

MAGELLAN PETROLEUM CORP /DE/  
Form 10-Q/A  
October 23, 2008

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
(Amendment No. 1)  
FORM 10-Q/A**

(MARK ONE)

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

**For the quarterly period ended March 31, 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. (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 May 8, 2008 was 41,500,325.

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**IMPORTANT INFORMATION REGARDING THIS FORM 10-Q/A**

**Explanatory Note**

This Amendment No. 1 to our Quarterly Report on Form 10-Q for the period ended March 31, 2008 is being filed solely to provide revised disclosure regarding the Company's recording of depletion expense in 1) the financial statement and related footnotes, 2) management's discussion and analysis of financial condition and results of operations, and 3) quantitative and qualitative disclosure about market risk.

As discussed in Note 9 to the accompanying consolidated financial statements in Item 1 of this quarterly report on Form 10-Q/A, subsequent to the issuance of the Company's Form 10-Q for the period ended March 31, 2008, the Company's management determined that depletion expense was miscalculated due to the misapplication of reserve information for a group of new wells which principally began production in fiscal 2008. Depletion expense for the three and nine-month periods ended March 31, 2008 was understated by \$1,075,005 and \$3,891,579, respectively. The restatement has no impact on the consolidated cash flows from operations or cash and cash equivalent balances for the period presented in this Form 10-Q/A. The effects of the restatement on the previously reported Consolidated Statements of Operations for the three and nine months ended March 31, 2008, Consolidated Balance Sheet as of March 31, 2008 and Consolidated Statement of Cash Flows for the nine months ended March 31, 2008 are presented in Note 9.

For the convenience of the reader, this Form 10-Q/A sets forth the entire Form 10-Q. However, this Form 10-Q/A amends and restates only portions of Part I, Items 1, 2, 3 and 4. No other Items of the filing have been amended or revised. In addition, no information in this Form 10-Q/A has been updated for any subsequent events occurring after

May 13, 2008, the date of the original filing.

MAGELLAN PETROLEUM CORPORATION  
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PART I FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS

	<b>March 31, 2008 (UNAUDITED)</b> (As restated, See Note 9)	<b>JUNE 30, 2007 (NOTE)</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 25,969,118	\$ 28,470,448
Accounts receivable Trade (net of allowance for doubtful accounts of \$88,828 and \$69,658 at March 31, 2008 and June 30, 2007, respectively)	6,691,969	5,044,258
Marketable securities	2,418,884	2,974,280
Inventories	1,278,070	702,356
Other assets	416,428	378,808
 Total current assets	 36,774,469	 37,570,150
 Deferred income taxes	 2,926,636	 2,300,830
Marketable securities	250,000	1,403,987
Property and equipment, net:		
Oil and gas properties (successful efforts method)	132,094,982	120,734,449
Land, buildings and equipment	3,140,188	2,846,433
Field equipment	993,000	912,396
	136,228,170	124,493,278
Less accumulated depletion, depreciation and amortization	(104,524,063)	(84,172,522)
 Net property and equipment	 31,704,107	 40,320,756
 Goodwill	 4,020,706	 4,020,706
 Total assets	 \$ 75,675,918	 \$ 85,616,429
 <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 1,449,199	\$ 5,313,653
Accounts payable-working interest partners	368,171	222,883
Accrued liabilities	1,580,657	1,382,320
Income taxes payable	214,112	1,647,137
 Total current liabilities	 3,612,139	 8,565,993
 Long term liabilities:		
Deferred income taxes	2,652,957	3,518,990

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Other long term liabilities	43,068	100,578
Asset retirement obligations	10,884,307	9,456,088
Total long term liabilities	13,580,332	13,075,656
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	73,216,143	73,153,002
Accumulated deficit	(24,284,465)	(13,965,849)
Accumulated other comprehensive income	9,136,768	4,372,626
Total stockholders' equity	58,483,447	63,974,780
Total liabilities and stockholders' equity	\$ 75,675,918	\$ 85,616,429

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)

