FORM 10-K
United States
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended June 30, 1997

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

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 incorporation or organization	(I.R.S. Employer Identification No.)
149 Durham Road, Madison, Connecticut	06443
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (203) 245-8380

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock par value $.01 per share	Boston Stock Exchange
	Pacific Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

NONE
(Title of Class)

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.
|X| Yes |_| No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K ss.229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this From 10-K or any amendment to this Form 10-K |X|

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was $94,273,000 at September 2, 1997 (based on the last sale price of such stock as quoted on the Pacific Stock Exchange).

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

Common Stock, par value $.01 per share, 24,851,245 shares outstanding as of September 2, 1997.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement related to the Annual Meeting of Stockholders for the fiscal year ended June 30, 1997, are incorporated by reference in Part III of this Form 10-K to the extent stated herein.

TABLE OF CONTENTS

Unless otherwise indicated, all dollar figures set forth herein are in United States currency. Amounts expressed in Australian currency are indicated as "A.$00". The exchange rate at September 2, 1997 was approximately A.$1.00 equaled U.S.$.73.

PART I

Item 1. Business.

Magellan Petroleum Corporation (the "Company" or "MPC") is engaged, directly and through its majority-owned subsidiary, in the sale of oil and gas and the exploration for and development of oil and gas reserves. At June 30, 1997, the Company's principal asset was a 50.7% equity interest in its subsidiary, Magellan Petroleum Australia Limited ("MPAL"), which has one class of stock that is publicly held and traded in Australia.

MPAL owns interests in various oil and gas properties in Australia, the United States and Belize, Central America. MPAL's major Australian assets are two petroleum production leases covering the Mereenie oil and gas field (35% working interest) and one petroleum production lease covering the Palm Valley gas field (50.775% working interest). Both fields are located in the Amadeus Basin in the Northern Territory of Australia ("NTA"). Santos Ltd. ("Santos"), an Australian company, which owns a 48% interest in the Palm Valley field and a 65% interest in the Mereenie field, also owns 18.2% of MPAL's outstanding stock. Boral Limited, an Australian company, held a 17.2% interest in MPAL's outstanding stock at June 30, 1997.

In Canada, the Company has a direct 2.67% carried interest in the Kotaneelee gas field in the Yukon Territory of Canada. The Company has not received any revenues from this field to date. See Item 3 - Legal Proceedings. In addition, the Company also has a 2 1/2% working interest in the Belize Joint Venture in which MPAL has a 20% working interest.

The following chart illustrates the various relationships between the Company and the various companies discussed above.

The following graphic presentation has been omitted, but the following is a tabular presentation of the omitted material:

MPC - MPAL RELATIONSHIPS CHART

MPC owns 50.7% of MPAL.
MPAL owns 50.8% of the Palm Valley Field, Australia.
MPAL owns 35% of the Mereenie Field, Australia.
BORAL owns 17.2% of MPAL.
SANTOS owns 18.2% of MPAL.
SANTOS owns 48% of the Palm Valley Field, Australia.
SANTOS owns 65% of the Mereenie Field, Australia.

(a) General Development of Business.

The Company was incorporated in 1957 under the laws of Panama and was reorganized under the laws of Delaware in 1967.

Operational Developments Since the Beginning
of the Last Fiscal Year.

AUSTRALIA

Mereenie

Field Operations

MPAL (35%) and Santos (65%), the operator, (together known as the Mereenie Joint Venture or "MJV") own the Mereenie field which is located in the Amadeus Basin of the NTA. MPAL's share of production from the field is subject to net overriding royalties aggregating 3.0625% and the statutory government royalty of 10%. MPAL's share of the Mereenie field proved developed oil reserves was approximately 1.1 million barrels at June 30, 1997.

The field was producing about 2,400 (MPAL share 840) barrels of crude oil per day ("bpd") from 34 wells at June 30, 1997. During 1997, MPAL's share of oil sales was 353,000 barrels and 3.3 billion cubic feet ("bcf") of gas sold. The oil is transported by means of a 167 mile eight-inch oil pipeline from the field to the Brewer Estate industrial park near Alice Springs. Most of the oil is then shipped south approximately 950 miles by rail and road to a refinery in the Adelaide area. The cost of transporting the oil to the refinery is being borne by the producers.

The MJV is also providing Mereenie gas to the Power and Water Authority ("PAWA") of the NTA for use in Darwin and other NTA centers. See "Gas Supply Contracts".

During 1997, the MJV committed 57.7 bcf of gas to PAWA over a 10 year period. In addition, the MJV has also committed 17 bcf of gas over a 6 year period to the Pegasus gold mining operation at MT Todd in the NTA. It is expected that both agreements will be concluded by fall 1997.

Palm Valley

Field Operations

MPAL has a 50.775% interest in the Palm Valley gas field which is located in the NTA. Ten wells have been drilled in the field, six of which are currently connected to the gas treatment plant and are flowed at maximum deliverability levels to meet the Alice Springs and Darwin supply contracts with PAWA. During fiscal 1997, MPAL's share of gas sales was 3.6 bcf.

The PVJV is providing Palm Valley gas for use in Darwin and other NTA centers. See "Gas Supply Contracts".

MPAL's share of Palm Valley production revenues is subject to a 10% statutory government royalty and net overriding royalties aggregating 4.2548%.

Gas Supply Contracts

In 1981, the PVJV commenced the sale of gas to Alice Springs. In 1985, MPAL signed an agreement as a participant in the PVJV and also signed an agreement as a participant in the MJV for the sale of gas to PAWA for use in PAWA'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 additional contracts for the sale of Mereenie Gas. The following is a summary of MPAL's interest in the Palm Valley Joint Venture and the Mereenie Joint Venture gas supply contracts:

<TABLE>
<CAPTION>

	Maximum contract (Before/after royalties) (bcf)		Take or pay (Before/after royalties) (bcf)		Percentage of contract completed		
					Maximum	Take or Pay	Contract Period
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Palm Valley:							
Alice Springs	24.4	21.0	14.2	12.3	45	59	25 years (1983-2008)

Darwin	88.9	76.6	68.0	58.6	37	49	25 years (1987-2012)
	-----	----	----	----			
	113.3	97.6	82.2	70.9			
	-----	----	----	----			
Mereenie:							
Darwin (1985)	19.6	17.0	14.0	12.2	40	57	25 years (1987-2012)
Darwin (1995)	7.5	6.5	6.0	5.2	51	63	10 years (1995-2005)
Darwin (1997)	20.2	17.6	16.3	14.1	-	-	10 years (1999-2009)
Pegasus - MT Todd	6.3	5.5	5.1	4.4	4	5	6 years (1997-2003)
Other	2.1	1.8	2.1	1.8	-	-	Various
	-----	-----	-----	-----			
	55.7	48.4	43.5	37.7			
	-----	-----	-----	-----			
Total	169.0	146.0	125.7	108.6			
	=====	=====	=====	=====			

</TABLE>

There is a difference in price between Palm Valley gas and Mereenie gas for the first 20 years of the 25 year contract 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.

In consideration for the PVJV forgoing 20% of the Amadeus Basin to Darwin gas supply contract during the first twenty contract years, the MJV made a payment to the PVJV to partially compensate the PVJV for the reduced net present value of the future gas sales revenues which were postponed from contract years 1 to 20 to contract years 21 to 26. The agreement also provides that if the MJV sells any additional gas from the Mereenie field, the PVJV is entitled, as additional consideration, to 35% of the revenues from the first 38 bcf (MPAL share - 19.5 bcf) of gas sold. At June 30, 1997, the balance of the MJV gas subject to this entitlement was 22 bcf (MPAL share - 11 bcf).

Dingo Gas Field

MPAL has a 34.26 percent interest in the Dingo gas field which is held under Retention License 2. The Dingo gas field, which is located in the Amadeus Basin in the NTA, has approximately 22 bcf of presently proved and recoverable reserves based on three production gas wells. The Dingo field participants have been negotiating for the sale of gas from the field. The current retention license required that a well be drilled by May, 1997 at an estimated cost of $2.7 million (MPAL share - $.9 million). An application to waive the drilling commitment has been filed and it is expected that the waiver will be granted. MPAL's share of potential production from these permit areas is subject to a 10% statutory government royalty and overriding royalties aggregating 2.5043%.

Ngalia Basin

MPAL has a 100% interest in permit EP-15 in the Ngalia basin in the NTA which covers 1.9 million acres. The minimum obligations of this permit total $.9 million for the period 1997-1999 including an obligation to drill a well by May 1998. Previously MPAL had held a permit in the Ngalia basin where a 6,000 foot wildcat well, Davis No. 1, was drilled in 1981. Although the well was abandoned as a dry hole, it did yield minor shows of natural gas. MPAL is actively seeking co-venturers in this project and expects that a well will be drilled before the end of 1997.

Northern Surat Basin

MPAL currently has a 15.625% working interest in the Burunga permit in Queensland (ATP 378P). During fiscal 1996, the Scotia No. 3 well was drilled to test for coal bed methane gas. During fiscal 1997, the gas well was fracture stimulated. The well is currently being flow tested. The project appears to be economic and future development is being considered.

Eastern Surat Basin

MPAL has earned a 10% interest in Block D of ATP 244P in Queensland by completing a pilot seismic reprocessing program and has an option to earn up to 75% by completing additional work. MPAL is currently reprocessing and interpreting the available seismic data and expects to drill a well in the first half of 1998.

Southern Surat Basin

MPAL has an option to earn 60% in ATP 626P in Queensland by drilling 3 wells. The Company is currently reprocessing 109 miles of existing seismic and has acquired 64 additional miles of seismic. MPAL's share of the project is estimated to be $2.2 million over the period 1997-1999, of which approximately $200,000 had been expended at June 30, 1997.

Timor Sea

MPAL is earning a 10% interest in WA-74-P offshore Western Australia by funding 20% of the cost of drilling the Schilling-1 well which began drilling on August 23, 1997 and as of September 15, 1997, was being plugged and abandoned. The 2.1 million acre block contains two potential prospects for drilling. The estimated cost of the Schilling-1 well which is approximately $8 million (MPAL share - $1.6 million) will be written off during the first quarter of fiscal 1998.

Maryborough Basin

MPAL is seeking partners for exploration permit ATP 613P, a 670,000 acre block, in the Maryborough Basin in Queensland, Australia. During fiscal 1996, seismic surveys were completed on the permit. Processing and analysis of the data has been completed. A well is expected to be drilled in 1998 at an estimated cost of $1.1.

UNITED STATES

Baca County, Colorado

MPC (10%) and MPAL (90%) participated in an exploration program in Colorado. During late April 1995, MPAL commenced an initial three well exploration drilling program. All three wells were dry holes. Based on the data derived from the appraisal program during fiscal 1995 and 1996, the Company wrote off $809,000 and $1,691,000 in costs, respectively. During fiscal 1997, the Company drilled a fourth well which was a dry hole and all of the remaining costs of project, which totaled $3,008,000, were written off. MPC has withdrawn from the venture and MPAL's interest is now 100%.

BELIZE

Gladden Basin PSA

During January 1996, MPAL acquired a 20% working interest in a Production Sharing Agreement ("Gladden PSA") which covers approximately 351,000 acres offshore Belize, Central America. On May 30, 1996, MPC acquired a 2 1/2% working interest in the Gladden PSA. The Gladden PSA expires on May 31, 2001. During 1997, the Gladden No. 1 well was plugged and abandoned and the Company's cost of the well, which totaled $2,655,000, was written off.

Block 13 PSA

MPC (2 1/2%) and MPAL (20%) are also participants in a Production Sharing Agreement ("Block 13 PSA") offshore Belize adjourning the western and southern boundaries of the Gladden PSA. The Block 13 PSA covers approximately 788,000 acres. The Block 13 PSA expires on January 31, 2004. The aggregate estimated cost for 1997 and 1998 is approximately $68,000 for MPAL and MPC.

CANADA

The Company owns a 2.67% carried interest in a lease (31,885 gross acres, 850 net acres) in the southeast Yukon Territory, Canada, which includes the Kotaneelee gas field. This partially developed field is connected to a major pipeline system. Three wells have been completed to date and are capable of an estimated output of in excess of 60 mmcfd, the capacity of the field dehydration plant. Present production is approximately 40-45 million cubic feet per day. Anderson Oil & Gas, Inc., ("Anderson") is the operator of the field.

Production at the Kotaneelee field commenced in February 1991. Total production from the field according to government reports, has been as follows:

Calendar Year	Production (bcf)
1991	8.1
1992	18.0
1993	17.5
1994	16.7
1995	15.7
1996	15.2
1997 (6 months)	7.1

In a 1989 application to the National Energy Board, a reserve study by the operator estimated gas in place at 1.6 trillion cubic feet with proved and probable recoverable reserves of 781 bcf.

The operator has not permitted the Company access to detailed pricing and volume information, citing the litigation regarding the field. See Item 3 - Legal Proceedings for a discussion of litigation relating to the Kotaneelee field which may affect the status of the carried interest and the amount of the carried interest account.

The Company is not entitled to any revenue from the field until the working interest owners recover their costs. The operator last reported to the Company unrecovered development costs totaling approximately Cdn. $16,170,000 (Company share - Cdn. $431,000) at April 30, 1997. It is expected that the Company will begin to receive proceeds from the field in 1998 based upon present prices. The period before payment to the Company begins may be shorter or longer, depending on prevailing market conditions, gas volumes sold and the results of the litigation. Under ordinary circumstances, increased natural gas prices or increased volumes would result in a shorter period to payout.

For financial statement purposes in fiscal 1987 and 1988, the Company wrote down its Canada cost center which included 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. Although the field is now producing, the Company has not yet classified its share of the Kotaneelee gas reserves as proved because the gas field is still the subject of litigation. The Company will reclassify the reserves at the Kotaneelee field as proved when there is greater assurance as to the timing and assumptions regarding the investment.

(b) Financial Information about Industry Segments.

Since the Company is engaged in only one industry, namely, oil and gas exploration, development, production and sale, this item is not applicable to the Company.

(c) (1) Narrative Description of the Business.

