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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 December 31, 2007**

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

The number of shares outstanding of the issuer's single class of common stock as of February 07, 2008 was 41,500,325.

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MAGELLAN PETROLEUM CORPORATION

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December 31, 2007

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MAGELLAN PETROLEUM CORPORATION  
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PART I - FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2007 (UNAUDITED)	JUNE 30, 2007 (NOTE)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 30,232,678	\$ 28,470,448
Accounts receivable — Trade (net of allowance for doubtful accounts of \$81,500 and \$69,658 at December 31 and June 30, 2007, respectively)	8,620,669	5,044,258
Accounts receivable-working interest partners	350,269	—
Marketable securities	2,404,507	2,974,280
Inventories	1,096,024	702,356
Other assets	260,832	378,808
Total current assets	<u>42,964,979</u>	<u>37,570,150</u>
Deferred income taxes	1,330,021	2,300,830
Marketable securities	1,000,000	1,403,987
Property and equipment, net:		
Oil and gas properties (successful efforts method)	126,296,515	120,734,449
Land, buildings and equipment	2,983,336	2,846,433
Field equipment	948,532	912,396
	<u>130,228,383</u>	<u>124,493,278</u>
Less accumulated depletion, depreciation and amortization	(93,397,178)	(84,172,522)
Net property and equipment	<u>36,831,205</u>	<u>40,320,756</u>
Goodwill	4,020,706	4,020,706
Total assets	<u>\$ 86,146,911</u>	<u>\$ 85,616,429</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 2,425,177	\$ 5,313,653
Accounts payable-working interest partners	—	222,883
Accrued liabilities	1,566,905	1,382,320
Income taxes payable	12,068,510	1,647,137
Total current liabilities	<u>16,060,592</u>	<u>8,565,993</u>
Long term liabilities:		
Deferred income taxes	2,977,321	3,518,990
Other long term liabilities	39,593	100,578
Asset retirement obligations	10,222,099	9,456,088
Total long term liabilities	<u>13,239,013</u>	<u>13,075,656</u>
Commitments		
	—	—
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	73,153,002	73,153,002
Accumulated deficit	(23,248,802)	(13,965,849)
Accumulated other comprehensive income	6,528,105	4,372,626
Total stockholders' equity	<u>56,847,306</u>	<u>63,974,780</u>
Total liabilities and stockholders' equity	<u>\$ 86,146,911</u>	<u>\$ 85,616,429</u>

Note: The balance sheet at June 30, 2007 has been derived from the audited consolidated financial statements at that date.

See accompanying notes.

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PART I - FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(unaudited)

	THREE MONTHS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	
	2007	2006	2007	2006
<b>REVENUES:</b>				
Oil sales	\$ 4,887,721	\$ 3,227,393	\$ 9,620,541	\$ 6,152,907
Gas sales	4,772,980	4,490,952	8,762,164	7,894,350
Other production related revenues	713,280	695,740	1,313,209	1,189,992
<b>Total revenues</b>	<u>10,373,981</u>	<u>8,414,085</u>	<u>19,695,914</u>	<u>15,237,249</u>
<b>COSTS AND EXPENSES:</b>				
Production costs	2,525,231	1,806,267	4,623,257	3,597,406
Exploration and dry hole costs	724,117	2,541,280	2,737,591	2,973,263
Salaries and employee benefits	375,840	394,972	820,349	710,102
Depletion, depreciation and amortization	2,796,390	2,762,867	5,957,646	4,764,819
Auditing, accounting and legal services	321,052	148,204	558,103	324,009
Accretion expense	176,180	134,413	346,388	266,179
Shareholder communications	154,222	159,342	201,288	235,890
Gain on sale of field equipment	(17,304)	—	(26,957)	—
Other administrative expenses	771,732	644,969	1,641,645	1,167,581
<b>Total costs and expenses</b>	<u>7,827,460</u>	<u>8,592,314</u>	<u>16,859,310</u>	<u>14,039,249</u>
<b>Operating income (loss)</b>	<u>2,546,521</u>	<u>(178,229)</u>	<u>2,836,604</u>	<u>1,198,000</u>
Interest income	569,862	425,793	1,059,079	770,913
<b>Income before income taxes</b>	<u>3,116,383</u>	<u>247,564</u>	<u>3,895,683</u>	<u>1,968,913</u>
Income tax provision	(12,797,866)	(255,471)	(13,178,636)	(946,684)
<b>NET (LOSS) INCOME</b>	<u>(9,681,483)</u>	<u>(7,907)</u>	<u>(9,282,953)</u>	<u>1,022,229</u>
Average number of shares outstanding				
Basic	<u>41,500,325</u>	<u>41,500,325</u>	<u>41,500,325</u>	<u>41,500,325</u>
Diluted	<u>41,500,325</u>	<u>41,500,325</u>	<u>41,500,325</u>	<u>41,500,325</u>
<b>NET (LOSS) INCOME PER SHARE (BASIC AND DILUTED)</b>	<u>\$ (.23)</u>	<u>\$ (.00)</u>	<u>\$ (.22)</u>	<u>\$ .02</u>

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)

	<b>SIX MONTHS ENDED</b>	
	<b>DECEMBER 31,</b>	
	<b>2007</b>	<b>2006</b>
<b>OPERATING ACTIVITIES:</b>		
Net (loss) income	\$ (9,282,953)	\$ 1,022,229
Adjustments to reconcile net loss to net cash provided by operating activities:		
Gain from sale of field equipment	(26,957)	—
Depletion, depreciation and amortization	5,957,646	4,764,819
Accretion expense	346,388	266,179
Deferred income taxes	520,228	1,180,020
Stock option expense	—	4,950
Exploration and dry hole costs	2,685,371	2,861,197
Increase (decrease) in operating assets and liabilities:		
Accounts receivable	(3,290,960)	(1,234,337)
Other assets	117,976	61,748
Inventories	(358,054)	26,709
Accounts payable and accrued liabilities	(3,376,192)	(600,474)
Income taxes payable	10,360,482	(469,226)
Net cash provided by operating activities	3,652,975	7,883,814
<b>INVESTING ACTIVITIES:</b>		
Proceeds from sale of field equipment	26,957	—
Additions to property and equipment	(1,401,692)	(429,874)
Oil and gas exploration activities	(2,685,371)	(2,861,197)
Marketable securities matured	1,474,988	539,675
Marketable securities purchased	(501,228)	(385,347)
Net cash used in investing activities	(3,086,346)	(3,136,743)
<b>FINANCING ACTIVITIES:</b>		
Net cash used in financing activities	—	—
Effect of exchange rate changes on cash and cash equivalents	1,195,601	2,422,556
Net increase in cash and cash equivalents	1,762,230	7,169,627
Cash and cash equivalents at beginning of period	28,470,448	21,882,882
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 30,232,678</b>	<b>\$ 29,052,509</b>
Cash Payments:		
Income taxes	2,297,926	487,312
Interest	—	—

Supplemental Schedule of Non-cash Investing and Financing Activities:

At December 31, 2007 and 2006, accounts payable included \$1,654,587 and \$2,696,030 of payables related to property and equipment. A revision to estimates of asset retirement obligations for \$42,882 was made at December 31, 2007.

