MASONITE INTERNATIONAL CORP
Form 4
March 03, 2015

FORM 4

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

OMB APPROVAL	
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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
SCRICCO FRANCIS M
(Last) (First) (Middle)
C/O MASONITE INTERNATIONAL CORPORATION, 201 N. FRANKLIN ST, SUITE 300
(Street)
TAMPA, FL 33602
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
MASONITE INTERNATIONAL CORP [DOOR]

3. Date of Earliest Transaction (Month/Day/Year)
02/27/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
__X__ Director
_____ 10% Owner
_____ Officer (give title below)
_____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Shares	02/27/2015		S		10,480	D	$ 62.36 (1)	21,052	D	
Common Shares	03/02/2015		S		520	D	$ 62.16 (2)	20,532	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SCRICCO FRANCIS M C/O MASONITE INTERNATIONAL CORPORATION 201 N. FRANKLIN ST, SUITE 300 TAMPA, FL 33602	X			

Signatures

/s/ Robert E. Lewis, as attorney-in-fact	03/03/2015
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions ranging from $61.95 to $62.69, inclusive. The reporting person undertakes to provide to the Issuer, any security holder of the Issuer, or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares sold at each separate price within the range set forth above.

(2) The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions ranging from $62.00 to $62.16, inclusive. The reporting person undertakes to provide to the Issuer, any security holder of the Issuer, or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares sold at each separate price within the range set forth above.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

Total revenues	$21,870,786		$21,870,786
Costs and expenses	21,898,111	1,927,136(7)	23,825,247
Operating loss	(27,325)	(1,927,136)	(1,954,461)
Interest income	1,141,802		1,141,802
Income (loss) before income taxes and minority interests	1,114,477	(1,927,136)	(812,659)
Income tax benefit	82,152	578,141(8)	660,293
Income (loss) before minority interests	1,196,629	(1,348,995)	(152,366)
Minority interests	(1,109,669)	1,109,669(1)	
Net income (loss)	$86,960	$(239,326)	$(152,366)
Average number of shares outstanding			
Basic	25,783,243	14,667,042(2)	40,450,285
Diluted			

25,783,243	14,667,042(2)	40,450,285

Net income (loss) per share (basic and diluted)		
	$0.00	$0.00

See accompanying footnotes.

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Magellan Petroleum Corporation
Unaudited Pro Forma Condensed Consolidated Balance Sheet

	As of June 30, 2005		
	Historical	Pro Forma Adjustments to Reflect Exchange Offer	Pro Forma
Assets			
Current assets:			
Cash and cash equivalents and marketable securities	$ 24,949,916	$ (1,150,000)(9)	$ 23,799,916
Accounts receivable	5,075,096		5,075,096
Inventories	591,997		591,997
Other assets	526,703		526,703
Total current assets	31,143,712	(1,150,000)	29,993,712
Deferred income taxes	1,014,907		1,014,907
Property and equipment:			
Oil and gas properties	80,765,911	7,931,814(3)	88,697,725
Land, buildings and equipment	4,173,889		4,173,889
	84,939,800	7,931,814	92,871,614
Less accumulated depletion, depreciation and amortization	(60,674,306)		(60,674,306)
Net property and equipment	24,265,494	7,931,814	32,197,308
Goodwill		5,143,075(4)	5,143,075
Total assets	$ 56,424,113	$ 11,924,889	$ 68,349,002
Liabilities, Minority Interests and Stockholders Equity			
Current liabilities:			
Accounts payable	$ 3,602,085		$ 3,602,085
Accrued liabilities and income taxes payable	1,333,883		1,333,883
Total current liabilities	4,935,968		4,935,968
Deferred income taxes		2,379,544(10)	2,379,544
Long term liabilities	5,729,180		5,729,180
Minority interests	18,583,046	(18,583,046)(5)	
Commitments			
Stockholders equity			
Common stock, par value $.01 per share	257,832	146,670(6)	404,502
Capital in excess of par value	44,402,182	27,981,721(6)	72,383,903
Total capital	44,660,014	28,128,391	72,788,405
Accumulated deficit and other comprehensive loss	(17,484,095)		(17,484,095)

Total stockholders equity	27,175,919	28,128,391	55,304,310
Total liabilities, minority interests and stockholders equity	$ 56,424,113	$ 11,924,889	$ 68,349,002
Shares of common stock outstanding	25,783,243	14,667,042(2)	40,450,285

See accompanying footnotes.

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Notes to the Unaudited Pro Forma Condensed Consolidated Financial Information

Preliminary Purchase Price

The unaudited pro forma condensed consolidated financial information reflects an estimated purchase price of approximately $29,278,000 based upon the issuance of .70 shares of Magellan in exchange for each of the 20,952,916 ordinary shares of MPAL not currently owned by Magellan, as provided for in the Exchange Offer transaction and assuming a value of $1.93 per share of Magellan common stock, which was the closing price on October 17, 2005, as reported by NASDAQ. Such estimated purchase price includes an estimate of transaction costs consisting primarily of financial advisory fees and legal and accounting fees directly related to the Exchange Offer, which are expected to be approximately $1,150,000 ($971,000 capitalized as part of the purchase price).

A 10% change in the value of Magellan common stock would increase or decrease the purchase price by approximately $2,831,000.

Preliminary Purchase Price Allocation

The Exchange Offer will be accounted for using the purchase method of accounting. Under the purchase method of accounting, the total estimated purchase price will be allocated to the minority interests proportionate interest in MPAL s identifiable assets and liabilities acquired by Magellan based upon their estimated fair values upon completion of the transaction. For purposes of preparing the unaudited pro forma condensed consolidated financial information, Magellan has assumed that the excess of the purchase price over the identifiable assets and liabilities acquired is allocated to oil and gas properties and goodwill. Based upon this allocation, depletion has been recorded on the cost allocated to oil and gas properties.

Acquisition Cost and Purchase Price Allocation

Magellan shares to be issued in Exchange Offer	14,667,042
Assumed value of Magellan common stock	$ 1.93
Exchange value	$ 28,307,391
Estimated capitalized expenses	971,000(9)
Total acquisition cost	29,278,391
Value of net assets being acquired	16,203,502
Excess of purchase price over net assets acquired	$ 13,074,889
Estimated value of oil and gas properties	$ 31,312,000
Net book value of oil and gas properties at June 30, 2005	23,380,186
Excess of purchase price over net assets acquired allocated to oil and gas properties	7,931,814(3)
Excess of purchase price over net assets acquired allocated to goodwill	5,143,075(4)
Total excess of purchase price over net assets acquired	$ 13,074,889

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Pro Forma Adjustments

1. Represents the reversal of the income allocated to the minority interest as 100% of MPAL subject to the Exchange Offer is assumed to be acquired by Magellan at the beginning of the period.

2. Represents the number of shares assumed to be issued by Magellan pursuant to the terms of the Exchange Offer calculated as follows:

Shares of MPAL not owned by Magellan	20,952,916
Exchange ratio	.7
Magellan shares issued pursuant to the Exchange Offer	14,667,042

3. Represents the portion of the purchase price (including related transaction costs) which exceeds the minority interests basis in the assets of MPAL being acquired by Magellan pursuant to the Exchange Offer, recorded for pro forma purposes as oil and gas properties.

4. Represents the portion of the purchase price (including related transaction costs) which exceeds the minority interests basis in the assets of MPAL being acquired by Magellan pursuant to the Exchange Offer that was not allocated to oil and gas properties, recorded for pro forma purposes as goodwill.

5. Represents the elimination of the minority interest due to the acquisition of the MPAL shares by Magellan pursuant to the Exchange Offer.

6. Represents the $28,307,000 estimated aggregate purchase price (less related transaction costs) which Magellan is paying pursuant to the Exchange Offer to acquire the MPAL ordinary shares not currently owned by it.

7. Represents the depletion on the excess of the purchase price over the identifiable assets and liabilities acquired which has been allocated to oil and gas properties of $1,927,136. Pro forma depletion for the fiscal years 2006-2010 would be approximately $1,459,000 (2006), $1,104,000 (2007), $836,000 (2008), $638,000 (2009) and $479,000 (2010).

8. Represents the income tax effect on the depletion and transaction costs calculated based on an Australian statutory rate of 30%.

9. Represents the expenditure of the total transaction costs related to the Exchange Offer. These costs consists primarily of financial advisory fees, legal and accounting fees, proxy and Exchange Offer solicitation fees, printing fees and other costs directly related to the Exchange Offer.

10. Represents the deferred tax on the step up in basis of the oil and gas properties of $7,931,814 calculated based on the Australian statutory rate of 30%.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Magellan Petroleum Corporation

We have audited the accompanying consolidated balance sheets of Magellan Petroleum Corporation (the Company) as of June 30, 2005 and 2004, and the related consolidated statements of income, stockholders equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of the Company for the year ended June 30, 2003 were audited by other auditors whose report, dated September 19, 2003, expressed an unqualified opinion on those statements and included an explanatory paragraph concerning a change in accounting for asset retirement obligations.

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

In our opinion, such 2005 and 2004 consolidated financial statements present fairly, in all material respects, the financial position of the Magellan Petroleum Corporation as of June 30, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Hartford, Connecticut
September 26, 2005

/s/ DELOITTE & TOUCHE LLP

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Magellan Petroleum Corporation

We have audited the accompanying consolidated statements of income, changes in stockholders equity and cash flows of Magellan Petroleum Corporation for the year ended June 30, 2003. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated results of operations and cash flows of Magellan Petroleum Corporation for the year ended June 30, 2003 in conformity with U.S. generally accepted accounting principles.

