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

(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, 1998

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	Nasdaq SmallCap Market
	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 Form 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 $34,140,000 at September 15, 1998 (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, 25,032,495 shares outstanding as of September 15, 1998.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement related to the Annual Meeting of Stockholders for the fiscal year ended June 30, 1998, are incorporated by reference in Part III of this Form 10-K to the extent stated herein.

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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 15, 1998 was approximately A.$1.00 equaled U.S.$.60.

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, 1998, 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 17.1% interest in MPAL's outstanding stock at June 30, 1998.

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 a Belize project (in which MPAL has a 20% working interest) and a 20% interest in a California heavy oil recovery project.

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 17.1% 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.

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 Participants or "MP") 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 oil reserves was approximately one million barrels at June 30, 1998.

The field was producing about 2,145 (MPAL share - 751) barrels of crude oil per day ("bpd") from approximately 40 wells at June 30, 1998. During 1998, MPAL's share of oil sales was 285,000 barrels and 3.6 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. On August 2, 1998, there was an explosion at the Adelaide refinery which is now shut down for repairs. At the present time, the Company's crude oil is still being purchased and stored at the refinery. If the repairs are not completed in a timely manner, it may be necessary to sell the crude oil to another facility at a slightly lower net price.

The operator of the field has currently scheduled five wells for remedial work. This work which is expected to cost approximately $600,000 (MPAL share - $210,000) will increase production costs in fiscal 1999. In addition, production will decrease in the short term while these wells are shut-in.

The MP are negotiating for the sale of Liquid Petroleum Gas ("LPG") from the field to a purchaser. The agreement would require the MP to install an LPG plant to produce 5,000 tons of LPG per year for a five year period. The plant, which is scheduled for completion by mid 1999, would utilize some of the field gas that is presently being flared.

The MP 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".

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 1998, MPAL's share of gas sales was 3.5 bcf. In order to increase deliverability, field compression began in November 1996 and two 400 HP compressors have been operating in parallel since March 1998. A third 800 HP compressor is scheduled to be installed by March 1999. MPAL has recommended that two additional wells be drilled at Palm Valley to improve the field's production capacity. Under the agreement with PAWA, the costs of these wells are reimbursed by PAWA; consequently, the recommendation is under review by PAWA's consultants.

The Palm Valley Participants ("PVP") are 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 1983, the PVP commenced the sale of gas to Alice Springs. In 1985, the PVP and MP signed agreements 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 and the Mereenie 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	49	65	25 years (1983-2008)
Darwin	88.9	76.6	68.0	58.6	40	52	25 years (1987-2012)
	113.3	97.6	82.2	70.9			
Mereenie:							
Darwin (1985)	19.6	17.0	14.0	12.2	44	63	25 years (1987-2012)
Darwin (1995)	7.5	6.5	6.0	5.2	78	98	10 years (1995-2005)
Darwin (1997)	20.2	17.6	16.3	14.1	-	-	10 years (1999-2009)
Other	.5	.5	.5	.5	-	-	Various
	47.8	41.6	36.8	32.0			
Total	161.1	139.2	119.0	102.9			

</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 PVP forgoing 20% of the Amadeus Basin to Darwin gas supply contract during the first twenty contract years, the MP made a payment to the PVP to partially compensate the PVP 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 when the MP sell any additional gas from the Mereenie field, the PVP are 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, 1998, the balance of the MP gas subject to this entitlement was 15.2 bcf (MPAL share - 7.7 bcf).

Dingo Gas Field

MPAL has a 34% interest in the Dingo gas field which is held under Retention License 2 which is subject to renewal in 2003. The Dingo gas field, which is located in the Amadeus Basin in the NTA, has approximately 25 bcf of presently proved and recoverable reserves based on four delineation wells. Dingo 2 and Dingo 3 wells are estimated to have the capacity of producing a combined rate of 5 million cubic feet ("mmcf") per day. The Dingo field participants have been negotiating for the sale of gas (.7 bcf per annum) from the field. 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 40% interest in permit EP-15 in the Ngalia basin in the NTA which covers 1.9 million acres. During July 1998, the Newhaven well was plugged and abandoned. MPAL's share of the drilling costs incurred through June 30, 1998 is included in exploratory and dry hole costs. The costs to drill the well subsequent to June 30, 1998 in the amount of $316,000 will be included in the 1999 fiscal year.

Northern Surat Basin

During March 1998, MPAL agreed to sell its 15.625% interest in ATP 378P Queensland, Australia to its partner, Santos Limited. The $636,000 difference between the carrying cost and the sale price is included in loss on the sale of assets.