See accompanying notes.

MAGELLAN PETROLEUM CORPORATION  
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PART I - FINANCIAL INFORMATION

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), and three petroleum production leases covering the Nockatunga oil field (41% working interest). Both the Mereenie and Palm Valley fields are located in the Amadeus Basin in the Northern Territory of Australia. The Nockatunga field is located in the Cooper Basin in South Australia. The Palm Valley Darwin contract expires in January, 2012 and the Mereenie contracts expire in June, 2009. MPC has a direct 2.67% carried interest in the Kotaneelee gas field in the Yukon Territory of Canada.

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 for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal recurring nature. Operating results for the three and six months ended December 31, 2007 are not necessarily indicative of the results that may be expected for the year ending June 30, 2008. 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, 2007. All amounts presented are in United States dollars, unless otherwise noted.

Certain reclassifications of prior period data included in the accompanying consolidated financial statements have been made to conform with current financial statement presentation. An increase in construction payables of \$1,830,464 for the six months ended December 31, 2006 has been reclassified to additions to property and equipment on the consolidated statements of cash flows. This reclassification did not impact previously reported subtotals for operating, investing or financing cash flows.

*Recent Accounting Pronouncements*

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

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

Note 2. Comprehensive Income

Total comprehensive income (loss) during the three and six month periods ended December 31, 2007 and 2006 was as follows:

	THREE MONTHS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,		ACCUMULATED OTHER COMPREHENSIVE (INCOME)LOSS
	2007	2006	2007	2006	
Balance at June 30, 2007					\$ 4,372,626
Net (loss) income	\$ (9,681,483)	\$ (7,907)	\$ (9,282,953)	\$ 1,022,229	
Foreign currency translation adjustments	(180,154)	2,510,633	2,155,479	3,786,588	2,155,479
Total comprehensive (loss) income	<u>\$ (9,861,637)</u>	<u>\$ 2,502,726</u>	<u>\$ (7,127,474)</u>	<u>\$ 4,808,817</u>	
Balance at December 31, 2007					<u>\$ 6,528,105</u>

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. During the three and six month periods ended December 31, 2007 and 2006, the Company did not issue any stock options. At December 31, 2007 and 2006, the Company did not have any stock options that were issued that had a stock price below the average stock price for the period. Accordingly, there were no other potentially dilutive items at December 31, 2007 and 2006.

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 DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	
	2007	2006	2007	2006
Revenues:				
MPC	\$ 31	\$ —	\$ 91	\$ 1
MPAL	10,343	8,414	19,605	15,236
Total consolidated revenues	<u>\$ 10,374</u>	<u>\$ 8,414</u>	<u>\$ 19,696</u>	<u>\$ 15,237</u>
Net (loss) income:				
MPC	\$ (655)	\$ (432)	\$ (1,144)	\$ (855)
MPAL	(9,026)	424	(8,139)	1,877
Consolidated net (loss) income	<u>\$ (9,681)</u>	<u>\$ (8)</u>	<u>\$ (9,283)</u>	<u>\$ 1,022</u>

Note 5. Exploration and Dry Hole Costs

These costs relate primarily to the exploration work being performed on MPAL's properties. During the six months ended December 31, 2007, the Company incurred dry hole costs of \$1,505,000 in the Cooper Basin and \$125,000 in the Weald Basin in the United Kingdom.

## Note 6. Asset Retirement Obligations

A reconciliation of the Company's asset retirement obligations for the six months ended December 31, 2007 was as follows:

Balance at July 1, 2007	\$ 9,456,088
Liabilities incurred	—
Liabilities settled	—
Accretion expense	346,388
Revisions to estimate	42,882
Exchange effect	376,741
Balance at December 31, 2007	<u>\$ 10,222,099</u>

## Note 7. Income Taxes

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

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

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

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

On January 21, 2008, MPAL paid (Aus) \$5,000,000 to the ATO as a deposit towards this settlement. The remaining (Aus) \$9,641,994 is scheduled to be paid by MPAL on February 14, 2008.

Both the amended taxes and interest in the amount of US\$12,836,636 has been recorded as part of the income tax provision for the quarter ended December 31, 2007 (\$.31 per share).

The Company adopted FIN 48 on July 1, 2007. Under FIN 48, a company recognizes an uncertain tax position ("UTP") based on whether it is more likely than not that the UTP will be sustained upon examination by the appropriate taxing authority, including resolution of any related appeals or litigation processes, based solely on the technical merits of the position. In evaluating whether a UTP has met the more-likely-than-not recognition threshold, a company must presume that its positions will be examined by the appropriate taxing authority that has full knowledge of all relevant information. The second step of FIN 48 adoption is measurement. A UTP that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The UTP is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. A UTP is not recognized if it does not meet the more-likely-than-not threshold.



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

The components of the income tax (in thousands) between MPC and MPAL are as follows:

	3 MONTHS ENDED DECEMBER 31		6 MONTHS ENDED DECEMBER 31	
	2007	2006	2007	2006
Income before income taxes	\$ 3,117	\$ 248	\$ 3,896	\$ 1,969
Tax at 30%	935	74	1,169	591
MPC's non Australian loss	195	129	337	257
Non-taxable Australian revenue	(162)	(114)	(225)	(199)
Depletion on step up basis – oil & gas properties	—	165	19	293
Other permanent differences	10	2	11	5
ATO assessment of prior year taxes, net of interest expense benefit	11,706	—	11,706	—
Increase in valuation reserve for foreign (UK) exploration expenditures	107	—	140	—
Australian income tax provision	12,791	256	13,157	947
MPC income tax provision(a)	7	—	22	—
Consolidated income tax provision	\$ 12,798	\$ 256	\$ 13,179	\$ 947
Current income tax provision	\$ 12,644	\$ 19	\$ 12,659	\$ 889
Deferred income tax provision	154	237	520	58
Income tax provision	\$ 12,978	\$ 256	\$ 13,179	\$ 947
Effective tax rate	416%	103%	338%	48%

(a) MPC's income tax provisions represent the 25% Canadian withholding tax on its Kotaneelee gas field carried interest net proceeds.

