MPAL is able to obtain additional contracts for its remaining gas reserves or be successful in its current exploration program, its revenues will be materially reduced after 2009 which could materially affect liquidity. Mereenie gas sales were approximately $3.5 million (net of royalties) or 84% of total gas sales for the quarter ended September 30, 2008.

As in the past, MPAL expects to fund its exploration costs through its cash and cash equivalents and cash flow from Australian operations. MPAL also expects that it will continue to seek partners to share its exploration costs. If MPAL's efforts to find partners are unsuccessful, it may be unable or unwilling to complete the exploration program for some of its properties.

OFF BALANCE SHEET ARRANGEMENTS

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

The following is a summary of our consolidated contractual obligations at September 30, 2008, in thousands:

	PAYMENTS DUE BY PERIOD				
CONTRACTUAL OBLIGATIONS	**TOTAL**	**LESS THAN 1 YEAR**	**1-3 YEARS**	**3-5 YEARS**	**MORE THAN 5 YEARS**
Operating Lease Obligations	$ 173	$ 173	$ —	$ —	$ —
Purchase Obligations (1)	6,965	6,965	—	—	—
Asset Retirement Obligations (2)	13,077	—	241	2,299	10,537
Total	$ 20,215	$ 7,138	$ 241	$ 2,299	$ 10,537

(1) Represents firm commitments for exploration and capital expenditures. The Company is committed to these expenditures, however some may be farmed out to third parties. Exploration contingent expenditures of $22,848,000 which are not legally binding have been excluded from the table above and based on exploration decisions would be due as follows: $0 (less than 1 year), $22,827,000 (1-3 years), $21,000 (3-5 years).

(2) During the three month period ended September 30, 2008, the Company decreased the Mereenie asset retirement obligation by a net amount of $995,000 due to a change in cost estimates and expected restoration date from 2009 to 2014 (see Note 6 to the Financial Statements). It was originally estimated that this liability would be retired at the end of the contract, but due to potential supply obligations this has been extended to 2014. The amounts above represent the undiscounted liability.

THREE MONTHS ENDED SEPTEMBER 30, 2008 VS. SEPTEMBER 30, 2007

REVENUES

Significant changes in revenues are as follows:

	THREE MONTHS ENDED September 30, 2008	2007	$ Variance	% Variance
Oil sales	$ 5,645,587	$ 4,732,820	$ 912,767	19 %
Gas sales	4,309,072	3,989,184	319,888	8 %
Other production related revenues	484,025	599,929	(115,904)	(19 %)

OIL SALES INCREASED due to a net 65% increase in average price per barrel and the 5% increase in the average exchange rate discussed below offset by a net 33% decrease in production. Oil unit sales (after deducting royalties) in barrels (bbls) and the average price per barrel sold during the periods indicated were as follows:

	THREE MONTHS ENDED SEPTEMBER 30, 2008 SALES BBLS	2008 SALES AVERAGE PRICE A.$ PER BBL	2007 SALES BBLS	2007 SALES AVERAGE PRICE A.$ PER BBL	% Variance BBLS	% Variance A.$ PER BBL
Australia:						
Mereenie field	23,274	143.22	25,034	89.56	(7 %)	60 %
Cooper Basin	1,191	150.92	2,033	93.27	(41 %)	62 %
Nockatunga project	17,176	127.80	34,837	78.23	(51 %)	63 %
Total	41,641	137.12	61,904	83.33	(33 %)	65 %

GAS SALES INCREASED due to a 1% increase in the average price per mcf and the 5% increase in the average exchange rate discussed below offset by a 5% decrease in volume.

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

	THREE MONTHS ENDED SEPTEMBER 30, 2008 SALES BCF	2008 SALES AVERAGE PRICE A.$ PER MCF	2007 SALES BCF	2007 SALES AVERAGE PRICE A.$ PER MCF	% Variance BCF	% Variance A.$ PER MCF
Australia:						
Palm Valley	.306	2.24	.345	2.21	(11 %)	1 %
Australia:						
Mereenie	1.041	3.43	1.079	3.49	(4 %)	(1 %)
Total	1.347	3.15	1.424	3.17	(5 %)	(1 %)

COSTS AND EXPENSES

Significant changes in costs and expenses are as follows:

	THREE MONTHS ENDED September 30, 2008	THREE MONTHS ENDED September 30, 2007	$Variance	% Variance
Production costs	$ 2,986,862	$ 2,098,026	$ 888,836	42 %
Exploration and dry hole costs	723,400	2,013,474	(1,290,074)	(64 %)
Depletion, depreciation and amortization	2,500,950	4,408,364	(1,907,414)	(43 %)

PRODUCTION COSTS INCREASED as the result of increased expenditures for contract services, crude haulage, pipeline tariff and salaries in the Nockatunga and Mereenie fields and the 5% increase in the average exchange rate described below.