As discussed in Notes 1 and 3 to the consolidated financial statements, in 2003 the Company changed its method of accounting for asset retirement obligations.

/s/ Ernst & Young LLP

Stamford, Connecticut
September 19, 2003

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MAGELLAN PETROLEUM CORPORATION
CONSOLIDATED BALANCE SHEETS

	June 30, 2005	June 30, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 21,733,375	$ 20,406,620
Accounts receivable Trade	4,210,174	2,931,609
Accounts receivable Working Interest Partners	864,922	1,044,619
Marketable securities	3,216,541	2,584,296
Inventories	591,997	595,948
Other assets	526,703	318,141
Total current assets	31,143,712	27,881,233
Marketable securities		592,138
Deferred income taxes	1,014,907	
Property and equipment:		
Oil and gas properties (successful efforts method)	80,765,911	69,970,134
Land, buildings and equipment	2,552,980	2,264,004
Field equipment	1,620,909	1,482,639
	84,939,800	73,716,777
Less accumulated depletion, depreciation and amortization	(60,674,306)	(49,295,770)
Net property and equipment	24,265,494	24,421,007
Total assets	$ 56,424,113	$ 52,894,378
LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 3,602,085	$ 4,367,305
Accrued liabilities	1,308,004	1,550,045
Income taxes payable	25,879	267,645
Total current liabilities	4,935,968	6,184,995
Long term liabilities:		
Deferred income taxes		403,261
Asset retirement obligations	5,729,180	4,852,416
Total long term liabilities	5,729,180	5,255,677
Minority interests	18,583,046	16,533,491
Commitments (Note 11)		
Stockholders equity:		
Common stock, par value $.01 per share:		

Authorized 200,000,000 shares outstanding; 25,783,243	257,832	257,832
Capital in excess of par value	44,402,182	44,402,182
Total capital	44,660,014	44,660,014
Accumulated deficit	(15,161,462)	(15,248,422)
Accumulated other comprehensive loss	(2,322,633)	(4,491,377)
Total stockholders equity	27,175,919	24,920,215
Total liabilities, minority interests and stockholders equity	$ 56,424,113	$ 52,894,378

See accompanying notes.

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MAGELLAN PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended June 30, 2005	2004	2003
Revenues:			
Oil sales	$ 7,574,022	$ 4,922,585	$ 3,329,243
Gas sales	12,478,293	12,870,065	10,182,104
Other production related revenues	1,818,471	1,631,613	1,224,729
Total revenues	21,870,786	19,424,263	14,736,076
Costs and expenses:			
Production costs	6,144,339	5,416,465	4,461,365
Exploratory and dry hole costs	4,157,344	3,225,066	2,920,104
Salaries and employee benefits	2,726,341	3,812,012	1,958,371
Depletion, depreciation and amortization	6,994,253	6,341,998	3,718,660
Auditing, accounting and legal services	441,642	413,754	404,215
Accretion expense	406,960	356,981	242,854
Shareholder communications	227,032	179,840	171,385
Other administrative expenses	800,200	659,751	369,942
Total costs and expenses	21,898,111	20,405,867	14,246,896
Operating income (loss)	(27,325)	(981,604)	489,180
Interest income	1,141,802	1,099,440	859,865
Income before income taxes, minority interests and cumulative effect of accounting change	1,114,477	117,836	1,349,045
Income tax benefit	82,152	778,085	773,548
Income before minority interests and cumulative effect of accounting change	1,196,629	895,921	2,122,593
Minority interests	(1,109,669)	(545,860)	(1,232,200)
Income before cumulative effect of accounting change	86,960	350,061	890,393
Cumulative effect of accounting change net			(737,941)
Net income	$ 86,960	$ 350,061	$ 152,452
Average number of shares:			
Basic	25,783,243	25,644,566	24,560,068
Diluted	25,783,243	25,682,160	24,560,068
Per share (basic and diluted)			
Income before cumulative effect of accounting change	$	$ .01	$ .04
Cumulative effect of accounting change net			(.03)

Net income	$	.01	$	.01

See accompanying notes.

MAGELLAN PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF
CHANGES IN STOCKHOLDERS EQUITY
Three Years Ended June 30, 2005

	Number of Shares	Common Stock	Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total	Total Comprehensive Income
June 30, 2002	24,607,376	$ 246,074	$ 43,085,841	$ (15,750,935)	$ (8,964,524)	$ 18,616,456	
Net income				152,452		152,452	$ 152,452
Foreign currency translation adjustments					3,507,783	3,507,783	3,507,783
Reclassification adjustment on available-for-sale securities					50,214	50,214	50,214
Total comprehensive income							$ 3,710,449
Repurchases of common stock	(180,000)	(1,800)	(178,100)			(179,900)	
June 30, 2003	24,427,376	$ 244,274	$ 42,907,741	$ (15,598,483)	$ (5,406,527)	$ 22,147,005	
Net income				350,061		350,061	350,061
Foreign currency translation adjustments					915,150	915,150	915,150
Total comprehensive income							1,265,211
Stock exchange	1,300,000	13,000	1,495,000			1,508,000	
Issuance of common stock	55,867	558	(559)			(1)	
June 30, 2004	25,783,243	$ 257,832	$ 44,402,182	$ (15,248,422)	$ (4,491,377)	$ 24,920,215	
Net income				86,960		86,960	86,960
Foreign currency translation adjustments					2,168,744	2,168,744	2,168,744

Total comprehensive income							2,255,704
June 30, 2005	25,783,243	$ 257,832	$ 44,402,182	$ (15,161,462)	$ (2,322,633)	$ 27,175,919	

See accompanying notes.

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MAGELLAN PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended June 30,		
	2005	2004	2003
Operating Activities:			
Net income	$ 86,960	$ 350,061	$ 152,452
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of accounting change			2,025,690
Depletion, depreciation and amortization	6,994,253	6,341,998	3,718,660
Accretion expense	406,960	356,981	242,854
Deferred income taxes	(1,454,544)	(1,445,241)	(1,494,621)
Minority interests	1,109,669	545,860	552,158
Exploration and dry hole costs	3,200,816	2,897,766	1,961,421
Increase (decrease) in operating assets and liabilities:			
Accounts receivable	(978,727)	1,456,833	(951,967)
Other assets	(208,563)	905,146	(214,946)
Inventories	57,207	(142,397)	(69,275)
Accounts payable and accrued liabilities	(191,341)	(715,548)	1,368,413
Income taxes payable	(246,495)	166,477	(123,087)
Settlement of asset retirement obligation			(58,901)
Net cash provided by operating activities	8,776,195	10,717,936	7,108,851
Investing Activities:			
Additions to property and equipment	(5,154,554)	(6,040,157)	(2,438,829)
Oil and gas exploration activities	(3,200,816)	(2,897,766)	(1,961,421)
Sale of available-for-sale securities			93,334
Marketable securities matured	5,599,328	5,760,239	2,071,687
Marketable securities purchased	(5,639,435)	(6,750,171)	(2,564,501)
Net cash used in investing activities	(8,395,477)	(9,927,855)	(4,799,730)
Financing Activities:			
Dividends to MPAL minority shareholders	(821,732)	(744,971)	(628,209)
Repurchases of common stock			(179,900)
Net cash used in financing activities	(821,732)	(744,971)	(808,109)
Effect of exchange rate changes on cash and cash equivalents	1,767,769	320,046	2,755,601
Net increase in cash and cash equivalents	1,326,755	365,156	4,256,613
Cash and cash equivalents at beginning of year	20,406,620	20,041,464	15,784,851
Cash and cash equivalents at end of year	$ 21,733,375	$ 20,406,620	$ 20,041,464

Cash Payments:

Income taxes	13,000	12,000	173,000
Interest			

See accompanying notes.

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1. Summary of Significant Accounting Policies

Principles of Consolidation

Magellan Petroleum Corporation (the Company or Magellan) is engaged in the sale of oil and gas and the exploration for and development of oil and gas reserves. At June 30, 2005 and 2004, Magellan s principal asset was a 55% equity interest in its subsidiary, Magellan Petroleum Australia Limited (MPAL), which has one class of stock that is publicly held and listed on the Australian Stock Exchange under the trading symbol MAG. 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 fields are located in the Amadeus Basin in the Northern Territory of Australia. Magellan has a direct 2.67% carried interest in the Kotaneelee gas field in the Yukon Territory of Canada.

On July 10, 2003, a subsidiary of Origin Energy, Sagasco Amadeus Pty. Limited, agreed to exchange 1.2 million shares of MPAL for 1.3 million shares of the Company s common stock. After the exchange was completed on September 2, 2003, Magellan s interest in MPAL increased to 55%. In fiscal 2005 and 2004, Magellan purchased 32,000 (for $29,466) and 24,000 shares (for $22,000), respectively of MPAL.

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

Revenue Recognition

The Company recognizes oil and gas revenue from its interests in producing wells as oil and gas is produced and sold from those wells. Oil and gas sold is not significantly different from the Company s share of production. Revenues from the purchase, sale and transportation of natural gas are recognized upon completion of the sale and when transported volumes are delivered. 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 the net revenues become receivable and collection is reasonably assured depends on the terms and conditions of the relevant agreements and the practices followed by the operator. As a result, net revenues from carried interests may lag the production month by one or more months.

