

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

(Mark one)

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

For the quarterly period ended September 30, 1997  
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TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-5507

MAGELLAN PETROLEUM CORPORATION

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

DELAWARE 06-0842255

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

149 Durham Road, Madison, Connecticut 06443

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

203-245-7664

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

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

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to such  
filing requirements for the past 90 days.

Yes  No

The number of shares outstanding of the issuer's single class of common  
stock as of November 1, 1997 was 24,982,495.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MAGELLAN PETROLEUM CORPORATION

CONSOLIDATED BALANCE SHEET  
(unaudited)

<TABLE>  
<CAPTION>

September 30, June 30,  
1997 1997  
-----

ASSETS

Current assets:			
<S>	<C>	<C>	
Cash and cash equivalents	\$12,570,034	\$12,942,862	
Accounts receivable	1,751,381	1,356,912	
U.S. Government securities	2,141,204	2,211,205	
Reimbursable development costs	640,639	260,553	
Inventories	254,374	250,069	
	-----	-----	
Total current assets	17,357,632	17,021,601	
	-----	-----	
Property and equipment:			
Oil and gas properties (successful efforts method)	45,732,466	45,891,237	
Land, buildings and equipment	1,815,604	1,837,114	
Field equipment	1,611,417	1,598,387	
	-----	-----	
	49,159,487	49,326,738	
Less accumulated depletion, depreciation and amortization	(20,433,529)	(20,704,121)	
	-----	-----	
	28,725,958	28,622,617	
	-----	-----	
Other assets	564,126	585,889	
	-----	-----	
	\$46,647,716	\$46,230,107	
	=====	=====	
LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 3,674,216	\$ 1,869,818	
Accrued liabilities	876,377	933,256	
	-----	-----	
Total current liabilities	4,550,593	2,803,074	
	-----	-----	
Long term liabilities:			
Deferred income taxes	7,070,956	7,087,224	
Reserve for future site restoration costs	662,671	650,311	
	-----	-----	
	7,733,627	7,737,535	
	-----	-----	
Minority interests	15,560,064	16,146,564	
	-----	-----	
Commitments (Note 2)			
Stockholders' equity:			
Common stock, par value \$.01 per share:			
Authorized 50,000,000 shares			
Outstanding 24,944,995 and 24,851,245 shares, respectively	249,450	248,512	
Capital in excess of par value	43,497,363	43,410,176	
	-----	-----	
	43,746,813	43,658,688	
Accumulated deficit	(20,316,686)	(20,386,549)	
Foreign currency translation adjustments	(4,626,695)	(3,729,205)	
	-----	-----	
	18,803,432	19,542,934	
	-----	-----	
	\$46,647,716	\$46,230,107	
	=====	=====	

</TABLE>

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MAGELLAN PETROLEUM CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS  
(unaudited)

<TABLE>  
<CAPTION>

	Three months ended September 30,	
	1997	1996
Revenues:		
<S>	<C>	<C>
Oil sales	\$ 1,143,547	\$ 1,758,328
Gas sales	2,883,126	2,770,943
Other production related revenues		328,617
Interest income	196,522	223,936
	-----	-----
	4,551,812	5,109,926
	-----	-----
Costs and expenses:		
Production costs	933,909	1,284,818
Exploration and dry hole costs	1,603,046	-
Salaries and employee benefits	405,098	433,376
Depletion, depreciation and amortization	520,669	865,885
Auditing, accounting and legal services	179,810	194,049
Shareholder communications		19,615
Other administrative expenses		273,353
Interest	7,491	7,882
	-----	-----
	3,942,991	3,018,962
	-----	-----
Income before income taxes and minority interests		608,821
Income tax provision	251,289	768,459
	-----	-----
Income before minority interests		357,532
Minority interests	287,669	762,167
	-----	-----
Net income	\$ 69,863	\$ 560,338
	=====	=====
Average number of shares outstanding		24,874,683
	=====	=====
Net income per share	\$ -	\$ .02
	=====	=====

</TABLE>

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
(unaudited)

<TABLE>  
<CAPTION>

	Number of shares	Capital in Common stock		excess of par value	Foreign currency Deficit	translation adjustments	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
June 30, 1997	24,851,245	\$248,512		\$43,410,176	\$(20,386,549)	\$(3,729,205)	\$19,542,934
Net income	-	-	-	69,863	-	69,863	
Currency translation adjustments	-	-	-	-	(897,490)	(897,490)	
Exercise of stock options	93,750	938		87,187			88,125
	-----	-----	-----	-----	-----	-----	-----
September 30, 1997	24,944,995	\$249,450		\$43,497,363	\$(20,316,686)	\$(4,626,695)	\$18,803,432
	=====	=====	=====	=====	=====	=====	=====