	<b>THREE MONTHS ENDED</b>		<b>NINE MONTHS ENDED</b>	
	<b>March 31,</b>		<b>March 31,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>(As restated, see Note 9)</b>		<b>(As restated, see Note 9)</b>	
<b>REVENUES:</b>				
Oil sales	\$ 4,442,241	\$ 2,305,562	\$ 14,062,782	\$ 8,458,469
Gas sales	4,433,188	3,879,437	13,195,352	11,773,787
Other production related revenues	660,634	663,624	1,973,843	1,853,616
<b>Total revenues</b>	<b>9,536,063</b>	<b>6,848,623</b>	<b>29,231,977</b>	<b>22,085,872</b>
<b>COSTS AND EXPENSES:</b>				
Production costs	1,801,975	1,535,250	6,425,232	5,132,656
Exploration and dry hole costs	334,651	1,568,280	3,072,242	4,541,543
Salaries and employee benefits	395,685	341,105	1,216,034	1,051,207
Depletion, depreciation and amortization	3,989,223	2,267,722	12,763,443	7,032,541
Auditing, accounting and legal services	215,394	114,106	773,497	438,115
Accretion expense	180,461	136,883	526,849	403,062
Shareholder communications	98,762	114,320	300,050	350,210
Loss (gain) on sale of field equipment	3,209	(7,772)	(23,748)	(7,966)
Other administrative expenses	883,221	638,308	2,524,866	1,806,083
<b>Total costs and expenses</b>	<b>7,902,581</b>	<b>6,708,202</b>	<b>27,578,465</b>	<b>20,747,451</b>
Operating income	1,633,482	140,421	1,653,512	1,338,421
Interest income	500,121	437,780	1,559,200	1,208,693
Income before income taxes	2,133,603	578,201	3,212,712	2,547,114
Income tax provision	(1,197,664)	(292,274)	(13,531,328)	(1,238,958)
<b>NET INCOME (LOSS)</b>	<b>935,939</b>	<b>285,927</b>	<b>(10,318,616)</b>	<b>1,308,156</b>
Average number of shares outstanding				
Basic	41,500,325	41,500,325	41,500,325	41,500,325
Diluted	41,500,325	41,500,325	41,500,325	41,500,325
<b>NET INCOME (LOSS) PER SHARE (BASIC AND DILUTED)</b>	<b>\$ 0.02</b>	<b>\$ 0.01</b>	<b>\$ (0.25)</b>	<b>\$ 0.03</b>

See accompanying notes

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PART I FINANCIAL INFORMATION

## ITEM 1 FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(unaudited)

	<b>NINE MONTHS ENDED</b>	
	<b>March 31,</b>	
	<b>2008</b>	<b>2007</b>
	<b>(As restated, see Note 9)</b>	
<b>OPERATING ACTIVITIES:</b>		
Net (loss) income	\$ (10,318,616)	1,308,156
Adjustments to reconcile net loss to net cash provided by operating activities:		
Gain from sale of field equipment	(23,748)	(7,966)
Depletion, depreciation and amortization	12,763,443	7,032,541
Accretion expense	526,849	403,062
Deferred income taxes	(1,271,564)	1,489,402
Stock option expense	63,141	7,425
Exploration and dry hole costs	2,987,642	4,175,072
Increase (decrease) in operating assets and liabilities:		
Accounts receivable	(1,125,828)	481,149
Other assets	(37,620)	(65,669)
Inventories	(488,235)	60,385
Accounts payable and accrued liabilities	(3,557,981)	(773,378)
Income taxes payable	(1,633,867)	(950,714)
Net cash (used) provided by operating activities	(2,116,384)	13,159,465
<b>INVESTING ACTIVITIES:</b>		
Proceeds from sale of field equipment	23,748	7,966
Additions to property and equipment	(1,584,871)	(5,712,509)
Oil and gas exploration activities	(2,987,642)	(4,175,072)
Marketable securities matured	3,229,718	1,322,270
Marketable securities purchased	(1,520,335)	(4,761,442)
Net cash used in investing activities	(2,839,382)	(13,318,787)
<b>FINANCING ACTIVITIES:</b>		
Net cash used in financing activities		
Effect of exchange rate changes on cash and cash equivalents	2,454,436	2,822,762
Net (decrease) increase in cash and cash equivalents	(2,501,330)	2,663,440
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>\$ 25,969,118</b>	<b>\$ 24,546,322</b>

Cash Payments:



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Income taxes	12,544,235	987,946
Interest	3,893,014	
Supplemental Schedule of Noncash Investing and Financing Activities:		
Revision to estimate of asset retirement obligations	42,882	224,044
Asset retirement obligation liabilities incurred		304,896
Accounts payable related to property and equipment	1,100,954	1,165,368

See accompanying notes.