Eastern Surat Basin

MPAL has earned a 17% interest in Block D of ATP 244P in Queensland by completing a pilot seismic reprocessing program. MPAL has a $2,500 commitment through February 1999 on the permit and the right to withdraw prior to the beginning of the next permit year, which has a $15,000 commitment.

Southern Surat Basin

MPAL earned a 15% interest in ATP 626P in Queensland. The operator is attempting to farmout MPAL's interest in connection with the planned drilling of two wells on the permit which would reduce MPAL's interest to 8.7%. MPAL has no obligation to participate in the drilling program.

Timor Sea

MPAL earned a 10% interest in WA-74-P offshore Western Australia by funding 20% of the cost of drilling the Schilling-1 well which was plugged and abandoned during September 1997. MPAL's share of the Schilling-1 well was written off during the first quarter of fiscal 1998 and is included in exploratory and dry hole costs. MPAL relinquished its interest in the permit during December 1997.

During April 1998, MPAL acquired a 5% interest in Exploration Permit WA-199-P in the Bonaparte Basin in the Timor Sea offshore Western Australia. MPAL earned its interest in the permit by funding 10% of the cost of drilling the Kittiwake-1 well. The Kittiwake well was drilled to its projected total depth without encountering any commercial hydrocarbons. MPAL's cost of the well was written off in the fourth quarter of fiscal 1998 and is included in exploratory and dry hole costs. MPAL expects that it will relinquish its interest in the permit by September 30, 1998.

Browse Basin

During July 1998, MPAL acquired a 17 1/2% interest in exploration permits WA-281-P, WA-282-P and WA-283-P in the Browse Basin offshore Western Australia. MPAL's share of the work obligations for the three permits is as follows:

	WA-281-P	WA-282-P	WA-283-P
Year 1	$ 341,000	$266,000	$ 266,000
Year 2	661,000	103,000	103,000
Year 3	1,225,000	22,000	1,116,000
Total	$2,227,000	$391,000	$1,485,000

Northwest Shelf

MPAL earned a 15% interest in exploration permits TP/12 and EP398 in the Carnarvon Basin offshore Western Australia by funding 30% of the cost of drilling the Springbok-1 well. Drilling of the Springbok-1 well began on August 21, 1998 and was plugged and abandoned on August 31, 1998. MPAL's estimated cost of drilling the well ($650,000) will be written off during the first quarter of fiscal 1999.

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 1998, additional seismic surveys were completed on the permit. Processing and analysis of the data has been completed. A well is expected to be drilled in fiscal 1999 at an estimated cost of $700,000.

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 the project, which totaled $3,008,000, were written off. MPC has withdrawn from the venture. On August 14, 1998, the Schmidt #15-1 well was spudded on the Maple prospect by a third party at no cost to the Company. The well was plugged and abandoned on August 31, 1998.

Tapia Canyon, California

Effective December 1, 1997, MPC acquired a 18% interest in a heavy oil recovery project in Tapia Canyon, California. The field is estimated to have approximately 12 million barrels of oil in place with only 13% of the oil recovered to date. The reserve study was prepared in 1986 by a major oil company, the field owner at that time. MPC's initial purchase price for its interest in the project was approximately $79,000. There is also a commitment to spend $600,000 to perform remedial work on the field and to complete a pilot stream flood program during the first year of the project (MPC share - $120,000). The field was producing approximately 30 bpd (MPC share - 6 bpd) at June 30, 1998.

BELIZE

Southern Offshore Block PSA

On March 16, 1998, MPC (2 1/2%), MPAL (20%) and the other joint venture participants entered into a new Production Sharing Agreement ("PSA") with the Government of Belize. The new Southern Offshore Block PSA ("SOB PSA") combines most of the blocks previously included in the Gladden PSA and the Block 13 PSA, and totals approximately 893,000 acres. The work obligations of the new PSA are as follows: Year 1 - $100,000, Year 2 - $300,000, Year 3 - $3,000,000 and Year 4 - - $150,000. The participants in the PSA are seeking partners in the venture.

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. During 1997, the Gladden No. 1 well was plugged and abandoned and the Company's cost of the well was written off. During March 1998, this block was consolidated into the SOB PSA.

Block 13 PSA

MPC (2 1/2%) and MPAL (20%) were also participants in a Production Sharing Agreement ("Block 13 PSA") offshore Belize adjoining the western and southern boundaries of the Gladden PSA. The Block 13 PSA covers approximately 788,000 acres. During March 1998, this block was consolidated into the SOB PSA.