The Company has made a policy election that interest and penalty costs, if incurred, will be classified as income taxes in the Company's financial statements. The tax years that remain open and subject to examination by tax jurisdictions are fiscal 2004 to present in the United States and fiscal 1996 to present in Australia except for the issues agreed upon in the Deed of Settlement discussed above which are now closed.

## 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.

## CRITICAL ACCOUNTING POLICIES

### Oil and Gas Properties

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

### Nondepletable Assets

At December 31 and June 30, 2007, oil and gas properties include \$6.1 million and \$14.8 million, respectively, of capitalized costs that are currently not being depleted. These amounts consist of \$1.7 million and \$1.6 million, respectively, related to PEL 106 in the Cooper Basin which were capitalized during the year ended June 30, 2006. These amounts 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. At June 30, 2007, nondepletable assets also include \$8.8 million of costs relating to drilling in the Nockatunga field which were capitalized as exploratory well costs pending the start of production. Depletion of these costs commenced in the three months ended September 30, 2007 when production started. In addition, as of December 31 and June 30, 2007 capitalized costs not currently being depleted include \$4.4 million associated with exploration permits and licenses in Australia and the U.K. The Company evaluates exploration permits and licenses annually or whenever events or changes in circumstances indicate that the carrying value may be impaired. 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 SFAS No. 142 "Goodwill and Other Intangible Assets." The Company estimates future cash flows to determine if any impairment has occurred. There was no impairment of goodwill as of December 31 and June 30, 2007.

## Asset Retirement Obligations

SFAS 143, "Accounting for Asset Retirement Obligations" requires legal obligations associated with the retirement of long-lived assets to be recognized at their fair value at the time that the obligations are incurred. Upon initial recognition of a liability, that cost is capitalized as part of the related long-lived asset (oil & gas properties) and amortized on a units-of-production basis over the life of the related reserves. Accretion expense in connection with the discounted liability is recognized over the remaining life of the related reserves.

The estimated liability is based on the future estimated cost of land reclamation, plugging the existing oil and gas wells and removing the surface facilities equipment in the Palm Valley, Mereenie, 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. Oil and gas sold is not significantly different from the Company's share of production. Revenues from the purchase, sale and transportation of natural gas are recognized upon completion of the sale and when transported volumes are delivered. Other production related revenues are primarily MPAL's share of gas pipeline tariff revenues which are recorded at the time of sale. The Company records pipeline tariff revenues on a gross basis 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.

## Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS No. 157 is effective for the Company beginning July 1, 2008. The Company is currently evaluating the impact, if any, the adoption of SFAS No. 157 will have on our consolidated financial position, results of operations and cash flows.

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

## Executive Summary

MPC is engaged in the sale of oil and gas and the exploration for and development of oil and gas reserves. MPAL's major assets are two petroleum production leases covering the Mereenie oil and gas field (35% working interest), one petroleum production lease covering the Palm Valley gas field (52% working interest), and three petroleum production leases covering the Nockatunga oil fields (41% working interest). Both the Mereenie and Palm Valley fields are located in the Amadeus Basin in the Northern Territory of Australia. The Nockatunga field is located in the Cooper Basin in South 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 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.

## LIQUIDITY AND CAPITAL RESOURCES

### Consolidated

At December 31, 2007, the Company on a consolidated basis had \$30,232,678 of cash and cash equivalents and \$3,404,507 of marketable securities.

Net cash provided by operations was \$3,652,975 in 2007 versus \$7,883,814 in 2006. The decrease in cash provided by operations is primarily due to an increase in accounts receivable of 2,056,623 relating to oil sales from the Nockatunga wells and a decrease in accounts payable of \$2,775,718 due to the payment of Company's joint venture liabilities related to the Nockatunga project.

The Company invested \$4,087,063 and \$3,291,071 in oil and gas exploration activities during the six months ended December 31, 2007 and 2006, respectively. The increase was due to a decrease in construction payables and an increase in the exchange rate discussed below.

As previously disclosed (See Note 7 to the Financial Statements), the ATO conducted an audit of the Australian income tax returns of MPAL and its wholly-owned subsidiaries for the years 1997- 2005. The audit focused on certain income tax deductions claimed by Paroo Petroleum Pty. Ltd. ("PPPL"), a wholly-owned finance subsidiary of MPAL, related to the write-off of outstanding loans made by PPPL to other entities within the MPAL group of companies. As a result of this audit, the ATO in August 2007 issued "position papers" which set forth its opinions that these previous deductions should be disallowed, resulting in additional income taxes being payable by MPAL and its subsidiaries.

Based upon the advice of Australian tax counsel, the Company and the ATO held settlement discussions concerning this matter during this quarter. In order to avoid a protracted and costly legal battle with the ATO, diversion of company management and resources away from Company business and the possibility of a higher payment with a loss in court, the Company decided to settle this matter. On December 21, 2007, MPAL reached an agreement in principle to settle this dispute for an aggregate settlement payment by MPAL to the ATO of (Aus) \$14,641,994. This is comprised of (Aus) \$10,340,796 in amended taxes and (Aus) \$4,301,198 of interest on the amended taxes. No penalties were assessed as part of this settlement. The agreement in principle to settle the dispute was conditioned upon MPAL and the ATO agreeing on formal terms of settlement in a binding agreement (the Deed of Settlement) which the parties agreed to negotiate and sign promptly. As further agreed by the parties, the ATO issued assessments for the agreed upon amended tax liabilities in January 2008. Under the final terms of the Deed of Settlement signed by the parties on February 7, 2008, MPAL agreed not to object to or appeal the ATO's amended assessments. The Deed of Settlement with the ATO constitutes a complete release and extinguishment of the tax liabilities of MPAL and its subsidiaries with respect to the amended assessments and the prior bad debt deductions.

On January 21, 2008, MPAL paid (Aus) \$5,000,000 to the ATO as a deposit towards this settlement. The remaining (Aus) \$9,641,994 is scheduled to be paid by MPAL on February 14, 2008.

### Effect of exchange rate changes

The value of the Australian dollar relative to the U.S. dollar increased 4.0% to \$.8767 at December 31, 2007, compared to a value of \$.8433 at June 30, 2007.

### As to MPC

At December 31, 2007, MPC, on an unconsolidated basis, had working capital of approximately \$2.0 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 future cash requirements.