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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), three petroleum production leases covering the Nockatunga oil field (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 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. The United Kingdom licenses are located in Southern England. 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 nine months ended March 31, 2008 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.

*Recent Accounting Pronouncements*

In September 2006, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements ( SFAS 157 ). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS 157 is effective for the Company beginning July 1, 2008 for financial asset and liabilities and July 1, 2009 for nonfinancial assets and liabilities. The Company 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 Statement of Financial Accounting Standards No. 159 The Fair Value Option for Financial Assets and Financial Liabilities, ( SFAS 159 ). SFAS 159 provides companies with an option to report selected financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings at each subsequent reporting date. SFAS 159 is effective for the Company beginning July 1, 2008. The Company is currently in the process of evaluating the impact of adopting SFAS 159 on its consolidated financial statements.

Note 2. Stock Options

The Company s Stock Option Plan provides for options to be granted at a price of not less than fair value on the date of grant and for a term of not greater than ten years. As of March 31, 2008, 295,000 options were available for future issuance under the Plan.

The following is a summary of option transactions for the period from June 30, 2006 through March 31, 2008:

<b>Expiration</b>	<b>Number of</b>	<b>Fair Value</b>
		<b>at</b>

<b>Options Outstanding</b>	<b>Dates</b>	<b>Shares</b>	<b>Exercise Prices(\$)</b>	<b>Grant Date</b>
June 30, 2006 and 2007		430,000	(1.59 weighted average price)	
Granted	Feb. 2018	100,000	1.16	\$63,141
March 31, 2008		530,000	(1.51 weighted average price)	

The weighted average remaining contractual term as of March 31, 2008 is 7.5 years.

**Summary of Options Outstanding at March 31, 2008**

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

All of the options have been granted with an exercise price equal to the fair market value of the Company's stock at the date of grant. Upon exercise of options, the excess of the proceeds over the par value of the shares issued is credited to capital in excess of par value. For the three months ended March 31, 2008 and 2007, the Company recorded stock-based compensation expense for the cost of stock options of \$63,141 (included in other administrative expenses) and \$2,475 (included in salaries and employee benefits) (or \$.00 per basic and diluted share), respectively. Vested options are exercisable during non black out periods. This expense has no effect on cash flow. As of March 31, 2008, there was \$0 of total unrecognized compensation costs related to stock options.

The Company determined the fair value of the options at the date of grant using the Black-Scholes option pricing model. Option valuation models require the input of highly subjective assumptions including the expected stock price volatility. The assumptions used to value the Company's grants on February 18, 2008 were as follows:

Risk free interest rate	3.20%
Expected life	10 years
Expected volatility (based on historical price)	.611
Expected dividend	\$ 0

The expected life of the options granted on February 18, 2008 was determined under the simplified method described in SEC Staff Accounting Bulletin (SAB) No. 107.

Note 3. Comprehensive Income (Loss)

Total comprehensive income (loss) during the three and nine month periods ended March 31, 2008 and 2007 was as follows:

	<b>THREE MONTHS ENDED MARCH 31,</b>		<b>NINE MONTHS ENDED MARCH 31,</b>		<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	
Balance at June 30, 2007					\$ 4,372,626
Net income (loss)	\$ 935,939	\$ 285,927	\$ (10,318,616)	\$ 1,308,156	
Foreign currency translation adjustments	2,621,579	1,349,791	4,764,142	5,136,379	4,764,142
Total comprehensive income (loss)	\$ 3,557,518	\$ 1,635,718	\$ (5,554,474)	\$ 6,444,535	
Balance at March 31, 2008					\$ 9,136,768

Note 4. 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. On February 18, 2008, the Company issued 100,000 stock options with an exercise price of \$1.16. The options vested in full upon issuance and will expire on February 18, 2018.

For the nine month period ended March 31, 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 1,695 incremental diluted shares for the respective period. Since the Company incurred a loss from operations, the incremental shares are anti-dilutive.

For the three month period ended March 31, 2008, the Company's 530,000 stock options issued were anti-dilutive because the strike price was below the average stock price for the period. Accordingly, there were no other dilutive items for the respective period.

During the three and nine month periods ended March 31, 2007, the Company did not issue any stock options. At March 31, 2007, 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 dilutive items at March 31, 2007.