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. Anderson Oil & Gas, Inc., ("Anderson") is the operator of this partially developed field which is connected to a major pipeline system. Two wells are currently producing gas from 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	14.4
1998 (5 months)	5.9

In a 1989 application to the National Energy Board, a reserve study by the then 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. $18,227,000 (Company share - Cdn. $486,000) at April 30, 1998. It is expected that the Company will begin to receive proceeds from the field in 2000 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. Recently, remedial work was performed by the operator on one of the wells in the Kotaneelee field at a cost (through July 31, 1998) of approximately Cdn. $6 million. This amount is not reflected in the above amounts. Initial indications are that the remedial work on the well could significantly increase production from the field. This remedial work is continuing and additional costs may be incurred.

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 was incorporated in 1957 under the laws of Panama and was reorganized under the laws of Delaware in 1967. 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>	<C>
Retention License 2 (Dingo)	May 2003	Northern Territory
Exploration Permit 15 (Ngalia)	May 1999	Northern Territory
Authority to Prospect 613P (Maryborough)	March1999	Queensland
Authority to Prospect 244P (Eastern Surat)	February 2000	Queensland
Authority to Prospect 626P (Southern Surat)	August 1999	Queensland
Western Australia WA-281-P	July 2004	Offshore Western Australia
Western Australia WA-282-P	July 2004	Offshore Western Australia
Western Australia WA-283-P	July 2004	Offshore Western Australia
Western Australia WA-199-P	March 1999	Offshore Western Australia
TP12 & EP398	January 2002	Offshore Western Australia

</TABLE>

In 1981, the NTA issued Petroleum Leases No. 4 and No. 5 which cover the Mereenie oil and gas field to MPAL's subsidiaries. As part of the lease conditions, MPAL and its Mereenie partners 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 Petroleum Lease No. 3 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 25 years each.

Since 1992, there has been an ongoing controversy regarding the Aborigines and the ownership of their traditional lands. Recently, there has been legislation to resolve this controversy. 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 Agreement ("PSA"). PSA's 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
Southern Offshore Block	March 15, 2002

(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 major 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 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 PVP and the MP 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, 1998, the Company had no full time employees in the United States and MPAL had 34 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 12 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-venturer in the Mereenie field have been negotiating with PAWA and other parties to sell production out of the field's uncommitted gas reserves. A new gas supply contract for the uncommitted reserves in the Mereenie field could increase revenue from gas sales in the future.

Item 2. Properties.

(a) The Company has interests in properties in Australia, United States, 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, Queensland and Western Australia. In Canada, the Company has a direct interest in one lease. The Company also has direct interests in properties in the United States and Belize and indirectly 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, 1998	1997	1996
Australia:			
Gas (per mcf)	A.$ 2.32	A.$ 2.30	A.$ 2.24
Crude oil (per bbl)	A.$18.94	A.$27.71	A.$23.85

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.$ .26	A.$ .28	A.$ .32
Crude oil (per bbl)	A.$12.28	A.$8.20	A.$6.68

(4) Productive Wells and Acreage.

Productive wells and acreage at June 30, 1998:

	Productive Wells Oil		Gas		Developed Acreage	
	Gross	Net	Gross	Net	Gross Acres	Net Acres
Australia	40	14.00	26	9.99	72,025	30,001
Americas	11	1.98	2	.05	3,630	139
	51	15.98	28	10.04	75,655	30,140

(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, 1998

(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 Gross Acres	MPAL Net Acres	MPAL Interest %	The Company Net Acres	The Company Interest %
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	765,799	40.00	388,260	20.28

Queensland:					
Surat Basin (ATP 626P)	726,674	109,001	15.00	55,264	7.61
Surat Basin (ATP 244P)	59,280	10,078	17.00	5,110	8.62
Maryborough Basin (ATP 613P)	344,318	337,432	98.00	171,078	49.69
Total Queensland	1,130,272	456,511		231,452	
Western Australia:					
Browse WA-281-P	1,147,315	200,780	17.50	101,795	8.87
Browse WA-282-P	1,468,662	257,016	17.50	130,307	8.87
Browse WA-283-P	1,060,618	185,608	17.50	94,103	8.87
Carnarvon TP12 & EP398	146,224	21,934	15.00	11,121	7.61
Bonaparte WA-199-P	662,454	33,123	5.00	16,793	2.53
Total Western Australia	4,485,273	698,461		354,119	
Total Australia	7,866,950	2,061,794		1,045,330	
United States					
Colorado - Baca County	78,299	46,494	59.38	23,572	30.11
Belize, C.A.					
Southern Offshore Block	892,543	178,509	20.00	90,504	10.14
Total MPAL	8,837,792	2,286,797		1,159,406	
Properties held directly by MPC:					
United States					
California(3)	280			50	18.00
Belize, C.A.					
Southern Offshore Block(4)	-			22,314	2.50
Canada					
Yukon and Northwest Territories:					
Carried interest(5)	35,076			935	2.67
Total	8,873,148			1,182,705	

</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) Developed acres.
(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 June 30,	Exploration Productive	Exploration Dry	Development Productive	Development Dry
1998	-	.55	.70	.35
1997	-	-	-	-
1996	.16	-	1.75	-

Americas

Year ended June 30,	Exploration Productive	Exploration Dry	Development Productive	Development Dry
1998	-	-	-	-

1997	-	1.23	-	-
1996	-	1.00	-	-

(7) Present Activities.