As to MPAL

At December 31, 2007, MPAL had working capital of approximately \$24.9 million. MPAL has budgeted approximately (Aus) \$7.2 million for specific exploration projects in fiscal year 2008 as compared to (Aus) \$2.6 million expended in the six months ended December 31, 2007. However, the total amount to be expended may vary depending on when various projects reach the drilling phase. MPAL's current contracts for the sale of Palm Valley and Mereenie gas will expire in January, 2012 and June, 2009, respectively. Unless MPAL is able to obtain additional contracts for its remaining gas reserves or be successful in its current exploration program, its revenues will be materially reduced after 2009. The Producers (MPAL and Santos) are actively pursuing gas sales contracts for the remaining uncontracted reserves at both the Mereenie and Palm Valley gas fields in the Amadeus Basin. While opportunities exist to contract additional gas sales in the Northern Territory market after these dates, there is strong competition within the market and there are no assurances that the Amadeus producers will be able to contract for the sale of the remaining uncontracted reserves.

As previously disclosed, MPAL settled with the ATO for (Aus) \$14,641,994 (See Note 7 to the financial statements). 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 December 31, 2007:

#### PAYMENTS DUE BY PERIOD

CONTRACTUAL OBLIGATIONS	TOTAL	LESS THAN			MORE THAN 5 YEARS
		1 YEAR	1-3 YEARS	3-5 YEARS	
Operating Lease Obligations	323,000	220,000	103,000	—	—
Australian Tax Office Settlement (see note 7)	12,837,000	12,837,000	—	—	—
Purchase Obligations(1)	3,380,000	3,380,000	—	—	—
Asset Retirement Obligations	10,222,000	205,000	6,324,000	1,768,000	1,925,000
Total	<u>\$ 26,762,000</u>	<u>\$ 16,642,000</u>	<u>\$ 6,427,000</u>	<u>\$ 1,768,000</u>	<u>1,925,000</u>

- (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 \$15,284,000 which are not legally binding have been excluded from the table above and based on exploration decisions would be due as follows: \$1,158,000 (less than 1 year), \$14,126,000 (1-3 years), \$0 (3-5 years).

#### THREE MONTHS ENDED DECEMBER 31, 2007 VS. DECEMBER 31, 2006

#### REVENUES

OIL SALES INCREASED 51% in the 2007 quarter to \$4,887,721 from \$3,227,393 in 2006 because of the 43% increase in average price per barrel and the 15.6% increase in the exchange rate discussed below. 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 DECEMBER 31, 2007 SALES		2006 SALES	
	BBLs	AVERAGE PRICE A.\$ PER BBL	BBLs	AVERAGE PRICE A.\$ PER BBL
Australia:				
Mereenie field	25,701	116.88	27,871	74.01
Cooper Basin	1,254	119.74	4,010	72.41
Nockatunga project	27,651	89.36	23,037	69.27
Total	<u>54,606</u>	<u>103.08</u>	<u>54,918</u>	<u>71.92</u>

GAS SALES INCREASED 6% to \$4,772,980 in 2007 from \$4,490,952 in 2006 due mostly to a 2% increase in the average price per mcf and the 15.6% increase in the exchange rate discussed below partially offset by a 7% decrease in volume.

	<b>THREE MONTHS ENDED DECEMBER 31,</b>	
	<b>2007</b>	<b>2006</b>
Australia	\$ 4,741,510	\$ 4,490,952
Canada	31,470	—
<b>Total</b>	<b><u>\$ 4,772,980</u></b>	<b><u>\$ 4,490,952</u></b>

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:

	<b>THREE MONTHS ENDED DECEMBER 31, 2007 SALES</b>		<b>2006 SALES</b>	
	<b>BCF</b>	<b>A.\$ AVERAGE PRICE PER MCF</b>	<b>BCF</b>	<b>A.\$ AVERAGE PRICE PER MCF</b>
Australia: Palm Valley	.340	2.21	.385	2.20
Australia: Mereenie	1.180	3.63	1.250	3.57
<b>Total</b>	<b><u>1.520</u></b>	<b><u>3.30</u></b>	<b><u>1.635</u></b>	<b><u>3.24</u></b>

#### COSTS AND EXPENSES

PRODUCTION COSTS INCREASED 40% in 2007 to \$2,525,231 from \$1,806,267 in 2006. The increase in 2007 was primarily the result of increased expenditures in the Nockatunga project due to increased revenues, repairs and maintenance on the Mereenie project and the 15.6% increase in the exchange rate described below.

EXPLORATION AND DRY HOLE COSTS DECREASED 72% to \$724,117 in 2007 from \$2,541,280 in 2006. These costs related to the exploration work performed on MPAL's properties. The primary reasons for the decrease in 2007 were the decreased drilling costs related to the Cooper Basin drilling program, partially offset by the 15.6% increase in the exchange rate described below.

DEPLETION, DEPRECIATION AND AMORTIZATION INCREASED 1% to \$2,796,390 in 2007 from \$2,762,867 in 2006. This increase was mostly due to the higher book values of MPAL's oil and gas properties acquired during fiscal 2006, the 15.6% increase in the exchange rate described below, partially offset by lower depletion in the Mereenie and Palm Valley projects due to lower depletable costs.

AUDITING, ACCOUNTING AND LEGAL EXPENSES INCREASED 117% in 2007 to \$321,052 from \$148,204 in 2006 due to higher accounting and auditing costs relating to the ATO audit and settlement and the purchase of the remaining shares of MPAL and the 15.6% increase in the exchange rate described below.

ACCRETION EXPENSE INCREASED 31% to \$176,180 in 2007 from \$134,413 in 2006. This was due mostly to accretion of the new wells drilled in fiscal 2007 in the Nockatunga project and the 15.6% increase in the exchange rate described below.

OTHER ADMINISTRATIVE EXPENSES INCREASED 20% to \$771,732 in 2007 from \$644,969 in 2006. This is due mostly to increased consulting costs related to the ATO audit and settlement and the 15.6% increase in the exchange rate described below.

INCOME TAX PROVISION INCREASED in 2007 to \$12,797,866 from \$255,471 in 2006. This is mostly due to the \$12,836,636 tax settlement agreed to by MPAL with the ATO regarding amended assessments for MPAL's prior years' Australian taxes. (See Note 7).

#### EXCHANGE EFFECT

THE VALUE OF THE AUSTRALIAN DOLLAR RELATIVE TO THE U.S. DOLLAR DECREASED TO \$.8767 at December 31, 2007 compared to a value of \$.8787 at September 30, 2007. This resulted in a \$180,154 debit to the foreign currency translation adjustments account for the three months ended December 31, 2007. The average exchange rate used to translate MPAL's operations in Australia was \$.8899 for the quarter ended December 31, 2007, which was a 15.6% increase compared to the \$.7700 rate for the quarter ended December 31, 2006.