#### Note 5. 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 MARCH 31,		NINE MONTHS ENDED MARCH 31,	
	2008	2007	2008	2007
Revenues:				
MPC	\$ 60	\$	\$ 151	\$ 2
MPAL	9,476	6,849	29,081	22,084
Total consolidated revenues	\$ 9,536	\$ 6,849	\$ 29,232	\$ 22,086
Net (loss) income:				
MPC	\$ (515)	\$ (375)	\$ (1,659)	\$ (1,230)
MPAL	1,451	661	(8,660)	2,538
Consolidated net income (loss)	\$ 936	\$ 286	\$ (10,319)	\$ 1,308

#### Note 6. Exploration and Dry Hole Costs

These costs relate primarily to the exploration work being performed on MPAL's properties. During the nine months ended March 31, 2008 and 2007, the Company incurred dry hole costs of \$1,457,000 and \$2,630,688, respectively, in the Cooper Basin.

#### Note 7. Asset Retirement Obligations

A reconciliation of the Company's asset retirement obligations for the nine months ended March 31, 2008 was as follows:

Balance at July 1, 2007	\$ 9,456,088
Liabilities incurred	
Liabilities settled	
Accretion expense	526,849
Revisions to estimate	42,882
Exchange effect	858,488
Balance at March 31, 2008	\$ 10,884,307

#### Note 8. 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 the quarter ended December 31, 2007. In order to avoid a protracted and costly legal battle with the ATO, diversion of company management and resources away from Company business and the possibility of significantly higher payments with a loss in court, the Company decided to settle this matter. On December 19, 2007, MPAL reached a non-binding agreement in principle to settle this dispute for an aggregate settlement payment by MPAL to the ATO of (Aus) \$14,641,994. The aggregate settlement payment was comprised of (Aus) \$10,340,796 in amended taxes and (Aus) \$4,301,198 of interest on the amended taxes. No penalties were to be assessed as part of the terms of the settlement. The agreement in principle to settle the dispute was conditioned upon MPAL and the ATO agreeing on formal terms of settlement in a binding agreement (the Deed of Settlement) which the parties agreed to negotiate and sign promptly. As further agreed by the parties, the ATO issued assessments for the agreed upon amended tax liabilities in January, 2008. Under the final terms of the Deed of Settlement signed by the parties on February 7, 2008, MPAL agreed not to object to or appeal the ATO's amended assessments. The Deed of Settlement with the ATO constitutes a complete release and extinguishment of the tax liabilities of MPAL and its subsidiaries with respect to the amended assessments and the prior bad debt deductions.

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

Both the amended taxes and interest in the amount of (US) \$13,252,469 has been recorded as part of the income tax provision for the nine months ended March 31, 2008 (\$.31 per share).

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

Upon the adoption of FIN 48, MPAL received a legal opinion from its Australian tax counsel that concluded that the Company would be more likely than not to sustain 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, 2007.

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

	<b>3 MONTHS ENDED</b>		<b>9 MONTHS ENDED</b>	
	<b>March 31</b>		<b>March 31</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Income before income taxes	\$ 2,134	\$ 578	\$ 3,213	\$ 2,547
Tax at 30%	640	173	964	764
MPC's non Australian loss	150	108	487	364
Non-taxable Australian revenue	(113)	(113)	(338)	(312)



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Depletion on step up basis oil & gas properties	9	108	28	401
Other permanent differences	3		13	6
ATO assessment of prior year taxes, net of interest expense benefit	379		12,085	
Increase in valuation reserve for foreign (UK) exploration expenditures	115		255	
Australian income tax provision	1,183	276	13,494	1,223
MPC income tax provision(a)	15	16	37	16
Consolidated income tax provision	\$ 1,198	\$ 292	\$ 13,531	\$ 1,239
Current income tax provision	\$ 2,144	\$ 14	\$ 14,803	\$ 72
Deferred income tax (benefit) provision	(946)	278	(1,272)	1,167
Income tax provision	\$ 1,198	\$ 292	\$ 13,531	\$ 1,239
Effective tax rate	56%	51%	421%	49%

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

The Company has made a policy election that interest and penalty costs, if incurred, will be classified as a component of the income tax provision 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.

#### Note 9. Restatement of Financial Information

Subsequent to the issuance of the consolidated financial statements for the period ended March 31, 2008, the Company's management determined that depletion expense was miscalculated due to the misapplication of reserve information for a group of new wells which principally began production in fiscal 2008. Depletion expense for the three and nine-month periods ended March 31, 2008 was understated by \$1,075,005 and \$3,891,579, respectively. As a result, the consolidated financial statements for the period ended March 31, 2008 have been restated. The restatement has no impact on the consolidated cash flows from operations or cash and cash equivalent balances for the period presented in this Form 10-Q/A.