The Company is engaged in the exploration for, and the development and production and sale of oil and gas reserves in the United States, Canada, and Belize and, through its subsidiary MPAL, in Australia, the United States and Belize.

(i) Principal Products.

MPAL has an interest in the Palm Valley gas field and in the Mereenie oil and gas field. See Item 1(a) - Australia - for a discussion of the oil and gas production from the Mereenie and Palm Valley fields. The Company has a direct 2.67% carried interest in the Kotaneelee gas field in Canada.

(ii) Status of Product or Segment.

See Item 1(a) - Australia - for a discussion of the current and future operations of the Mereenie and Palm Valley fields in Australia.

(iii) Raw Materials.

Not applicable.

(iv) Patents, Licenses, Franchises and Concessions Held.

In Australia, the Company has interests directly and indirectly through its subsidiaries in the following permits. Permittees are required to carry out agreed work and expenditure programs.

<TABLE>
<CAPTION>

Permit	Expiration Date	Location
<S>	<C>	<C>
Retention License 2 (Dingo)	Renewal pending	Northern Territory
Exploration Permit 15 (Ngalia)	May 14, 1999	Northern Territory
Authority to Prospect 378P (Northern Surat)	September 30, 2000	Queensland
Authority to Prospect 613P (Maryborough)	March 31, 1999	Queensland
Authority to Prospect 244P (Eastern Surat)	February 28, 2002	Queensland
Authority to Prospect 626P (Southern Surat)	August 31, 1999	Queensland
Western Australia WA-74-P	December 31, 1998	Offshore Western Australia

</TABLE>

In 1981, the NTA issued Petroleum Leases No. 4 and No. 5 in the NTA which cover the Mereenie oil and gas field to MPAL's subsidiaries. As part of the lease conditions, MPAL and its Mereenie partners had agreed to construct an oil refinery near Alice Springs, if it were determined that such a refinery is economically feasible. MPAL believes that the oil refinery would not be economically viable under current market conditions, and the NTA has not raised any current objection to this conclusion. In the event that a refinery becomes economically viable and the MJV does not construct the refinery, MPAL and its partners will be required to pay the NTA liquidated damages based on the value of the crude oil produced from the lands under lease. The amount to be paid to the Territory is an amount per barrel which is the greater of (a) A.$3.00 per barrel or (b) A.$2.00 per barrel plus 10% of the amount by which the market price of Mereenie crude oil exceeds A.$27.50.
Production is subject to a statutory 10 percent royalty payable to the NTA.

In 1982 the NTA granted a production lease for the Palm Valley gas field to a MPAL subsidiary. Production is subject to a statutory 10 percent royalty payable to the NTA.

The above leases are subject to the Petroleum (Prospecting and Mining) Act of the Northern Territory. Lessees have the exclusive right to produce petroleum from the land subject to a lease upon payment of a rental and a royalty at the rate of 10% of the wellhead value of the petroleum produced. Rental payments may be offset against the royalty paid. The term of a lease is 21 years, and leases may be renewed for successive terms of 21 years each.

During 1992, the Australian High Court overthrew the doctrine of terra nullius ("no man's land") in the so-called "Mabo" case. Although the wider implications of this specific judgment have yet to be tested in the Courts, it allows particular groups of Aborigines who can prove an uninterrupted and continuing link with their traditional lands to claim ownership of such land provided it has not previously been alienated by the Crown (either the Federal or State Governments). Subsequently, the Australian Federal Government passed the Native Title Act validating all titles granted to June 30, 1993 and providing that any compensation payable to Aboriginals for the dispossession of their lands will be funded by the Government and not by the title owner. The Company does not consider that this issue will have a material adverse impact on

MPAL's properties.

In Belize, Central America, the Company has interests directly and indirectly through a subsidiary in the following Production Sharing Agreements ("PSA"). Permits in Belize are issued for eight years but work and expenditure obligations are calculated in two year blocks. Application is made ninety days prior to the two year block expiration.

PSA	Expiration Date	Next Block Application Date
Gladden Basin	May 31, 2001	Year 5 - December 31, 1997
Block 13	January 31, 2004	Year 3 - November 1, 1998

(v) Seasonality of Business.

Although the Company's business is not seasonal, the demand for oil and especially gas is subject to fluctuations in the Australian weather.

(vi) Working Capital Items.

See Item 7 - Liquidity and Capital Resources for a discussion of this information.

(vii) Customers.

Although the majority of the Company's oil and gas properties are located in a relatively remote area in central Australia (See Item 1 - Business and Item 2 - Properties), the completion in January 1987 of the Amadeus Basin to Darwin gas pipeline has provided access to and expanded the potential market for the Company's gas production.

Natural Gas Production

MPAL's principal customer and the most likely customer for future gas sales is PAWA, a governmental authority of the Northern Territory Government, which also has substantial regulatory authority over MPAL's oil and gas operations.

Oil Production

There is presently a small local market for the Australian Mereenie crude oil in the Alice Springs area. Most of the crude oil production is being shipped and sold to a refinery in Adelaide.

(viii) Backlog.

Not applicable.

(ix) Renegotiation of Profits or Termination of Contracts or Subcontracts at the Election of the Government.

Not applicable.

(x) Competitive Conditions in the Business.

The exploration for and production of oil and gas are highly competitive operations. The ability to exploit a discovery of oil or gas is dependent upon such considerations as the ability to finance development costs, the availability of equipment, and engineering and construction delays and difficulties. The Company also must compete with major companies which have substantially greater resources than the Company.

Furthermore, competitive conditions may be substantially affected by various forms of energy legislation which have been or may be proposed in Australia, Canada, the United States and Belize; however, it is not possible to predict the nature of any such legislation which may ultimately be adopted or its effects upon the future operations of the Company.

At the present time, the Company's principal income producing operations are in Australia and for this reason, current competitive conditions in Australia are material to the Company's future. Currently, most indigenous crude oil is consumed within Australia. In addition, imports of crude oil are made by refiners and others to meet the overall demand in Australia. The PVJV and the MJV are developing and separately marketing the production from each field. Because of the relatively remote location of the Amadeus Basin and the inherent nature of the market for gas, it would be impractical for each working interest partner to attempt to market its respective share of production from each field.

(xi) Research and Development.

Not applicable.

(xii) Environmental Regulation.

The Company is subject to the environmental laws and regulations of the jurisdictions in which it carries on its business, and existing or future laws and regulations could have a significant impact on the exploration for and development of natural resources by the Company. However, to date, the Company has not been required to spend any unusual material amounts for environmental control facilities. The federal and state governments in Australia strictly monitor compliance with these laws but compliance therewith has not had any adverse impact on the Company's operations or its financial resources.

(xiii) Number of Persons Employed by Company.

At June 30, 1997, the Company had no full time employees in the United States and MPAL had 33 employees in Australia. The Company relies to a great extent on consultants for legal, accounting and administrative services.

(d) Financial Information About Foreign and Domestic Operations and Export Sales.

(1) Financial Information Relating to Foreign and Domestic Operations.

See Note 11 to the Consolidated Financial Statements.

(2) Risks Attendant to Foreign Operations.

Most of the properties in which the Company has interests are located outside the United States and are subject to certain risks involved in the ownership and development of such foreign property interests. These risks include but are not limited to those of: nationalization; expropriation; confiscatory taxation; changes in foreign exchange controls; currency revaluations; price controls or excessive royalties; export sales restrictions; limitations on the transfer of interests in exploration licenses; and other laws and regulations which may adversely affect the Company's properties, such as those providing for conservation, proration, curtailment, cessation, or other limitations of controls on the production of or exploration for hydrocarbons. Thus, an investment in the Company represents a speculation with risks in addition to those inherent in domestic petroleum exploratory ventures.

(3) Data Which are Not Indicative of Current or Future Operations.

MPAL and its co-venturers in the Mereenie and Palm Valley fields have been negotiating with PAWA and other parties to sell production out of the uncommitted gas reserves at both fields. A new gas supply contract for the uncommitted reserves in the Palm Valley or Mereenie fields could substantially increase revenue from gas sales in the future. While new contracts appear likely, the ultimate purchaser, the timing and the terms of any new contracts are uncertain.

Item 2. Properties.

(a) The Company has interests in properties in Australia, United States and Canada and Belize. In Australia, it has interests through its 50.7% equity interest in MPAL in exploration permits, a retention license and production leases in the Northern Territory and Queensland. In Canada, the Company has a direct interest in 1 lease. The Company also has interests in properties in the United States and Belize directly through MPAL's interests in these areas. For additional information regarding the Company's properties, See Item 1 - Business.

(b) (1) The information regarding reserves, costs of oil and gas activities, capitalized costs, discounted future net cash flows and results of operations is contained in Item 8 - Financial Statements and Supplementary Data.

The following graphic presentation has been omitted, but the following is a description of the omitted material:

AMADEUS BASIN PROJECTS MAP

The map indicates the location of the Amadeus and Ngalia Basin interests in the Northern Territory of Australia. The following items are identified:

Palm Valley Gas Field
Mereenie Oil & Gas Field
Dingo Gas Field
Ngalia Basin
Palm Valley - Alice Springs Gas Pipeline
Palm Valley - Darwin Gas Pipeline
Mereenie Spur Gas Pipeline

The following graphic presentation has been omitted, but the following is a description of the omitted material:

CANADIAN PROPERTY INTERESTS MAP

The map indicates the location of the Kotaneelee Gas Field in the Yukon Territories of Canada. The map identifies the following items:

Kotaneelee Gas Field
Wells drilled on the permit
Pointed Mountain Gas Field
Beaver River Gas Field
Westcoast Transmission Pipeline

(2) Reserves reported to other agencies.

None

(3) Production

The average sales price per unit of production for the following fiscal years are as follows:

	June 30, 1997	1996	1995
Australia:			
Gas (per mcf)	A.$ 2.30	A.$ 2.24	A.$ 2.06
Crude oil (per bbl)	A.$27.71	A.$23.85	A.$23.83
Americas:			
Gas (per mcf)	$ -	$ -	$ 1.56
Crude oil (per bbl)	$ -	$ -	$17.31

The average production cost per unit of production for the following fiscal years has been impacted by transportation costs on Mereenie oil in Australia:

	June 30, 1997	1996	1995
Australia:			
Gas (per mcf)	A.$ .28	A.$ .32	A.$ .21
Crude oil (per bbl)	A.$8.20	A.$6.68	A.$10.37
Americas:			
Gas (per mcf)	$ -	$ -	$ 2.09
Crude oil (per bbl)	$ -	$ -	$ 4.15

(4) Productive Wells and Acreage.

Productive wells and acreage at June 30, 1997:

	Productive Wells Oil Gross	Net	Gas Gross	Net	Developed Acreage Gross Acres	Net Acres
Australia	36	12.60	32	12.09	72,025	30,001
Americas	-	-	2	.05	3,350	89
	36	12.60	34	12.14	75,375	30,090

(5) Undeveloped Acreage.

The Company's undeveloped acreage (except as indicated) is set forth in the table below:

GROSS AND NET ACREAGE AS OF JUNE 30, 1997

(i) MPAL has interests in the following properties (before royalties). The Company has an interest in these properties through its 50.7% interest in MPAL.

Properties held by MPAL:

<TABLE>
<CAPTION>

		MPAL		The Company	
		Net	Interest	Net	Interest
	Gross Acres	Acres	%	Acres	%
Australia					
Northern Territory:					
Amadeus Basin:					
<S>	<C>	<C>	<C>	<C>	<C>
Mereenie (OL4&5)(1)	69,407	24,292	35.00	12,316	17.74
Palm Valley (OL3)(2)	151,905	77,130	50.78	39,105	25.74
Dingo (RL2)	115,596	39,601	34.26	20,078	17.37
	----------	----------		----------	
Total Amadeus Basin	336,908	141,023		71,499	
	----------	----------		----------	
Ngalia Basin (EP-15)	1,914,497	1,914,497	100.00	970,650	50.70
Queensland:					
Bowen-Surat Basin (ATP 378P)	76,076	11,887	15.63	6,027	7.92
Surat Basin (ATP 626P)(3)	726,674	436,004	60.00	221,054	30.42
Surat Basin (ATP 244P)	59,280	5,928	10.00	3,005	5.07
Maryborough Basin (ATP 613P)	439,413	430,625	98.00	218,327	49.69
	----------	----------		----------	
Total Queensland	1,301,443	884,444		448,413	
	----------	----------		----------	
Western Australia (WA-74-P)	2,087,150	208,715	10.00	105,819	5.07
	----------	----------		----------	
Total Australia	5,639,998	3,148,679		1,596,381	
	----------	----------		----------	
United States					
Colorado (Baca County)	90,402	90,402	100.00	45,834	50.70
	----------	----------		----------	
Belize, C.A.					
Gladden Basin	350,740	70,148	20.00	35,565	10.14
Block 13	787,436	157,487	20.00	79,846	10.14
	----------	----------		----------	
	1,138,176	227,635		115,411	
	----------	----------		----------	
Total MPAL	6,868,576	3,466,716		1,757,626	
	----------	----------		----------	
Properties held directly by the Company:					
Belize, C.A.					
Gladden Basin(4)	-	-	-	8,769	2.50
Block 13(4)	-	-	-	19,686	2.50

				28,455	
Canada					
Yukon and Northwest Territories:					
Carried interest(5)	35,076			935	2.67
	----------			----------	
Total	6,903,652			1,787,016	
	==========			==========	

</TABLE>

- ----------------------------

(1) Includes 41,644 gross developed acres and 14,575 net acres.
(2) Includes 30,381 gross developed acres and 15,426 net acres.
(3) Permit is divided into 3 blocks. MPAL's interest will be reduced to 15% in each block that MPAL elects not to drill a well.
(4) Gross acres shown above.
(5) Includes 3,350 gross developed acres and 89 net acres.

(6) Drilling activity.

Productive and dry net wells drilled during the following years (data concerning Canada is insignificant):

Australia				
Year ended	Exploration		Development	
June 30,	Productive	Dry	Productive	Dry
1997	-	-	-	-
1996	.16	-	1.75	-
1995	-	-	1.40	.51

Americas				
Year ended	Exploration		Development	
June 30,	Productive	Dry	Productive	Dry
1997		1.23	-	-
1996	-	1.00	-	-
1995	.24	1.00	-	-

(7) Present Activities.