Oil and Gas Properties

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

Effective July 1, 2002, the Company adopted the provisions of Statement of Financial Accounting Standard (SFAS)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 plugging the existing oil and gas wells and removing the surface facilities equipment in the Palm Valley and Mereenie fields in the Northern Territory of Australia, the Nockatunga fields in Queensland, the Aldinga fields in South Australia, and the Kotaneelee fields in Southeast Yukon Territory of Canada. The liability is a discounted liability using a credit-adjusted risk-free rate, based on the date the liability was recorded and the geographic locations of the fields as follows: Mereenie and Palm Valley, approximately 8%; Nockatunga, 6.25%; Aldinga, 6.3%; and Kotaneelee, 4.5%. 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.

Effective July 1, 2002, the Company adopted the provisions of SFAS 144, Accounting for the Impairment or Disposal of Long-Lived Assets . SFAS 144 supersedes previous guidance related to the impairment or disposal of long-lived assets. For long-lived assets to be held and used, it resolves certain implementation issues of the former standards, but retains the basic requirements of recognition and measurement of impairment losses. For long-lived assets to be disposed of by sale, it broadens the definition of those disposals that should be reported separately as discontinued operations. There was no impact on the Company in adopting SFAS 144.

The Company performs an annual impairment test by performing a discounted cash flow analysis.

Use of Estimates

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

Land, Buildings and Equipment and Field Equipment

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

Accounts Receivable

The Company has determined that an allowance for doubtful accounts was not necessary as all receivables were expected to be realized in full.

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Inventories

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

Foreign Currency Translations

The accounts of MPAL, whose functional currency is the Australian dollar, are translated into U.S. dollars in accordance with SFAS No. 52. The translation adjustment is included as a component of stockholders equity and comprehensive income (loss), whereas gains or losses on foreign currency transactions are included in the determination of income. All assets and liabilities are translated at the rates in effect at the balance sheet dates. Revenues, expenses, gains and losses are translated using quarterly weighted average exchange rates during the period. At June 30, 2005 and 2004, the Australian dollar was equivalent to U.S. $.76 and $0.70, respectively. The annual average exchange rates used to translate MPAL s operations in Australia for the fiscal years 2005, 2004 and 2003 were $.75, $.72 and $.59, respectively.

Accrued Liabilities

At June 30, 2005 and 2004, balances in accrued liabilities which exceeded 5% of the total balance include $1,046,438 and $1,221,446 of employment benefits, respectively and $226,578 and $192,982 of payroll withholding taxes, respectively.

Accounting for Income Taxes

The Company follows FASB Statement 109, the liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company records a valuation allowance for deferred tax assets when it is more likely than not that such assets will not be recovered.

Financial Instruments

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

Cash and Cash Equivalents

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

	June 30,	
	2005	**2004**
Cash	$ 309,283	$ 1,648,074
U.S. government obligations		398,852
Australian money market accounts and short-term commercial paper	21,424,092	18,359,694
	$ 21,733,375	$ 20,406,620

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Marketable Securities

At June 30, 2005 and 2004, Magellan had the following marketable securities which are expected to be held until maturity:

June 30, 2005	**Par Value**	**Maturity Date**	**Amortized Cost**	**Fair Value**
Short-term securities				
U.S. government agency note	$ 300,000	Jul. 21, 2005	$ 295,437	$ 299,460
U.S. government agency note	575,000	Aug. 23, 2005	565,532	572,240
U.S. government agency note	210,000	Sep. 16, 2005	206,920	208,488
U.S. government agency note	100,000	Sep. 16, 2005	98,380	99,280
U.S. government agency note	200,000	Oct. 24, 2005	196,611	197,840
State of Connecticut bond	200,000	Nov. 15, 2005	200,585	199,852
Lewiston, Maine Pension bond	390,000	Dec. 15, 2005	390,000	392,336
U.S. government agency note	310,000	Jan. 10, 2006	302,863	304,141
U.S. government agency note	300,000	Feb. 24, 2006	291,980	292,950
U.S. government agency note	300,000	Mar. 28, 2006	300,000	298,500
U.S. government agency note	230,000	Apr. 28, 2006	223,035	223,008
U.S. government agency note	150,000	May 02, 2006	145,198	145,350
Total short-term	$ 3,265,000		$ 3,216,541	$ 3,233,445

June 30, 2004	**Par Value**	**Maturity Date**	**Amortized Cost**	**Fair Value**
Short-term securities				
U.S. government agency note	$ 800,000	Jul. 7, 2004	$ 796,896	$ 799,840
U.S. government agency note	300,000	Aug. 24, 2004	298,785	299,430
U.S. government agency note	500,000	Sep. 15, 2004	497,813	498,600
U.S. government agency note	400,000	Oct. 7, 2004	398,104	398,360
State of Connecticut bond	200,000	Nov. 15, 2004	200,514	200,582
U.S. government agency note	100,000	Nov. 23, 2004	99,378	99,360

Lewiston, Maine Pension bond	290,000	Dec. 15, 2004	292,806	293,213
Total short-term	$ 2,590,000		$ 2,584,296	$ 2,589,385
Long-term securities				
State of Connecticut bond	$ 200,000	Nov. 15, 2005	$ 202,138	$ 201,378
Lewiston, Maine Pension bond	390,000	Dec. 15, 2005	390,000	401,532
Total long-term	$ 590,000		$ 592,138	$ 602,910

Earnings per Share

Earnings per common share are based upon the weighted average number of common and common equivalent shares outstanding during the period. The only reconciling item in the calculation of diluted EPS is the dilutive effect of stock options which were computed using the treasury stock method. In 2005, the Company did not have any stock options that were issued that had a strike price below the average stock price for the year. There were no other potentially dilutive items at June 30, 2005. At June 30, 2004, the Company had 595,000 stock options that were issued that had a strike price below the year end stock price and resulted in 37,594 incremental diluted shares. The exercise price of outstanding stock options exceeded the average market price of the common stock during 2003. The Company s basic and diluted calculations of EPS are the same in 2005 and 2003 because the exercise of outstanding options of 30,000 and 921,000 options is not assumed in calculating diluted EPS, as the result would be anti-dilutive.

Stock Options

The Company has elected to follow Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB No. 25) and related interpretations in accounting for its stock options. Under APB No. 25, because the exercise price of the Company s stock options equals the market price of the underlying

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stock on the date of grant, no compensation expense is recognized. See Note 4 Capital and Stock Options for the pro forma impact of stock options on net income and earnings per share.

For the purpose of pro forma disclosures required by SFAS 123, Accounting for Stock Based Compensation, as amended by SFAS 148 Accounting for Stock-Based Compensation Transition and Disclosure, the estimated fair value of the stock options is expensed over the vesting period. See Note 4, Capital and Stock Options for the pro forma impact of stock options on net income and earnings per share.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss at June 30, 2005 and 2004 was as follows:

	2005	2004
Foreign currency translation adjustments	$ (2,322,633)	$ (4,491,377)

Sales Taxes

Government sales taxes related to MPAL s oil and gas production revenues are collected by MPAL and remitted to the Australian government. Such amounts are excluded from revenue and expenses.

Reclassifications

Certain reclassifications of prior period data included in the accompanying consolidated financial statements have been made to conform with the current period presentation. Reclassifications associated with the 2004 consolidated statement of cash flows resulted in a decrease in net cash provided by operating activities and a corresponding decrease in net cash used in investing activities of $785,386 related to decreases in exploration and dry hole costs, accounts receivable, and accounts payable and accrued liabilities of $327,300, $96,277, and $361,809, respectively. Reclassifications associated with the 2003 consolidated statement of cash flows resulted in a decrease in net cash provided by operating activities and a corresponding decrease in net cash used in investing activities of $1,965,013 related to decreases in exploration and dry hole costs, accounts receivable, and accounts payable and accrued liabilities of $958,683, $(420,062) and $1,426,392, respectively.

2. Oil and Gas Properties

Magellan had the following amounts recorded in oil and gas properties at June 30, 2005 and 2004.

Location	2005	2004
Mereenie and Palm Valley (Australia)	$ 77,376,081	$ 66,945,763
Nockatunga (Australia)	2,487,986	2,258,338
Aldinga (Australia)	779,871	604,747
Kotaneelee (Canada)	108,777	148,765
Other	13,196	12,521
	$ 80,765,911	$ 69,970,134

Accumulated Depletion, Depreciation and Amortization

Location	2005	2004
Mereenie and Palm Valley (Australia)	$ 56,083,919	$ 45,644,688
Nockatunga (Australia)	464,523	218,594
Aldinga (Australia)	728,506	428,863
Kotaneelee (Canada)	53,492	30,059
	$ 57,330,440	$ 46,322,204

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Depletion, Depreciation and Amortization

During the years ended June 30, 2005, 2004 and 2003, the depletion rate by field was as follows:

	2005	2004	2003
Mereenie and Palm Valley (Australia)	25.6	20.9	17.6
Nockatunga (Australia)	12.1	9.5	
Aldinga (Australia)	78.1	70.2	2.6
Kotaneelee (Canada)	8.3	25.0	25.0

Nockatunga Acquisition

During July 2003, MPAL reached an agreement with Voyager Energy Limited for the purchase of its 40.936% working interest (38.703% net revenue interest) in its Nockatunga assets in southwest Queensland. The assets comprise several producing oil fields in PLs 33, 50 and 51 together with exploration acreage in ATP 267P at a purchase price of approximately $1.4 million.

Exploratory and Dry Hole Costs

The 2005, 2004 and 2003 costs relate primarily to the geological and geophysical work and seismic acquisition on MPAL s exploration permits. The costs (in thousands) for MPAL by location were as follows:

	2005	2004	2003
U.S./Belize	$	$	$ (38)
Australia/New Zealand	4,157	3,225	2,958
Total	$ 4,157	$ 3,225	$ 2,920

See Note 11 commitments for a summary of MPAL s required and contingent commitments for exploration expenditures for the five year period beginning July 1, 2005.