EXPLORATION AND DRY HOLE COSTS DECREASED in 2008 due to the decreased drilling costs related to the Cooper Basin drilling program, partially offset by a $252,276 write off of a U.K. exploration license that expired in September 2008 and the 5% increase in the average exchange rate described below.

DEPLETION, DEPRECIATION AND AMORTIZATION DECREASED in 2008 due to lower depletable costs offset by higher depletion rates and the 5% increase in the average exchange rate described below.

INCOME TAXES

INCOME TAX PROVISION INCREASED due to the increase in income before taxes. The effective tax rate used to calculate the tax provision at September 30, 2008 was 51% compared to (1%) at September 30, 2007. The increase in the effective rate is due to higher estimated U. K. exploration expenses in the current year which do not generate a tax benefit.

EXCHANGE EFFECT

THE VALUE OF THE AUSTRALIAN DOLLAR RELATIVE TO THE U.S. DOLLAR DECREASED TO $.8211 at September 30, 2008 compared to a value of $.9615 at June 30, 2008. This resulted in an $8,615,280 charge to the foreign currency translation adjustments account for the three months ended September 30, 2008. The average exchange rate used to translate MPAL's operations in Australia was $.8908 for the quarter ended September 30, 2008, which was a 5% increase compared to the $.8477 rate for the quarter ended September 30, 2007.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company's exposure to market risk relates to fluctuations in foreign currency and world prices for crude oil, as well as market risk related to investment in marketable securities. The exchange rates among the Australian dollar and the U.S. dollar, as well as the exchange rates between the U.S. dollar and the U.K. pound sterling, have changed in recent periods and may fluctuate substantially in the future. We expect that a majority of our revenue will continue to be generated in the Australian dollar in the future. Recently, the U.S. dollar has strengthened significantly against the Australian dollar which has had, and may continue to have, a materially negative impact on our revenues generated in the Australian dollar, as well as our operating income and net income, as considered on a consolidated basis. Any continued appreciation of the U.S. dollar against the Australian dollar is likely to have a negative impact on our revenue, operating income and net income. Because of our U.K. development program, a portion of our expenses, including exploration costs and capital and operating expenditures, will continue to be denominated in U.K. pound sterling. Accordingly, any material appreciation of the U.K. pound sterling against the Australian and U.S. dollar could have a negative impact on our business, operating results and financial condition. A 10% change in the Australian foreign currency rate compared to the U.S. dollar would increase or decrease revenues and costs and expenses by $1,044,000 and $796,000, for the three months ended September 30, 2008, respectively.

For the three month period ended September 30, 2008, oil sales represented approximately 57% of production revenues. Based on the current three month's sales volume and revenue, a 10% change in oil price would increase or decrease oil revenues by $565,000. Gas sales, which represented approximately 43% of production revenues in the current three months, are derived primarily from the Palm Valley and Mereenie fields in the Northern Territory of Australia and the gas prices are set according to long term contracts that are subject to changes in the Australian Consumer Price Index (ACPI) for the three months ended September 30, 2008.

At September 30, 2008, the carrying value of our investments in marketable securities including those classified as cash and cash equivalents was approximately $37.2 million, which approximates the fair value of the securities. Since the Company expects to hold the investments to maturity, the maturity value should be realized. These marketable securities have not been impacted by the US credit crisis.

ITEM 4 CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including Daniel J. Samela, the Company's President, Chief Executive Officer and Chief Financial and Accounting Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities and Exchange Act of 1934) as of September 30, 2008. Based on this evaluation, the Company's President concluded that the Company's disclosure controls and procedures were effective such that the material information required to be included in the Company's SEC reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms relating to the Company, including its consolidated subsidiaries, and the information required to be disclosed was accumulated and communicated to management as appropriate to allow timely decisions for disclosure.

Internal Control Over Financial Reporting.

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended September 30, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 1 LEGAL PROCEEDINGS

None

ITEM 1A RISK FACTORS

Our business, financial condition, operating results and cash flows can be impacted by a number of factors, including, but not limited to, those set forth below, any one of which could cause our actual results to vary materially from recent results or anticipated future results.

Information regarding risk factors appears in Part I – Item 1A of our Report on Form 10-K for the fiscal year ended June 30, 2008. We have revised our risk factor entitled "Oil and Gas Prices are Volatile" under the heading "Risks Related to the Oil and Gas Industry" to describe recent steep declines in worldwide oil and gas prices. We have also added two new risk factors: (1) a discussion of the growing U.S. and worldwide financial and credit crisis, and the impacts that these conditions may have on us and (2) a discussion of exchange rate fluctuations.