At June 30, 1998, the Newhaven No. 1 well was drilling in the Ngalia Basin in the Northern Territory of Australia. On July 19, 1998, the well was plugged and abandoned.

(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 presented evidence at trial that the money damages sustained by the Plaintiffs were approximately Cdn. $110 million (Company share-Cdn. $8.8 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 is unable to determine the time when it will receive any revenues from the field.

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, July-August 1997, and July-August 1998. The trial resumed on September 8, 1998 and the Plaintiff's case was completed on September 16, 1998. The Defendants began their case on September 16, 1998.

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 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. The actual trial time through August 1998 is approximately eight 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 and understands that Canada Southern will recover its costs only from any judgment in favor of the Plaintiffs. 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
James R. Joyce	57	President and Chief Financial Officer	President since July 1, 1993	Director
Dennis D. Benbow	59	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:

1998	1st quarter	2nd quarter	3rd quarter*
High.......	3 1/8	2 15/16	2 3/8
Low........	2 1/2	2 1/4	1 3/8

1997	1st quarter	2nd quarter	3rd quarter	4th quarter
High.......	3 15/16	2 5/8	3 13/16	3 5/8
Low........	2 7/16	2 3/16	2 5/16	2 1/2

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

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

* Through September 15, 1998, on which date the closing price was $1 3/8.

(b) Approximate Number of Holders of Common Stock at September 15, 1998

Title of Class	Number of Record Holders
Common stock, par value $.01 per share	11,900

(c) 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.

(d) Recent Sales of Unregistered Securities

None.

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, 1998. 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,				
	1998	1997	1996	1995	1994
Financial Data	$	$	$	$	$
<S>	<C>	<C>	<C>	<C>	<C>
Operating revenues	15,235	19,936	17,027	14,154	12,528
Total revenues	15,340	20,758	18,073	15,424	13,318
Net income	1,037	694	1,411	684	651
Net income per share (Basic and Diluted)	.04	.03	.06	.03	.03
Working capital	13,452	14,219	9,858	8,806	8,559
Cash provided by operating activities	6,737	11,181	9,185	8,587	4,376
Property and equipment (net)	23,019	28,623	32,912	37,361	35,378
Total assets	39,779	46,230	47,816	39,575	36,430
Long-term liabilities	6,512	7,738	6,981	6,312	4,393

Minority interests	13,123	16,147	16,682	14,366	14,180
Stockholders' equity:					
Capital	43,782	43,659	43,492	43,358	43,227
Accumulated deficit	(19,350)	(20,387)	(21,080)	(22,491)	(23,176)
Foreign currency translation adjustments	(7,013)	(3,729)	(2,785)	(4,833)	(4,474)
Total stockholders' equity	17,419	19,543	19,627	16,034	15,577
Exchange rate A.$=U.S. at end of period	.6194	.7538	.7875	.7097	.7287
Common stock outstanding shares	24,982	24,851	24,691	24,544	24,387
Book value per share	.70	.78	.79	.65	.64
Quoted market value per share	2.28	2.38	2.50	1.94	.69
Operating Data					
Annual production (Net of royalties)					
Gas (BCF)	5.844	5.673	5.422	5.066	5.141
Oil (BBLS) (In thousands) (net of royalties)	248	307	318	369	374
Standard measure of discounted future cash flow relating to proved oil and gas reserves. (49.3% attributable to minority interests)	48,000	68,000	44,000	38,000	47,000

</TABLE>

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

(1) Liquidity and Capital Resources - June 30, 1998

Consolidated

At June 30, 1998, the Company on a consolidated basis had approximately $14,904,000 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	6,511,000
Dividends to MPAL minority shareholders	(1,506,000)
Additions to property and equipment	(2,998,000)
Exchange loss on cash	(2,381,000)
Other	(133,000)
Cash and cash equivalents at end of period	$12,436,000

As to the Company (unconsolidated)

At June 30, 1998, Magellan Petroleum Corporation ("MPC"), on an unconsolidated basis, had working capital of approximately $3.8 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 1999, MPC has budgeted approximately $300,000 for oil and gas exploration compared to the $111,000 expended during 1998. 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 1997, MPC received a dividend from MPAL of $1,546,000 which was added to MPC's working capital.