At June 30, 1997, there were no wells being drilled.

(8) Delivery Commitments.

See discussion under Item 1 concerning the Palm Valley and Mereenie fields.

Item 3. Legal Proceedings.

Kotaneelee Gas Field

The Company's 2.67% carried interest in the Kotaneelee gas field is held in trust by Canada Southern Petroleum Ltd. ("Canada Southern") which has a 30% carried interest in the field. Canada Southern and the Company (the "Plaintiffs") believe that the working interest owners in the Kotaneelee gas field have not adequately pursued the attainment of contracts for the sale of Kotaneelee gas; accordingly, legal action in the United States was commenced by Canada Southern in 1987 against Allied Signal Inc. and Allied Corporation (collectively, Allied Signal). This suit was ultimately dismissed in December 1988.

In October 1989 and in March 1990, Canada Southern filed statements of claim in the Court of Queens Bench of Alberta, Judicial District of Calgary, Canada, against the working interest partners in the Kotaneelee gas field. The named defendants were Amoco Canada Petroleum Corporation, Ltd., Dome Petroleum Limited (now Amoco Canada Resources Ltd.), and Amoco Production Company (collectively the "Amoco Dome Group"), Columbia Gas Development of Canada Ltd. ("Columbia"), Mobil Oil Canada Ltd. ("Mobil") and Esso Resource of Canada Ltd. ("Esso") (collectively the "Defendants").

The Plaintiffs claim that the Defendants breached either a contract obligation or a fiduciary duty owed to the Plaintiffs to market gas from the Kotaneelee gas field when it was possible to so do. The Plaintiffs assert that marketing the Kotaneelee gas was possible in 1984 and that the Defendants deliberately failed to do so. The Company seeks money damages and the forfeiture of the Kotaneelee gas field. The Plaintiffs expect to argue at trial that the money damages sustained by the Plaintiffs are at least Cdn. $96 million (Company share-Cdn. $8 million).

In addition, the Plaintiffs have claimed that the Plaintiff's carried interest account should be reduced because of the negligent operation of the field and improper charges to the carried interest account by the Defendants. The Plaintiffs claim that when the Defendants in 1980 suspended production from the field's gas wells, they failed to take precautionary measures necessary to protect and maintain the wells in good operating condition. The wells thereafter deteriorated, which caused unnecessary expenditures to be incurred, including expenditures to redrill one well. In addition, the Plaintiffs claim that expenditures made to repair and rebuild the field's dehydration plant should not have been necessary had the facilities been properly constructed and maintained by the Defendants. The expenditures, the Plaintiffs claim, were inappropriately charged to the field's carried interest account. The effect of an increased carried interest account is to extend the period before payout begins to the carried interest account owners.

The Plaintiffs claim that production from the field should have commenced in 1984. At that time the field's carried interest account was approximately Cdn. $63 million. The Company claims that by 1993 at least Cdn. $34 million of unnecessary expenses had been wrongfully charged to the carried interest account. The Company's 2.6% share of these expenses would be approximately Cdn. $.9 million. The Plaintiffs further claim that, if production had commenced in 1984, the carried interest account would have been paid off in approximately two years and the Company would have begun to receive revenues from the field in 1986. At present, the Company does not expect to receive revenues until 1998.

Columbia has filed a counterclaim against the Plaintiffs seeking, if the Plaintiffs are successful in its claim for the forfeiture of the field, repayment from the Plaintiffs of all sums Columbia has expended on the Kotaneelee lands before the Plaintiffs are entitled to their interest.

The parties to the litigation have conducted extensive discovery since the filing of the claims. The trial which started on September 3, 1996 is still in progress. The trial was adjourned during the period December 1996-April 1997 and July-August 1997.

Matters Ancillary to Kotaneelee Litigation

In its 1989 statement of claim, the Plaintiffs sought a declaratory judgment regarding two issues:

(1) whether interest accrued on the carried interest account; and

(2) whether expenditures for gathering lines and dehydration equipment are expenditures chargeable to the carried interest account or whether the Plaintiff will be assessed a processing fee on gas throughput.

With respect to the first issue, the Plaintiffs maintain that no interest should accrue on the account and the Defendants have not contested this position. With regard to the second issue, the Plaintiffs maintain that the expenditures are chargeable to the carried interest account. Mobil, Esso and Columbia have essentially agreed to the Company's position while the Amoco Dome Group continues to contest this issue.

On January 22, 1996, the Plaintiffs settled two claims outstanding against the Company in the Court of Queens Bench, Calgary, Alberta, which related to a suit brought against AlliedSignal Inc. ("AlliedSignal") in Florida which was dismissed on the basis that Canada was the appropriate forum for the litigation. AlliedSignal had sought additional relief against the Company in Canada to preclude other types of suits by the Company and to recover the costs of the defense of the initial action. The settlement bars Allied Signal from making a claim against the Plaintiffs for any costs in connection with the Kotaneelee Litigation. The Plaintiffs agreed not to bring any action against AlliedSignal in connection with the Kotaneelee gas field. Neither party made any monetary payment to the other party.

In 1991, Anderson Exploration Ltd. acquired all of the shares in

Columbia and changed its name to Anderson Oil & Gas Inc. ("Anderson"). Anderson is now the sole operator of the field and is a direct defendant in the Canada Court lawsuits. Columbia's previous parent, The Columbia Gas System, Inc., which was reorganized in a bankruptcy proceeding in the United States, is contractually liable to Anderson in the legal proceeding described above.

The working interest owners have reported that they have been selling Kotaneelee gas since February 1991. The Company is uncertain as to what impact, if any, these sales may have on the status of the litigation.

Under Canadian law, certain costs of the litigation are assessed against the nonprevailing party. These costs consist primarily of attorney and expert witness fees during trial. The trial is presently scheduled to last twelve months, therefore, these costs could be substantial. While the costs are not now determinable, the Company estimates that such costs, assuming a twelve month trial, would not exceed Cdn. $1.5 million (Company share - Cdn. $120,000). There are no assurances however, that such costs will not exceed this amount or that the duration of the trial will not exceed twelve months.

Canada Southern has been advancing and paying all the legal and other expenses of the Kotaneelee litigation. The Company has not received an accounting of the amounts spent to date. However the Company believes that the outcome of the Kotaneelee litigation is not reasonably likely to have a material adverse effect on the Company's future consolidated financial condition or results of operations.

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

None.

Executive Officers of the Company

The following information with respect to the executive officers of the Company is furnished pursuant to Instruction 3 to Item 401(b) of Regulation S-K.

<TABLE>
<CAPTION>

Name	Age	Office Held	Length of Service as an Officer	Other Positions Held with Company
<S>	<C>	<C>	<C>	<C>
James R. Joyce	56	President and Chief Financial Officer	President since July 1, 1993	Director
Dennis D. Benbow	58	General Manager - MPAL	Since 1993	Director

</TABLE>

The Company is not aware of any arrangements or understandings between any of the individuals named above and any other person pursuant to which any individual named above was selected as an officer.

All officers of MPC are elected annually by the Board of Directors and serve at the pleasure of the Board of Directors.

PART II

Item 5. Market for the Company's Common Stock and Related Stockholder Matters.

(a) Principal Market

The principal markets for the Company's common stock is the Pacific Stock Exchange [MPC] and the NASDAQ SmallCap market [MPET]. The stock is also traded on the Boston Stock Exchange. The quarterly high and low closing prices on the Pacific Stock Exchange during the calendar quarterly periods indicated were as follows:

1997	1st quarter	2nd quarter	3rd quarter*
High..........	3 15/16	2 5/8	3 13/16
Low...........	2 7/16	2 3/16	2 5/16

1996	1st quarter	2nd quarter	3rd quarter	4th quarter
High..........	2 7/16	3	3	3 7/8
Low...........	1 15/16	2 3/8	2 3/16	2 9/16

1995	1st quarter	2nd quarter	3rd quarter	4th quarter
High..........	1 1/2	2 3/8	2 3/16	4 1/16
Low...........	3/4	1 7/16	1 9/16	2 1/16

- ---------------------------------

* Through September 2, 1997, on which date the closing price was $3 13/16.

(b) Approximate Number of Holders of Common Stock at September 2, 1997

Title of Class	Number of Record Holders
Common stock, par value $.01 per share	12,400

(c) Recent Sales of Unregistered Securities

None.

(d) Frequency and Amount of Dividends

The Company has never paid a cash dividend on its common stock. The Company will consider the payment of dividends when it has the ability to make such payments.

Item 6. Selected Consolidated Financial Information.

The following table sets forth selected data (in thousands) of the Company insofar as it relates to each of the five fiscal years in the period ended June 30, 1997. Financial data for the years prior to 1997 have been restated to reflect a change from the full cost method to the successful efforts method of accounting for oil and gas operations. (See Note 1 of Notes to the Consolidated Financial Statements.) This data should be read in conjunction with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8. Financial Statements and Supplementary Data.

<TABLE>
<CAPTION>

	Year ended June 30,				
	1997	1996 (Restated)	1995 (Restated)	1994 (Restated)	1993 (Restated)
Financial Data	$	$	$	$	$
<S>	<C>	<C>	<C>	<C>	<C>
Operating revenues	19,936	17,027	14,154	12,528	12,999
	======	======	======	======	======
Total revenues	20,758	18,073	15,424	13,318	13,863

Net income	694	1,411	684	651	146
Net income per share	.03	.06	.03	.03	.01
Working capital	14,219	9,858	8,806	8,559	7,722
Cash provided by operating activities	11,181	9,185	8,587	4,376	6,969
Total assets	46,230	47,816	39,575	36,430	33,740
Long-term liabilities	7,738	6,981	6,312	4,393	3,845
Minority interests	16,147	16,682	14,366	14,180	12,438
Stockholders' equity:					
Capital	43,659	43,492	43,358	43,227	43,223
Accumulated deficit	(20,387)	(21,080)	(22,491)	(23,176)	(23,322)
Foreign currency translation adjustments	(3,729)	(2,785)	(4,833)	(4,474)	(5,760)
	19,543	19,627	16,034	15,577	14,141
Exchange rate A.$=U.S. at end of period	.7538	.7875	.7097	.7287	.6667
Common stock outstanding	24,851	24,691	24,544	24,387	24,382
Book value per share	.78	.79	.65	.64	.58
Quoted market value per share	2.38	2.50	1,94	.69	1.19
Operating Data					
Annual production (Net of royalties)					
Gas (BCF)	5.673	5.422	5.066	5.141	4.751
Oil (BBLS) (In thousands) (net of royalties)	307	318	369	374	300
Standard measure of discounted future cash flow relating to proved oil and gas reserves. (49.3% attributable to minority interests)	$68,000	$44,000	$38,000	$47,000	$46,000

</TABLE>

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

(1) Liquidity and Capital Resources - June 30, 1997

Consolidated

At June 30, 1997, the Company on a consolidated basis had approximately $15.2 million of cash and securities. A summary of the major changes in cash and cash equivalents during the period is as follows:

Cash and cash equivalents at beginning of period	$11,279,000
Cash provided by operations	11,181,000

Dividends to MPAL minority shareholders	(1,779,000)
Net additions to property and equipment	(5,306,000)
Purchase of U.S. Government securities	(2,211,000)
Other	(221,000)
Cash and cash equivalents at end of period	$12,943,000

As to the Company (unconsolidated)

At June 30, 1997, Magellan Petroleum Corporation ("MPC"), on an unconsolidated basis, had working capital of approximately $2.9 million. MPC's annual operating budget is approximately $700,000 and its current cash position and annual MPAL dividend should be adequate to meet its current cash requirements. During fiscal 1998, MPC has budgeted approximately $400,000 for oil and gas exploration compared to the $315,000 expended during 1997. 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 cash to maintain its majority interest in its subsidiary company, Magellan Petroleum Australia Limited ("MPAL").

During December 1996, MPC received a dividend from MPAL of $1,826,000 less Australian withholding taxes of $274,000. The net proceeds of $1,552,000 were added to MPC's working capital.

As to MPAL

At June 30, 1997, MPAL had working capital of approximately $11.3 million. MPAL has budgeted approximately $4.7 million for exploration in fiscal 1998 as compared to the $4.1 million expended during fiscal 1997. The current composition of MPAL's oil and gas reserves are such that the Company's future revenues in the long term are expected to be derived from the sale of gas in Australia.

MPAL expects to fund its exploration costs through its cash flow from Australian operations and any balance from its A.$10 million bank line of credit.

During the first quarter of fiscal 1998, approximately $1.6 million, MPAL's share of drilling the Schilling-1 well which was plugged and abandoned on September 15, 1997, will be written off.

(2) Results of Operations

Change to Successful Efforts Accounting Method

During the fourth quarter of 1997, the Company changed from the full cost method to the successful efforts method of accounting for its oil and gas operations. If the full cost method of accounting had been retained, the Company would have reported net income of $622,000 or $.03 per share for 1997. Although the full cost method continues to be generally accepted, the Financial Accounting Standards Board has expressed a preference for the successful efforts method. Management believes the successful efforts method better reflects the results of its oil and gas operations based on current and future exploration activities. The accompanying financial statements for years prior to 1997 have been restated to reflect the new method.

