

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(Mark one)

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

For the quarterly period ended September 30, 1996

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

For the transition period from _____ to _____

Commission file number 1-5507

MAGELLAN PETROLEUM CORPORATION

.....
(Exact name of registrant as specified in its charter)

DELAWARE 06-0842255

.....
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

149 Durham Road, Madison, Connecticut 06443

.....
(Address of principal executive offices) (Zip Code)

203-245-7664

.....
(Registrant's telephone number, including area code)

.....
(Former name, former address and former fiscal year,
if changed since last report)

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

The number of shares outstanding of the issuer's single class of common
stock as of November 1, 1996 was 24,691,245.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MAGELLAN PETROLEUM CORPORATION

CONSOLIDATED BALANCE SHEET
(unaudited)

<TABLE>
<CAPTION>

| | September 30, 1996 | June 30, 1996 |
|-----------------------------|-----------------------|------------------|
| ASSETS | | |
| <S> | <C> | <C> |
| Current assets: | | |
| Cash and cash equivalents | \$14,119,248 | \$ 11,278,957 |
| U. S. Government securities | 946,946 | - |

| | | |
|---|--------------|--------------|
| Accounts receivable | 1,878,602 | 2,496,085 |
| Reimbursable development costs | 50,086 | 237,112 |
| Inventories | 328,528 | 371,925 |
| | ----- | ----- |
| Total current assets | 17,323,410 | 14,384,079 |
| | ----- | ----- |
| Property and equipment: | | |
| Oil and gas properties (full cost method) | 66,715,933 | 65,621,151 |
| Land, buildings and equipment | 2,250,681 | 2,328,174 |
| Field equipment | 1,495,952 | 1,621,561 |
| | ----- | ----- |
| | 70,462,566 | 69,570,886 |
| Less accumulated depletion, depreciation and amortization | (26,840,375) | (26,053,222) |
| | ----- | ----- |
| Net property and equipment | 43,622,191 | 43,517,664 |
| | ----- | ----- |
| Other assets | 522,334 | 519,759 |
| | ----- | ----- |
| | \$61,467,935 | \$58,421,502 |
| | ===== | ===== |
| LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$2,153,048 | \$ 1,504,167 |
| Accrued liabilities | 998,972 | 1,041,372 |
| Income tax payable | 1,990,627 | 1,980,817 |
| | ----- | ----- |
| Total current liabilities | 5,142,647 | 4,526,356 |
| | ----- | ----- |
| Long term liabilities: | | |
| Deferred income taxes | 9,867,832 | 9,054,117 |
| Reserve for future restoration costs | 3,922,238 | 3,902,909 |
| | ----- | ----- |
| | 13,790,070 | 12,957,026 |
| | ----- | ----- |
| Minority interests: | 19,862,245 | 18,966,281 |
| | ----- | ----- |
| Stockholders' equity: | | |
| Common stock, par value \$.01 per share: | | |
| Authorized 50,000,000 shares | | |
| Outstanding 24,691,245 shares | 246,912 | 246,912 |
| Capital in excess of par value | 43,244,901 | 43,244,901 |
| | ----- | ----- |
| | 43,491,813 | 43,491,813 |
| Deficit | (18,175,040) | (18,735,378) |
| Foreign currency translation adjustments | (2,643,800) | (2,784,596) |
| | ----- | ----- |
| Total stockholders' equity | 22,672,973 | 21,971,839 |
| | ----- | ----- |
| | \$61,467,935 | \$58,421,502 |
| | ===== | ===== |

</TABLE>

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MAGELLAN PETROLEUM CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS

(unaudited)