3. Asset Retirement Obligations

Upon the adoption of SFAS 143 on July 1, 2002, the Company recorded a discounted liability (asset retirement obligation) of $3,794,000, increased oil and gas properties by $526,000 and recognized a one-time, cumulative effect after-tax charge of $738,000 (net of $316,000 deferred tax benefit and minority interest of $680,000) which has been reflected as a cumulative effect of accounting change.

The adoption of SFAS 143 decreased net income before cumulative effect of accounting change by approximately $76,000 for the fiscal year ended June 30, 2003.

A reconciliation of the Company s asset retirement obligations for the years ended June 30, 2005 and 2004, is as follows:

	2005	2004
Balance at beginning of year	$ 4,852,000	$ 3,858,000
Liabilities incurred	85,000	489,000
Liabilities settled		
Accretion expense	407,000	357,000
Revisions to estimate	(40,000)	
Exchange effect	425,000	148,000
Balance at end of year	$ 5,729,000	$ 4,852,000

During 2005, an $85,000 liability was incurred for two wells drilled in the Mereenie field. In addition, revised estimates were established for restoration costs for the Kotaneelee field in Canada. During fiscal year 2003, two wells were plugged and abandoned in the Mereenie field at a cost of approximately $86,000. The

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$27,000 difference between the amount of the asset retirement obligation of $59,000 and the abandonment costs of $86,000 is included in production costs.

4. Capital and Stock Options

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

On December 8, 2000, Magellan announced a stock repurchase plan to purchase up to one million shares of its common stock in the open market. Through June 30, 2003, Magellan had purchased 680,850 of its shares at a cost of approximately $686,000, all of which were cancelled. No shares have been repurchased during 2005 or 2004. During 2003, 180,000 shares were repurchased at a cost of $179,900.

On July 10, 2003, a subsidiary of Origin Energy, Sagasco Amadeus Pty. Limited, agreed to exchange 1.2 million shares of MPAL for 1.3 million shares of the Company s common stock. The exchange was completed on September 2, 2003. The fair value of the 1,300,000 shares on July 10, 2003 was $1,508,000, based on the closing price of the Company s common stock on the Nasdaq Capital Market on that date.

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 June 30, 2005, 795,000 options were available for future issuance under the plan.

The following is a summary of option transactions for the three years ended June 30, 2005:

Options Outstanding	**Expiration Dates**	**Number of Shares**	**Exercise Prices ($)**
June 30, 2002		871,000	1.28-1.57
Granted	Jan. 2008	50,000	.85
June 30, 2003		921,000	.85-1.57
Expired		(126,000)	1.57
Cancelled		(25,000)	.85
Exercised		(175,000)	.85-1.28
June 30, 2004		595,000	(1.28 weighted average price)
Granted	Jul. 2014	30,000	1.45
Expired		(595,000)	1.28
June 30, 2005		30,000	1.45

Summary of Options Outstanding at June 30, 2005

	Expiration Dates	**Total**	**Vested**	**Exercise Prices ($)**
Granted 2004	Jul. 2014	30,000	10,000	1.45

All of the options have been granted at the fair value 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. No charges have been made against income in accounting for options during the three year period ended June 30, 2005. Vested options are exercisable during non black out periods.

The pro forma information regarding net income and earnings per share as required by Statement 123, as amended, has been determined as if the Company had accounted for its stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model. The weighted average grant date fair value of the 30,000 options granted in 2005 was $29,700.

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Option valuation models require the input of highly subjective assumptions including the expected stock price volatility. The assumptions used in the 2003 valuation model were: risk free interest rate 3.16%, expected life 5 years, expected volatility .439, expected dividend 0. The assumptions used in the fiscal 2005 valuation model were: risk free interest rate 4.95%, expected life 10 years, expected volatility .518, expected dividend 0.

The Company s pro forma information follows:

		Earnings per share	
	Net Income	Basic	Diluted
Net income as reported June 30, 2003	$ 152,000	$ .01	$ .01
Stock option expense (determined under fair value method)	(22,000)		
Pro forma net income June 30, 2003	$ 130,000	$ .01	$ .01
Net income as reported June 30, 2004	$ 350,000	$ .01	$ .01
Stock option expense (determined under fair value method)			
Pro forma net income June 30, 2004	$ 350,000	$ .01	$ .01
Net income as reported June 30, 2005	$ 87,000	$	$
Stock option expense (determined under fair value method)	(18,000)		
Pro forma net income June 30, 2005	$ 69,000	$	

5. Income Taxes

Components of income before income taxes, minority interests and cumulative effect of accounting change by geographic area (in thousands) are as follows:

	Years Ended June 30,		
	2005	2004	2003
United States	$ (1,004)	$ (548)	$ (329)
Foreign	2,118	666	1,678
Total	$ 1,114	$ 118	$ 1,349

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

	Years Ended June 30,		
	2005	2004	2003
Tax provision computed at statutory rate (30%)	$ (334)	$ (35)	$ (405)
Magellan s parent company (income) losses	(301)	165	(98)
Non-taxable revenue from Australian government sources	301	267	194
MPAL non-deductible foreign losses (New Zealand)	(513)	(337)	(197)
MPAL write off of foreign advances (New Zealand)	1,000		
Reversal of prior year reserve on MPAL Deferred Tax Assets (a)		1,266	1,399
Magellan income tax provision (b)	(71)	(492)	(130)
Other		(56)	11

Consolidated income tax (provision) benefit	$ 82	$ 778	$ 774
Current income tax provision	$ (1,375)	$ (667)	$ (130)
Deferred income tax benefit	1,457	1,445	904
Consolidated income tax (provision) benefit	$ 82	$ 778	$ 774
Effective tax rate	7%		(57)%

(a) Tax benefits relate primarily to additional tax benefits taken in connection with financing prior year exploration activities in Australia. These benefits were reserved in prior years and as a result of the benefits becoming recoverable during the current year, such reserves were reversed.

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

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Significant components of the Company s deferred tax assets and liabilities were as follows:

	June 30, 2005	June 30, 2004
Deferred tax liabilities		
Acquisition and development costs	$ (981,000)	$ (2,068,000)
Deferred tax assets		
Asset retirement obligations	1,996,000	1,665,000
Net operating losses	2,749,000	2,633,000
Foreign tax credits	223,000	223,000
Interest	214,000	214,000
Total deferred tax assets	5,182,000	4,735,000
Valuation allowance	(3,186,000)	(3,070,000)
Net deferred tax (liabilities)/asset	$ 1,015,000	$ (403,000)

Australia

The net deferred tax asset (liability) at June 30, 2005 and 2004, respectively, consist of deferred tax liabilities of $981,000 and $2,068,000, primarily relating to the deduction of acquisition and development costs which are capitalized for financial statement purposes, offset by deferred tax assets of $1,996,000 and $1,665,000, primarily relating to asset retirement obligations which will result in tax deductions when paid.

United States

At June 30, 2005, the Company had approximately $12,250,000 and $2,237,000 of net operating loss carry forwards for federal and state income tax purposes, respectively, which are scheduled to expire periodically between the years 2007 and 2025. Of this amount, Magellan has federal loss carry forwards that expire as follows: $265,000 in 2007, $2,055,000 in 2008, $408,000 in 2020, $52,000 in 2021, $110,000 in 2023, and $254,000 in 2025. MPAL s U.S. subsidiary has federal loss carry forwards that expire as follows: $2,392,000 in 2006, $1,669,000 in 2010, $1,764,000 in 2011, $2,855,000 in 2012, $229,000 in 2013, and $197,000 between 2019 and 2025. Magellan also has approximately $223,000 of foreign tax credit carryovers, which are scheduled to expire by the year 2006. Magellan s state loss carry forwards expire periodically between the years 2006 and 2024. For financial reporting purposes, a valuation allowance has been recognized to offset the deferred tax assets related to those carry forwards and other deductible temporary differences.

6. Related Party and Other Transactions

G&O D INC, a firm that provided accounting and administrative services, office facilities and support staff to Magellan, was paid $65,700, $24,723, and $20,830 in fees for fiscal years 2005, 2004 and 2003 respectively. In addition, Magellan purchased $12,000 of office equipment from G&O D INC. during 2005. James R. Joyce, the former President and Chief Financial Officer of Magellan, is the owner of G&O D INC. Mr. Joyce retired from his position effective June 30, 2004. Mr. Timothy L. Largay, a director of the Company is a member of the law firm of Murtha Cullina LLP, which firm was paid fees of $144,596, $120,563, and $69,459 for fiscal years 2005, 2004 and 2003, respectively.

7. Leases

At June 30, 2005, future minimum rental payments applicable to Magellan s and MPAL s non-cancelable operating (office) lease were $183,000, $191,000, $197,000, $181,000 and $0 for the years 2006, 2007, 2008, 2009 and 2010, respectively.

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Operating lease rental expenses for each of the years ended June 30, 2005, 2004 and 2003 were $214,661, $311,497 and $239,026 respectively.

8. Pension Plan

Prior to August 31, 2004, MPAL maintained a defined benefit pension plan and contributed to the plan at rates which (based on actuarial determination) were sufficient to meet the cost of employees retirement benefits. No employee contributions were required. On August 31, 2004, the MPAL Board formally terminated the Plan. The termination was effective as of June 30, 2004 and a settlement and curtailment loss of $1,237,425 was recognized for the year ended June 30, 2004. Therefore, there were no pension costs during fiscal 2005.