As to MPAL

At June 30, 1998, MPAL had working capital of approximately $9.7 million. MPAL has budgeted approximately $2.4 million for specific exploration projects in fiscal 1999 and allocated $1.2 million for potential new projects as compared to the $3.3 million expended during fiscal 1998. The current composition of MPAL's oil and gas reserves are such that MPAL'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.

The Company has assessed its Year 2000 readiness and has implemented a plan to be compliant by December 1998. The cost to implement this plan of approximately $120,000 is not considered material and would have been incurred in the normal course of equipment replacement. The Year 2000 change should have no material impact on the Company's internal operations or financial results. However, the Company will be dependent on its suppliers, partners and customers to make their systems year 2000 compliant.

(2) Results of Operations

1998 vs. 1997

The Company had consolidated net income of $1,036,513 for fiscal 1998 compared to net income of $693,987 for fiscal 1997. The components of consolidated net income for the comparable periods were as follows:

	Year ended June 30, 1998	1997
MPC unconsolidated pretax loss	$ (688,596)	$(1,254,223)
MPC income tax expense	(1,000)	(276,117)
Share of MPAL pretax income	1,798,595	2,815,193
Share of MPAL income tax	(72,486)	(590,866)
Consolidated net income	$1,036,513	$ 693,987
Net income per share (basic & diluted)	$.04	$.03

Revenues

Oil sales decreased 39% in fiscal 1998. Oil sales in Australia decreased in 1998 to $4,098,000 from $6,740,000 in 1997 because of a 32% decrease in oil prices, the 13% Australian foreign exchange rate decrease discussed below and a 19% 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 1998 Sales		Fiscal 1997 Sales	
	bbls	Average Price per bbl	bbls	Average Price per bbl
Australia - Mereenie	284,757	A.$18.94	352,783	A.$27.71

On August 2, 1998, there was an explosion at the Adelaide refinery which is now shut down for repairs. At the present time, the Company's crude oil is still being purchased and stored at the refinery. If the repairs are not completed in a timely manner, it may be necessary to sell the crude oil to another facility at a slightly lower net price.

The operator of the field has currently scheduled five wells for remedial work. This work which is expected to cost approximately $600,000 (MPAL share - $210,000) will increase production costs in fiscal 1999. In addition, production will decrease in the short term while these wells are shut-in.

Gas sales in Australia decreased 9% in fiscal 1998. Gas sales decreased from $11,552,000 in 1997 to $10,485,000 in 1998 because of the 13% Australian foreign exchange rate decrease discussed below which was partially offset by a 3% increase in the volume of gas sold. 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 1998 Sales		Fiscal 1997 Sales	
	bcf	Average Price per mcf	bcf	Average Price per mcf
Australia:		(A.$)		(A.$)
Palm Valley				
Alice Springs contract	1.147	2.96	1.072	2.95
Darwin contract	2.395	2.02	2.496	2.02
Mereenie				
Darwin contract	2.171	2.02	1.963	1.99
Other	1.416	2.74	1.373	2.76
Total	7.129		6.904	

Other production income decreased 60% to $652,000 in 1998 compared to $1,644,000 in 1997. The primary reason for this decrease was that MPAL's share of gas pipeline tariffs decreased to $531,000 in 1998 compared to $1,498,000 in 1997. The 1998 amount decreased because of a dispute regarding the producers' share of the tariffs.

Interest income decreased 10% to $741,000 in 1998 from $822,000 in 1997. Although additional funds were available for investment, substantially lower interest rates and the 13% Australian foreign exchange rate decrease discussed below offset the increase.

Loss on sale of assets. During March 1998, MPAL agreed to sell its 15.625% interest in ATP 378P Queensland, Australia to its partner, Santos, Limited. The $636,000 difference between the carrying cost and the sale price is included in loss on the sale of assets.

Costs and Expenses

Production costs decreased 24% to $3,647,000 in 1998 from $4,811,000 in 1997. The decrease relates to a decrease in costs at Mereenie and Palm Valley and the 13% Australian foreign exchange rate decrease discussed below.

Depreciation, depletion and amortization increased 3% in 1998 to $2,205,000 from $2,140,000 in 1997. The increase was the result of the additional costs added to the depletion calculation which was partially offset by the 13% Australian foreign exchange rate decrease discussed below.