1997 vs. 1996

The Company had consolidated net income of $693,987 for fiscal 1997 compared to net income of $1,410,533 for fiscal 1996. The components of consolidated net income for the comparable periods were as follows:

	Year ended June 30, 1997	1996
MPC unconsolidated pretax loss	$(1,254,223)	$ (816,304)
MPC income tax expense	(276,117)	(251,888)
Share of MPAL pretax income	2,815,193	3,287,327
Share of MPAL income tax	(590,866)	(808,602)

Consolidated net income	$ 693,987	$1,410,533
Net income per share	$.03	$.06

Revenues

Oil sales increased 14% in fiscal 1997. Oil sales in Australia increased to $6,740,000 from $5,922,000 in 1996 because of a 16% increase in oil prices and a 3% increase in the average value of the Australian dollar which was partially offset by a 3% decrease in the number of units produced. Oil unit sales (before deducting royalties) in barrels ("bbls") and the average price per barrel sold during the periods indicated were as follows:

	Fiscal 1997 Sales		Fiscal 1996 Sales	
	bbls	Average Price per bbl	bbls	Average Price per bbl
Australia - Mereenie	352,783	A.$27.71	365,325	A.$23.85

Gas sales in Australia increased 19% i fiscal 1997. Gas sales increased from $9,746,000 in 1996 to $11,552,000 in 1997 because of increases in gas prices under long term contracts, an 11% increase in the volume of gas sold and a 3% increase in the average value of the Australian dollar. Total gas sales increased primarily because of the 1995 Mereenie gas contract. 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:

	Fiscal 1997 Sales		Fiscal 1996 Sales	
	bcf	Average Price per mcf	bcf	Average Price per mcf
Australia:		(A.$)		(A.$)
Palm Valley				
Alice Springs contract	1.072	2.95	1.070	2.89
Darwin contract	2.496	2.02	2.328	2.01
Mereenie				
Darwin contract	1.963	1.99	1.917	1.97
Other	1.373	2.76	.908	2.65
Total	6.904		6.223	

Other production income increased 21% to $1,644,000 in 1997 compared to $1,360,000 in 1996. The primary reason for this increase is that MPAL's share of gas pipeline tariffs increased to $1,498,000 in 1997 compared to $1,229,000 in 1996.

Interest income increased 18% to $822,000 in 1997 from $696,000 in 1996. The combination of additional funds available for investment and higher interest rates is the reason for this increase.

Costs and Expenses

Production costs increased 9% to $4,811,000 in 1997 from $4,409,000 in 1996. The increase was also the result of development activities being undertaken in the Mereenie field.

Depreciation, depletion and amortization decreased 13% in 1997 to $2,140,000 from $2,488,000 in 1996. The decrease was the result of the additional reserves of the new Mereenie contracts which increased total reserves by 19%. The decrease in depletion was partially offset by a 3% increase on the value of the Australian dollar.

Exploratory and dry hole costs totaled $6,243,000 during 1997 compared to $1,858,000 in 1996. In 1997, the Baca County, Colorado project was completely abandoned after the Dogwood 14O-1 well failed to recover any hydrocarbons and was plugged and abandoned. The Gladden No. 1 well was also plugged and abandoned in 1997 after the well was drilled without any indications of commercially recoverable hydrocarbons. The costs (in thousands) in 1997 and 1996 for MPC and MPAL are as follows:

<TABLE>
<CAPTION>

	1997			1996		
Location	MPAL	MPC	Total	MPAL	MPC	Total
Baca County, Colorado	$2,693	$315	$3,008	$1,565	$126	$1,691
Belize, C.A.	2,372	283	2,655	-	-	-
Australia	580	-	580	167	-	167
	$5,645	$598	$6,243	$1,732	$126	$1,858

</TABLE>

Other administrative expenses decreased 9%. In 1997 other costs decreased to $935,000 from $1,027,000. The decrease is primarily due to lower travel costs.

Income Taxes

Income tax expense decreased from $1,848,000 in 1996 to $1,442,000 in 1997. The effective income tax rate for 1997 was 34% compared to 33% in 1996. The components of tax income expense between MPC and MPAL were as follows:

	1997	1996
MPC	$ 276,000	$ 252,000
MPAL	1,166,000	1,596,000
Consolidated	$1,442,000	$1,848,000

MPC's income tax is primarily the 15% Australian withholding tax on the dividend paid by MPAL.

Exchange Effect

The value of the Australian dollar relative to the U.S. dollar decreased to $.7538 at June 30, 1997 compared to the value of $.7875 at June 30, 1996. This resulted in a $945,000 charge to accumulated translation adjustments for fiscal 1997. The 4% increase in the value of the Australian dollar increased the reported asset and liability amounts in the balance sheet at June 30, 1997 from the June 30, 1996 amounts. The annual average exchange rate used to translate MPAL's operations in Australia for fiscal 1997 was $.7830, which is a 3% increase compared to a $.7593 rate for the comparable 1996 period.

1996 vs. 1995

The Company had consolidated net income of $1,410,533 for fiscal 1996 compared to net income of $684,624 for fiscal 1995. The components of consolidated net income for the comparable periods were as follows:

	Year ended June 30,	
	1996	1995
MPC unconsolidated pretax loss	$ (816,304)	$ (918,853)
MPC income tax expense	(251,888)	(260,580)

Share of MPAL pretax income	3,287,327	2,946,733
Share of MPAL income tax	(808,602)	(1,082,676)
Consolidated net income	$1,410,533	$ 684,624
Net Income per share	$.06	$.03

Revenues

Oil and Gas Sales

Oil and gas sales (in thousands) by geographic location for the comparable periods were as follows:

	1996		1995	
	Sales	%	Sales	%
Australia	$15,667	100	$13,078	96
Americas	-		478	4
	$15,667	100	$13,556	100

Oil sales increased 4% in fiscal 1996. Oil sales in Australia increased 11% to $5,922,000 from $5,330,000 in 1995 because of a 13% increase in the number of units produced with a 1% increase in oil prices and a 2% increase in the average value of the Australian dollar. Sales of Mereenie crude increased in fiscal 1996 as a result of additional development drilling. There were no oil sales in the United States ($363,000 in 1995) because the producing properties were sold on March 31, 1995. Oil unit sales (before deducting royalties) in barrels ("bbls") and the average price per barrel sold during the periods indicated were as follows:

	Fiscal 1996 Sales		Fiscal 1995 Sales	
	bbls	Average Price per bbl	bbls	Average Price per bbl
Australia - Mereenie	365,325	A.$23.85	322,414	A.$23.83

Gas sales in Australia increased 24% in fiscal 1996. Gas sales increased from $7,863,000 in 1995 to $9,746,000 in 1996 because of increases in gas prices under long term contracts, an 8% increase in the volume of gas sold and a 2% increase in the average value of the Australian dollar. Total gas sales increased primarily because of the 1995 Mereenie gas contract. 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:

	Fiscal 1996 Sales		Fiscal 1995 Sales	
	bcf	Average Price per mcf	bcf	Average Price per mcf
Australia:		(A.$)		(A.$)
Palm Valley				
Alice Springs contract	1.070	2.89	1.012	2.77
Darwin contract	2.328	2.01	2.854	1.98
Mereenie				
Darwin contract	1.917	1.97	1.700	1.71
Other	.908	2.65	.208	2.68
Total	6.223		5.774	

Other production income increased 128% to $1,360,000 in 1996 compared to $597,000 in 1995. The primary reason for this increase is that MPAL's share of gas pipeline tariffs increased to $1,126,000 compared to $167,000 in 1995.

Interest income increased 16% to $696,000 in 1996 from $597,000 in 1995. The combination of additional funds available for investment and higher interest rates is the reason for this increase.

Costs and Expenses

Production costs increased 22%. The 22% increase in Australia relates to an increase in costs at Palm Valley in preparation for the installation of compression units in the field. The increase was also the result of development activities being undertaken in the Mereenie field. The U.S. producing properties were sold March 31,1995. Production costs (in thousands) by geographic area are as follows:

	1996	1995
Australia	$4,409	$3,455
United States	-	145
	$4,409	$3,600

Salaries increased 16% from $1,500,000 in 1995 to $1,742,000 in 1996 because of increased compensation costs in Australia and a 2% increase in the value of the Australian dollar.

Depreciation, depletion and amortization decreased 6% in 1996. There was a 23% increase in the Australian component because of the increase in the number of units sold in Australia and an increase in capitalized costs. The U.S. component was eliminated because the U.S. producing properties were sold March 31, 1996. The following table is a summary of the depreciation, depletion and amortization expense (in thousands) by geographic area:

	1996	1995	% Change
Australia	$2,448	$1,986	23
United States	-	621	
	$2,448	$2,607	

Shareholder communications increased 15% in 1996. The increase from $157,000 in 1995 to $181,000 in 1996 is attributable to higher printing and mailing costs.

Exploratory and dry holes costs totaled $1,858,000 compared to $1,015,000 in 1995. The costs (in thousands) for MPC and MPAL are as follows:

<TABLE>
<CAPTION>

	1996			1995		
Location	MPAL	MPC	Total	MPAL	MPC	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Baca County, Colorado	$1,565	$126	$1,691	$735	$74	$809
Australia	167	-	167	206	-	206
	$1,732	$126	$1,858	$941	$74	$1,015

</TABLE>

Other administrative expenses increased 11%. In 1996 other costs increased from $928,610 to $1,026,889. The increase is primarily due to higher travel and insurance costs.

Income Taxes

Income tax expense decreased from $2,398,000 in 1995 to $1,848,000 in 1996. The effective income tax rate for 1996 was 33% compared to 49% in 1995. The decrease in the effective tax rate from 1995 to 1996 results from the receipt of nontaxable income in 1996 and the recognition in 1996 of the tax benefit on certain advances to foreign subsidiaries. The components of income tax expense between MPC and MPAL were as follows:

	1996	1995
MPC	$ 252,000	$ 261,000
MPAL	1,596,000	2,137,000
Consolidated	$1,848,000	$2,398,000

MPC's income tax is primarily the 15% Australian withholding tax on the dividend paid by MPAL.

Exchange Effect

The value of the Australian dollar relative to the U.S. dollar increased to $.7875 at June 30, 1996 compared to the value of $.7097 at June 30, 1995. This resulted in a $2,049,000 credit to accumulated translation adjustments for fiscal 1996. The 11% increase in the value of the Australian dollar increased the reported asset and liability amounts in the balance sheet at June 30, 1996 from the June 30, 1995 amounts. The annual average exchange rate used to translate MPAL's operations in Australia for fiscal 1996 was $.7593, which is a 2% increase compared to a $.7427 rate for the comparable 1995 period.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk.

The information required by this item is not applicable to the Company until the fiscal year ending June 30, 1998.

Item 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Magellan Petroleum Corporation

We have audited the accompanying consolidated balance sheet of Magellan Petroleum Corporation as of June 30, 1997, and 1996, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the three years in the period ended June 30, 1997. 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.

We conducted our audits in accordance with generally accepted auditing standards. 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Magellan Petroleum Corporation at June 30, 1997 and 1996, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 1997, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, in 1997 the Company changed its method of accounting for oil and gas operations.

ERNST & YOUNG LLP

Hartford, Connecticut
September 3, 1997 except for
Note 2(a), as to which
the date is September 15, 1997

MAGELLAN PETROLEUM CORPORATION
CONSOLIDATED BALANCE SHEET

<TABLE>
<CAPTION>

	June 30, 1997	June 30, 1996 (Restated)
ASSETS		
Current assets:		
<S>	<C>	<C>
Cash and cash equivalents	$12,942,862	$11,278,957
Accounts receivable	1,356,912	2,496,085
U.S. Government securities	2,211,205	-
Reimbursable development costs	260,553	237,112
Inventories	250,069	371,925
Total current assets	17,021,601	14,384,079
Property and equipment:		
Oil and gas properties (successful efforts method)	45,891,237	48,985,135
Land, buildings and equipment	1,837,114	2,328,174
Field equipment	1,598,387	1,621,561
	49,326,738	52,934,870
Less accumulated depletion, depreciation and amortization	(20,704,121)	(20,022,560)
	28,622,617	32,912,310
Other assets	585,889	519,759
	$46,230,107	$47,816,148
LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,869,818	$ 1,504,167
Accrued liabilities	933,256	1,041,372
Income taxes payable	-	1,980,817
Total current liabilities	2,803,074	4,526,356
Long term liabilities:		
Deferred income taxes	7,087,224	6,450,094
Reserve for future site restoration costs	650,311	530,952
	7,737,535	6,981,046
Minority interests	16,146,564	16,682,065

Commitments (Note 2)		-
Stockholders' equity:		
Common stock, par value $.01 per share:		
Authorized 50,000,000 shares		
Outstanding 24,851,245 and 24,691,245 shares, respectively	248,512	246,912
Capital in excess of par value	43,410,176	43,244,901
	-----------	-----------
	43,658,688	43,491,813
Accumulated deficit	(20,386,549)	(21,080,536)
Foreign currency translation adjustments	(3,729,205)	(2,784,596)
	------------	------------
	19,542,934	19,626,681
	-----------	-----------
	$46,230,107	$47,816,148
	===========	===========

</TABLE>

See accompanying notes.

MAGELLAN PETROLEUM CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS

<TABLE>
<CAPTION>

	Year ended June 30, 1997	1996 (Restated)	1995 (Restated)
Revenues:			
<S>	<C>	<C>	<C>
Oil sales	$ 6,739,663	$ 5,921,529	$ 5,693,108
Gas sales	11,551,546	9,745,520	7,863,457
Other production related revenues	1,644,457	1,360,403	597,451
Interest income	821,941	695,613	597,423
Gain on sale of assets		349,953	672,533
	----------- -	-----------	-----------
	20,757,607	18,073,018	15,423,972
	-----------	-----------	-----------
Costs and expenses:			
Production costs	4,810,931	4,409,440	3,600,452
Exploratory and dry hole costs	6,243,211	1,858,271	1,014,604
Salaries and employee benefits	1,667,678	1,741,721	1,500,289
Depletion, depreciation and amortization	2,140,066	2,448,210	2,607,420
Auditing, accounting and legal services	446,336	703,833	689,400
Shareholder communications	179,111	181,039	157,222
Interest expense	32,005	30,690	27,937
Other administrative expenses	935,262	1,026,889	928,610
	-----------	-----------	-----------
	16,454,600	12,400,093	10,525,934
	-----------	-----------	-----------
Income before income taxes and minority interests	4,303,007	5,672,925	4,898,038
Income taxes	1,442,495	1,848,079	2,397,797
	-----------	-----------	-----------
Income before minority interests	2,860,512	3,824,846	2,500,241
Minority interests	2,166,525	2,414,313	1,815,617
	-----------	-----------	-----------
Net income	$ 693,987	$ 1,410,533	$ 684,624
	===========	============	===========
Average number of shares	24,782,360	24,599,899	24,421,309
	==========	==========	==========
Per share, based on average number of shares outstanding during the period:			
Net income	$.03	$.06	$.03

==== ==== ====

</TABLE>

See accompanying notes.