</TABLE>

## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

## MAGELLAN PETROLEUM CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS  
(unaudited)<TABLE>  
<CAPTION>

	Three months ended September 30,	
	1997	1996
	-----	-----
Operating Activities:		
<S>	<C>	<C>
Net income	\$ 69,863	\$ 560,338
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion, depreciation and amortization	520,669	865,885
Deferred income taxes	(16,268)	813,715
Minority interests	287,669	762,167
Increase (decrease) in operating assets and liabilities:		
Accounts receivable	(456,361)	636,238
Reimbursable development costs	(401,451)	188,382
Other assets	(5,501)	2,344
Inventories	(16,264)	46,703
Accounts payable and accrued liabilities	1,574,298	632,771
	-----	-----
Net cash provided by operating activities	1,556,654	4,508,543
	-----	-----
Investing Activities:		
Purchase of U.S. Government securities	70,001	(946,946)
	-----	-----
Net additions to property and equipment	(1,687,655)	(765,981)
	-----	-----
Net cash used in investing activities	(1,617,654)	(1,712,927)
	-----	-----
Financing Activities:		
Exercise of MPC stock options and stock issued	88,125	-
	-----	-----
Net cash provided in financing activities	88,125	-
	=====	=====
Effect of exchange rate changes on cash and cash equivalents	(399,953)	44,675
	-----	-----
Net increase (decrease) in cash and cash equivalents	(372,828)	2,840,291
Cash and cash equivalents at beginning of year	12,942,862	11,278,957
	-----	-----
Cash and cash equivalents at end of period	\$12,570,034	\$14,119,248
	=====	=====

&lt;/TABLE&gt;

## PART I - FINANCIAL INFORMATION

## MAGELLAN PETROLEUM CORPORATION

September 30, 1997

Item 1. Financial Statements - Notes

The information for the three month period ended September 30, 1997 and 1996, is unaudited but includes all adjustments which the Company considers necessary for a fair presentation of the results of operations for those periods. All adjustments are of a normal recurring nature. The consolidated financial statements include the Company's 50.7% owned subsidiary, Magellan Petroleum Australia Limited ("MPAL").

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

Statements included in Management's Discussion and Analysis of Financial Condition and Results of Operations which are not historical in nature, are intended to be, and are hereby identified as "forward looking statements" for purposes of the "Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995. The Company cautions readers that forward looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in the forward looking statements.

During fiscal 1997, the Company adopted the successful efforts method of accounting for its oil and gas operations, therefore, the results of operations may vary materially from quarter to quarter. An active exploration program may result in greater exploration and dry holes costs. Under this method, the cost of drilling a dry hole is written off immediately. The Company had previously followed the full cost method of accounting whereby all of its exploratory and dry holes costs had been capitalized by country. These costs had been amortized over a period of years through the depletion deduction.

Liquidity and Capital Resources

Consolidated

At September 30, 1997, the Company on a consolidated basis had approximately \$14,711,000 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	\$12,943,000
Cash provided by operations	1,557,000
Net additions to property and equipment	(1,688,000)
Other	(242,000)
	-----
Cash and cash equivalents at end of period	\$12,570,000
	=====

PART I - FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

September 30, 1997

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

As to the Company (unconsolidated)

At September 30, 1997, Magellan Petroleum Corporation ("MPC"), on an unconsolidated basis, had working capital of approximately \$2,758,000. MPC's normal annual operating budget is approximately \$700,000 and its current cash position and its future dividends from MPAL should be adequate to meet its current cash requirements. During fiscal 1998, MPC has budgeted approximately \$400,000 for oil and gas exploration. MPC also has available a \$1.5 million bank line of credit. MPC has in the past invested and may in the future invest substantial portions of its available funds to maintain its majority interest in MPAL.

During September 1997, MPAL announced that its Board of Directors had recommended a dividend of A\$.10 per share. MPC's share of this dividend is approximately \$1,600,000 which will be added to the Company's working capital. The dividend was approved at MPAL's Annual General Meeting held on October 30, 1997 and is payable on November 25, 1997.

As to MPAL

At September 30, 1997, MPAL had working capital of approximately \$10,049,000. MPAL has budgeted approximately \$4.7 million for exploration in fiscal 1998. MPAL expects to fund its exploration and development costs through its cash flow from Australian operations, and, if necessary, any additional requirements from its A.\$10 million bank line of credit.

#### Results of Operations

Three month period ended September 30, 1997 vs. September 30, 1996.