Exploratory and dry hole costs totaled $3,346,000 during 1998 compared to $6,243,000 in 1997. In 1998, the Schilling-1 well was abandoned offshore Western Australia and the Kittiwake-1 well was also abandoned offshore Western Australia. In 1997, the Baca County, Colorado project was abandoned. In Belize, the Gladden No. 1 well was also plugged and abandoned in 1997. The costs (in thousands) in 1998 and 1997 for MPC and MPAL are as follows:

Location	1998 MPAL	1998 MPC	1998 Total	1997 MPAL	1997 MPC	1997 Total
Baca County, Colorado	$ 46	$ -	$ 46	$2,693	$315	$3,008
Belize, C.A.	72	32	104	2,372	283	2,655
Australia	3,196	-	3,196	580	-	580
	$3,314	$32	$3,346	$5,645	$598	$6,243

Bad debts increased to $239,000 during the 1998 period. MPAL established a reserve for the amount due from Pegasus Gold Australian Pty. Ltd. because of its bankruptcy filing.

Income Taxes

Income tax expense decreased from $1,442,000 in 1997 to $144,000 in 1998. The effective income tax rate for 1998 was 5% compared to 34% in 1997. The components of income tax expense between MPC and MPAL were as follows:

	1998	1997
MPC	$ 1,000	$ 276,000
MPAL	143,000	1,166,000
Consolidated	$144,000	$1,442,000

In 1998, there was no 15% Australian withholding tax on the dividend paid by MPAL to MPC. In addition, MPAL's income tax expense in 1998 was lower due to the effect of permanent tax benefits under Australian tax law.

Exchange Effect

The value of the Australian dollar relative to the U.S. dollar decreased to $.6194 at June 30, 1998 compared to the value of $.7538 at June 30, 1997. This resulted in a $3,284,000 charge to accumulated translation adjustments for fiscal 1998. The 18% decrease in the value of the Australian dollar decreased the reported asset and liability amounts in the balance sheet at June 30, 1998 from the June 30, 1997 amounts. The annual average exchange rate used to translate MPAL's operations in Australia for fiscal 1998 was $.6810, which is a 13% decrease compared to a $.7830 rate for the comparable 1997 period.

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 (basic & diluted)	$.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% in 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 was 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 was 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 in 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. In Belize, the Gladden No. 1 well was 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:

	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

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 income tax 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% decrease in the value of the Australian dollar decreased 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 was a 3% increase compared to a $.7593 rate for the comparable 1996 period.

Recently Issued Accounting Standards

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement 130, Reporting Comprehensive Income. Statement 130 establishes new rules for the reporting and display of comprehensive income and its components; however, adoption in fiscal 1999 will have no impact on the Company's net income or shareholders' equity. Statement 130 requires foreign currency translation adjustments, which currently are reported in shareholders' equity, to be included in other comprehensive income and the disclosure of total comprehensive income.

In February 1998, the FASB issued SFAS No. 132, Employers' Disclosures about Pensions and Other Postretirement Benefits. The Statement supercedes the disclosure requirements in SFAS No 87, Employers' Accounting for Pensions, SFAS No. 88, Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits, and SFAS No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions. SFAS No. 132 addresses disclosure issues only and does not change the measurement or recognition provisions specified in those Statements. SFAS No. 132 is effective for the Company's 1999 fiscal year. The adoption of this standard will not have an effect on earnings or the financial condition of the Company.

In June 1998, FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS No. 133"). SFAS No. 133 provides a comprehensive and consistent standard for the recognition and measurement of derivatives and hedging activities. The statement requires all derivatives to be recognized on the balance sheet at fair value and establishes standards for the recognition of changes in such fair value. SFAS No. 133 is effective for the Company's 2000 fiscal year. Because the Company does not currently use derivatives, the adoption of SFAS No. 133 will not have a significant effect on earnings or the financial condition of the Company.

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

The information required by this item is not applicable to the Company because the Company does not own any market risk sensitive instruments. See Note 1 to the consolidated financial statements for a description of the securities held by the Company. During fiscal 1998, the value of the Australian dollar relative to the U.S. dollar decreased 18% and reduced the reported asset amounts at June 30, 1998 from the June 30, 1997 amounts.