MAGELLAN PETROLEUM CORPORATION
CONSOLIDATED STATEMENT OF
CHANGES IN STOCKHOLDERS' EQUITY
Three years ended June 30, 1997

<TABLE>
<CAPTION>

<S>	Number of shares <C>	Common stock <C>	Capital in excess of par value (Restated) <C>	Accumulated Deficit <C>	Foreign currency translation adjustments (Restated) <C>	Total <C>
June 30, 1994	24,387,107	243,871	42,982,694	(23,175,693)	(4,473,620)	15,577,252
Net income	-	-	-	684,624	-	684,624
Currency translation adjustments	-	-	-	-	(359,513)	(359,513)
Common stock issued to directors	16,638	166	12,957	-	-	13,123
Exercise of stock options	140,000	1,400	116,725	-	-	118,125
June 30, 1995	24,543,745	245,437	43,112,376	(22,491,069)	(4,833,133)	16,033,611
Net income		-	-	1,410,533	-	1,410,533
Currency translation adjustments		-	-	-	2,048,537	2,048,537
Exercise of stock options	147,500	1,475	132,525			134,000
June 30, 1996	24,691,245	$246,912	$43,244,901	$(21,080,536)	$(2,784,596)	$19,626,681
Net income				693,987		693,987
Currency translation adjustments					(944,609)	(944,609)
Exercise of stock options	160,000	1,600	165,275			166,875
June 30, 1997	24,851,245	$248,512	$43,410,176	$(20,386,549)	$(3,729,205)	$19,542,934

</TABLE>

See accompanying notes.

MAGELLAN PETROLEUM CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS

<TABLE>
<CAPTION>

	Year ended June 30,		
	1997	1996 (Restated)	1995 (Restated)
Operating Activities:			

<S> <C> <C> <C>

Net income	$ 693,987	$ 1,410,533	$ 684,624
Adjustments to reconcile net income to net cash provided by operating activities:			
Exploratory and dry hole costs	6,243,211	1,858,271	1,014,604
Depletion, depreciation and amortization	2,140,066	2,448,210	2,607,420
Deferred income taxes	637,130	683,668	1,869,030
Minority interests	2,166,525	2,414,313	1,815,617
Increase (decrease) in operating assets and liabilities:			
Accounts receivable	1,082,939	(991,763)	358,474
Reimbursable development costs	(31,784)	(122,153)	(44,536)
Other assets	(84,665)	(217,509)	(42,539)
Inventories	111,429	(203,575)	86,750
Accounts payable and accrued liabilities	169,687	(75,766)	237,064
Income taxes payable	(1,947,610)	1,980,817	-
Net cash provided by operating activities	11,180,915	9,185,046	8,586,508
Investing Activities:			
Additions to property and equipment	(5,305,699)	(5,596,156)	(7,283,821)
Sale of assets	-	-	905,556
U.S. Government securities purchased	(2,211,205)	-	-
Net cash used in investing activities	(7,516,904)	(5,596,156)	(6,378,265)
Financing Activities:			
Dividends to MPAL minority shareholders	(1,778,622)	(1,619,104)	(1,673,345)
Sales of common stock by MPC	166,875	134,000	131,248
Net cash used in financing activities	(1,611,747)	(1,485,104)	(1,542,097)
Effect of exchange rate changes on cash and cash equivalents	(388,359)	192,589	(34,141)
Net increase in cash and cash equivalents	1,663,905	2,296,375	632,005
Cash and cash equivalents at beginning of year	11,278,957	8,982,582	8,350,577
Cash and cash equivalents at end of year	$12,942,862	$11,278,957	$8,982,582

</TABLE>

See accompanying notes.

MAGELLAN PETROLEUM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 1997

1. Summary of significant accounting policies

Principles of consolidation

The accompanying consolidated financial statements include the accounts of Magellan Petroleum Corporation ("MPC") and its subsidiaries, hereafter referred to collectively as the Company. All intercompany transactions have been eliminated. At June 30, 1997, MPC owned a 50.7% interest in Magellan Petroleum Australia Limited ("MPAL").

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.

Oil and Gas Properties

Oil and gas properties are located in Australia, Canada, Belize, Central America and the United States. During the fourth quarter of 1997, the Company changed from the full cost method to the successful efforts method of accounting for its oil and gas operations. Although the full cost method continues to be generally accepted, the Financial Accounting Standards Board has expressed a preference for the successful efforts method. Management believes the successful efforts method better reflects the results of its oil and gas operations based on current and future exploration activities. The accompanying financial statements for years prior to 1997 have been restated to reflect the new method.

Under the successful efforts method, the costs of successful wells, development dry holes and productive leases are capitalized and amortized on a unit-of-production basis over the life of the related reserves. Cost centers for amortization purposes are determined on a field-by-field basis. Estimated future abandonment and site restoration costs, net of anticipated salvage values, are accrued based on units of production. 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 and requires an impairment provision or non cash charge against earnings for any quarter in which their carrying value exceeds the standardized measure of undiscounted future net cash flows from proved oil and gas reserves based on prices received for oil and gas production as of the end of that quarter or a subsequent date prior to publication of financial results for the quarter.

1. Summary of significant accounting policies (Cont'd)

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.

Adoption of the successful efforts accounting method resulted in changes to previously reported net income, net income per share and the balance sheet accounts, as follows:

<TABLE>
<CAPTION>

	June 30, 1996	June 30, 1995
<S>	<C>	<C>
Net income previously reported	$ 880,606	$820,843
Adjustment for the effect of the change in accounting method	529,927	(136,219)
	------------	---------
Net income as restated	$1,410,533	$684,624
	==========	========
<S>	<C>	<C>
Net income per share previously reported	$.04	$.03
Adjustment for the effect of the change in accounting method	.02	-
	-----	----
Net income per share as restated	$.06	$.03
	====	====

</TABLE>

<TABLE>
<CAPTION>

	June 30, 1996 Previously Reported	Adjustment	As restated
<S>	<C>	<C>	<C>

Oil and gas properties (net)	$43,517,664	$(10,605,354)	$32,912,310
Deferred income taxes	$9,054,117	$(2,604,023)	$6,450,094
Reserve for future site restoration costs	$3,902,909	$(3,371,957)	$530,952
Minority interests	$18,966,281	$(2,284,216)	$16,682,065
Accumulated deficit	$21,971,839	$(2,345,158)	$19,626,681

</TABLE>

If the full cost method of accounting had been retained, the Company would have reported net income of $622,000 or $.03 per share for 1997.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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

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.

1. Summary of significant accounting policies (Cont'd)

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 the Company's Australian subsidiaries are translated into U.S. dollars in accordance with Statement of Financial Accounting Standards No. 52. The translation adjustment is included as a component of stockholders' equity, whereas gain or loss on foreign currency transactions is 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 a quarterly weighted average exchange rate for the period. At June 30, 1997 and 1996, the Australian dollar was equivalent to U.S. $.7538, and $.7875, 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.

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,	
	1997	1996
Cash	$ 480,963	$ 394,224
U.S. Treasury Bills	197,573	1,678,858

Australian money market accounts and short term commercial paper	12,264,326	9,205,875
	-----------	-----------
	$12,942,862	$11,278,957
	===========	===========

1. Summary of significant accounting policies (Cont'd)

U.S. Government Securities

At June 30, 1997, the Company has the following amounts invested in U.S. government securities which are expected to be held until maturity:

<TABLE>
<CAPTION>

Security	Par value	Maturity Date	Amortized Cost	Fair value
<S>	<C>	<C>	<C>	<C>
U.S. Treasury Bill	$1,000,000	Aug. 21, 1997	$ 946,946	$ 992,280
Federal National Mortgage Association	1,300,000	Nov. 24, 1997	1,264,259	1,270,539
	---------		---------	---------
	$2,300,000		$2,211,205	$2,262,819
	==========		==========	==========

</TABLE>

Earnings per share

Earnings per common share is based upon the weighted average number of common and common equivalent shares outstanding during the period. Primary and fully diluted earnings per share are the same.

In February 1997, the FASB issued Statement No. 128 Earnings per Share, which is required to be adopted for the fiscal year ending June 30, 1998. The Company does not expect the adoption of this new standard to have a material effect on earnings per share.

Financial instruments

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

2. Oil and gas properties

(a) Australia

Mereenie

Field Development and Oil Production

MPAL has a 35% working interest in the Mereenie oil and gas field in the Northern Territory of Australia ("NTA"). MPAL's share of production from the field is subject to net overriding royalties aggregating 3.0625% and the statutory government royalty of 10%.

2. Oil and gas properties (Cont'd)

The field was producing about 2,400 (MPAL share 840) barrels of crude oil per day ("bpd") from 34 wells at June 30, 1997. During 1997, MPAL's share of oil sales was 353,000 barrels and 3.3 billion cubic feet ("bcf") of gas sold. The oil is transported by means of a 167 mile eight-inch oil pipeline from the field to the Brewer Estate industrial park near Alice Springs. Most of the oil is then shipped south approximately 950 miles by rail and road to a refinery in the Adelaide area. The cost of transporting the oil to the refinery is being borne by the producers.

MPAL and its partner (the Mereenie Joint Venture - MPAL share 35%) are providing Mereenie gas for use in Darwin and other NTA centers. (See Gas Supply Contracts below). During 1997, the MJV committed 57.7 bcf of gas to PAWA over a 10 year period. In addition, the MJV has also committed 17 bcf of gas over a 6 year period to the Pegasus gold mining operation at MT Todd in the NTA. It is expected that both agreements will be concluded by fall 1997.

Refinery Obligation

Under the terms of the Mereenie petroleum leases, the Mereenie Joint Venture ("MJV") is obligated to construct a refinery in the Alice Springs area if it is determined that such a refinery is economically viable. The MJV submitted a study in early 1986 which concluded that a refinery was not economically viable at that time, and under the terms of the leases, an updated study may be required at any time. The Company believes a refinery in Alice Springs would not be economically viable under current market conditions. The Northern Territory Government has not raised any current objection to this conclusion.

Palm Valley

Field Development and Gas Production

MPAL has a 50.775% interest in the Palm Valley gas field which is located in the NTA. Ten wells have been drilled in the field, six of which are currently connected to the gas treatment plant and flowed as required to meet the Alice Springs and Darwin supply contracts with PAWA. During fiscal 1997, MPAL's share of gas sales was 3.6 bcf.

The PVJV is also providing Palm Valley gas for use in Darwin and other NTA centers. See "Gas Supply Contracts".

MPAL's share of Palm Valley production revenues is subject to a 10% statutory government royalty and net overriding royalties aggregating 4.2548%.

2. Oil and gas properties (Cont'd)

Gas Supply Contracts

In 1981, the PVJV commenced the sale of gas to Alice Springs. In 1985, MPAL signed an agreement as a participant in the PVJV and also signed an agreement as a participant in the MJV for the sale of gas to PAWA for use in PAWA'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 additional contracts for the sale of Mereenie Gas. The following is a summary of MPAL's interest in the Palm Valley Joint Venture and the Mereenie Joint Venture gas supply contracts:

<TABLE>
<CAPTION>

	Maximum contract (Before/after royalties) (bcf)		Take or pay (Before/after royalties) (bcf)		Percentage of contract completed Maximum	Take or Pay	Contract Period
Palm Valley:							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Alice Springs	24.4	21.0	14.2	12.3	45	59	25 years (1983-2008)
Darwin	88.9	76.6	68.0	58.6	37	49	25 years (1987-2012)
	-----	----	----	----			
	113.3	97.6	82.2	70.9			
	-----	----	----	----			
Mereenie:							
Darwin (1985)	19.6	17.0	14.0	12.2	40	57	25 years (1987-2012)
Darwin (1995)	7.5	6.5	6.0	5.2	51	63	10 years (1995-2005)
Darwin (1997)	20.2	17.6	16.3	14.1	-	-	10 years (1999-2009)
Pegasus - MT Todd	6.3	5.5	5.1	4.4	4	5	6 years (1997-2003)
Other	2.1	1.8	2.1	1.8	-	-	Various
	-----	-----	-----	-----			

	55.7	48.4	43.5	37.7
	-----	-----	-----	-----
Total	169.0	146.0	125.7	108.6
	=====	=====	=====	=====

</TABLE>

There is a difference in price between Palm Valley gas and Mereenie gas for the first 20 years of the 25 year contract 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.

In consideration for the PVJV forgoing 20% of the Amadeus Basin to Darwin gas supply contract during the first twenty contract years, the MJV made a payment to the PVJV to partially compensate the PVJV for the reduced net present value of the future gas sales revenues which were postponed from contract years 1 to 20 to contract years 21 to 26. The agreement also provides that if the MJV sells any additional gas from the Mereenie field, the PVJV is entitled, as additional consideration, to 35% of the revenues from the first 38 bcf (MPAL share - 19.5 bcf) of gas sold. At June 30, 1997, the balance of the MJV gas subject to this entitlement was 22 bcf (MPAL share - 11 bcf).

At June 30, 1997, the Company had accrued $650,000 for future site restoration costs for the Mereenie and Palm Valley fields. The balance of the estimated liability is $3,200,000 at June 30, 1997.

2. Oil and gas properties (Cont'd)

Dingo Gas Field

MPAL has a 34.26 percent interest in the Dingo gas field which is held under Retention License 2. The Dingo gas field, which is located in the Amadeus Basin in the NTA, has approximately 22 bcf of presently proved and recoverable reserves based on three production gas wells. The Dingo field participants have been negotiating for the sale of gas from the field. The current retention license required that a well be drilled by May, 1997 at an estimated cost of $2.7 million (MPAL share - $.9 million). An application to waive the drilling commitment has been filed and it is expected that the waiver will be granted. MPAL's share of potential production from these permit areas is subject to a 10% statutory government royalty and overriding royalties aggregating 2.5043%.