## SIX MONTHS ENDED DECEMBER 31, 2007 VS. DECEMBER 31, 2006

## REVENUES

OIL SALES INCREASED 56% in the six months to \$9,620,541 from \$6,152,907 in 2006 because of a 23% volume increase due to increased sales in the Nockatunga project, a 17% increase in the average price per barrel sold and the 13.8% increase in the exchange rate discussed below. Oil unit sales (after deducting royalties) in barrels (bbls) and the average price per barrel sold during the periods indicated were as follows:

	SIX MONTHS ENDED DECEMBER 31, 2007 SALES		2006 SALES	
	BBLs	AVERAGE PRICE A.\$ PER BBL	BBLs	AVERAGE PRICE A.\$ PER BBL
Australia:				
Mereenie field	50,735	103.40	52,782	81.25
Cooper Basin	3,287	103.36	11,013	85.39
Nockatunga project	62,487	83.15	31,002	73.93
Total	<u>116,509</u>	<u>92.59</u>	<u>94,797</u>	<u>79.33</u>

GAS SALES INCREASED 11% to \$8,762,164 in 2007 from \$7,894,350 in 2006. The increase was the result of a 5% increase in price per mcf sold and the 13.8% increase in the exchange rate discussed below partially offset by a 4% decrease in volume.

	SIX MONTHS ENDED DECEMBER 31,	
	2007	2006
Australia	\$ 8,671,436	\$ 7,892,882
Canada	90,728	1,468
Total	<u>\$ 8,762,164</u>	<u>\$ 7,894,350</u>

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:

	SIX MONTHS ENDED DECEMBER 31,		2006 SALES	
	2007 SALES A.\$ AVERAGE PRICE PER MCF	BCF	2006 SALES A.\$ AVERAGE PRICE PER MCF	BCF
Australia: Palm Valley	.686	2.21	.781	2.20
Australia: Mereenie	2.260	3.56	2.289	3.39
Total	<u>2.946</u>	<u>3.24</u>	<u>3.070</u>	<u>3.08</u>

## COSTS AND EXPENSES

PRODUCTION COSTS INCREASED 29% IN 2007 to \$4,623,257 from \$3,597,406 in 2006. The increase in 2007 was primarily the result of increased expenditures in the Nockatunga project due to increased revenues, repairs and maintenance on the Mereenie project and the 13.8% increase in the exchange rate described below.

EXPLORATION AND DRY HOLE COSTS DECREASED 8% to \$2,737,591 in 2007 from \$2,973,263 in 2006. These costs related to the exploration work performed on MPAL's properties. The primary reason for the decrease in 2007 were the decreased drilling costs related to the Cooper Basin drilling program, partially offset by the 13.8% increase in the exchange rate described below.

DEPLETION, DEPRECIATION AND AMORTIZATION INCREASED 25% to \$5,957,646 in 2007 from \$4,764,819 in 2006. This increase was mostly due to the higher book values of MPAL's oil and gas properties acquired during fiscal 2006, increased depletion in the Nockatunga project due to increased production and expenditures, the 13.8% increase in the exchange rate described below, partially offset by lower depletion in the Mereenie and Palm Valley projects due to lower depletable costs.

AUDITING, ACCOUNTING AND LEGAL EXPENSES INCREASED 72% in 2007 to \$558,103 from \$324,009 in 2006 due to higher accounting and auditing costs relating to the ATO audit and settlement and the purchase of the remaining shares of MPAL and the 13.8% increase in the exchange rate described below.

ACCRETION EXPENSE INCREASED 30% to \$346,388 in 2007 from \$266,179 in 2006. This was due mostly to accretion of the new wells drilled in fiscal 2007 in the Nockatunga project and the 13.8% increase in the exchange rate described below.

OTHER ADMINISTRATIVE EXPENSES INCREASED 41% to \$1,641,645 in 2007 from \$1,167,581 in 2006. This is due mostly to increased consulting costs related to the ATO audit and settlement and the 13.8% increase in the exchange rate described below.

INCOME TAX PROVISION INCREASED in 2007 to \$13,178,636 from \$946,684 in 2006. This is mostly due to the \$12,836,636 tax settlement agreed to by MPAL with the ATO regarding amended assessments for MPAL's prior years' Australian taxes (see Note 7).

#### EXCHANGE EFFECT

THE VALUE OF THE AUSTRALIAN DOLLAR RELATIVE TO THE U.S. DOLLAR INCREASED TO \$.8767 at December 31, 2007 compared to a value of \$.8433 at June 30, 2007. This resulted in a \$2,155,479 credit to the foreign currency translation adjustments account for the six months ended December, 2007. The average exchange rate used to translate MPAL's operations in Australia was \$.8688 for the six month period ended December 31, 2007, which was a 13.8% increase compared to the \$.7636 rate for the six month period ended December 31, 2006.

#### 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. At December 31, 2007, the carrying value of our investments in marketable securities including those classified as cash and cash equivalents was approximately \$33.6 million, which approximates the fair value of the securities. Since the Company expects to hold the investments to maturity, the maturity value should be realized. Marketable securities have not been impacted by the US credit crisis. A 10% change in the Australian foreign currency rate compared to the U.S. dollar would increase or decrease revenues and costs and expenses by \$1,970,000 and \$1,686,000, for the six months ended December 31, 2007, respectively. For the six month period ended December 31, 2007, oil sales represented approximately 52% of production revenues. Based on the current six month's sales volume and revenue, a 10% change in oil price would increase or decrease oil revenues by \$962,000. Gas sales, which represented approximately 48% of production revenues in the current six 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 six months ended December 31, 2007.

#### 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 December 31, 2007. 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 six months ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.



MAGELLAN PETROLEUM CORPORATION  
FORM 10-Q  
PART II - OTHER INFORMATION  
DECEMBER 31, 2007

ITEM 1 LEGAL PROCEEDINGS

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

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

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

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

On January 21, 2008, MPAL paid (Aus) \$5,000,000 to the ATO as a deposit towards this settlement. The remaining (Aus) \$9,641,994 is scheduled to be paid by MPAL on February 14, 2008.

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
October 1-31, 2007	0	0	0	319,150
November 1-30, 2007	0	0	0	319,150
December 1-31, 2007	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 December 31, 2007, 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 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) On December 6, 2007, the Company held its 2007 Annual General Meeting of Stockholders.