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 sheets of Magellan Petroleum Corporation as of June 30, 1998, and 1997 and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended June 30, 1998. 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, 1998 and 1997, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 1998, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

Stamford, Connecticut
September 11, 1998

MAGELLAN PETROLEUM CORPORATION
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	June 30,	
	1998	1997
ASSETS		

Current assets:		
<S>	<C>	<C>
Cash and cash equivalents	$12,436,297	$12,942,862
Accounts receivable	567,175	1,249,945
Marketable securities	1,265,495	2,211,205
Reimbursable development costs	191,266	260,553
Inventories	218,359	250,069
Other assets	296,933	106,967
	-----------	-----------
Total current assets	14,975,525	17,021,601
	-----------	-----------
Marketable securities	1,201,890	-
	-----------	-----------
Property and equipment:		
Oil and gas properties (successful efforts method)	39,196,101	45,891,237
Land, buildings and equipment	1,510,666	1,837,114
Field equipment	1,262,464	1,598,387
	-----------	-----------
	41,969,231	49,326,738
Less accumulated depletion, depreciation and amortization	(18,949,917)	(20,704,121)
	-----------	-----------
Total property and equipment	23,019,314	28,622,617
	-----------	-----------
Other assets	582,251	585,889
	-----------	-----------
	$39,778,980	$46,230,107
	===========	===========
LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,918,880	$ 1,869,818
Accrued liabilities	806,150	933,256
	-----------	-----------
Total current liabilities	2,725,030	2,803,074
	-----------	-----------
Long term liabilities:		
Deferred income taxes	5,854,261	7,087,224
Reserve for future site restoration costs	657,288	650,311
	-----------	-----------
Total long term liabilities	6,511,549	7,737,535
	-----------	-----------
Minority interests	13,123,313	16,146,564
	-----------	-----------
Commitments (Note 2)	-	-
Stockholders' equity:		
Common stock, par value $.01 per share:		
Authorized 50,000,000 shares		
Outstanding 24,982,495 (1998), 24,851,245 (1997) shares	249,825	248,512
Capital in excess of par value	43,532,238	43,410,176
	-----------	-----------
Total capital	43,782,063	43,658,688
Accumulated deficit	(19,350,036)	(20,386,549)
Foreign currency translation adjustments	(7,012,939)	(3,729,205)
	-----------	-----------
	17,419,088	19,542,934
	-----------	-----------
	$39,778,980	$46,230,107
	===========	===========

</TABLE>

See accompanying notes.

MAGELLAN PETROLEUM CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

	Year ended June 30,		
	1998	1997	1996
Revenues:			
<S>	<C>	<C>	<C>
Oil sales	$ 4,097,570	$ 6,739,663	$ 5,921,529
Gas sales	10,485,380	11,551,546	9,745,520
Other production related revenues	651,706	1,644,457	1,360,403
Interest income	741,011	821,941	695,613
Gain (loss) on sale of assets	(635,882)	-	349,953
	15,339,785	20,757,607	18,073,018
Costs and expenses:			
Production costs	3,647,135	4,810,931	4,409,440
Exploratory and dry hole costs	3,346,329	6,243,211	1,858,271
Salaries and employee benefits	1,434,868	1,667,678	1,741,721
Depletion, depreciation and amortization	2,205,127	2,140,066	2,448,210
Auditing, accounting and legal services	479,623	446,336	703,833
Bad debts	239,201	-	-
Shareholder communications	168,715	179,111	181,039
Interest expense	24,468	32,005	30,690
Other administrative expenses	932,464	935,262	1,026,889
	12,477,930	16,454,600	12,400,093
Income before income taxes and minority interests	2,861,855	4,303,007	5,672,925
Income taxes	144,087	1,442,495	1,848,079
Income before minority interests	2,717,768	2,860,512	3,824,846
Minority interests	1,681,255	2,166,525	2,414,313
Net income	$ 1,036,513	$ 693,987	$ 1,410,533
Average number of shares			
Basic	24,949,322	24,782,360	24,599,899
Diluted	25,126,523	25,029,561	24,919,609
Per share, based on average number of shares outstanding during the period:			
Net income (Basic and Diluted)	$.04	$.03	$.06

</TABLE>

See accompanying notes.

MAGELLAN PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF
CHANGES IN STOCKHOLDERS' EQUITY
Three years ended June 30, 1998

<TABLE>
<CAPTION>

Number of shares	Common stock	Capital in excess of par value	Accumulated Deficit	Foreign currency Translation adjustments	Total

<S>	<C>	<C>	<C>	<C>	<C>	<C>
July 1, 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
Net income	-	-	-	1,036,513	-	1,036,513
Currency translation Adjustments	-	-	-	-	(3,283,734)	(3,283,734)
Exercise of stock Options	131,250	1,313	122,062	-	-	123,375
	----------	--------	-----------	------------	-----------	-----------
June 30, 1998	24,982,495	$249,825	$43,532,238	$(19,350,036)	$(7,012,939)	$17,419,088
	==========	========	===========	============	============	===========

</TABLE>

See accompanying notes.