Ngalia Basin

MPAL has a 100% interest in permit EP-15 in the Ngalia basin in the NTA which covers 1.9 million acres. The minimum obligations of this permit total $.9 million for the period 1997-1999 including an obligation to drill a well by May 1998. Previously MPAL had held a permit in the Ngalia basin where a 6,000 foot wildcat well, Davis No. 1, was drilled in 1981. Although the well was abandoned as a dry hole, it did yield minor shows of natural gas. MPAL is actively seeking co-venturers in this project and expects that a well will be drilled before the end of 1997.

Northern Surat Basin

MPAL currently has a 15.625% working interest in the Burunga permit in Queensland (ATP 378P). During fiscal 1996, the Scotia No. 3 well was drilled to test for coal bed methane gas. During fiscal 1997, the gas well was fracture stimulated. The well is currently being flow tested. The project appears to be economic and future development is being considered.

Eastern Surat Basin

MPAL has earned a 10% interest in Block D of ATP 244P in Queensland by completing a pilot seismic reprocessing program and has an option to earn up to 75% by completing additional work. MPAL is currently reprocessing and interpreting the available seismic data and expects to drill a well in the first half of 1998.

2. Oil and gas properties (Cont'd)

Southern Surat Basin

MPAL has an option to earn 60% in ATP 626P in Queensland by drilling 3 wells. The Company is currently reprocessing 109 miles of existing seismic and has acquired 64 additional miles of seismic. MPAL's share of the project is estimated to be $2.2 million over the period 1997-1999, of which approximately $200,000 had been expended at June 30, 1997.

Timor Sea

MPAL is earning a 10% interest in WA-74-P offshore Western Australia by funding 20% of the cost of drilling the Schilling-1 well which began drilling on August 23, 1997 and as of September 15, 1997, was being plugged and abandoned. The 2.1 million acre block contains two potential prospects for drilling. The estimated cost of the Schilling-1 well which is approximately $8 million (MPAL share - $1.6 million) will be written off during the first quarter of fiscal 1998.

Maryborough Basin

MPAL is seeking partners for exploration permit ATP 613P, a 670,000 acre block, in the Maryborough Basin in Queensland, Australia. During fiscal 1996, seismic surveys were completed on the permit. Processing and analysis of the data has been completed. A well is expected to be drilled in 1998 at an estimated cost of $1.1.

(b) Canada

The Company has a 2.67% carried interest in the Kotaneelee gas field in the Yukon Territory which has been on production since February 1991. There are two wells capable of production in the field which is part of a permit covering 31,885 gross acres. For financial statement purposes in fiscal 1987 and 1988, the Company wrote down its Canada cost center, which included 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. Although the field is now producing, the Company has not yet classified its share of the Kotaneelee gas reserves as proved because the gas field is still the subject of litigation. The Company will reclassify the reserves at the Kotaneelee field as proved when there is greater assurance as to the timing and assumptions regarding the investment. Based on the current price of gas and the unrecovered development costs, the Company does not expect to receive any revenue from the field until 1998.

(c) United States

Navajo Joint Venture

Effective March 31, 1995, MPAL sold its 11.625% interest in oil and gas exploration, drilling, operating and production agreements covering properties located on Navajo Tribal lands in the Four Corners Region of Arizona, New Mexico and Utah. MPAL realized proceeds of $906,000 on the sale and recorded a gain of $673,000. The consideration paid consisted of $300,000 in cash and 534,000 shares of the purchaser, Harken Energy Corporation. During fiscal 1996, all of the shares were sold at a gain of $350,000.

Baca County, Colorado

MPC (10%) and MPAL (90%) participated in an exploration program in Colorado. During late April 1995, MPAL commenced an initial three well exploration drilling program. All three wells were dry holes. Based on the data derived from the appraisal program during fiscal 1995 and 1996, the Company wrote off $809,000 and $1,691,000 in costs, respectively. During fiscal 1997, the Company drilled a fourth well which was a dry hole and all of the remaining costs of projects, which totaled $3,008,000, were written off. MPC has withdrawn from the venture and MPAL's interest is now 100%.

(d) Belize

Gladden Basin PSA

During January 1996, MPAL acquired a 20% working interest in a Production Sharing Agreement ("Gladden PSA") which covers approximately 351,000 acres offshore Belize, Central America. On May 30, 1996, MPC acquired a 2 1/2% working interest in the Gladden PSA. The Gladden PSA expires on May 31, 2001. During 1997, the Gladden No. 1 well was plugged and abandoned and the Company's cost of the well, which totaled $2,655,000, was written off.

Block 13 PSA

MPC (2 1/2%) and MPAL (20%) are also participants in a Production Sharing Agreement ("Block 13 PSA") offshore Belize adjourning the western and southern boundaries of the Gladden PSA. The Block 13 PSA covers approximately 788,000 acres. The Block 13 PSA expires on January 31, 2004. The aggregate estimated cost for 1997 and 1998 is approximately $68,000 for MPAL and MPC.

3. MPC condensed financial statements

The following are unconsolidated condensed balance sheets (in thousands) of MPC and condensed statements of operations and cash flows.

MAGELLAN PETROLEUM CORPORATION
BALANCE SHEET

	June 30, 1997	June 30, 1996 (Restated)
ASSETS		
Current assets	$ 2,913	$ 2,287
Oil and gas properties - net	47	283
Investment in MPAL	16,601	17,148
Total	$19,561	$19,718
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities	$ 18	$ 92
Stockholders' equity:		
Capital	43,659	43,492
Accumulated deficit	(20,387)	(21,081)
Foreign currency translation adjustments	(3,729)	(2,785)
	19,543	19,626
Total	$19,561	$19,718

MAGELLAN PETROLEUM CORPORATION
STATEMENT OF OPERATIONS

	Year ended June 30, 1997	1996 (Restated)	1995 (Restated)
Revenues	$ 122	$ 84	$ 58
Costs and expenses	(1,376)	(900)	(977)
Loss before income taxes	(1,254)	(816)	(919)
Income tax provision	276	252	261
Loss before equity in MPAL	(1,530)	(1,068)	(1,180)
Equity in MPAL net income	2,224	2,479	1,865
Net income	$ 694	$1,411	$ 685

3. MPC condensed financial statements (Cont'd)

MAGELLAN PETROLEUM CORPORATION
STATEMENT OF CASH FLOWS

	Year ended June 30, 1997	1996 (Restated)	1995 (Restated)
Operating Activities:			
Net income	$ 694	$ 1,411	$ 685
Adjustments to reconcile net income to net cash used in operating activities:			
Abandonments	598	127	73
Equity in MPAL income	(2,224)	(2,479)	(1,865)
Change in operating assets and liabilities:			
Accounts receivable	(57)	(62)	239
Accounts payable and accrued liabilities	(73)	29	(7)
Net cash used in operating activities	(1,062)	(974)	(875)
Investing Activities:			
Additions to property and equipment	(363)	(288)	(195)
U.S. Government securities purchased	(2,211)	-	-
	(2,574)	(288)	(195)
Financing Activities:			
Dividends from MPAL	1,826	1,662	1,718
Sales of common stock	167	134	131
	1,993	1,796	1,849
Net increase (decrease) in cash and cash equivalents	(1,643)	534	779
Cash and cash equivalents at beginning of year	2,067	1,533	754
Cash and cash equivalents at end of year	$ 424	$2,067	$ 1,533

4. MPAL transactions and condensed financial statements

The following are the condensed consolidated balance sheet of MPAL and condensed consolidated statement of operations (in thousands). At June 30, 1997, Santos Ltd. held 18.2% of MPAL and Boral Limited held 17.2% with the balance of 14% held by approximately 2,200 shareholders in Australia.

4. MPAL transactions and condensed financial statements (Cont'd)

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles and include all of MPAL's subsidiaries.

Magellan Petroleum Australia Limited
Consolidated Balance Sheet

	June 30, 1997	1996 (Restated)
ASSETS		

Current assets	$14,526	$12,617
Oil and gas properties - net	27,469	31,344
Land, building and equipment - net	1,154	1,166
	--------	--------
Total	$43,149	$45,127
	=======	=======

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities	$ 2,785	$ 4,436
	--------	--------
Long term liabilities	7,833	7,076
	--------	--------
Stockholders' equity:		
Capital	34,408	34,408
Retained earnings	4,510	3,724
Foreign currency translation adjustments	(6,387)	(4,517)
	---------	---------
	32,531	33,615
	--------	--------
Total	$43,149	$45,127
	=======	=======

4. MPAL transactions and condensed financial statements (Cont'd)

Magellan Petroleum Australia Limited
Consolidated Statement of Operations

	Year ended June 30,		
	1997	1996 (Restated)	1995 (Restated)
Revenues	$20,636	$17,989	$15,366
Costs and expenses	15,079	11,500	9,547
	-------	-------	--------
Income before taxes	5,557	6,489	5,819
Income tax provision	1,166	1,596	2,137
	--------	--------	--------
Net income	$ 4,391	$ 4,893	$ 3,682
	=======	=======	=======

Magellan and Minority Equity in MPAL

Magellan equity interest in MPAL:			
Magellan equity in net income	$2,224	$2,479	$1,865
	======	======	======
Minority equity interest in MPAL:			
Minority interest in net income	$2,166	$2,414	$1,817
Foreign currency translation	(922)	1,999	(352)
Dividends paid	(1,779)	(1,619)	(1,673)
	-------	-------	-------
Total minority interest increase (decrease)	$ (535)	$2,794	$ (208)
	=======	======	=======

5. Capital and stock options

The Company'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 October 5, 1989, the Company adopted a Stock Option Plan covering 1,000,000 shares of the Company's common stock.

Following is a summary of option transactions for the three years ended June 30, 1997:

Options outstanding	Number of shares	Option Prices ($)
June 30, 1994	803,750	.75 - 1.125
Exercised	(105,000)	.75
Exercised	(35,000)	1.125

June 30, 1995	663,750	.75 - 1.125
Exercised	(25,000)	.75
Exercised	(35,000)	1.125
Exercised	(87,500)	.75 - .94

June 30, 1996	516,250	.75 - 1.0625
Granted	50,000	2.75
Exercised	(150,000)	1.0625
Exercised	(10,000)	.75

June 30, 1997	406,250	.8125-2.75
	--------	($1.10 weighted average)

Options reserved for future grants 146,250

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 because the alternative fair value accounting provided under FASB Statement No. 123, "Accounting for Stock Based Compensation," requires use of option valuation models that were not developed for use in valuing stock options. Under APB No. 25, because the exercise price of the Company's stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

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, 1997.

5. Capital and stock options (Cont'd)

Pro forma information regarding net income and earnings per share is required by Statement 123, and 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.

Option valuation models require the input of highly subjective assumptions including the expected stock price volatility. The assumptions used in the valuation model were: risk free interest rate - 6.55%, expected life - 5 years and expected volatility - .579. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

For the purpose of pro forma disclosures, the estimated fair value of the stock options is expensed in the year of grant since the options are immediately exercisable. The Company's pro forma information follows:

	Amount	Per Share
Net income as reported - June 30, 1997	$694,000	$.03
Stock option expense	78,000	-

Pro forma net income	$616,000	$.03

6. Income taxes

(a) Components of pretax income (loss) by geographic area (in thousands) are as follows:

	Year ended June 30, 1997	1996 (Restated)	1995 (Restated)
United States	$(4,547)	$(3,229)	$(1,530)
Foreign	8,850	8,902	6,428
Total	$ 4,303	$ 5,673	$ 4,898

6. Income taxes (Cont'd)

(b) 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:

<TABLE>
<CAPTION>

	Year ended June 30, 1997	1996 (Restated)	1995 (Restated)
<S>	<C>	<C>	<C>
Pretax consolidated income	$4,303	$5,673	$4,898
Losses not recognized:			
MPC's operations	1,254	816	919
MPAL's non Australian operations	(145)	831	(124)
Permanent differences	(2,040)	(1,615)	(217)
Book taxable income - Australia	$3,372	$5,705	$5,476
Australian tax rate	36%	36%	36%
Australian income tax provision	$1,214	$2,054	$1,971
Tax provision attributable to reconciliation of year end deferred tax liability	(48)	(458)	166
MPAL Australian tax provision	1,166	1,596	2,137
MPC income tax provision	276	252	261
Consolidated income tax provision	$1,442	$1,848	$2,398
Current income tax provision	$ 276	$1,848	$ 261
Deferred income tax	1,166	-	2,137
	$1,442	$1,848	$2,398
Effective tax rate	34%	33%	49%

</TABLE>

The amount of $7,087,000 and $6,450,000 in deferred income taxes liability at June 30, 1997 and June 30, 1996, respectively, relates primarily to the deduction of acquisition and development costs which are capitalized for financial statement purposes.

6. Income taxes (Cont'd)

(c) United States

The Company has approximately $15,750,000 and $4,543,000 of net operating loss carryforwards for federal and state income tax purposes, respectively, which are scheduled to expire periodically between 2000 and 2012. The Company also has approximately $1,120,000 of foreign tax carryovers, which are scheduled to expire periodically between 1998 and 2002. For financial reporting purposes, a valuation allowance has been recognized to offset the deferred tax assets related to those carryforwards and other temporary differences. Significant components of the Company's deferred tax assets were as follows:

	June 30 1997	June 30 1996
Net operating losses	$4,183,000	$3,901,000
Foreign tax credits	1,120,000	976,000
Interest	212,000	138,000
Subpart F deemed dividend	1,476,000	1,476,000
Intangible drilling costs	21,000	35,000
Total deferred tax assets	7,012,000	6,526,000
Valuation allowance	(7,012,000)	(6,526,000)
Net deferred tax assets	$ 0	$ 0

7. Bank loan

MPC has a $1,500,000 revolving line of credit at the bank's prime rate of interest (8 1/4% at June 30, 1997 and 8 1/4% at June 30, 1996) plus 1%, which will expire in December 31, 1997. The line is secured by 4,400,000 shares of MPAL common stock and requires a compensating balance of $100,000 plus 10% of the amount used under the line of credit. In addition, there is a 1/2% commitment fee charged on the unused portion of the line of credit. MPC has an additional $700,000 bank commitment to provide each director and officer with a $100,000 letter of credit. The letters of credit secure MPC's agreement to indemnify its directors and officers. The directors and officers bear the cost of the letters of credit. At June 30, 1997 and 1996, the line of credit and letters of credit were not being utilized.