(b) The following directors were elected as directors of the Company. The vote was as follows :

	Shares		Stockholders	
	For	Withheld	For	Withheld
Ronald Pettirossi	27,219,195	636,582	1,162	177
Walter McCann	27,405,687	617,090	1,156	183

(c) The firm of Deloitte & Touche LLP was appointed as the Company's independent auditors for the year ending June 30, 2008. The vote was as follows:

	Shares	Stockholders
For	30,460,136	1,203
Against	2,674,587	68
Abstain	442,317	68

(d) Authorization to amend the Company's Restated Certificate of Incorporation and implement a reverse stock split was approved. The vote was as follows:

	Shares	Stockholders
For	25,047,321	940
Against	8,255,591	297
Abstain	274,120	102

#### ITEM 5 OTHER EVENTS

On October 24, 2007, the Board of Directors of the Company amended the Company's 1998 Stock Option Plan to substantive and procedural requirements of Section 409A of the Internal Revenue Code of 1986, as amended. A copy of the First Amendment is attached to this Form 10-Q as Exhibit 10.1.

As discussed in Note 7 above, the Company reported on February 7, 2008 that MPAL reached an agreement to settle an ongoing income tax dispute between MPAL and the ATO for an aggregate settlement payment by MPAL to the ATO of (Aus) \$14.6 million. The dispute concerned certain income tax deductions claimed by Paroo Petroleum Pty. Ltd. ("PPPL"), a wholly-owned subsidiary of MPAL, related to the write-off of outstanding loans made by PPPL to other entities within the MPAL group of companies. MPAL and the ATO entered into a Deed of Settlement dated February 7, 2008 concerning this matter. A copy of the Deed of Settlement is attached hereto as Exhibit 10.2.

#### ITEM 6 EXHIBITS

10.1 First Amendment to the Company's 1998 Stock Option Plan, dated as of October 24, 2007 filed herein.

10.2 Deed of Settlement between Magellan Petroleum Australia Limited, Magellan Petroleum (N.T.) Pty LTD, Paroo Petroleum Pty Ltd and the Commissioner of Taxation of the Commonwealth of Australia dated February 7, 2008 filed herein.

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  
DECEMBER 31, 2007

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: February 13, 2008

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

**FIRST AMENDMENT TO THE MAGELLAN PETROLEUM  
CORPORATION 1998 STOCK OPTION PLAN**

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

**WITNESSETH:**

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

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

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

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

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

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

1. Section 5(a)(v) of the Plan and subsection (v) in the first sentence of Section 6 are hereby deleted in their entirety.
2. All references in the Plan to the "Pacific Exchange" are hereby deleted and the term "Nasdaq Stock Market, Inc." is hereby substituted therefor.
3. Section 10 of the Plan is deleted in its entirety and the following is substituted therefore:

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

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



**DEED OF SETTLEMENT**

BETWEEN

MAGELLAN PETROLEUM AUSTRALIA LIMITED ACN 009 728 581

MAGELLAN PETROLEUM (N.T.) PTY LTD ACN 009 718 183

PAROO PETROLEUM PTY LTD ACN 010 839 488

AND

THE COMMISSIONER OF TAXATION

OF THE COMMONWEALTH OF AUSTRALIA

**■ Ernst & Young Law**

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The Ernst & Young Building  
Level 41, 680 George Street, Sydney NSW 2000 Australia  
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WWW site: <http://www.ey.com.au>  
REF: HJA:60458530/12293168

**An incorporated legal practice under the Legal Profession Act 2004**

**Liability Limited by a scheme approved under Professional Standards Legislation**



**DEED OF SETTLEMENT**

**THIS DEED** is made the 7th day of February, 2008.

**BETWEEN:**

**MAGELLAN PETROLEUM AUSTRALIA LIMITED ACN 009 728 581**

(‘the first taxpayer’)

AND

**MAGELLAN PETROLEUM (N.T.) PTY LTD ACN 009 718 183**

(‘the second taxpayer’)

AND

**PAROO PETROLEUM PTY LTD ACN 010 839 488**

(‘the third taxpayer’)

of

145 Eagle Street Brisbane QLD, 4000

(collectively known as the “Taxpayers”)

AND

**THE COMMISSIONER OF TAXATION OF THE COMMONWEALTH OF AUSTRALIA**

of





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& #160;

## RECITALS

- A.** The Commissioner and the Taxpayers are in dispute as to the deductibility of the bad debts claimed by the first and third Taxpayers in the 1997 to 2005 income years.
- B.** In particular, the Commissioner and the Taxpayers are in dispute as to:
- (a) whether the amounts claimed by the first taxpayer as bad debts in the 2004 and 2005 income years are allowable under section 25-35 of the ITAA 1997;
  - (b) whether the first taxpayer was carrying on a money lending business in those years;
  - (c) whether the amounts claimed by the first taxpayer are allowable under section 8-1 of the ITAA 1997 in those years;
  - (d) whether the losses transferred to the first and / or second taxpayers from the third taxpayer under section 80G of the ITAA 1936 and Subdivision 170-A of the ITAA 1997 in the 2003 and earlier income years are available to the extent claimed by the first and second taxpayers;
  - (e) whether the amounts claimed by the third taxpayer as bad debts in the 2003 and earlier income years are allowable under paragraph 63(1)(b) of the ITAA 1936 or section 25-35 of the ITAA 1997;
  - (f) whether the third taxpayer was carrying on a money lending business in those years; and
  - (g) whether the amounts claimed by the third taxpayer as bad debts are allowable under subsection 51(1) of the ITAA 1936 or section 8-1 of the ITAA 1997 in those years.
- C.** The parties remain in dispute as to the alleged taxation liability or entitlement of the Taxpayers.
- D.** The parties nonetheless wish to settle their dispute on the following terms.

## OPERATIVE PART

In consideration of the mutual promises contained in this document, the parties to this agree as follows:

### 1. DEFINITIONS AND INTERPRETATION

1.1 In this document:  
**‘Bank Bill Rate’** means the 90-day Bank Accepted Bill Rate.

**‘Commissioner’** means the Commissioner of Taxation of the Commonwealth of Australia and as required, his successors or assigns and any delegate or authorised representative acting on his behalf.

**‘GIC’** means the General Interest Charge calculated pursuant to Division 1 of Part IIA of the TAA 1953.

**‘ITAA 1936’** means the *Income Tax Assessment Act 1936* (as amended).

**‘ITAA 1997’** means the *Income Tax Assessment Act 1997* (as amended).

**‘party’ or ‘parties’** means the Taxpayers and/or the Commissioner.

**‘person’** means any natural person and includes a firm, corporation, body corporate, unincorporated association or any governmental authority.

**‘relevant years’** means the financial years ended 30 June 1997 to 30 June 2005.

**‘SIC’** means Shortfall Interest Charge calculated pursuant to Division 280 of Schedule 1 of the TAA 1953.

**‘TAA 1953’** means the *Taxation Administration Act 1953* (as amended).

**‘Taxpayers’** means Magellan Petroleum Australia Limited A.C.N. 009 728 581, Magellan Petroleum (N.T.) Pty Ltd A.C.N. 009 718 183 and Paroo Petroleum Pty Ltd A.C.N. 010 839 488.