Other than these changes, there have not been any material changes to the risk factors disclosed in Item 1A of our Form 10-K for the fiscal year ended June 30, 2008.

RISKS RELATED TO THE OIL AND GAS INDUSTRY

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

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

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

These factors and the volatility of the energy markets make it extremely difficult to predict future oil and gas price movements with any certainty. Furthermore, the recent worldwide financial and credit crisis has reduced the availability of liquidity and credit to fund the continuation and expansion of industrial business operations worldwide. The shortage of liquidity and credit combined with recent substantial losses in worldwide equity markets could lead to an extended worldwide economic recession. A slowdown in economic activity caused by a recession would likely reduce worldwide demand for energy and result in lower oil and natural gas prices. [Oil prices declined from record levels in early July 2008 of over $140 per barrel to below $70 per barrel in late October 2008, while natural gas prices have declined from over $13 per mcf to below $7 per mcf over the same period.

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

Difficult conditions resulting from the U.S. and worldwide financial and credit crisis, and growing concerns over recessions in the U.S. and Australian economies, may materially adversely affect our business and results of operations and we do not expect these conditions to improve in the near future.

Recently, the United States and many other nations (including Australia) around the world have undergone a financial and credit crisis. Concerns over inflation, energy costs, geopolitical issues, the availability and cost of credit, the U.S. mortgage market and a declining real estate market in the U.S. and elsewhere have contributed to increased market volatility and disruptions and diminished expectations for the U.S. and world economies and markets going forward. These factors, combined with volatile oil and gas prices, declining business and consumer confidence and increased unemployment, have precipitated a worldwide economic slowdown and fears of a possible U.S. and global recession.

In addition, the U.S. and worldwide capital and credit markets have been experiencing extreme volatility and disruption for more than twelve months. Initially, the concerns on the part of market participants were focused on the subprime segment of the mortgage-backed securities market. However, these concerns have since expanded to include a broad range of mortgage-and asset-backed and other fixed income securities, including those rated investment grade, the U.S. and international credit and interbank money markets generally, and a wide range of financial institutions and markets, asset classes and sectors. Since September 2008, market volatility and disruptions have reached unprecedented levels, leading in many cases to unprecedented government legislation and other actions to stabilize world markets and financial institutions and promote consumer and investor confidence.

Continuing volatility and disruption in worldwide capital and credit markets and further deteriorating conditions in the U.S. and Australian economies could affect our revenues and earnings negatively and could have a material adverse effect on our business, results of operations and financial condition. For example, purchasers of our oil and gas production may reduce the amounts of oil and gas they purchase from us and/or delay or be unable to make timely payments to us.

Further, a number of our oil and gas properties are operated by third parties whom we depend upon for timely performance of drilling and other contractual obligations and, in some cases, for distribution to us of our proportionate share of revenues from sales of oil and gas we produce. If current economic conditions adversely impact our third party operators, we are exposed to the risk that drilling operations or revenue disbursements to us could be delayed. This "trickle down" effect could significantly harm our business, financial condition and results of operation.

Currency exchange rate fluctuations may negatively affect our operating results.

The exchange rates among the Australian dollar and the U.S. dollar, as well as the exchange rates between the U.S. dollar and the U.K. pound sterling, have changed in recent periods and may fluctuate substantially in the future. We expect that a majority of our revenue will continue to be generated in the Australian dollar in the future. Recently, the U.S. dollar has strengthened materially against the Australian dollar which has had, and may continue to have, a materially negative impact on our revenues generated in the Australian dollar, as well as our operating income and net income, as considered on a consolidated basis. Any continued appreciation of the U.S. dollar against the Australian dollar is likely to have a negative impact on our revenue, operating income and net income. Because of our U.K. development program, a portion of our expenses, including exploration costs and capital and operating expenditures, will continue to be denominated in U.K. pound sterling. Accordingly, any material appreciation of the U.K. pound sterling against the U.S. dollar could have a negative impact on our business, operating results and financial condition.

ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

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

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

(1) The Company through its stock repurchase plan may purchase up to one million shares of its common stock in the open market. Through September 30, 2008, the Company had purchased 680,850 of its shares at an average price of $1.01 per share or a total cost of approximately $686,000, all of which shares have been cancelled.

ITEM 6 EXHIBITS

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

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

32. Section 1350 Certifications.

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

MAGELLAN PETROLEUM CORPORATION
FORM 10-Q
September 30, 2008

SIGNATURES

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

MAGELLAN PETROLEUM CORPORATION
Registrant

Date: November 13, 2008

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

EXHIBIT 31

RULE 13a-14(a) CERTIFICATIONS

I, Daniel J. Samela, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: November 13, 2008

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

EXHIBIT 32

SECTION 1350 CERTIFICATIONS

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

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

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

November 13, 2008 By: /s/ Daniel J. Samela

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