

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 December 31, 1996  
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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 February 1, 1997 was 24,851,245.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MAGELLAN PETROLEUM CORPORATION

CONSOLIDATED BALANCE SHEET  
(unaudited)

<TABLE>  
<CAPTION>

	December 31, 1996	June 30, 1996
ASSETS		
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 10,810,324	\$ 11,278,957

U. S. Government securities	946,946	-
Accounts receivable	3,406,474	2,496,085
Reimbursable development costs	270,379	237,112
Inventories	385,314	371,925
	-----	-----
Total current assets	15,819,437	14,384,079
	-----	-----
Property and equipment:		
Oil and gas properties (full cost method)	68,566,080	65,621,151
Land, buildings and equipment	1,979,644	2,328,174
Field equipment	1,501,029	1,621,561
	-----	-----
	72,046,753	69,570,886
Less accumulated depletion, depreciation and amortization	(27,701,207)	(26,053,222)
	-----	-----
Net property and equipment	44,345,546	43,517,664
	-----	-----
Other assets	524,512	519,759
	-----	-----
	\$ 60,689,495	\$58,421,502
	=====	=====
LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,382,052	\$ 1,504,167
Accrued liabilities	966,658	1,041,372
Income tax payable	-	1,980,817
	-----	-----
Total current liabilities	3,348,710	4,526,356
	-----	-----
Long term liabilities:		
Deferred income taxes	10,858,704	9,054,117
Reserve for future restoration costs	3,938,593	3,902,909
	-----	-----
	14,797,297	12,957,026
	-----	-----
Minority interests:	19,127,548	18,966,281
	-----	-----
Stockholders' equity:		
Common stock, par value \$.01 per share:		
Authorized 50,000,000 shares		
Outstanding 24,851,245 and 24,691,245 shares	248,512	246,912
Capital in excess of par value	43,410,176	43,244,901
	-----	-----
	43,658,688	43,491,813
Deficit	(17,752,736)	(18,735,378)
Foreign currency translation adjustments	(2,490,012)	(2,784,596)
	-----	-----
Total stockholders' equity	23,415,940	21,971,839
	-----	-----
	\$60,689,495	\$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

Six months ended

	December 31,		December 31,	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
<b>Revenues:</b>				
Oil sales	\$1,878,147	\$1,538,373	\$ 3,636,475	\$ 2,848,610
Gas sales	2,940,415	2,528,475	5,711,358	4,673,363
Other production related revenues		412,836	429,334	769,555
Interest income	226,643	152,955	450,579	321,852
	5,458,041	4,649,137	10,567,967	8,583,913
<b>Costs and expenses:</b>				
Production costs	1,110,618	1,003,683	2,395,436	2,062,460
Salaries and employee benefits		505,041	464,750	938,417
Depletion, depreciation and amortization	948,214	799,056	1,814,099	1,495,895
Auditing, accounting and legal services	57,374	224,888	251,423	437,975
Shareholder communications		115,149	101,862	134,185
Other	155,751	325,201	369,667	618,488
Interest	22,953	9,524	30,835	15,298
	2,915,100	2,928,964	5,934,062	5,677,360
Income before income taxes and minority interests		2,542,941	1,720,173	4,633,905
Income tax provision		1,226,503	1,003,712	1,994,962
Income before minority interests		1,316,438	716,461	2,638,943
Minority interests		894,134	591,067	1,056,805
Net income	\$ 422,304	\$ 125,394	\$ 982,642	\$ 397,903
Average number of shares outstanding		24,747,370	24,563,745	24,723,316
Net income per share		\$ .02	\$ .01	\$ .04

</TABLE>

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
(unaudited)

<TABLE>  
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	Number of shares	Capital in Common stock	excess of par value	Accumulated Deficit	translation adjustments	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	-	-	982,642	-	982,642	
Currency translation adjustments	-	-	-	294,584	294,584	
Exercise of stock options	160,000	1,600	165,275	-	-	166,875
December 31, 1996	24,851,245	\$248,512	\$43,410,176	\$(17,752,736)	\$(2,490,012)	\$23,415,940