The following table sets forth the actuarial present value of benefit obligations and funded status for the MPAL pension plan for at June 30, 2005 and 2004:

	2005	2004
Change in Benefit Obligation		
Benefit obligation at beginning of year	$ 2,145,394	$ 1,980,930
Service cost		148,075
Interest cost		94,212
Actuarial gains and losses		(46,378)
Benefits paid	(2,145,394)	(447,277)
Settlement and curtailment		414,694
Expenses paid		(71,763)
Foreign currency effect		72,901
Benefit obligation at end of year	$	$ 2,145,394
Change in Plan Assets		
Fair value of plan assets at beginning of year	1,858,681	$ 1,911,692
Actual return on plan assets	286,713	226,341
Contributions by employer		164,368
Benefits paid	(2,145,394)	(447,277)
Foreign currency effect		75,320
Other (expenses)		(71,763)
Fair value of plan assets at end of year	$	$ 1,858,681
Reconciliation of Funded Status		
Funded Status		$ (286,713)
Unamortized transition asset		
Unamortized loss		
(Accrued) Prepaid benefit costs	$	$ (286,713)

The net pension expense for the MPAL pension plan for 2004 and 2003 was as follows:

	2004	2003
Settlement and curtailment	$ 1,237,425	$
Service cost	148,075	144,216
Interest cost	94,212	96,803
Expected return on plan assets	(94,104)	(97,205)

Net amortization and deferred items	26,835	15,299
Net pension cost	$ 1,412,443	$ 159,113
Plan contributions by MPAL	$ 228,958	$ 156,247

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

	2004	2003
Assumed discount rate	5.0%	5.5%
Rate of increase in future compensation levels	3.5%	3.5%
Expected long term rate of return on plan assets	5.0%	5.0%
Australian exchange rate	$0.70	$.67

At June 30, 2004, Plan assets were held 98% in equity mutual funds and 2% in cash. As a result of the Plan s termination, the Plan s assets were distributed during 2005 with no additional pension plan expenditures required.

9. Segment Information

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

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

	Years Ended June 30, 2005	2004	2003
Revenues:			
Magellan	1,256	$ 2,469	$ 1,228
MPAL	21,590	17,866	14,194
Elimination of intersegment dividend	(975)	(911)	(686)
Total consolidated revenues	$ 21,871	$ 19,424	$ 14,736
Interest income:			
Magellan	$ 89	$ 160	$ 85
MPAL	1,053	939	775
Total consolidated	$ 1,142	$ 1,099	$ 860
Net income (loss) before cumulative effect of accounting change:			
Magellan	$ (101)	$ 969	$ 229
Equity in earnings of MPAL, net of related costs (1)	1,163	292	1,347
Elimination of intersegment dividend	(975)	(911)	(686)
Consolidated net income before cumulative effect of accounting change:	$ 87	$ 350	$ 890
Net income:			
Magellan	$ (101)	$ 969	$ 229
Equity in earnings of MPAL, net of related costs (1)	1,163	292	609
Elimination of intersegment dividend	(975)	(911)	(686)
Consolidated net income	$ 87	$ 350	$ 152
Assets:			
Magellan	$ 25,523	$ 25,339	

MPAL	50,659	47,884	
Equity elimination	(19,758)	(20,329)	
Total consolidated assets	$ 56,424	$ 52,894	
Other significant items:			
Depletion, depreciation and amortization:			
Magellan	$ 27	$ 30	$
MPAL	6,967	6,312	3,719
Total consolidated	$ 6,994	$ 6,342	$ 3,719
Exploratory and dry hole costs:			
Magellan	$	$	$
MPAL	4,157	3,225	2,920
Total consolidated	$ 4,157	$ 3,225	$ 2,920
Income tax expense (benefit):			
Magellan	$ 71	$ 492	$ 130
MPAL	(153)	(1,270)	(904)
Total consolidated	$ (82)	$ (778)	$ (774)

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(1) Equity in earnings of MPAL for 2005 and 2004 of $1,363,000 and $670,000, respectively is reported net of $195,000 and $378,000 for 2005 and 2004, respectively of oil and gas property depletion related to Magellan book value of oil and gas property and resulting from its step acquisition reporting of Magellan s investment in MPAL.

10. Geographic Information

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

	Years Ended June 30,		
	2005	**2004**	**2003**
Revenue:			
Australia	$ 21,590	$ 17,866	$ 14,194
United States			
Canada	281	1,558	542
	$ 21,871	$ 19,424	$ 14,736
Operating income (loss):			
Australia	$ 2,912	$ (103)	$ 1,732
New Zealand	(1,441)	(909)	(628)
United States-Canada	258	1,525	569
	1,729	513	1,673
Corporate overhead and interest, net of other income (expense)	(615)	(395)	(324)

Consolidated operating income before income taxes, minority interests and cumulative effect of accounting change	$ 1,114	$ 118	$ 1,349
Net income (loss):			
Australia	$ 1,831	$ 718	$ 835
New Zealand	(668)	(425)	(246)
United States	(1,076)	57	(437)
	$ 87	$ 350	$ 152
Identifiable assets:			
Australia	$ 52,264	$ 48,652	
Corporate assets	4,160	4,242	
	$ 56,424	$ 52,894	

Substantially all of MPAL s gas sales were to the Power and Water Corporation (PAWC) of the Northern Territory of Australia (NTA). All of MPAL s crude oil production was sold to the Mobil Port Stanvac Refinery near Adelaide during the three years ended June 30, 2005.

11. Commitments

The Company does not use off-balance sheet arrangements such as securitization of receivables with any unconsolidated entities or other parties. The Company does not engage in trading or risk management activities and does not have material transactions involving related parties. The Company has firm commitments from purchase obligations of $3,380,000. See Part II Contractual Obligations.

Gas Supply Contracts

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

Mereenie gas. The Palm Valley Darwin contract expires in the year 2012 and Mereenie contracts expire in the year 2009. Under the 1985 contracts, there is a difference in price between Palm Valley gas and most of the Mereenie gas for the first 20 years of the 25 year contracts which takes into account the additional cost to the pipeline consortium to build a spur line to the Mereenie field and increase the size of the pipeline from Palm Valley to Mataranka. The price of gas under the Palm Valley and Mereenie gas contracts is adjusted quarterly to reflect changes in the Australian Consumer Price Index.

The Palm Valley Producers are actively pursuing gas sales contracts for the remaining uncontracted reserves at both the Mereenie and Palm Valley gas fields in the Amadeus Basin. Gas production from both fields is fully contracted through to 2009 and 2012, respectively. 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 Palm Valley Producers will be able to contract for the sale of the remaining uncontracted reserves.

At June 30, 2005, MPAL s commitment to supply gas under the above agreements was as follows:

Period	**Bcf**
Less than one year	6.21
Between 1-5 years	23.06
Greater than 5 years	.80
Total	30.07

Magellan owns a 2.67% carried interest in the Kotaneelee gas field in the Yukon Territory which has been in production since February 1991 with two producing wells. For financial statement purposes in fiscal 1987 and 1988, Magellan wrote down its costs relating to the Kotaneelee field to a nominal value because of the uncertainty as to the date when sales of Kotaneelee gas might begin and the immateriality of the carrying value of the investment.

During September 2003, the litigants in the Kotaneelee litigation entered into a settlement agreement. In October 2003 the Company received approximately $851,000, after Canadian withholding taxes and reimbursement of certain past legal costs. The plaintiffs terminated all litigation against the defendants related to the field, including the claim that the defendants failed to fully develop the field. Since each party agreed to bear its own legal costs, there were no taxable costs assessed against any of the parties.

The components of the settlement payment, which was recorded in September 2003 are as follows:

Gas sales	$ 1,135,000
Interest income	102,000
Canadian withholding taxes and legal expenses	(386,000)
Total	$ 851,000

The Kotaneelee settlement agreement provides that the carried interest partners will share in the abandonment of the Kotaneelee field wells and facilities.

12. Selected Quarterly Financial Data (Unaudited)

The following is a summary (in thousands, except for per share amounts) of the quarterly results of operations for the years ended June 30, 2005 and 2004:

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	QTR 1	QTR 2	QTR 3	QTR 4
2005				
Total revenues	$ 4,577	$ 5,454	$ 5,996	$ 5,844
Costs and expenses	(5,137)	(5,500)	(5,599)	(5,662)
Interest income	356	377	104	305
Income tax (provision) benefit (a)	(5)	(153)	(102)	342
Minority interests	(86)	(254)	(294)	(476)
Net income (loss)	(295)	(76)	105	353
Per share (basic & diluted)	(.01)			.01
Average number of shares outstanding	25,783	25,783	25,783	25,783
2004				
Total revenues	$ 5,397	$ 4,598	$ 4,839	$ 4,590
Costs and expenses	(3,900)	(5,634)	(4,599)	(6,273)
Interest income	335	243	271	251
Income tax (provision) benefit (b)	(411)	61	(115)	1,243
Minority interests	(354)	226	(254)	(164)
Net income (loss)	1,067	(506)	142	(353)
Per share (basic & diluted)	.04	(.02)	.01	(.01)
Average number of shares outstanding	25,092	25,727	25,894	25,820

(a) During the fourth quarter of 2005, MPAL s financing subsidiary determined that its loans to the New Zealand subsidiary were no longer collectible and this resulted in a permanent benefit in Australia of $1,000. This amount was offset by tax benefits from New Zealand losses that are not deductible in Australia of $513.

(b) During the fourth quarter of 2004, MPAL determined that prior deferred tax benefits that had been reserved of $1,266 were recoverable, resulting in lower income tax expense for the fourth quarter of 2004.