<TABLE>
<CAPTION>

Three months ended
September 30,

| | --- | |
|---|-------------|--------------|
| | 1996 | 1995 |
| <S> | <C> | <C> |
| Revenues: | | |
| Oil sales | \$1,758,328 | \$ 1,310,237 |
| Gas sales | 2,770,943 | 2,144,888 |
| Other production related revenues | 356,719 | 310,754 |
| Interest income | 223,936 | 168,897 |
| | ----- | ----- |
| | 5,109,926 | 3,934,776 |
| | ----- | ----- |
| Costs and expenses: | | |
| Production costs | 1,284,818 | 1,058,777 |
| Salaries and employee benefits | 433,376 | 452,782 |
| Depletion, depreciation and amortization | 865,885 | 696,839 |
| Auditing, accounting and legal services | 194,049 | 213,087 |
| Shareholder communications | 19,036 | 27,850 |
| Other | 213,916 | 293,287 |
| Interest | 7,882 | 5,774 |
| | ----- | ----- |
| | 3,018,962 | 2,748,396 |
| | ----- | ----- |
| Income before income taxes and minority interests | 2,090,964 | 1,186,380 |
| Income tax provision | 768,459 | 448,133 |
| | ----- | ----- |
| Income before minority interests | 1,322,505 | 738,247 |
| Minority interests | 762,167 | 465,738 |
| | ----- | ----- |
| Net income | \$ 560,338 | \$ 272,509 |
| | ===== | ===== |
| | | |
| Average number of shares outstanding | 24,691,245 | 24,547,495 |
| | ===== | ===== |
| | | |
| Net income per share | \$.02 | \$.01 |
| | ===== | ===== |

</TABLE>

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(unaudited)

<TABLE>

<CAPTION>

| | Number | Capital in | | Accumulated | | |
|----------------------------------|------------|------------|--------------|----------------|---------------|--------------|
| | of shares | Common | excess of | Deficit | translation | Total |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| June 30, 1996 | 24,691,245 | \$246,912 | \$43,244,901 | \$(18,735,378) | \$(2,784,596) | \$21,971,839 |
| Net income | - | - | 560,338 | - | 560,338 | |
| Currency translation adjustments | - | - | - | 140,796 | 140,796 | |
| | ----- | ----- | ----- | ----- | ----- | |
| September 30, 1996 | 24,548,745 | \$246,912 | \$43,244,901 | \$(18,175,040) | \$(2,643,800) | \$22,672,973 |
| | ===== | ===== | ===== | ===== | ===== | |

</TABLE>

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MAGELLAN PETROLEUM CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited)

<TABLE>
<CAPTION>

| | Three months ended September 30, | |
|--|-------------------------------------|--------------|
| | 1996 | 1995 |
| <S> | <C> | <C> |
| Operating Activities: | | |
| Net income | \$ 560,338 | \$ 272,509 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depletion, depreciation and amortization | 865,885 | 696,839 |
| Deferred income taxes | 813,715 | 809,843 |
| Minority interests | 762,167 | 686,804 |
| Increase (decrease) in operating assets and liabilities: | | |
| Accounts receivable | 636,238 | (513,032) |
| Reimbursable development costs | 188,382 | (112,632) |
| Other assets | 2,344 | (19,949) |
| Inventories | 46,703 | (38,577) |
| Accounts payable and accrued liabilities | 632,771 | 494,445 |
| Net cash provided by operating activities | 4,508,543 | 2,276,250 |
| Investing Activities: | | |
| Purchase of U.S. Government securities | (946,946) | - |
| Net additions to property and equipment | (765,981) | (2,532,666) |
| Net cash used in investing activities | (1,712,927) | (2,532,666) |
| Financing Activities: | | |
| Exercise of MPC stock options and stock issued | - | 3,750 |
| Net cash provided in financing activities | - | 3,750 |
| Effect of exchange rate changes on cash and cash equivalents | 44,675 | 237,855 |
| Net increase (decrease) in cash and cash equivalents | 2,840,291 | (14,811) |
| Cash and cash equivalents at beginning of year | 11,278,957 | 8,982,582 |
| Cash and cash equivalents at end of period | \$14,119,248 | \$ 8,967,771 |

</TABLE>

PART I - FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

September 30, 1996

Item 1. Financial Statements - Notes

The information for the three month period ended September 30, 1996 and 1995, is unaudited but includes all adjustments which the Company considers necessary for a fair presentation of the results of operations for those periods. All adjustments are of a normal recurring nature. The consolidated financial statements include the Company's 50.7% owned subsidiary, Magellan Petroleum Australia Limited ("MPAL").