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MAGELLAN PETROLEUM CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS  
(unaudited)

<TABLE>  
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	Six months ended December 31,	
	1996	1995
<S>	<C>	<C>
Operating Activities:		
Net income	\$ 982,642	\$ 397,903
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion, depreciation and amortization	1,814,099	1,495,895
Deferred income taxes	1,804,587	1,028,818
Minority interests	1,656,301	1,650,070
Increase (decrease) in operating assets and liabilities:		
Accounts receivable	(872,979)	(122,798)
Reimbursable development costs	(29,789)	(13,816)
Other assets	2,404	(10,564)
Inventories	(8,199)	(50,701)
Income tax payable	1,998,927	-
Accounts payable and accrued liabilities	842,555	402,772
Net cash provided by operating activities	4,192,694	4,777,579
Investing Activities:		
Purchase of U.S. Government securities	(946,946)	-
Net additions to property and equipment	(2,246,740)	(3,283,148)
Net cash used in investing activities	(3,193,686)	(3,283,148)
Financing Activities:		
Dividends to MPAL minority shareholders	(1,778,622)	(1,619,104)
Exercise of MPC stock options	(166,875)	18,750
Net cash used in financing activities	(1,611,747)	(1,600,354)
Effect of exchange rate changes on cash and cash equivalents	144,106	108,200
Net increase in cash and cash equivalents	(468,633)	2,277
Cash and cash equivalents at beginning of year	11,278,957	8,982,582
Cash and cash equivalents at end of period	\$10,810,324	\$ 8,984,859

</TABLE>

PART I - FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

December 31, 1996

Item 1. Financial Statements - Notes

The information for the three and six month periods ended December 31, 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 December 31, 1996, the Company on a consolidated basis had approximately \$10,810,000 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	4,193,000
Net additions to property and equipment	(2,247,000)
Purchase of U.S. Government securities	(947,000)
Dividends paid to MPAL minority shareholders	(1,779,000)
Other	311,000
	-----
Cash and cash equivalents at end of period	<u><u>\$10,810,000</u></u>

#### As to the Company (unconsolidated)

At December 31, 1996, Magellan Petroleum Corporation ("MPC"), on an unconsolidated basis, had working capital of approximately \$3,271,000. 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 November 1996, MPC received a dividend of \$1,826,000 less \$274,000 of Australian withholding taxes. The net proceeds of \$1,552,000 were added to MPC's working capital.

## 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 December 31, 1996, MPAL had working capital of approximately \$9,200,000. 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 December 31, 1996 vs. December 31, 1995.

The Company had consolidated net income of \$422,304 for the three month period ended December 31, 1996 compared to net income of \$125,394 for the comparable 1995 period. The components of consolidated net income for the comparable periods were as follows:

	Three month period ended	
	December 31,	
	1996	1995
	-----	-----
MPC unconsolidated pretax loss	\$(221,774)	\$(231,956)
MPC income tax	(273,911)	(249,486)

Share of MPAL pretax income	1,400,555	988,966
Share of MPAL income tax provision	(482,566)	(382,130)
Consolidated net income	\$ 422,304	\$ 125,394
Net income per share	\$.02	\$.01

PART I FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

December 31, 1996

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

Revenues

Oil sales increased by 22% in the current quarter because of a 28% increase in oil prices, notwithstanding an 8% decrease in the number of units sold. The average value of the Australian dollar also increased 7% 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 December 31,			
	1996 Sales		1995 Sales	
	bbls	Average price per bbl	bbls	Average price per bbl
<S>	<C>	<C>	<C>	<C>
Australia-Mereenie	90,799	A.\$29.86	98,182	A.\$23.42

Gas sales increased 16% with a 6% increase in the volumes of gas sold and price increases as shown below. The average value of the Australian dollar also increased 7% 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 December 31,			
	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	.284	A.\$2.95	.288	A.\$2.89
Darwin contract	.635	A.\$2.02	.616	A.\$2.01
Mereenie:				
Darwin contact	.523	A.\$1.99	.499	A.\$1.94
Other	.300	A.\$2.72	.240	A.\$2.65
Total	1.742		1.643	

</TABLE>

MAGELLAN PETROLEUM CORPORATION

December 31, 1996

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

Interest income increased 48% in 1996. The increase from \$153,000 in 1995 to \$227,000 in 1996 results from the additional funds available for investment.