The following is a summary of the effect of the restatement on the originally issued Consolidated Statements of Operations for the three and nine months ended March 31, 2008, Consolidated Balance Sheet as of March 31, 2008 and Consolidated Statement of Cash Flows for the nine months ended March 31, 2008:

#### CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	<b>March 31, 2008</b>			
	<b>3 months</b>		<b>9 months</b>	
	As Previously Reported	As Restated	As Previously Reported	As Restated
Depletion, depreciation and amortization	\$ 2,914,218	\$ 3,989,223	\$ 8,871,864	\$ 12,763,443
Total costs and expenses	6,827,576	7,902,581	23,686,886	27,578,465
Operating income	2,708,487	1,633,482	5,545,091	1,653,512
Income before income taxes	3,208,608	2,133,603	7,104,291	3,212,712
Income tax provision	(1,520,165)	(1,197,664)	(14,698,801)	(13,531,328)
Net income (loss)	1,688,443	935,939	(7,594,510)	(10,318,616)
Per share (basic & diluted)	\$ 0.04	\$ 0.02	\$ (0.18)	\$ (0.25)

CONSOLIDATED BALANCE SHEET  
(Unaudited)

	<b>March 31, 2008</b>	
	As Previously Reported	As Restated
Deferred income tax asset	\$ 1,780,742	\$ 2,926,636
Accumulated depletion, depreciation and amortization	(100,474,743)	(104,524,063)
Net property and equipment	35,753,427	31,704,107
Total assets	78,579,344	75,675,918
Deferred income tax liability	2,721,859	2,652,957
Total long term liabilities	13,649,234	13,580,332
Accumulated deficit	(21,560,359)	(24,284,465)
Accumulated other comprehensive income	9,247,186	9,136,768
Total stockholders' equity	61,317,971	58,483,447
Total liabilities and stockholders' equity	78,579,344	75,675,918

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(Unaudited)

	<b>March 31, 2008</b>	
	As Previously Reported	As Restated
Net loss	\$(7,594,510)	\$(10,318,616)
Depletion, depreciation and amortization	8,871,864	12,763,443
Deferred income taxes	(104,091)	(1,271,564)

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

As discussed in Note 9 to the accompanying consolidated financial statements in Item 1 of this quarterly report on Form 10-Q/A, subsequent to the issuance of the Company's Form 10-Q for the period ended March 31, 2008, the Company's management determined that depletion expense was miscalculated due to the misapplication of reserve information for a group of new wells which principally began production in fiscal 2008. Depletion expense for the three and nine-month periods ended March 31, 2008 was understated by \$1,075,005 and \$3,891,579, respectively. The restatement has no impact on the consolidated cash flows from operations or cash and cash equivalent balances for the period presented in this Form 10-Q/A. The effects of the restatement on the previously reported Consolidated Statements of Operations for the three and nine months ended March 31, 2008, Consolidated Balance Sheet as of March 31, 2008 and Consolidated Statement of Cash Flows for the nine months ended March 31, 2008 are presented in Note 9.

Management's Discussion and Analysis has been revised for the effects of the restatement.

**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 March 31, 2008 and June 30, 2007, oil and gas properties include \$6.2 million and \$14.8 million, respectively, of capitalized costs that are currently not being depleted. These amounts consist of \$1.8 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 well costs pending the start of production. Depletion of these costs commenced in the quarter ended September 30, 2007 when production started. In addition, as of March 31, 2008 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 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 March 31, 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.

#### Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS 157 is effective for the Company beginning July 1, 2008 for financial asset and liabilities and July 1, 2009 for nonfinancial assets and liabilities. The Company 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 Statement of Financial Accounting Standards No. 159 The Fair Value Option for Financial Assets and Financial Liabilities, (SFAS 159). SFAS 159 provides companies with an option to report selected financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings at each subsequent reporting date. SFAS 159 is effective for the Company beginning July 1, 2008. The Company 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 March 31, 2008, the Company on a consolidated basis had \$25,969,118 of cash and cash equivalents and \$2,668,884 of marketable securities.