The Company had consolidated net income of \$69,863 for the three month period ended September 30, 1997 compared to net income of \$560,338 for the comparable 1996 period. The components of consolidated net income for the comparable periods were as follows:

	Three month period ended	
	September 30, 1997	1996
	-----	-----
MPC unconsolidated pretax loss	\$(224,481)	\$(219,957)
MPC income tax	(1,000)	(2,206)
Share of MPAL pretax income	422,136	1,170,671
Share of MPAL income tax provision	(126,792)	(388,170)
	-----	-----
Consolidated net income	\$69,863	\$560,338
	=====	=====
Net income per share	\$ -	\$ .02
	=====	=====

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

##### Revenues

Oil sales decreased by 35% in the current quarter to \$1,144,000 from \$1,758,000 in 1996 because of a 1% decrease in oil prices and because of a 28% decrease in the number of units sold. The average value of the Australian dollar also decreased 7% during the 1997 period. Oil sales are expected to continue to decline unless additional development wells are drilled to maintain production levels. MPAL is dependent on the operator (65% control) to maintain field production. Oil unit sales in barrels ("bbls") and the average price per barrel sold during the periods indicated were as follows:

<TABLE>  
<CAPTION>

	Three month period ended September 30,			
	1997 Sales		1996 Sales	
	bbls	Average price per bbl	bbls	Average price per bbl
	<C>	<C>	<C>	<C>
Australia-Mereenie	70,851	A.\$25.49	98,927	A.\$25.75

Gas sales increased 4% to \$2,883,000 in 1997 from \$2,771,000 in 1996 primarily as a result of a 14% increase in the volumes of gas sold. The increase was partially offset because the average value of the Australian dollar decreased 7% during the 1997 period. Total gas volumes are expected to continue at least at current levels in the short term. The volumes in billion cubic feet

("bcf"), (before deducting royalties) and the average price of gas per thousand cubic feet ("mcf") sold during the periods indicated were as follows:

<TABLE>  
<CAPTION>

	Three month period ended September 30, 1997 Sales		1996 Sales	
	bcf	Average price per mcf	bcf	Average price per mcf (A.\$)
Australia:				
Palm Valley				
<S>	<C>	<C>	<C>	<C>
Alice Springs contract	.280	2.95	.232	2.94
Darwin contract	.633	2.02	.377	2.02
Mereenie:				
Darwin contact	.454	1.94	.626	2.17
Other	.427	2.82	.338	2.69
Total	1.794		1.573	

</TABLE>

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

Other production related revenues decreased 8% to \$329,000 in 1997 compared to \$357,000 in 1996. The average value of the Australian dollar decreased 7% during the 1997 period.

Interest decreased 17% in 1997. The decrease from \$244,000 in 1996 to \$197,000 in 1997 resulted from the combination of less funds available for investment and lower interest rates.

Costs and Expenses

Production costs decreased 27% in 1997 to \$934,000 from \$1,285,000 in 1996. The decrease relates to a decrease in costs at Mereenie and Palm Valley.

Exploration and dry hole costs totaled \$1,603,000 in 1997 which is primarily the cost of drilling the Schilling-1 well offshore Western Australia which was plugged and abandoned.

Depreciation, depletion and amortization decreased 40% in 1997 to \$521,000 from \$866,000 in 1996. The decrease reflects the decrease in the number of units sold and the increase in gas reserves used to calculate depletion.

Auditing, accounting and legal services decreased 7% in 1997 to \$180,000 from \$194,000 in 1996.

Other administrative expenses increased 28% from \$214,000 in 1996 to \$273,000 in 1997. The primary reason for an increase is travel expenses and a decrease in the amount of overhead being charged to the Company's joint venture partners.

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

Income Taxes

Income tax expense decreased from \$768,000 in 1996 to \$251,000 in 1997. The effective income tax rate for 1997 was 41% compared to 36% in 1996. The decrease in MPAL's 1997 income relative to 1996 increased the total effective tax rate. The components of tax income expense between MPC and MPAL

were as follows:

	1997	1996
MPC	\$ 1,000	\$ 2,000
MPAL	250,000	766,000
Consolidated	\$251,000	\$768,000

#### Exchange Effect

The value of the Australian dollar relative to the U.S. dollar decreased to \$.7258 at September 30, 1997 compared to a value of \$.7538 at June 30, 1997. This resulted in a \$897,000 charge to the foreign currency translation adjustments account for the three month period ended September 30, 1997. The 4% decrease in the value of the Australian dollar decreased the reported asset and liability amounts in the balance at September 30, 1997 from the June 30, 1997 amounts. The average exchange rate used to translate MPAL's operations in Australia was \$.7355 for the quarter ended September 30, 1997, which is a 7% decrease compared to the \$.7887 rate for the quarter ended September 30, 1996.

## PART II - OTHER INFORMATION

### MAGELLAN PETROLEUM CORPORATION

September 30, 1997

#### Item 5. Other Information.

The Company estimates that the following exploratory wells will be drilled during the remainder of the current fiscal year. The actual dates could change for various reasons such as the availability of drilling rigs. In addition, the Company could decide not to drill a well at any particular location.

Location	Estimated Drilling Date
Ngalia Basin	January 1998
Maryborough Basin	February 1998
Surat Basin (ATP244P)	February 1998
Surat Basin (ATP626P)	April-May 1998

#### Item 6. Exhibits and Reports on Form 8-K

None.

## SIGNATURES

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

MAGELLAN PETROLEUM CORPORATION



Registrant

Date: November 12, 1997

By /s/ James R. Joyce  
James R. Joyce, President and  
Chief Financial and Accounting Officer

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