Item 2. Management's Discussion and Analysis of Financial Condition and

Results of Operations

Liquidity and Capital Resources

Consolidated

At September 30, 1996, the Company on a consolidated basis had approximately 14,119,000 of cash and cash equivalents. A summary of the major changes in cash items during the period is as follows:

| | |
|--|--------------|
| Cash and cash equivalents at beginning of period | \$11,279,000 |
| Cash provided by operations | 4,509,000 |
| Net additions to property and equipment | (766,000) |
| Purchase of U.S. Government securities | (947,000) |
| Other | 44,000) |
| | ----- |
| Cash and cash equivalents at end of period | \$14,119,000 |

As to the Company (unconsolidated)

At September 30, 1996, Magellan Petroleum Corporation ("MPC"), on an unconsolidated basis, had working capital of approximately \$1,953,000. MPC's normal annual operating budget is approximately \$700,000 and its current cash position and its future dividends from MPAL should be adequate to meet its current cash requirements. During fiscal 1997, MPC has budgeted approximately \$350,000 for oil and gas exploration. MPC also has available a \$1.5 million bank line of credit. MPC has in the past invested and may in the future invest substantial portions of its available funds to maintain its majority interest in MPAL.

During September 1996, MPAL announced that its Board of Directors had recommended a dividend of A\$.10 per share. MPC's share of this dividend is approximately \$1,775,000 less Australian withholding taxes of \$266,000. The net proceeds of \$1,509,000 will be added to MPC's working capital. The dividend was approved at MPAL's Annual General Meeting held on October 31, 1996 and is payable on November 26, 1996.

PART I - FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

September 30, 1996

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Cont'd)

As to MPAL

At September 30, 1996, MPAL had working capital of approximately \$10,228,000. MPAL has budgeted approximately \$5.6 million for exploration in fiscal 1997 in comparison to the \$2.9 million incurred during fiscal 1996. MPAL expects to fund its exploration and development costs through its cash flow from Australian operations, and if necessary, any additional requirements from its A.\$10 million bank line of credit.

Results of Operations

Three month period ended September 30, 1996 vs. September 30, 1995.

The Company had consolidated net income of \$560,338 for the three month period ended September 30, 1996 compared to net income of \$272,509 for the comparable 1995 period. The components of consolidated net income for the comparable periods were as follows:

| | Three month period ended September 30, 1996 | 1995 |
|--------------------------------|---|-------------|
| MPC unconsolidated pretax loss | \$(219,957) | \$(205,654) |

| | | |
|------------------------------------|------------|------------|
| MPC income tax | (2,206) | - |
| Share of MPAL pretax income | 1,170,671 | 705,127 |
| Share of MPAL income tax provision | (388,170) | (226,964) |
| Consolidated net income | \$ 560,338 | \$ 272,509 |
| Net income per share | \$.02 | \$.01 |

PART I FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

September 30, 1996

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Cont'd)

Revenues

Oil sales increased by 34% in the current quarter increased because of a 17% increase in oil prices and because of a 13% increase in the number of units sold. The average value of the Australian dollar also increased 6% during the 1996 period. Oil unit sales in barrels ("bbls") and the average price per barrel sold during the periods indicated were as follows:

<TABLE>
<CAPTION>

| | Three month period ended September 30, | | | |
|--------------------|--|-----------------------|------------|-----------------------|
| | 1996 Sales | | 1995 Sales | |
| | bbls | Average price per bbl | bbls | Average price per bbl |
| <S> | <C> | <C> | <C> | <C> |
| Australia-Mereenie | 98,927 | A.\$25.75 | 87,750 | A.\$22.01 |

Gas sales increased 29% with a 7% increase in the volumes of gas sold and price increases as shown below. The average value of the Australian dollar also increased 6% during the 1996 period. Total gas volumes are expected to continue at least at current levels in the short term. The volumes in billion cubic feet ("bcf"), (before deducting royalties) and the average price of gas per thousand cubic feet ("mcf") sold during the periods indicated were as follows:

<TABLE>
<CAPTION>

| | Three month period ended September 30, | | | |
|------------------------|--|-----------------------|------------|-----------------------|
| | 1996 Sales | | 1995 Sales | |
| | bcf | Average price per mcf | bcf | Average price per mcf |
| <S> | <C> | <C> | <C> | <C> |
| Australia: | | | | |
| Palm Valley | | | | |
| Alice Springs contract | .232 | A.\$2.94 | .247 | A.\$2.85 |
| Darwin contract | .377 | A.\$2.02 | .653 | A.\$2.00 |
| Mereenie: | | | | |
| Darwin contact | .626 | A.\$2.17 | .400 | A.\$1.85 |
| Other | .338 | A.\$2.69 | .168 | A.\$2.62 |
| Total | 1.573 | | 1.468 | |

</TABLE>

PART I - FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

September 30, 1996

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Cont'd)

Other production related revenues increased 15% to \$357,000 in 1996 compared to 311,000 in 1995. The primary reason for the increase is that MPAL's share of gas pipeline tariffs increased during the 1996 period.

Interest increased 33% in 1996. The increase from \$169,000 in 1995 to \$224,000 in 1996 results from the combination of additional funds available for investment and higher interest rates.

Costs and Expenses

Production costs increased 21%. The increase relates to an increase in costs at Mereenie because of the current work program to increase production.

Depreciation, depletion and amortization increased 24% in 1996. The increase reflects the increase in the number of units sold.

Shareholder communications decreased 32% from \$28,000 in 1995 to \$19,000 in 1996 because of cost saving efforts.

Other costs decreased 27% from \$293,000 in 1995 to \$214,000 in 1996. The primary reason for the decrease is a reduction in the amount paid to consultants in the 1996 period.

PART I - FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

September 30, 1996

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Cont'd)

Income Taxes

A reconciliation of the income tax provisions (in thousands) for the periods is as follows:

| | Three month period ended September 30, | |
|----------------------------------|---|---------|
| | 1996 | 1995 |
| Pretax consolidated income | \$2,091 | \$1,186 |
| Losses not recognized: | | |
| MPC's U.S. operations | 220 | 206 |
| MPAL's non Australian operations | 339 | 224 |
| Permanent differences | (522) | (372) |
| Book taxable income | \$2,128 | \$1,244 |
| Australian tax rate | 36% | 36% |
| Australian tax provision | 766 | 448 |
| U.S. tax provision | 2 | - |

| | | |
|-----------------------------------|-------------------------|-------------------------|
| Consolidated income tax provision | ----- \$768 ===== | ----- \$448 ===== |
|-----------------------------------|-------------------------|-------------------------|

Exchange Effect

The value of the Australian dollar relative to the U.S. dollar increased to \$.7914 at September 30, 1996 compared to a value of \$.7875 at June 30, 1996. This resulted in a \$141,000 credit to the foreign currency translation adjustments account for the three month period ended September 30, 1996. The .5% increase in the value of the Australian dollar increased the reported asset and liability amounts in the balance at September 30, 1996 from the June 30, 1996 amounts. The average exchange rate used to translate MPAL's operations in Australia was \$.7887 for the quarter ended September 30, 1996, which is a 6% increase compared to the \$.7411 rate for the quarter ended September 30, 1995.

PART II - FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

September 30, 1996

Item 5. Other Information.

The Company expects that a drilling rig will be on location in Belize, C.A. to begin drilling an exploration well in the Gladden Basin by mid December 1996.

Item 6. Exhibits and Reports on Form 8-K

On September 24, 1996, the Company filed a Current Report on Form 8-K to announce the date, time and place of the Annual Meeting of Stockholders for fiscal year 1996.

SIGNATURES

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

MAGELLAN PETROLEUM CORPORATION
Registrant

Date: November 12, 1996 By /s/ James R. Joyce
James R. Joyce, President and
Chief Financial and Accounting Officer

<TABLE> <S> <C>

| | |
|------------------------------|--------------|
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| <CURRENCY> | U.S. Dollars |
| <S> | <C> |
| <PERIOD-TYPE> | 3-MOS |
| <FISCAL-YEAR-END> | Jun-30-1996 |
| <PERIOD-START> | Jul-01-1996 |
| <PERIOD-END> | SEP-30-1996 |
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