13. Supplementary Oil and Gas Disclosure (Unaudited)

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

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

	Natural Gas (Bcf)		Oil (1,000 Bbls)
Proved Reserves:	**Australia***	**Canada**	**Australia**
June 30, 2002	40.780	.534	520
Extensions and discoveries			35
Revision of previous estimates	2.497		125
Production	(5.893)	(.107)	(126)
June 30, 2003	37.384	.427	554
Extensions and discoveries			
Revision of previous estimates	(.631)	(.180)	(110)
Purchase of reserves			322
Production	(5.728)	(.077)	(150)
June 30, 2004	31.025	.170	616
Extensions and discoveries		.012	
Revision of previous estimates	(.024)		22
Purchase of reserves			
Production	(5.717)	(.061)	(151)

June 30, 2005	25.284	.121	487

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	Natural Gas (Bcf)		Oil (1,000 Bbls)
Proved Reserves:	**Australia***	**Canada**	**Australia**
Proved Developed Reserves:			
June 30, 2002	29.102	.534	520
June 30, 2003	28.855	.427	554
June 30, 2004	22.346	.170	616
June 30, 2005	25.284	.121	487

* The amount of proved reserves applicable to the Palm Valley and Mereenie fields only reflects the amount of gas committed to specific contracts and are net of royalties. Approximately 44.9% of reserves are attributable to minority interests at June 30, 2005 (44.9% for 2004 and 47.6% for 2003).

Costs of Oil and Gas Activities (In thousands):

	Australia/New Zealand		
Fiscal Year	**Exploration Costs**	**Development Costs**	**Acquisition Costs**
2005	$4,028	$ 9,292	$
2004	3,741	3,926	2,086
2003	4,484	2,753	3

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

	June 30,	
Australia/New Zealand	**2005**	**2004**

Costs subject to DD&A	$ 80,766	$ 69,970
Costs not subject to DD&A.		
Less accumulated DD&A	(57,330)	(46,322)
Net capitalized costs	$ 23,436	$ 23,648

Discounted Future Net Cash Flows:

The following is the standardized measure of discounted (at 10%) future net cash flows (in thousands) relating to proved oil and gas reserves during the three years ended June 30, 2005. At June 30, 2005, approximately 44.9% (44.9% for 2004 and 47.6.% for 2003) of the reserves and the respective discounted future net cash flows are attributable to minority interests.

		Australia	
	2005	**2004**	**2003**
Future cash inflows	$ 81,688	$ 82,449	$ 78,192
Future production costs	(18,443)	(19,361)	(20,844)
Future development costs	(13,434)	(16,599)	(15,681)
Future income tax expense	(10,342)	(9,369)	(5,292)
Future net cash flows	39,469	37,120	36,375
10% annual discount for estimating timing of cash flows	(8,157)	(7,639)	(10,675)
Standardized measures of discounted future net cash flows	$ 31,312	$ 29,481	$ 25,700

		Canada	
	2005	**2004**	**2003**
Future cash inflows	$ 606	$ 754	$ 1,460
Future production costs	(60)	(125)	(213)
Future development costs			
Future income tax expense	(136)	(157)	(312)
Future net cash flows	410	472	935
10% annual discount for estimating timing of cash flows	(89)	(72)	(149)
Standardized measures of discounted future net cash flows	$ 321	$ 400	$ 786

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	2005	Total 2004	2003
Future cash inflows	$ 82,294	$ 83,203	$ 79,652
Future production costs	(18,503)	(19,486)	(21,057)
Future development costs	(13,434)	(16,599)	(15,681)
Future income tax expense	(10,478)	(9,526)	(5,604)
Future net cash flows	39,879	37,592	37,310
10% annual discount for estimating timing of cash flows	(8,246)	(7,711)	(10,824)
Standardized measures of discounted future net cash flows	$ 31,633	$ 29,881	$ 26,486

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

	2005	2004	2003
Net change in prices and production costs	$ 5,567	$ 7,597	$ (5,020)
Extensions and discoveries			360
Revision of previous quantity estimates	281	981	1,059
Changes in estimated future development costs	443	(2,156)	(4,587)
Sales and transfers of oil and gas produced	(13,725)	(10,314)	(8,070)
Previously estimated development cost incurred during the period	3,827	3,110	3,110
Accretion of discount	2,337	2,344	2,992
Acquisitions		3,213	
Net change in income taxes	410	(2,345)	6,100
Net change in exchange rate	2,612	965	4,231
	$ 1,752	$ 3,395	$ 175

Additional Information Regarding Discounted Future Net Cash Flows:

Australia

Reserves *Natural Gas*

Future net cash flows from net proved gas reserves in Australia were based on MPAL s share of reserves in the Palm Valley and Mereenie fields which has been limited to the quantities of gas committed to specific contracts and the ability of the fields to deliver the gas in the contract years. Gas prices are computed on the prices set forth in the respective gas sales contracts at June 30, 2005.

Reserves and Costs Oil

At June 30, 2005, future net cash flows from the net proved oil reserves in Australia were calculated by the Company. Estimated future production and development costs were based on current costs and rates for each of the three years ended at June 30, 2005. All of the crude oil reserves are developed reserves. Undeveloped proved reserves have not been estimated since there are only tentative plans to drill additional wells.

Income Taxes

Future Australian income tax expense applicable to the future net cash flows has been reduced by the tax effect of approximately A.$23,203,000, and A.$22,005,000 and A.$25,658,000 in unrecouped capital expenditures at June 30, 2005, 2004 and 2003, respectively. The tax rate in computing Australian future income tax expense was 30%.

Canada

Reserves and Costs

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Future net cash flows from net proved gas reserves in Canada were based on the Company s share of reserves in the Kotaneelee gas field which was prepared by independent petroleum consultants, Paddock Lindstrom & Associates Ltd., Calgary, Canada. The estimates were based on the selling price of gas Can. $6.14 at June 30, 2005 (Can. $5.90 2004) and estimated future production and development costs at June 30, 2005.

Results of Operations

The following are the Company s results of operations (in thousands) for the oil and gas producing activities during the three years ended June 30, 2005:

	Americas			Australia/New Zealand		
	2005	**2004**	**2003**	**2005**	**2004**	**2003**
Revenues:						
Oil sales	$	$	$	$ 7,574	$ 4,923	$ 3,329
Gas sales	282	1,557	535	12,196	11,312	9,647
Other production income				1,819	1,632	1,214
Total revenues	282	1,557	535	21,589	17,867	14,190
Costs:						
Production costs				6,144	5,416	4,424
Depletion, exploratory and dry hole costs	23	30	(38)	10,727	9,009	6,620
Total costs	23	30	(38)	16,871	14,425	11,044
Income before taxes and minority interest.	259	1,527	573	4,718	3,442	3,146
Income tax provision*	(65)	(382)	(134)	(1,415)	(1,027)	(944)
Income before minority interests	194	1,145	439	3,303	2,415	2,202
Minority interests**			(18)	(1,737)	(1,085)	(1,047)
Net income from operations	$ 194	$ 1,145	$ 421	$ 1,566	$ 1,330	$ 1,155
Depletion per unit of production	$			A. $7.40	A. $7.25	A. $5.27

* Income tax provision used for Australia is based on a rate of 30%. Americas 25%

is due to a 25% Canadian withholding tax on Kotaneelee gas sales.

** Minority interests 44.90% in 2005, 44.9% in 2004 and 47.6% in 2003.

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APPENDIX A DEFINITION OF TERMS APPLICABLE TO THE EXCHANGE OFFER

The following defined terms are used in this prospectus/proxy statement to describe the terms and conditions of the Exchange Offer and as taken from the Magellan Bidder s Statement to be used in making the Exchange Offer in Australia and other countries.

A$	Australian Dollars.
AASB	Australian Accounting Standards Board.
Acceptance Form	The acceptance form for the Exchange Offer accompanying the Bidder s Statement or the prospectus/proxy statement.
Announcement Date	The date on which the Exchange Offer was announced to ASX, namely October 18, 2005.
ASIC	Australian Securities and Investments Commission.
Associate	Has the same meaning given to that term in section 9 of the Corporations Act.
ASTC	ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532).
ASTC Settlement Rules	The operating rules of the settlement facility provided by ASTC.
ASX	Australian Stock Exchange Limited (ABN 98 008 624 691).
ASX Market Rules	The market rules of ASX (being part of the operating rules of ASX).
Australian Offer Document	Magellan s Bidder s Statement including the Exchange Offer.
Bid	The off market conditional takeover bid for all of the issued MPAL Shares made by Magellan comprising: (a) the offer to acquire MPAL Shares set out in Appendix A made under the Bidder s Statement; and (b) the offer to acquire MPAL Shares held by MPAL Shareholders with a registered address on the MPAL Register on the Offer Date in the US or Canada to be undertaken under the US Offer Document.
Bidder s Statement	Magellan s bidder s statement in respect of the Exchange Offer pursuant to Part 6.5 of the Corporations Act and in compliance with Sections 636 and 637 of the Corporations Act.