Net cash used by operations was \$2,116,384 in 2008 versus net cash provided by operations of \$13,159,465 in 2007. The decrease in cash provided by operations is primarily due to the payment of the ATO settlement (see Note 8 to the Financial Statements).

The Company invested \$4,572,513 and \$9,887,581 in oil and gas exploration and development activities, which includes additions to property and equipment, during the nine months ended March 31, 2008 and 2007, respectively. The decrease was due to a reduced drilling program in 2008.

As previously disclosed the ATO conducted an audit of the Australian income tax returns of MPAL and its wholly-owned subsidiaries for the years 1997- 2005. As disclosed in Note 8 to the Financial Statements, the Company settled this matter and on January 21, 2008 MPAL paid (Aus) \$5,000,000 to the ATO as a deposit towards this settlement. The remaining (Aus) \$9,641,994 was paid by MPAL on February 14, 2008.

#### Effect of exchange rate changes

The value of the Australian dollar relative to the U.S. dollar increased 8.8% to \$.9178 at March 31, 2008, compared to a value of \$.8433 at June 30, 2007.

#### As to MPC

At March 31, 2008, MPC, on an unconsolidated basis, had working capital of approximately \$2.3 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 March 31, 2008, MPAL had working capital of approximately \$30.9 million. MPAL has budgeted approximately (Aus) \$7.2 million for specific exploration projects in fiscal year 2008 as compared to (Aus) \$3.0 million expended in the nine months ended March 31, 2008. 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 (US\$13,252,469) (see Note 8 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 March 31, 2008:

CONTRACTUAL OBLIGATIONS	TOTAL	PAYMENTS DUE BY PERIOD			
		1 YEAR	LESS THAN		MORE THAN
			1-3 YEARS	3-5 YEARS	
Operating Lease Obligations	\$ 279,000	\$ 225,000	\$ 54,000	\$	\$
Purchase Obligations(1)	3,380,000	3,380,000			
Asset Retirement Obligations	10,884,000	214,000	6,741,000	1,884,000	2,045,000

Total	\$ 14,543,000	\$ 3,819,000	\$ 6,795,000	\$ 1,884,000	\$ 2,045,000
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- (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 MARCH 31, 2008 VS. MARCH 31, 2007  
 REVENUES

OIL SALES INCREASED 93% in the 2008 quarter to \$4,442,241 from \$2,305,562 in 2007 because of the 21% increase in average price per barrel, the 31% increase in production due mostly to the increased revenues in the Nockatunga project and the 15.2% 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 MARCH 31, 2008 SALES		THREE MONTHS ENDED MARCH 31, 2007 SALES	
	BBLs	AVERAGE PRICE A.\$ PER BBL	BBLs	AVERAGE PRICE A.\$ PER BBL
Australia:				
Mereenie field	23,022	106.87	23,548	80.79
Cooper Basin	1,566	106.10	2,754	81.72
Nockatunga project	23,577	90.15	10,538	82.40

Total	48,165	98.70	36,840	81.32
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GAS SALES INCREASED 14% to \$4,433,188 in 2008 from \$3,879,437 in 2007 due mostly to a 2% increase in the average price per mcf and the 15.2% increase in the exchange rate discussed below partially offset by a 7% decrease in volume.

	<b>THREE MONTHS ENDED MARCH 31,</b>	
	<b>2008</b>	<b>2007</b>
Australia	\$ 4,373,189	\$ 3,879,000
Canada	59,999	
Total	\$ 4,433,188	\$ 3,879,000

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 MARCH 31,</b>		<b>THREE MONTHS ENDED MARCH 31,</b>	
	<b>2008 SALES</b>		<b>2007 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	.321	2.22	.368	2.20
Australia: Mereenie	1.097	3.51	1.164	3.47
Total	1.418	3.21	1.532	3.16

**COSTS AND EXPENSES**

PRODUCTION COSTS INCREASED 17% in 2008 to \$1,801,975 from \$1,535,250 in 2007. The increase in 2008 was primarily the result of increased expenditures in the Nockatunga project due to increased production, an increase in field equipment repairs in the Mereenie project and the 15.2% increase in the exchange rate described below.

EXPLORATION AND DRY HOLE COSTS DECREASED 79% to \$334,651 in 2008 from \$1,568,280 in 2007. These costs related to the exploration work performed on MPAL's properties. The primary reason for the decrease in 2008 was the decreased drilling costs related to the Cooper Basin drilling program, partially offset by the 15.2% increase in the exchange rate described below.