Costs and Expenses

Production costs increased 11% from \$1,004,000 in 1995 to \$1,111,000 in 1996. The increase relates to an increase in costs at Mereenie because of the current work program to increase production and the 7% increase in the value of the Australian dollar.

Salaries and employee benefits increased 9% from \$465,000 in 1995 to \$505,000 in 1996. The increase is primarily the effect of the 7% increase in the Australian exchange rate used to translate the results for the periods.

Depreciation, depletion and amortization increased 19% in 1996 to \$948,000 compared to \$799,000 in 1995. The increase reflects an increase in capitalized exploration costs and the 7% increase in the value of the Australian dollar.

Auditing, accounting and legal services decreased 74% from \$225,000 in 1995 to \$57,000 in 1996. The 1996 period includes a credit of \$67,000 for certain legal costs recovered by MPAL in settlement of a 1994 Sagasco tender offer dispute. In addition, the 1995 period included various non-recurring legal disputes and activities which have now been favorably settled.

Shareholder communications increased 13% from \$102,000 in 1995 to \$115,000 in 1996 because of increased printing and mailing costs.

Other costs decreased 52% from \$325,000 in 1995 to \$156,000 in 1996. The primary reason for the decrease is a reduction in the 1996 amounts paid to consultants, and a decrease in 1996 travel costs.

PART I - FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

December 31, 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 December 31,	
	1996	1995
Pretax consolidated income	----	----
	\$2,543	\$1,721
Losses not recognized:		
MPC's U.S. operations	222	232
MPAL's non Australian operations	442	274
Permanent differences	(560)	(129)
	-----	-----
Book taxable income	\$2,647	\$2,098
	=====	=====

Australian tax rate	36%	36%
Australian tax provision	953	755
U.S. tax provision	274	249
Consolidated income tax provision	\$1,227	\$1,004

#### Exchange Effect

The value of the Australian dollar relative to the U.S. dollar increased to \$.7947 at December 31, 1996 compared to a value of \$.7914 at September 30, 1996. This resulted in a \$154,000 credit to the foreign currency translation adjustments account for the three month period ended December 31, 1996. The average exchange rate used to translate MPAL's operations in Australia was \$.7971 for the quarter ended December 31, 1996, which is a 7% increase compared to the \$.7480 rate for the quarter ended December 31, 1995.

## PART I - FINANCIAL INFORMATION

### MAGELLAN PETROLEUM CORPORATION

December 31, 1996

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

Six month period ended December 31, 1996 vs. December 31, 1995.

The Company had consolidated net income of \$982,642 for the six month period ended December 31, 1996 compared to net income of \$397,902 for the comparable 1995 period. The components of consolidated net income for the comparable periods were as follows:

	Six month period ended December 31,	
	1996	1995
MPC unconsolidated pretax loss	\$(441,731)	\$(437,610)
MPC income tax	(276,117)	(249,486)
Share of MPAL pretax income	2,571,226	1,694,092
Share of MPAL income tax provision	(870,736)	(609,094)
Consolidated net income	\$982,642	\$ 397,902
Net income per share	\$.04	\$.02

#### Revenues

Oil sales increased by 28% in the current quarter increased because of a 22% increase in oil prices and a 2% 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>

	Six month period ended December 31,			
	1996 Sales		1995 Sales	
	bbls	Average price per bbl	bbls	Average price per bbl
<S>	<C>	<C>	<C>	<C>

Australia-Mereenie	189,726	A.\$27.72	185,932	A.\$22.76
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PART I FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

December 31, 1996

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

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>

	Six month period ended December 31,			
	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	.515	A.\$2.95	.535	A.\$2.87
Darwin contract	1.012	A.\$2.02	1.268	A.\$2.01
Mereenie:				
Darwin contract	1.150	A.\$2.09	.899	A.\$1.90
Other	.638	A.\$2.71	.409	A.\$2.64
	----		----	
Total	3.315		3.111	
	=====		=====	

</TABLE>

Interest income increased 40% in 1996. The increase from \$322,000 in 1995 to \$451,000 in 1996 results from the combination of additional funds available for investment and higher interest rates.