MPAL has a A.$10 million line of credit with an Australian bank at the bank's prime rate of interest (5.7% at June 30, 1997, and 6% at June 30, 1996) plus .5%. This line of credit is unsecured and expires December 31, 1997. In addition, there is an annual fee of A.$30,000 payable with respect to the line of credit. At June 30, 1997 and 1996, the line of credit was not being utilized.

8. Related party and other transactions

Mr. C. Dean Reasoner was a director of the Company until his resignation on March 11, 1997. He was also a member of the law firm of Reasoner & Fox, which firm was paid fees of $39,000, $109,000 and $120,000 for fiscal years 1997, 1996 and 1995, respectively. In fiscal 1995, the final year of his two year consulting agreement, Mr. Benjamin W. Heath, a director of the Company, was paid $35,000 plus an expense reimbursement. G&O'D INC, a firm that provides accounting and administrative services, office facilities and support staff to the Company, was paid $211,088, $187,898 and $256,196 in fees for fiscal years 1997, 1996 and 1995, respectively. James R. Joyce, the President and Chief Financial Officer, is the owner of G&O'D INC. Mr. Timothy L. Largay, a director of the Company since February 1996, is a member of the law firm of Murtha, Cullina, Richter and Pinney, which firm was paid fees of $29,004 and $28,449 for fiscal years 1997 and 1996, respectively. In addition, Messrs. Heath and Reasoner have overriding royalty interests which were granted between 1957 and

1968 on certain of the Company's oil and gas properties prior to any discoveries. The following gross royalty amounts represent payments by all of the owners of the fields, not just the Company's share. The payments to Messrs. Heath and Reasoner with respect to these royalties in fiscal 1997 were $54,252 and $17,004, in fiscal 1996 were $45,657 and $20,071, and in fiscal 1995 were $45,220 and $21,403, respectively.

9. Leases

MPAL leases various offices. At June 30, 1997 future minimum rental payments applicable to noncancelable operating leases were as follows:

Fiscal Year	Amount
1998	$153,000

The information regarding the rental expense for all operating leases is included in Note 11.

10. Pension Plan

A defined benefit pension plan is operated by MPAL. All salaried employees are eligible to become participants of the plan. MPAL contributes to the plan at rates which (based on actuarial determination) are sufficient to meet the cost of employees' retirement benefits. No employee contributions are required. MPAL is committed to make up any shortfall in the plan's assets to meet payments to employees as they become due.

Plan participants are entitled to defined benefits on normal retirement, death or disability. The retirement benefits are dependent on years of participation and the highest average salary over three consecutive years. In the event of termination of employment within ten years of participation, employees are entitled to a partial vesting of their equitable share of the plan based on the number of years of participation. After ten years of participation, there is full vesting of benefits.

The investments of the plan at June 30, 1997 are comprised of units of NMFM Superannuation Fund, a managed growth fund. The fund's assets are invested primarily in growth assets such as Australian and international shares.

10. Pension Plan (Cont'd)

The following table sets forth the actuarial present value of benefit obligations and funded status for the MPAL pension plan:

	June 30, 1997	June 30, 1996
Plan assets at fair value	$3,311,309	$3,214,103
Actuarial value of accumulated benefit obligation	$3,072,750	$3,062,115
Effect of assumed future compensation increases	(433,034)	(108,603)
Projected benefit obligation for service to date	2,639,716	2,953,512
Plan assets in excess of projected benefit obligation	671,593	260,591
Unrecognized net loss	149,025	539,425
Unrecognized net asset at transition	(234,730)	(280,256)
	$ 585,888	$ 519,760

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

	Year ended June 30, 1997	1996	1995
Service cost	$242,014	$247,010	$228,421
Interest cost	200,995	204,554	157,409
Actual return on plan assets	(246,904)	(259,695)	(201,565)
Net amortization and deferred items	(18,472)	(19,298)	(15,503)
Net pension cost	$177,633	$172,571	$168,762
Plan contributions by MPAL	$275,000	$279,000	$250,000

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

	1997	1996	1995
Assumed discount rate	6.5%	8.0%	9.0%
Rate of increase in future compensation levels	5.0%	6.5%	15.0%
Expected long term rate of return on plan assets	7.0%	8.5%	10.0%
Australian exchange rate	$.7538	$.7875	$.7097

11. The financial information

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:

<TABLE>
<CAPTION>

	Year ended June 30, 1997	1996 (Restated)	1995 (Restated)
Revenue:			
<S>	<C>	<C>	<C>
Australia	$20,618	$17,639	$14,113
United States	140	434	1,311
	$20,758	$18,073	$15,424
Operating income:			
Australia	$ 8,683	$ 7,246	$ 4,681
Belize	(2,584)	-	-
United States	(2,862)	(2,982)	(724)
	3,237	4,264	3,957
Corporate overhead and interest net of other income	1,066	1,409	941
Consolidated operating income before income taxes and minority interests	$ 4,303	$ 5,673	$ 4,898
Net income:			
Australia	$ 5,212	$ 3,835	$ 2,040
Belize	(1,320)	-	-
United States	(3,198)	(2,424)	(1,355)
	$ 694	$ 1,411	$ 685

Identifiable assets:			
Australia	$42,516	$42,295	$32,816
Belize	563	-	-
United States	70	2,831	3,400
	43,149	45,126	36,216
Corporate assets	3,081	2,690	2,007
	$46,230	$47,816	$38,223

</TABLE>

Substantially all of the Company's Australian gas sales were to the Power and Water Authority ("PAWA") of the Northern Territory of Australia ("NTA"). Most of the Company's crude oil production was sold to the Mobil Port Stanvac Refinery near Adelaide.

11. The financial information (Cont'd)

Other financial information

<TABLE>
<CAPTION>

	Year ended June 30, 1997	1996	1995
Costs and expenses - Other			
<S>	<C>	<C>	<C>
Consultants	$ 108,552	$ 135,135	$ 174,499
Directors' fees and expense	173,832	167,002	163,922
Insurance	284,532	272,275	241,023
Rent	326,665	283,954	350,290
Taxes	234,960	220,968	234,008
Travel	233,044	337,132	183,351
Other (net of overhead reimbursements)	(426,323)	(389,577)	(418,483)
	$ 935,262	$1,026,889	$ 928,610
Royalty payments	$1,930,011	$1,544,508	$1,596,516
Interest payments	$ 32,005	$ 30,690	$ 27,937
Income tax payments	$2,256,934	$ 251,888	$ 260,580

</TABLE>

12. Selected quarterly financial data (unaudited)

The following is a summary (in thousands) of the quarterly results of operations for the years ended June 30, 1997 and 1996:

<TABLE>
<CAPTION>

1997 (Restated)	QTR 1	QTR 2	QTR 3	QTR 4
	($)	($)	($)	($)
<S>	<C>	<C>	<C>	<C>
Total revenues	5,110	5,458	5,176	5,014
Costs and expenses:				
Originally reported	(3,019)	(2,915)	(3,023)	(7,497)
Adjustment	-	-	(2,655)	2,655
Restated	(3,019)	(2,915)	(5,678)	(4,842)
Income taxes:				
Originally reported	(768)	(1,227)	(759)	1,312

Adjustment	-	-	854	(854)
Restated	(768)	(1,227)	95	458
Minority interests:				
Originally reported	(762)	(894)	(739)	228
Adjustment	-	-	(749)	749
Restated	(762)	(894)	(1,488)	977
Net income (loss):				
Originally reported	561	422	655	(943)
Adjustment	-	-	(2,550)	2,550
Restated	561	422	(1,895)	1,607
Per share:				
Originally reported	.02	.02	.03	(.04)
Adjustment	-	-	(.10)	.10
Restated	.02	.02	(.07)	.06

</TABLE>

12. Selected quarterly financial data (unaudited) (Cont'd)

<TABLE>
<CAPTION>

1996 (Restated)	QTR 1	QTR 2	QTR 3	QTR 4
	($)	($)	($)	($)
<S>	<C>	<C>	<C>	<C>
Total revenues	3,935	4,649	4,770	4,719
Costs and expenses:				
Originally reported	(2,748)	(2,929)	(2,745)	(5,459)
Adjustment	-	-	-	1,482
Restated	(2,748)	(2,929)	(2,745)	(3,977)
Income taxes:				
Originally reported	(448)	(1,004)	(724)	835
Adjustment	-	-	-	(507)
Restated	(448)	(1,004)	(724)	328
Minority interests:				
Originally reported	(466)	(591)	(706)	(207)
Adjustment	-	-	-	(445)
Restated	(466)	(591)	(706)	(652)
Net income:				
Originally reported	273	125	595	(112)
Adjustment	-	-	-	530
Restated	273	125	595	418
Per share:				
Originally reported	.01	.01	.02	-
Adjustment	-	-	-	.02
Restated	.01	.01	.02	.02

</TABLE>

MAGELLAN PETROLEUM CORPORATION
SUPPLEMENTARY OIL AND GAS INFORMATION
(unaudited)

June 30, 1997

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 developed and proved oil and gas reserves:

<TABLE>
<CAPTION>

	Natural Gas (BCF)		Oil (Thousand Bbls)	
Proved Reserves:	Australia (*)	U.S.	Australia	U.S.
<S>	<C>	<C>	<C>	<C>
June 30, 1994	81.762	.128	1,364	66
Revision of previous estimates	.244	.200	-	150
Extensions and discoveries	6.502	-	412	-
Production	(4.934)	(.132)	(280)	(89)
Sales of minerals in place	-	(.196)	-	(127)
	--------	------	------	-----
June 30, 1995	83.574	-	1,496	-
Revision of previous estimates	-	-	-	-
Extensions and discoveries	1.518	-	23	-
Production	(5.422)	-	(318)	-
	--------	------	------	-----
June 30, 1996	79.670	-	1,201	-
Revision of previous estimates	(.861)	-	65	-
Extensions and discoveries	22.946	-	-	-
Production	(5.673)	-	(307)	-
	--------	------	------	-----
June 30, 1997	96.082	-	959	-
	======	======	======	=====
Proved Developed Reserves:				
June 30, 1994	81.762	.128	1,364	66
	======	====	=====	==
June 30, 1995	83.574	-	1,496	-
	======	====	=====	==
June 30, 1996	79.670	-	1,201	-
	======	====	=====	==
June 30, 1997	96.082	-	959	-
	======	====	=====	==

</TABLE>
- -------------------

(*) The amount of proved reserves applicable to the Palm Valley and Mereenie fields only reflects the amount of gas committed to specific contracts. Approximately 49.3% of reserves are attributable to minority interests.

Costs of oil and gas activities (in thousands):

	Australia	
Fiscal Year	Exploration Costs	Development Costs

1997	$ 580	$ 678
1996	335	2,989
1995	224	3,071

	Americas	
Fiscal Year	Exploration Costs	Acquisition Costs
1997	$3,138	$ 47
1996	2,138	426
1995	2,448	386

Capitalized costs subject to depletion, depreciation and amortization ("DD&A") (in thousands):

June 30, 1997	Australia	Americas	Total
Costs subject to DD&A	$48,130	$ -	$48,130
Costs not subject to DD&A	776	421	1,197
Less accumulated DD&A	(20,704)	-	(20,704)
Net capitalized costs	$28,202	$ 421	$28,623

June 30, 1996	Australia	Americas	Total
Costs subject to DD&A	$49,449	$ -	$49,449
Costs not subject to DD&A	588	2,898	3,486
Less accumulated DD&A	(20,023)	-	(20,023)
Net capitalized costs	$30,014	$ 2,898	$32,912

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, 1997. Australia was the only cost center with proved reserves. Approximately 49.3% of the reserves and the respective discounted future net cash flows are attributable to minority interests.

	Total		
	1997	1996	1995
Future cash inflows	$198,406	$138,797	$132,435
Future production costs	(22,204)	(21,065)	(23,354)
Future development costs	-	-	(1,139)
Future income tax expense	(60,926)	(41,824)	(38,870
Future net cash flows	115,276	75,908	69,072
10% annual discount for estimating timing of cash flows	(46,963)	(31,695)	(30,691)
Standardized measures of discounted future net cash flows	$ 68,313	$ 44,213	$ 38,381

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

	1997	1996	1995
Net change in prices and production costs	$18,300	$6,330	$(3,141)
Extensions and discoveries	29,530	87	6,838
Revision of previous quantity estimates	(341)	-	148
Changes in estimated future development costs	-	-	(1,534)
Sales and transfers of oil and gas produced	(11,264)	(9,583)	(9,266)
Sales of minerals in place	-	-	(1,313)

Previously estimated development cost incurred during the period	-	1,493	765
Accretion of discount	3,535	3,180	4,113
Net change in income taxes	(12,604)	(43)	(3,921)
Net change in exchange rate	(3,056)	4,368	(1,028)
	--------	------	--------
	$24,100	$5,832	$(8,339)
	=======	======	========

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 have been limited to the quantities of gas committed to specific contracts.

Reserves and Costs - Oil

At June 30, 1997, 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, 1997. All of the crude oil reserves are developed reserves. Undeveloped proved reserves have not been estimated since there are only tentative plans to drill a few 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.$9,236,000, A.$9,448,000 and A.$9,583,000 in unrecouped capital expenditures at 1997, 1996 and 1995, respectively. The tax rate in computing Australian future income tax expense was 36%.

For financial statements purposes in fiscal 1987 and 1988, MPC wrote down its Canada cost center which included the Kotaneelee gas 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. Although the field is now producing, the Company has not yet classified its share of the Kotaneelee gas reserves as proved because the gas field is still the subject of litigation. The Company will reclassify the reserves at the Kotaneelee field as proved when there is greater assurance as to the timing and assumptions of the investment.