DEPLETION, DEPRECIATION AND AMORTIZATION INCREASED 76% to \$3,989,223 in 2008 from \$2,267,722 in 2007. This increase resulted from the higher book values of MPAL's oil and gas properties acquired during fiscal 2006 resulting from an updated valuation at June 30, 2007, the 15.2% 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 89% in 2008 to \$215,394 from \$114,106 in 2007 due to higher auditing, accounting and legal costs relating to the ATO audit and settlement and the 15.2% increase in the exchange rate described below.

ACCRETION EXPENSE INCREASED 32% to \$180,461 in 2008 from \$136,883 in 2007. This was due mostly to accretion of asset retirement obligations relating to the new wells drilled in fiscal 2007 in the Nockatunga project and the 15.2% increase in the exchange rate described below.

OTHER ADMINISTRATIVE EXPENSES INCREASED 38% to \$883,221 in 2008 from \$638,308 in 2007. This was due mostly to increased consulting costs related to the ATO audit and settlement, an increase due to the issuance of directors' stock options during the quarter, increased consulting fees relating to research and development in the UK and the 15.2% increase in the exchange rate described below.

INCOME TAX PROVISION INCREASED in 2008 to \$1,197,664 from \$292,274 in 2007. This is mostly due to the increase in income before taxes.

#### EXCHANGE EFFECT

THE VALUE OF THE AUSTRALIAN DOLLAR RELATIVE TO THE U.S. DOLLAR INCREASED TO \$.9178 at March 31, 2008 compared to a value of \$.8767 at December 31, 2007. This resulted in a \$2,621,579 credit to the foreign currency translation adjustments account for the three months ended March 31, 2008. The average exchange rate used to translate MPAL's operations in Australia was \$.9051 for the quarter ended March 31, 2008, which was a 15.2% increase compared to the \$.7859 rate for the quarter ended March 31, 2007.

#### NINE MONTHS ENDED MARCH 31, 2008 VS. MARCH 31, 2007

#### REVENUES

OIL SALES INCREASED 66% in the nine months to \$14,062,782 from \$8,458,469 in 2007 because of a 25% volume increase due to increased sales in the Nockatunga project, an 18% increase in the average price per barrel sold and the 14.3% 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:

	NINE MONTHS ENDED MARCH 31, 2008 SALES		2007 SALES	
	BBLs	AVERAGE PRICE A.\$ PER BBL	BBLs	AVERAGE PRICE A.\$ PER BBL
Australia:				
Mereenie field	73,758	104.48	76,330	81.11
Cooper Basin	4,853	104.25	13,767	84.66
Nockatunga project	86,064	85.07	41,540	76.08
Total	164,675	94.38	131,637	79.89

GAS SALES INCREASED 12% to \$13,195,352 in 2008 from \$11,773,787 in 2007. The increase was the result of a 4% increase in price per mcf sold and the 14.3% increase in the exchange rate discussed below partially offset by a 5% decrease in volume.

#### NINE MONTHS ENDED MARCH 31,

	<b>2008</b>	<b>2007</b>
Australia	\$ 13,044,626	\$ 11,772,005
Canada	150,726	1,782
Total	\$ 13,195,352	\$ 11,773,787

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>NINE MONTHS ENDED MARCH 31,</b>			
	<b>2008 SALES</b>		<b>2007 SALES</b>	
	<b>A.\$ AVERAGE PRICE PER</b>		<b>A.\$ AVERAGE PRICE PER</b>	
	<b>BCF</b>	<b>MCF</b>	<b>BCF</b>	<b>MCF</b>
Australia: Palm Valley	1.007	2.21	1.149	2.20
Australia: Mereenie	3.357	3.54	3.453	3.41
Total	4.364	3.23	4.602	3.10

#### COSTS AND EXPENSES

PRODUCTION COSTS INCREASED 25% IN 2008 to \$6,425,232 from \$5,132,656 in 2007. The increase in 2008 was primarily the result of increased expenditures in the Nockatunga project due to increased revenues, an increase in field equipment repairs in the Mereenie project and the 14.3% increase in the exchange rate described below.

EXPLORATION AND DRY HOLE COSTS DECREASED 32% to \$3,072,242 in 2008 from \$4,541,543 in 2007. These costs related to the exploration work performed on MPAL's properties. The primary reason for the decrease in 2008 was the decreased drilling costs related to the Cooper Basin drilling program, partially offset by the 14.3% increase in the exchange rate described below.