**‘the first taxpayer’** means Magellan Petroleum Australia Limited A.C.N. 009 728 581.

**‘the second taxpayer’** means Magellan Petroleum (N.T.) Pty Ltd A.C.N. 009 718 183.

**‘the third taxpayer’** means Paroo Petroleum Pty Ltd A.C.N. 010 839 488.

**‘this Deed’** means this Deed of Settlement between the Commissioner and the Taxpayers.

1.2 In this document, unless the contrary intention appears:

1.2.1. a reference to this document means this Deed, and references to clauses and schedules are references to clauses and schedules of this Deed;

1.2.2. any word, term or expression for which a particular or special meaning has been attributed or ascribed by the Act, shall be given that particular or special meaning in this Deed;

- 1.2.3. singular includes the plural and vice versa;
- 1.2.4. a reference to any one gender includes each other gender (as the case may require);
- 1.2.5. a reference to a person includes a reference to that person's executors, administrators, legal personal representatives, successors and permitted assigns; and
- 1.2.6. an agreement on the part of, or in favour of, two or more persons binds them or any one of them jointly and severally;
- 1.2.7. time is of the essence in the performance by the parties of their respective obligations under this Deed;

**2. OBLIGATIONS OF THE COMMISSIONER**

2.1 The Commissioner will do the following in the order in which they appear below:

- 2.1.1. issue assessments for the relevant years to each of the Taxpayers.

The adjustments to be made are as follows:

<b>Taxpayer</b>	<b>Increase in Tax</b>
<b>First taxpayer:</b>	<b>3,317,551</b>
<b>Second taxpayer:</b>	<b>5,674,192</b>
<b>Third taxpayer:</b>	<b>1,349,053</b>
<b>Total:</b>	<b>10,340,796</b>

- 2.1.2. not impose any tax shortfall penalties on any of the Taxpayers for the relevant years of income.

- 2.1.3. in relation to the assessments referred to in clause 2.1.1. above remit GIC and SIC in respect of each of the Taxpayers for the relevant years so that the interest charged is calculated at the Bank Bill Rate, from the date that the amended tax liabilities become due and payable, to 30 April 2007. The interest payable by the Taxpayers in respect of the assessments is as follows:

<b>Taxpayer</b>	<b>Interest</b>
<b>First taxpayer:</b>	<b>656,673</b>
<b>Second taxpayer:</b>	<b>3,054,508</b>
<b>Third taxpayer:</b>	<b>590,017</b>
<b>Total:</b>	<b>4,301,198</b>

2.2 The Commissioner has issued the assessments referred to in clause 2.1.

### 3. OBLIGATIONS OF THE TAXPAYERS

The Taxpayers:-

- 3.1 will not object to or request an amendment or review of the assessments referred to in 2.1 above if raised on the terms set out in this Deed;
- 3.2 will not appeal against the Commissioner's decision to any relevant objection;
- 3.3 will pay a good faith deposit of AUD \$5 million to the Commissioner by 20 January 2008 such deposit monies to be applied by the Commissioner at his discretion to the liabilities of the Taxpayers referred to in clauses 2.1.1 and 2.1.3. The Commissioner confirms that a deposit of AUD \$5 million was received by the Commissioner on 21 January 2008 in full satisfaction of this obligation.;
- 3.4 will pay to the Commissioner an amount equal to the liabilities and interest referred to in clauses 2.1.1 and 2.1.3 , reduced by any amount paid by the Taxpayers as a good faith deposit, by whichever is the later of 14 February 2008 or within 14 days of receiving the assessments;
- 3.5 will not seek any review of the issues agreed in this Deed, or of related decisions, under the *Administrative Decisions Judicial Review Act 1977* or administrative law generally. This does not include review by the Ombudsman;
- 3.6 will not seek disclosure under the *Freedom Of Information Act 1982* of Australian Tax Office documents in relation to issues or decisions relevant to the settlement recorded by this Deed; and
- 3.7 make no admissions as to liability notwithstanding any provisions in this Deed.

#### 4. TAXPAYERS' WARRANTY AND ACKNOWLEDGEMENT

- 4.1 The Taxpayers warrant that to the best of their knowledge and belief they have made a full and true disclosure of all relevant facts to the Commissioner prior to entering into this Deed and they will promptly disclose to the Commissioner any material facts which come to their knowledge after the execution of this Deed.
- 4.2 The Taxpayers acknowledge that, if there has not been a full and true disclosure of all relevant facts to the Commissioner as required by clause 4.1, the Commissioner may in his absolute discretion take whatever further action he considers appropriate, including, without limitation:
- 4.2.1. electing that this Deed be terminated;
  - 4.2.2. electing that this Deed is void (as if it had never been executed) as against all parties to this Deed (except insofar as the warranties or indemnities referred to in this Deed are concerned); or
  - 4.2.3. rescinding, reversing or amending any of the things referred to in clause 2.
- 4.3 The Taxpayers acknowledge that, if they default in performing their obligations under clauses 3.4 the taxpayer will not contest any recovery steps taken by the Commissioner. The Commissioner may:
- 4.3.1. obtain judgment against the Taxpayers; and
  - 4.3.2. cause the Taxpayers to be wound-up.
- 4.4 The Taxpayers acknowledge that if they default in performing their obligations under clause 3.4:
- 4.4.1. the Commissioner will be entitled to take whatever action he considers is necessary to recover the full amount outstanding by the Taxpayers in relation to the relevant years including the commencement or recommencement of audits and assessments in relation to the Taxpayers, and in relation to any other associated persons or entities or;
  - 4.4.2. in particular, and without limiting the foregoing, the Commissioner may, at the Commissioner's complete and unfettered discretion, and without further reference to the Taxpayers, elect either to sue the Taxpayers jointly or severally for the balance of the debts which are the subject of this Deed, on the basis of, and in the same manner as if this Deed had not been entered into, or elect to sue the Taxpayers for breach of the Taxpayers' obligations pursuant to this Deed.



## 5. AUTHORITY TO SIGN

### 5.1 Tax Office Authority

This Deed is to be signed by either a delegate or authorised officer of the Tax Office, as follows:

- 5.1.1. The person signing this Deed is Tom Rengers, Assistant Commissioner Small and Medium Enterprises and a delegate of the Commissioner, who has the power to make, enter into and execute this Deed on the Commissioner's behalf.
- 5.1.2. It is acknowledged by the parties to this Deed that Tom Rengers shall have no personal liability as a result of being the authorised signatory of the Commissioner to sign this Deed and it is further acknowledged that he is the agent of the Commissioner acting within the scope of his authority.