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, 1997:

<TABLE>
<CAPTION>

	United States			Australia		
	1997	1996 (1)	1995 (1)	1997	1996	1995
	----	-----	----	----	----	----
				(Restated)	(Restated)	
Revenues:						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Oil sales			$363	$6,740	$ 5,922	$ 5,330
Gas sales			115	11,552	9,746	7748
			----	------	------	------
			478	18,292	15,668	13,078

Costs:						
Production costs			145	4,811	4,410	3,455
Depletion, exploratory and dry hole costs	(3,008)	(1,691)	(54)	2,605	2,040	1,760
	(3,008)	(1,691)	91	7,416	6,450	5,215
Income before taxes and minority interest	(3,008)	(1,691)	387	10,876	9,218	7,863
Income tax provision (2)	-	-	-	(3,915)	(3,318)	(2,595)
Income before minority interests	(3,008)	(1,691)	387	6,961	5,900	5,268
Minority interests (49.3%)	1,327	772	(191)	(3,432)	(2,909)	(2,597)
Net income (loss) from operations	$(1,681)	$ (919)	$ 196	$3,529	$2,991	$ 2,671
Depletion per unit of production	-	-	$14.88	A$1.86	A$2.35	A.$2.31

</TABLE>

- -----------------

(1) The Company's interest in the Navajo Joint Venture was sold effective as of March 31, 1995.

(2) Australian income tax provision 36% in 1997 and 1996 and 33% in 1995.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

PART III

For information concerning Item 10 - Directors and Executive Officers of the Company, Item 11 Executive Compensation, Item 12 - Security Ownership of Certain Beneficial Owners and Management and Item 13 Certain Relationships and Related Transactions, see the Proxy Statement of Magellan Petroleum Corporation relative to the Annual Meeting of Stockholders for the fiscal year ended June 30, 1997, which will be filed with the Securities and Exchange Commission, which information is incorporated herein by reference. For information concerning Item 10 - Executive Officers of the Company, see Part I.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) (1) Financial Statements.

The financial statements listed below and included under Item 8, are filed as part of this report.

	Page reference
Report of Independent Auditors	35
Consolidated balance sheet at June 30, 1997 and June 30, 1996	36
Consolidated statement of operations for each of the three years in the period ended June 30, 1997	37

(2) Financial Statement Schedules.

All schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and the notes thereto.

(3) Exhibits.

The following exhibits are filed as part of this report:

Item Number

2. Plan of acquisition, reorganization, arrangement, liquidation or succession.

   None.

3. Articles of Incorporation and By-Laws.

   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 filed as exhibit 3 to Registration Statement No. 33-21311 are incorporated herein by reference.

   Copy of the By-Laws, as amended filed as exhibit 3 to Form 8-K filed on December 10, 1992 is incorporated herein by reference.

4. Instruments defining the rights of security holders, including indentures.

   None.

9. Voting Trust Agreement.

   None.

10. Material contracts.

   (a) Petroleum Lease No. 4 dated November 18, 1981 granted by the Northern Territory of Australia to United Canso Oil & Gas Co. (N.T.) Pty Ltd., filed as exhibit 10(c) to Report on Form 10-K for the fiscal year ended April 30, 1982 is incorporated herein by reference.

   (b) Petroleum Lease No. 5 dated November 18, 1981 granted by the Northern Territory of Australia to Magellan Petroleum (N.T.) Pty. Ltd., filed as exhibit 10(d) to Report on Form 10-K for the fiscal year ended April 30, 1982 is incorporated herein by reference.

(c) Gas Sales Agreement between The Palm Valley Producers and The Northern Territory Electricity Commission dated November 11, 1981, filed as exhibit 10(e) to Report on Form 10-K for the fiscal year ended April 30, 1982 is incorporated herein by reference.

(d) Palm Valley Petroleum Lease (OL3) dated November 9, 1982 filed as exhibit 10(h) to Report on Form 10-K for the fiscal year ended April 30, 1983 is incorporated herein by reference.

(e) Agreements relating to Kotaneelee.

(1) Copy of Agreement dated May 28, 1959 between the Company et al and Home Oil Company Limited et al and Signal Oil and Gas Company filed as exhibit 10(d) to Report on Form 10-K filed by Canada Southern Petroleum Ltd. for the fiscal year ended June 30, 1987 is incorporated herein by reference.

(2) Copies of Supplementary Documents to May 28, 1959 Agreement (see (1) above), dated June 24, 1959, consisting of Guarantee by Home Oil Company Limited and Pipeline Promotion Agreement filed as exhibit 10(d) to Report on Form 10-K filed by Canada Southern Petroleum Ltd. for the fiscal year ended June 30, 1987 is incorporated herein by reference.

(3) Copy of Modification to Agreement dated May 28, 1959 (see (1) above), made as of January 31, 1961 filed as exhibit 10(d) to Report on Form 10-K filed by Canada Southern Petroleum Ltd. for the fiscal year ended June 30, 1987 is incorporated herein by reference.

(4) Copy of Letter Agreement dated February 1, 1977 between the Company and Columbia Gas Development of Canada, Ltd. for operation of the Kotaneelee gas field filed by Canada Southern Petroleum Ltd. as Exhibit 10(d) to Report on Form 10-K for the fiscal year ended June 30, 1981 is incorporated herein by reference.

(f) Palm Valley Operating Agreement dated April 2, 1985 between Magellan Petroleum (N.T.) Pty. Ltd., C. D. Resources Pty. Ltd., Farmout Drillers N.L., Canso Resources Limited, International Oil Proprietary, Pancontinental Petroleum Limited, I.E.D.C. Australia Pty. Ltd., Southern Alloys Ventures Pty. Limited and Amadeus Oil N.L. filed as exhibit 10(i) to Report on Form 10-K for the fiscal year ended April 30, 1985 is incorporated herein by reference.

(g) Mereenie Operating Agreement dated April 27, 1984 between Magellan Petroleum (N.T.) Pty., United Oil & Gas Co. (N.T.) Pty. Ltd., Canso Resources Limited, Oilmin (N.T.) Pty. Ltd., Krewliff Investments Pty. Ltd., Transoil (N.T.) Pty. Ltd. and Farmout Drillers NL filed as exhibit 10(l) to Report on Form 10-K for the fiscal year ended April 30, 1984 and Amendment of October 3, 1984 to the above agreement filed as exhibit 10(j) to Report on Form 10-K for the fiscal year ended April 30, 1985 is incorporated herein by reference.

(h) Palm Valley Gas Purchase Agreement dated June 28, 1985 between Magellan Petroleum (N.T.) Pty. Ltd., C. D. Resources Pty. Ltd., Farmout Drillers N.L., Canso Resources Limited, International Oil Proprietary, Pancontinental Petroleum Limited, IEDC Australia Pty. Limited, Amadeus Oil N.L., Southern Alloy Venture Pty. Limited and Gasgo Pty., Limited. Also included are the Guarantee of the Northern Territory of Australia dated June 28, 1985 and Certification letter dated June 28, 1985 that the Guarantee is binding. All of the above were filed as exhibit 10(p) to Report on Form 10-K for the fiscal year ended April 30, 1985 and are incorporated herein by reference.

(i) Mereenie Gas Purchase Agreement dated June 28, 1985 between Magellan Petroleum (N.T.) Pty. Ltd., United Oil & Gas Co. (N.T.) Pty. Ltd., Canso Resources Limited, Moonie Oil N.L., Petromin No Liability, Transoil No Liability, Farmout Drillers N.L., Gasgo Pty. Limited, The Moonie Oil Company Limited, Magellan Petroleum Australia Limited and Flinders Petroleum N.L. Also included are the Guarantee of the Northern Territory of Australia dated June 28, 1985 and Certification letter dated June 28, 1985 that the Guarantee is binding. All of the above were filed as exhibit 10(q) to Report on Form 10-K for the fiscal year ended April 30, 1985 and are incorporated herein by reference.

(j) Agreements dated June 28, 1985 relating to Amadeus Basin -Darwin Pipeline which include Deed of Trust Amadeus Gas Trust, Undertaking by the Northern Territory Electric Commission and Undertaking from the Northern Territory Gas Pty Ltd. filed as exhibit 10(r) to Report on Form 10-K for the fiscal year ended April 30, 1985 are incorporated herein by reference.

(k) Agreement between the Mereenie Producers and the Palm Valley Producers dated June 28, 1985, filed as exhibit 10(s) to Report on Form 10-K for the fiscal year ended April 30, 1985 is incorporated herein by reference.

(l) Form of Agreement pursuant to Article SIXTEENTH of the Company's Certificate of Incorporation and the applicable By-Law to indemnify the Company`s directors and officers is filed as exhibit 10(s) to Registration Statement No. 33-21311, is incorporated herein by reference.

(m) Revolving Credit Agreement dated as of March 19, 1987, as amended and restated as of May 5, 1988 between Magellan Petroleum Corporation and National Australian Bank Limited and First Amendment to such agreement dated as of May 5, 1988 filed as exhibit (t) to Registration Statement No. 33-21311, are incorporated herein by reference. Second Amendment to such agreement dated as of March 19, 1990 as filed as exhibit 10(s) to Report on Form 10-K for the fiscal year ended June 30, 1990 is incorporated herein by reference.

11. Statement re computation of per share earnings.

Not applicable.

12. Statement re computation of ratios.

None.

13. Annual report to security holders, Form 10-Q or quarterly report to security holders.

Not applicable.

16. Letter re change in certifying accountant.

None.

18. Letter re change in accounting principles.

None.

21. Subsidiaries of the registrant.

(a) Magellan Petroleum Australia Limited, incorporated in Queensland, Australia.
(b) Magellan Petroleum (N.T.) Pty. Ltd., incorporated in Queensland, Australia.
(c) Paroo Petroleum Pty. Ltd., incorporated in Queensland, Australia.
(d) Paroo Petroleum (Holdings), Inc., incorporated in Delaware, U.S.A.
(e) Paroo Petroleum (USA), Inc., incorporated in Delaware, U.S.A.
(f) Magellan Petroleum (W.A.) Pty. Ltd., incorporated in Queensland, Australia
(g) Magellan Petroleum (Eastern) Pty. Ltd., incorporated in Queensland, Australia.
(h) Magellan Petroleum (Burunga) Pty., Ltd., incorporated in Queensland, Australia.
(i) Magellan Petroleum (Belize) Limited incorporated in Belize, Central America.

22. Published report regarding matters submitted to vote of security holders.

Not applicable.

23. Consent of experts and counsel.

Consent of Ernst & Young LLP filed herewith.

24. Power of attorney.

Not applicable.

27. Financial Data Schedule.

Filed herein.

99. Additional Exhibits.

None.

(b) Reports on Form 8-K.

On May 15, 1997, the Company filed a Current Report on Form 8-K to report that the Dogwood 14O-1 well in Baca County, Colorado was plugged and abandoned.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

/s/ James R. Joyce
James R. Joyce, President

Dated: September 18, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

/s/ Benjamin W. Heath Benjamin W. Heath Director	/s/ James R. Joyce James R. Joyce Director, President and Chief Executive Officer, Chief Financial and Accounting Officer
Dated: September 18, 1997	Dated: September 18, 1997
/s/ Dennis D. Benbow Dennis D. Benbow Director	/s/ Walter McCann Walter McCann Director
Dated: September 18, 1997	Dated: September 18, 1997
/s/ Timothy L. Largay Timothy L. Largay Director	/s/ Ronald P. Pettirossi Ronald P. Pettirossi Director
Dated: September 18, 1997	Dated: September 18, 1997

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-38429) pertaining to the Stock Option Plan of Magellan Petroleum Corporation of our report dated September 3, 1997 except for Note 2(a), as to which the date is September 15, 1997, with respect to the consolidated financial statements of Magellan Petroleum Corporation included in the Annual Report (Form 10-K) for the year ended June 30, 1997.

ERNST & YOUNG LLP

Hartford, Connecticut
September 15, 1997

<TABLE> <S> <C>

<ARTICLE> 5
<MULTIPLIER> 1
<CURRENCY> U.S. DOLLARS

<S>	<C>	<C>	<C>
<PERIOD-TYPE>	12-MOS	12-MOS	12-MOS
<FISCAL-YEAR-END>	JUN-30-1997	JUN-30-1996	JUN-30-1996
<PERIOD-START>	JUL-01-1997	JUL-01-1995	JUL-01-1994
<PERIOD-END>	JUN-30-1997	JUN-30-1996	JUN-30-1994
<EXCHANGE-RATE>	1	1	1
<CASH>	12,942,862	11,278,957	8,982,582
<SECURITIES>	2,211,205	0	0
<RECEIVABLES>	1,617,465	2,733,197	1,913,357
<ALLOWANCES>	0	0	0
<INVENTORY>	250,069	371,925	208,334
<CURRENT-ASSETS>	17,021,601	14,384,079	11,104,273
<PP&E>	49,326,738	52,934,870	44,424,798
<DEPRECIATION>	20,704,121	20,022,560	16,316,827
<TOTAL-ASSETS>	46,230,107	47,816,148	39,575,328
<CURRENT-LIABILITIES>	2,803,074	4,526,356	2,298,049
<BONDS>	0	0	0
<PREFERRED-MANDATORY>	0	0	0
<PREFERRED>	0	0	0
<COMMON>	248,512	246,912	245,437
<OTHER-SE>	19,294,422	19,379,769	15,788,174
<TOTAL-LIABILITY-AND-EQUITY>	46,230,107	47,816,148	39,575,328
<SALES>	18,291,209	15,667,049	13,556,565
<TOTAL-REVENUES>	20,757,607	18,073,018	15,423,972
<CGS>	0	0	0
<TOTAL-COSTS>	16,454,600	12,400,093	10,525,934
<OTHER-EXPENSES>	2,166,525	2,414,313	1,815,617
<LOSS-PROVISION>	0	0	0
<INTEREST-EXPENSE>	32,005	30,690	27,937
<INCOME-PRETAX>	2,136,482	3,258,612	3,082,421
<INCOME-TAX>	1,442,495	1,848,079	2,397,797
<INCOME-CONTINUING>	693,987	1,410,533	684,624
<DISCONTINUED>	0	0	0
<EXTRAORDINARY>	0	0	0
<CHANGES>	0	0	0
<NET-INCOME>	693,987	1,410,533	684,624
<EPS-PRIMARY>	0.03	0.06	0.03
<EPS-DILUTED>	0.03	0.06	0.03

</TABLE>