DEPLETION, DEPRECIATION AND AMORTIZATION INCREASED 81% to \$12,763,443 in 2008 from \$7,032,541 in 2007. This increase resulted from the higher book values of MPAL's oil and gas properties acquired during fiscal 2006 resulting from an updated valuation at June 30, 2007, increased depletion in the Nockatunga project due to increased production and expenditures, the 14.3% 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 77% in 2008 to \$773,497 from \$438,115 in 2007 due to higher auditing, accounting and legal costs relating to the ATO audit and settlement and the purchase of the remaining shares of MPAL and the 14.3% increase in the exchange rate described below.

ACCRETION EXPENSE INCREASED 31% to \$526,849 in 2008 from \$403,062 in 2007. This was due mostly to accretion of asset retirement obligations relating to the new wells drilled in fiscal 2007 in the Nockatunga project and the 14.3% increase in the exchange rate described below.

OTHER ADMINISTRATIVE EXPENSES INCREASED 40% to \$2,524,866 in 2008 from \$1,806,083 in 2007. This was due mostly to increased consulting costs related to the ATO audit and settlement, an increase due to the issuance of directors' stock options, increased consulting fees relating to research and development in the UK and the 14.3% increase in the exchange rate described below.

INCOME TAX PROVISION INCREASED in 2008 to \$13,531,328 from \$1,238,958 in 2007. This was mostly due to the increase in income before taxes and the tax settlement agreed to by MPAL with the ATO regarding amended assessments for MPAL's prior years' Australian taxes (see Note 8 to the Financial Statements).

#### EXCHANGE EFFECT

THE VALUE OF THE AUSTRALIAN DOLLAR RELATIVE TO THE U.S. DOLLAR INCREASED TO \$.9178 at March 31, 2008 compared to a value of \$.8433 at June 30, 2007. This resulted in a \$4,764,142 credit to the foreign currency translation adjustments account for the nine months ended March 31, 2008. The average exchange rate used to translate MPAL's operations in Australia was \$.8809 for the nine month period ended March 31, 2008, which was a 14.3% increase compared to the \$.7710 rate for the nine month period ended March 31, 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. At March 31, 2008, the carrying value of our investments in marketable securities including those classified as cash and cash equivalents was approximately \$28.6 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 \$2,923,000 and \$2,758,000, for the nine months ended March 31, 2008, respectively. For the nine month period ended March 31, 2008, oil sales represented approximately 52% of production revenues. Based on the current nine month's sales volume and revenue, a 10% change in oil price would increase or decrease oil revenues by \$1,406,000. Gas sales, which represented approximately 48% of production revenues in the current nine 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 nine months ended March 31, 2008.

### 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 March 31, 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 nine months ended March 31, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

However, as part of the Company's annual financial close and reporting process for the June 30, 2008 year end, the misapplication of the reserve data in the calculation of depletion expense was discovered by management (see Note 9 of Item 1). MPAL's calculation of depletion ratios used in their local reporting under Australian International Financial Reporting Standards were harmonized with generally accepted accounting standards in the United States in the fourth quarter of fiscal 2008 and since the depletion ratios will be independently calculated and compared by both MPAL and MPC management, the likelihood of a similar error occurring in the future is considered to be remote. The harmonization of the depletion calculation, which was undertaken to promote efficiency in the financial close and reporting process, and the independent calculations described above materially affected and improved the Company's internal controls over financial reporting.

MAGELLAN PETROLEUM CORPORATION  
 FORM 10-Q/A  
 PART II OTHER INFORMATION  
 MARCH 31, 2008

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

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

ITEM 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:

<b>Total Number of</b>	<b>Maximum Number of</b>
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<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Shares Purchased as Part of Publicly Announced Plan( 1)</b>	<b>Shares that May Yet Be Purchased Under Plan</b>
January 1-31, 2008	0	0	0	319,150
February 1-29, 2008	0	0	0	319,150
March 1-31, 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 March 31, 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

10.1 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 as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2007, is incorporated herein by reference.

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/A  
March 31, 2008  
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Amendment No. 1 to quarterly report to be signed on its behalf by the undersigned thereunto duly authorized:

MAGELLAN PETROLEUM  
CORPORATION  
Registrant

Date: October 23, 2008

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

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