Board	The board of Directors of Magellan.
Business Day	Monday to Friday inclusive, except New Year s Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.
CDN	CHESS Depositary Nominees Pty Ltd (ACN 071 346 506)
CGT	Capital gains tax.
CHESS	The Clearing House Electronic Subregister System which provides for the electronic transfer, settlement and registration of securities in Australia.
CHESS Holding	A holding of MPAL Shares on the CHESS subregister of MPAL.
Condition	A condition of the Offer being a condition set out in Clause 7.1 of Appendix A of the Bidder s Statement.
controlled entity	Has the meaning given to that word in the Corporations Act.
Controlling Participant	Has the meaning given in the ASTC Settlement Rules.
Corporations Act	The Corporations Act 2001 (Cth)(Australia).
Director	A director of Magellan.
EBIT	Earnings before interest and tax.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
Encumbrance	An interest or power: (a) reserved in or over an interest in any asset including, without limitation, any retention of title; or (b) created or otherwise arising in or over any interest in any asset under a bill of sale, mortgage, charge, lien, pledge, trust or power, by way of security for the payment of a debt, any other monetary obligation or the performance of any other obligation and includes, without limitation, any agreement to grant or create any of the above.
Foreign Law	A law of any jurisdiction other than an Australian jurisdiction.

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Exchange Offer	The offer to acquire MPAL shares by Magellan set out in Appendix A to the Bidder s Statement to be sent to holders of MPAL shares (or persons entitled to receive the Exchange Offer under the Corporations Act). Any MPAL Shareholder whose address shown in the MPAL Register is a place outside Australia and its external territories, New
Foreign Shareholder	Zealand, or the United States.
Governmental Agency	Any government, semi-government, administrative, fiscal, judicial or regulatory body, department, commission, authority, tribunal, agency or entity.
GST	Goods and services tax.
Holder Identification Number	The number used to identify an MPAL Shareholder on the CHESS Subregister of MPAL.
Insolvency Event	In relation to a body corporate:

(a) an order is made or an application is made for the winding up of that body corporate and that order or application is not withdrawn or set aside within 10 Business Days;

(b) a liquidator or provisional liquidator of that body corporate is made or appointed or 9 an application is made for the appointment of a liquidator or provisional liquidator and that application is not withdrawn or set aside within 10 Business Days;

(c) an effective resolution is passed for the winding up of that body corporate or a meeting is convened for the purpose of considering any such resolution;

(d) that body corporate is placed under any formal or informal kind of insolvency administration or a meeting is convened for the purpose of considering the appointment of an insolvency administrator;

(e) a receiver, manager, receiver and manager or controller of the main undertaking, property or material assets of that body corporate is appointed or any step is taken for the appointment of such a receiver, manager, receiver and manager or controller or execution or distress or any other process is levied or attempted or imposed against any of the main undertaking, property or material assets of that body corporate;

(f) that body corporate stops payment or ceases to carry on the whole or any material part of its business or threatens to do so;

	(g) an order for payment is made or judgement is entered or signed against that body corporate in an amount of not less than A$100,000 and is not satisfied, stayed or set aside within 5 Business Days; (h) that body corporate becomes insolvent or unable to pay its debts; (i) a compromise, composition or arrangement is proposed with or becomes effective in relation to the creditors or any class of creditors of that body corporate or that body corporate proposes a reorganisation, moratorium or other administrative procedure involving its creditors or any class of its creditors; or (j) any action is commenced to strike that body corporate s name off any register of companies.
Listing Rules	The listing rules of the ASX.
Magellan	Magellan Petroleum Corporation.
Magellan By-Laws	The Restated By-Laws of Magellan as of 22 July 2004.
Magellan Restated Certificate of Incorporation	The Magellan Restated Certificate of Incorporation (as amended) of Magellan as amended on 12 February 1988 and 22 December 2000
Magellan CDI	A Magellan CHESS Depository Interest.
Magellan CDI Holder	A holder of a Magellan CDI.
Magellan Share	A share of common stock in the capital of Magellan.
Magellan Shareholder	A registered holder of a Magellan Share.
MPAL	Magellan Petroleum Australia Limited (ABN 62 009 728 581).
MPAL Constitution	The Constitution of MPAL.
MPAL Group	MPAL and its Controlled Entities.
MPAL Register	The register of MPAL Shareholders.
MPAL Shareholder	A registered holder of MPAL Shares.
MPAL Share	An ordinary share in the capital of MPAL.

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Offer Consideration	Consideration offered by Magellan for MPAL Shares.
Offer Date	The date of the Exchange Offer being ___, 2005.
Offer Period	The period for which the Offer remains open as set out in Section 2 of Appendix A.
Registrar	ASX Perpetual Registrars Limited (ABN 54 083 214 537).
Relevant Interest	Has the same meaning given to that term in sections 608 and 609 of the Corporations Act.
Rights	All accretions, rights or benefits of whatever kind attaching to or arising from MPAL Shares directly or indirectly after the date of this Bidder s Statement, including, without limitation, all dividends, distributions, and all rights to receive dividends, distributions or to receive or subscribe for Securities, stock shares, notes, bonds, options or other securities, declared, paid or issued by MPAL or any of its controlled entities.
SEC	The U.S. Securities and Exchange Commission.
Security	Has the meaning as given in Section 92 of the Corporations Act.
Trading Day	Has the meaning given in the ASX Listing Rules.
US	United States of America.
US$	U.S. dollar.
US Offer Documents	The joint prospectus/proxy statement contained within Magellan s registration statement and Form S-4 (File No. 333 ___) and all appendices and exhibits.
Voting Power	Has the same meaning given to that term in section 610 of the Corporations Act.

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APPENDIX B

BARON

October 17, 2005
The Board of Directors
Magellan Petroleum Corporation
10 Columbus Boulevard
Hartford, CT 06106

Gentlemen:

We understand that Magellan Petroleum Corporation, a Delaware corporation, (MPC) is proposing to acquire all of the outstanding ordinary shares of Magellan Petroleum Australia Limited, an Australian corporation, (MPAL) not currently owned by MPC (the Minority Shares) pursuant to the terms and conditions of a proposed exchange offer (the Exchange Offer). Under the terms of the Exchange Offer, MPC would offer to exchange 0.70 shares of MPC common stock (the Exchange Ratio) for each outstanding Minority Share. You have requested our opinion as to the fairness, from a financial point of view, to MPC and its stockholders, of the proposed consideration to be paid by MPC pursuant to the Exchange Ratio.

In arriving at the opinion set forth below, we have, among other things:

(1) reviewed the draft Exchange Offer;

(2) reviewed publicly available information relating to both MPC and MPAL, including MPC s Annual Reports on Form 10-K for the four fiscal years ended June 30, 2005, and MPAL s Annual Reports to Shareholders for the four fiscal years ended June 30, 2005;

(3) reviewed certain information, including financial forecasts, relating to the business, earnings, cash flow, assets and prospects of MPC and MPAL, furnished to us by the management of MPC;

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(4) discussed with management of MPC the historical and current operations, financial condition and future prospects for MPC and MPAL and reviewed certain internal financial information, business plans and forecasts prepared by their respective managements;

(5) reviewed certain information with regard to the estimates of oil and gas reserves in the Mereenie, Palm Valley and Nockatunga fields.

(6) reviewed the historical prices and trading volumes of the common stock of both MPC and MPAL;

(7) reviewed certain financial and market data for both MPC and MPAL and compared such information with similar information for certain publicly-traded companies which we deemed comparable;

(8) reviewed the financial terms of certain mergers and acquisitions of businesses which we deemed comparable;

(9) reviewed certain financial statements combining MPC and MPAL on a pro forma basis; and

(10) performed such other analyses and investigations and considered such other factors as we deemed appropriate.

In preparing our opinion, we have relied on the accuracy and completeness of all information supplied or otherwise made available to us by MPC and MPAL, and we have not assumed any responsibility to independently verify such information. With respect to the financial forecasts examined by us, we have assumed that they were reasonably prepared and reflect the best currently available estimates and good faith judgments of the management of MPC and MPAL as to their future performance and we have not assumed any responsibility to independently verify such information. We have also relied upon assurances of the management of MPC that they are unaware of any facts that would make the information or financial forecasts provided to us incomplete or misleading.

We have not made any independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of MPC or MPAL nor have we been furnished with any such evaluations or appraisals. We have also assumed with your consent that any material liabilities (contingent or otherwise, known or unknown) of MPC and MPAL are as set forth in their consolidated financial statements or the forecasted financial information referred to above.

We have assumed that the Exchange Offer will, subject to the satisfaction or waiver of all conditions thereto, be consummated in a timely manner and in accordance with its terms without any limitations, restrictions, conditions, amendments or modifications, regulatory or otherwise, that collectively would have a material adverse effect on MPC.

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Our opinion is based on economic, monetary and market conditions existing on the date hereof. We assume no responsibility for updating or revising our opinion based on circumstances or events occurring after the date hereof.

TM Capital Corp. and Baron Partners Limited are currently acting as financial advisors to the Company in connection with the Exchange Offer. For these services, our firms are receiving monthly advisory fees and will receive an additional fee in connection with the consummation of the Exchange Offer.

On the basis of, and subject to the foregoing, we are of the opinion that the consideration to be paid for the Minority Shares pursuant to the Exchange Ratio is fair to MPC and its stockholders from a financial point of view.

Very truly yours,

TM Capital Corp.