## 6. GENERAL

- 6.1 This Deed shall operate in respect to the matters herein and does not release the Taxpayers from their future taxation obligations.
- 6.2 No modification, variation or amendment of this Deed shall be of any force unless such modification, variation or amendment is in writing, expressed to be a variation of this Deed and signed by the parties.
- 6.3 The warranties referred to in this Deed shall survive the expiration or termination of this Deed.
- 6.4 Any provision of this Deed which is unenforceable or partly unenforceable is, where possible, to be severed to the extent necessary to make this Deed enforceable, unless this would materially change the intended effect of this Deed.
- 6.5 The parties mutually covenant and agree that they will each do all the acts and things and execute all the Deeds and documents as shall, from time to time, be reasonably required for the purpose of, and to give effect to, this Deed.
- 6.6 This Deed is confidential to the parties and shall not be disclosed by any of the parties, except:
  - 6.6.1. as is required or permitted by any law, including Australian and US federal securities and stock exchange rules and regulations;
  - 6.6.2. by the Taxpayers to their auditors, bankers, tax advisers or legal advisers; and
  - 6.6.3. by the Commissioner to his legal advisers.

- 6.7 This Deed constitutes the entire agreement and undertaking between the parties in relation to the subject matter, and supersedes any previous Deeds, agreements, arrangements, and undertakings between them.
- 6.8 Provided that the amended tax liabilities as set out in 2.1 above are paid by the dates specified in accordance with clause 3.4 above, the parties agree that this Deed constitutes a complete release and extinguishment of the Taxpayers' liability with regard to the assessments, and related matters.
- 6.9 This Deed shall be construed and governed in accordance with the laws in force in Queensland and shall take effect between the parties from the date this Deed is signed or executed.
- 6.10 All parties acknowledge that this Deed is not to be considered a general precedent but applies only to the parties mentioned, and only on the merits of the case and for the years covered by the settlement.

## **7. DEFAULT CLAUSE**

- 7.1 Any party to this Deed who becomes aware of a breach of any of the terms of the settlement contained herein (other than a breach of clause 3.4 ), may serve a written notice on the defaulting party specifying the breach and requiring that it be rectified.
- 7.2 Any defaulting party to this Deed who has received written notification under clause 7.1 above, has fourteen (14) days to rectify the breach.
- 7.3 If the defaulting party fails to rectify the breach within the time required by clause 7.2, the non-defaulting party may, without further notice to the defaulting party, take whatever action is necessary (including injunctive or other relief) to require the defaulting party to rectify the breach.
- 7.4 For the purposes of this Deed, an event of default occurs if:
- 7.4.1 payment is not made to the Commissioner by the time stipulated in clause 3.4 hereof unless the Commissioner grants an extension of time; or
  - 7.4.2 the Taxpayers stop or threaten to stop payment to the Commissioner; or
  - 7.4.3 this Deed is or becomes wholly or partly void, voidable or unenforceable or is claimed to be so by either party or anyone on their behalf; or
  - 7.4.4 the Taxpayers do not observe any obligation under this Deed.
- 7.5 If the Taxpayers default in payment, pursuant to clause 3.4, then the balance of the amount owing in respect of the tax related liabilities for the relevant years shall become immediately due and payable and the Commissioner will be entitled to sue for the balance of the tax related liabilities which are the subject of this Deed on the basis and in the same manner as if this agreement had not been entered into.

## 8. NOTICES

- 8.1 Any notice, request or other communication to be given or served pursuant to this Deed shall be in writing and dealt with as follows:
- 8.1.1. if given by the Taxpayers (or any of them) to the Commissioner – addressed and forwarded to the Commissioner for the attention of:  
  
Geoff Williams  
28 Macgregor Street  
Upper Mount Gravatt  
QLD 4122  
  
at the address set out above or as otherwise notified by the Commissioner.
  - 8.1.2. if given by the Commissioner to the Taxpayers (or any of them) – signed by the Commissioner and forwarded to the Taxpayers (or any of them) at the address indicated at the commencement of this Deed.
- 8.2 Any such notice, request or other communication shall be delivered by hand or sent by pre-paid security post, facsimile or e-mail, to the address of the party to which it is sent.
- 8.3 Any notice, request or other communication will be deemed to be received:
- 8.3.1. if delivered personally, on the date of delivery;
  - 8.3.2. if sent by prepaid security post, upon the expiration of 2 business days after the date on which it was sent; and
  - 8.3.3. if transmitted electronically, upon receipt by the sender of an acknowledgment that the communication has been properly transmitted to the recipient.

EXECUTED BY THE PARTIES AS A DEED

Signed, sealed and delivered by )  
Magellan Petroleum Australia Limited )  
ACN 009 728 581 )

As permitted under the Corporations Act (CA) 2001 )  
)  
)

/s/ Bruce McInnes  
Secretary/Director  
Bruce McInnes  
Print name

/s/ Robert J. Mollah  
Director  
Robert J. Mollah  
Print name

Signed, sealed and delivered by )  
Magellan Petroleum (N.T.) Pty Ltd )  
ACN 009 718 183 )

As permitted under the Corporations Act (CA) 2001 )  
)

/s/ Bruce McInnes  
Secretary/Director

/s/ Thomas Gwynn Davies  
Director

Bruce McInnes  
Print name

Thomas Gwynn Davies  
Print name

Signed, sealed and delivered by )  
Paroo Petroleum Pty Ltd )  
ACN 010 839 488 )

As permitted under the Corporations Act (CA) 2001 )  
)

/s/ Bruce McInnes  
Secretary/Director

/s/ Thomas Gwynn Davies  
Director

Bruce McInnes  
Print name

Thomas Gwynn Davies  
Print name

SIGNED for and on behalf of the Commissioner of Taxation by Tom  
Rengers, Assistant Commissioner Small and Medium Enterprises in  
the presence of

/s/ Robert Zuanetti  
Signature of witness

/s/ Thomas Rengers  
Signature of authorised officer

Robert Zuanetti  
Name of witness

Thomas Rengers  
Name of authorised officer

60;



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)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) [Intentionally omitted pursuant to the guidance contained in SEC Release No. 33-8238.]
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 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 December 31, 2007 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.

February 13, 2008

By: /s/ Daniel J. Samela

#	1	6	0	Daniel J. Samela	;
#	1	6	0	President and Chief Executive	;
#	1	6	0	Officer,	;
				Chief Financial and Accounting	;
				Officer	;