Costs and Expenses

Production costs increased 16% from \$2,062,000 in 1995 to \$2,395,000 in 1996. The increase relates to an increase in costs at Mereenie because of the current work program to increase production and a 6% increase in the value of the Australian dollar.

PART I - FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

December 31, 1996

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

Depreciation, depletion and amortization increased 24% in 1996 to \$1,814,000 from \$1,496,000 in 1995. The increase reflects the increase in the number of units sold, an increase in capitalized exploration costs and a 6% increase in the value of the Australian dollar.

Auditing, accounting and legal services decreased 43% from \$438,000 in 1995 to \$251,000 in 1996. The 1996 period includes a credit of \$67,000 for certain legal costs recovered by MPAL in settlement of a 1994 Sagasco tender offer dispute. In addition, the 1995 period included various non-recurring legal disputes and activities which have now been favorably settled.

Other costs decreased 40% from \$618,000 in 1995 to \$370,000 in 1996. The primary reason for the decrease is a reduction in the 1996 amounts paid to consultants and a decrease in 1996 travel expenses.

#### Income Taxes

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

	Six month period ended December 31,	
	1996	1995
	----	----
Pretax consolidated income	\$4,634	\$2,907
Losses not recognized:		
MPC's U.S. operations	442	438
MPAL's non Australian operations	781	498
Permanent differences	(1,082)	(501)
	-----	-----
Book taxable income	\$4,775	\$3,342
	=====	=====
Australian tax rate	36%	36%
	===	===
Australian tax provision	1,719	1,203
U.S. tax provision	276	249
	-----	-----
Consolidated income tax provision	\$1,995	\$1,452
	=====	=====

## PART I - FINANCIAL INFORMATION

### MAGELLAN PETROLEUM CORPORATION

December 31, 1996

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

##### Exchange Effect

The value of the Australian dollar relative to the U.S. dollar increased to \$.7947 at December 31, 1996 compared to a value of \$.7875 at June 30, 1996. This resulted in a \$295,000 credit to the foreign currency translation adjustments account for the six month period ended December 31, 1996. The 1% increase in the value of the Australian dollar increased the reported asset and liability amounts in the balance at December 31, 1996 from the June 30, 1996 amounts. The average exchange rate used to translate MPAL's operations in Australia was \$.7920 for the quarter ended December 31, 1996, which is a 6% increase compared to the \$.7445 rate for the quarter ended December 31, 1995.

## PART II - FINANCIAL INFORMATION

### MAGELLAN PETROLEUM CORPORATION

December 31, 1996

Item 4. Submission of Matters to a Vote of Security Holders.

(a) On December 10, 1996, the Company held its Annual General Meeting of Stockholders for the year ended June 30, 1996.

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

<TABLE>  
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	Shares		Stockholders		
	For	Withheld	For	Withheld	
<S>	<C>	<C>	<C>	<C>	
James R. Joyce	19,924,623	694,299	3,405	361	
Timothy L. Largay	19,928,766	690,156	3,440	326	

(c) The firm of Ernst & Young LLP, was appointed as the Company's independent auditors for the year ending December 31, 1996. The vote was as follows:

	Shares	Stockholders
	20,126,213	3,529
Against	316,526	114
Abstain	176,183	123

Item 5. Other Information.

On January 29, 1997, the Company reported that the Gladden No. 1 wildcat well offshore Belize, CA was plugged and abandoned. The well reached its planned depth of 8,000 feet with no indications of commercially recoverable hydrocarbons. The drilling data will be studied to assess possible additional activity on the permit. After the evaluation is completed, the Company will determine the appropriate carrying value of the investment.

Item 6. Exhibits and Reports on Form 8-K

None.

SIGNATURES

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

MAGELLAN PETROLEUM CORPORATION  
Registrant

Date: February 11, 1997 By /s/ James R. Joyce  
James R. Joyce, President and  
Chief Financial and Accounting Officer

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