/s/ W. Gregory Robertson

By: W. Gregory Robertson
President

Baron Partners Limited

/s/ Paul Young

By: Paul Young
Executive Director

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APPENDIX C

MAGELLAN PETROLEUM CORPORATION

ANNUAL MEETING OF SHAREHOLDERS ____________ __, 200_

KNOW ALL MEN BY THESE PRESENTS, that the undersigned holder of shares of common stock of MAGELLAN PETROLEUM CORPORATION, a Delaware corporation (hereinafter referred to as the Company) does hereby constitute and appoint Daniel J. Samela and Edward B. Whittemore, or either of them, as proxies, with full power to act without the other and with full power of substitution, to vote the said shares of stock at the Annual Meeting of Shareholders of the Company to be held on ___, ___, 200___at ___P.M., local time, at___, ___., Hartford, CT, 06103, at any adjourned or postponed meeting or meetings thereof, held for the same purposes, in the following manner:

UNLESS DIRECTED TO THE CONTRARY BY SPECIFICATION IN THE SPACES PROVIDED, THE SAID INDIVIDUALS ARE HEREBY AUTHORIZED AND EMPOWERED BY THE UNDERSIGNED TO VOTE FOR PROPOSALS 1, 2 AND 3 AND ARE GIVEN DISCRETIONARY AUTHORITY TO VOTE ON ANY OTHER MATTERS UPON WHICH THE UNDERSIGNED IS ENTITLED TO VOTE, AND WHICH MAY PROPERLY COME BEFORE SAID MEETING OR ANY ADJOURNMENTS OR POSTPONEMENTS THEREOF.

This proxy must be signed exactly as the name appears herein. Executors, administrators, trustees, etc. should give full title as such. If the signer is a corporation please sign full corporate name by duly authorized officer. Unless otherwise indicated on this proxy card or by accompanying letter, the undersigned represents that in executing and delivering this proxy he is not acting in concert with any other person for the purposes of Article Twelfth of the Certificate of Incorporation as described in the Company s proxy statement.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

(Continued and to be signed on the other side)

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Please mark your votes as in this example þ

THE BOARD OF DIRECTORS RECOMMEND A VOTE FOR PROPOSALS 1, 2 AND 3.

	FOR	WITHHELD	
1. Election of One Director	o	o	Nominee: Timothy L. Largay
(prospectus/proxy statement page ___)			

	FOR	AGAINST	ABSTAIN
2. Ratification of Auditors (prospectus/proxy statement page ___)	o	o	o
3. Approval of the Issuance of up to 14,670,000 Shares of Magellan Common Stock in the Exchange Offer (prospectus/proxy statement page ___)	o	o	o

SIGNATURE DATE

SIGNATURE DATE

(IF HELD JOINTLY)

NOTE: Please sign this proxy as name(s) appears above and return promptly to American Stock Transfer & Trust Company, 59 Maiden Lane, New York, NY 10038, whether or not you plan to attend the meeting.

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PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 20. Indemnification of Directors and Officers.

The Restated Certificate of Incorporation of the Company, as amended, contains the following provisions respecting indemnification.

FIFTEENTH: A director of this Corporation shall not be personally liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director s duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law hereafter is amended, changed or modified in any way to further eliminate or limit the liability of directors to the Corporation or its stockholders or third parties, then directors of the Corporation, in addition to the circumstances in which directors are not personally liable as set forth in the preceding sentence, shall also not be personally liable to the Corporation or its stockholders or third parties for monetary damages to such further extent permitted by such amendment, change or modification.

Any repeal or modification of the foregoing paragraph shall not adversely affect the rights of any director of the Corporation relating to claims arising in connection with events which took place prior to the date of such repeal or modification.

SIXTEENTH: The Corporation shall enter into appropriate agreements with its directors and officers (and with such other employees and agents as the Board of Directors deems appropriate in its sole and exclusive discretion) to both indemnify them and advance to them the funds for litigation expenses to the fullest extent permitted by the laws of the State of Delaware, as the same presently exist or may hereafter be amended, changed or modified.

Any repeal or modification of the foregoing paragraph shall not adversely affect the rights of any director or officer (or any such employees or agents) of the Corporation relating to claims arising in connection with events which took place prior to the date of such repeal or modification.

Article III, Section 9 of the Company s By-Laws which provides for indemnification agreements with its directors and officers is substantially identical to Article Sixteenth of the Certificate of Incorporation and provides as follows:

SECTION 9. The Corporation shall enter into appropriate agreements with its directors and officers (and with such other employees and agents as the Board of Directors deems appropriate in its sole and exclusive discretion) both to indemnify such directors and

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officers (and such other employees and agents, if any) and to advance to such directors and officers (and such other employees and agents, if any) the funds for litigation expenses to the fullest extent permitted by the laws of the State of Delaware, as the same presently exist or may hereafter be amended, changed or modified.

Any repeal or modification of the foregoing paragraph shall not adversely affect the rights of any director or officer (or any such employee or agent) of the corporation relating to claims arising in connection with events which took place prior to the date of such repeal or modification.

Section 145 of the Delaware General Corporation Law provides for the indemnification of directors and officers. Generally Section 145 provides for indemnification to cover the claims and lawsuits of two general categories. The first category, third-party claims, includes lawsuits brought against the Company and its directors or officers by third parties who claim to have been injured by some unlawful action. Section 145 provides that a director or officer subject to this class of claim is entitled to indemnification for any amount paid for the judgment or settlement and any expenses incurred in a reasonable defense thereof, provided that the director or officer (i) acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company, and (ii) with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful.

The second category of claims for which a director or officer could seek indemnification are claims by or in the right of the Company, whether such claims are made by the Company directly or by a stockholder in a derivative action. Examples in this category include breach by a director of his duty of loyalty to the Company. As to this category of claims and lawsuits, Section 145 provides specifically that the director or officer may obtain indemnification of expenses actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and if a court of appropriate jurisdiction approves such indemnification. However, directors and officers are not entitled to be indemnified under the statute to recover amounts paid in damages or settlement of such suits.

Section 145, by its terms, is not exclusive. Section 145(f) provides in pertinent part: The indemnification and advancement of expenses provided by, or granted pursuant to, the other subsections of this section shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any by-law, agreement, vote of stockholders or disinterested directors or otherwise.

In accordance with Article Sixteenth of its Restated Certificate of Incorporation, the Company has entered into indemnification agreements with each of its directors and officers.

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In 1985, the Company purchased $100,000 of directors and officer s liability insurance coverage from an unaffiliated Bermuda company at a cost of $100,000 plus an annual $7,500 service fee during the period of the policy. The policy amount was increased to $200,000 in 1998. The Company is credited with investment income from the policy premium during the term of the policy and all or a portion of such premium will be refunded at the end of the policy term to the extent that no claims are made.

The Company presently has in effect a $10,000,000 policy of directors and officers liability insurance at an annual premium cost of $159,500.

Item 21. Exhibits and Financial Statement Schedules.

3.1	Restated Certificate of Incorporation as filed on May 4, 1987 with the State of Delaware and Amendment of Article Twelfth as filed on February 12, 1988 with the State of Delaware (each filed as Exhibit 4(b) to Form S-8 Registration Statement, filed on January 14, 1999, and incorporated herein by reference).
3.2	Certificate of Amendment to Certificate of Incorporation as filed on December 26, 2000 with the State of Delaware (filed as Exhibit 3(a) to the Company s quarterly report on Form 10-Q filed on February 13, 2001 and incorporated herein by reference).
3.3	By-Laws, as amended and restated on July 22, 2004 (filed as Exhibit 3(b) to the registrant s annual report on Form 10-K filed with the SEC on October 13, 2004, and incorporated herein by reference).
5.1	Opinion of Murtha Cullina LLP (to be filed by amendment).
21	Subsidiaries of the Registrant (filed herewith).
23.1	Consent of Deloitte & Touche LLP (filed herewith).
23.2	Consent of Ernst & Young LLP (filed herewith).
23.3	Consent of Paddock Lindstrom & Associates, Ltd. (filed herewith).
23.4	Consent of Murtha Cullina LLP (to be included in their opinion to be filed as Exhibit 5).
23.5	Consent of TM Capital Corporation (filed herewith).
23.6	Consent of Baron Partners Limited (filed herewith).
24.1	Powers of Attorney (contained on signature page of this Registration Statement).
99.1	Form of Bidder s Statement of the Registrant (to be filed by amendment).
99.2	Form of Target s Statement of MPAL (to be filed by amendment).
99.3	Letter of Transmittal and Form of Acceptance for U.S. MPAL Shareholders (to be filed by amendment).

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Item 22. Undertakings

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of Magellan s annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, (and, where applicable, each filing of an employee benefit plan s annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification

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against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(d)(1) The registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11, or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(2) The registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

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SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-4 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Hartford, State of Connecticut, on October 25, 2005.

MAGELLAN PETROLEUM CORPORATION
By: /s/ Daniel J. Samela

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

Know all men by these presents, that each person whose signature appears below constitutes and appoints Daniel J. Samela and Edward B. Whittemore (with full power to each of them to act alone) as his or her true and lawful attorney-in-fact and agent, with full power of substitution, for him or her and in his or her name, place and stead in any and all capacities to sign any or all amendments or post-effective amendments to this registration statement, including post-effective amendments filed pursuant to Rule 462(b) of the Securities Act, and to file the same with all exhibits thereto and other documents in connection therewith, with the SEC, to sign any and all applications, registration statements, notices or other documents necessary or advisable to comply with the applicable state securities laws, and to file the same, together with all other documents in connection therewith, with the appropriate state securities authorities, granting unto said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, thereby ratifying and confirming all that said attorney-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

/s/	Daniel J. Samela	President, Chief Executive Officer	
	Daniel J. Samela	and Chief Financial Officer	October 25, 2005
/s/	Donald V. Basso		
		Director	October 25, 2005
	Donald V. Basso		
/s/	Timothy L. Largay		
	Timothy L. Largay	Director	October 25, 2005
/s/	Walter McCann		
	Walter McCann	Director	October 25, 2005
/s/	Ronald P. Pettirossi		

Ronald P. Pettirossi	Director	October 25, 2005

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EXHIBIT INDEX

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