MAGELLAN PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Year ended June 30,		
	1998	1997	1996
	-----------	-----------	-----------
Operating Activities:			
<S>	<C>	<C>	<C>
Net income	$ 1,036,513	$ 693,987	$ 1,410,533
Adjustments to reconcile net income to net cash provided by operating activities:			
Exploratory and dry hole costs	775,150	6,243,211	1,858,271
Depletion, depreciation and amortization	2,205,127	2,140,066	2,448,210
Deferred income taxes	(1,232,963)	637,130	683,668
Minority interests	1,681,255	2,166,525	2,414,313
Increase (decrease) in operating assets and liabilities:			
Accounts receivable	1,058,967	1,082,939	(991,763)
Reimbursable development costs	145,024	(31,784)	(122,153)
Other assets	(97,483)	(84,665)	(217,509)
Inventories	109,923	111,429	(203,575)
Accounts payable and accrued liabilities	829,314	169,687	(75,766)
Income taxes payable	-	(1,947,610)	1,980,817
	-----------	-----------	-----------
Net cash provided by operating activities	6,510,827	11,180,915	9,185,046
	-----------	-----------	-----------
Investing Activities:			
Additions to property and equipment	(2,997,791)	(5,305,699)	(5,596,156)
Marketable securities purchased	(256,180)	(2,211,205)	-

Net cash used in investing activities	(3,253,971)	(7,516,904)	(5,596,156)
Financing Activities:			
Dividends to MPAL minority shareholders	(1,506,103)	(1,778,622)	(1,619,104)
Exercise of stock options	123,375	166,875	134,000
Net cash used in financing activities	(1,382,728)	(1,611,747)	(1,485,104)
Effect of exchange rate changes on cash and cash equivalents	(2,380,693)	(388,359)	192,589
Net increase (decrease) in cash and cash equivalents	(506,565)	1,663,905	2,296,375
Cash and cash equivalents at beginning of year	12,942,862	11,278,957	8,982,582
Cash and cash equivalents at end of year	$12,436,297	$12,942,862	$11,278,957

</TABLE>

See accompanying notes.

MAGELLAN PETROLEUM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 1998

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, 1998 and 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, C.A. and the United States. The Company follows the successful efforts method of accounting for its oil and gas operations. Under this method, the costs of successful wells, development dry holes 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 noncash 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.

MAGELLAN PETROLEUM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 1998

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.

Use of Estimates

The preparation of consolidated 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 and field equipment

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

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, 1998 and 1997, the Australian dollar was equivalent to U.S. $.6194, and $.7538, respectively.

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

Recently issued accounting standards

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement 130, Reporting Comprehensive Income. Statement 130 establishes new rules for the reporting and display of comprehensive income and its components; however, adoption in fiscal 1999 will have no impact on the Company's net income or shareholders' equity. Statement 130 requires foreign currency translation adjustments, which currently are reported in shareholders' equity, to be included in other comprehensive income and the disclosure of total comprehensive income.

In February 1998, the FASB issued SFAS No. 132, Employers' Disclosures about Pensions and Other Postretirement Benefits. The Statement supercedes the disclosure requirements in SFAS No 87, Employers' Accounting for Pensions, SFAS No. 88, Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits, and SFAS No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions. SFAS No. 132 addresses disclosure issues only and does not change the measurement or recognition provisions specified in those Statements. SFAS No. 132 is effective for the Company's 1999 fiscal year. The adoption of this standard will not have an effect on earnings or the financial condition of the Company.

In June 1998, FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS No. 133"). SFAS No. 133 provides a comprehensive and consistent standard for the recognition and measurement of derivatives and hedging activities. The statement requires all derivatives to be recognized on the balance sheet at fair value and establishes standards for the recognition of changes in such fair value. SFAS No. 133 is effective for the Company's 2000 fiscal year. Because the Company does not currently use derivatives, the adoption of SFAS No. 133 will not have a significant effect on earnings or the financial condition of the Company.

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.

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

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, 1998	June 30, 1997
Cash	$ 23,460	$ 480,963
U.S. Government securities	1,085,137	197,573
Australian money market accounts and short term commercial paper	11,327,700	12,264,326
	$12,436,297	$12,942,862

Marketable securities

At June 30, 1998 and 1997, the Company has the following marketable securities which are expected to be held until maturity:

<TABLE>
<CAPTION>

June 30, 1998	Par value	Maturity Date	Amortized Cost	Fair value
Short-term securities				
Federal Home Loan Bank	$1,300,000	Nov. 10, 1998	$1,265,495	$1,265,496
Long-term securities				
Federal National Mortgage Association	$ 375,000	May 3, 2000	$ 375,000	$ 374,063
Federal National Mortgage Association	465,000	Aug. 25, 2000	465,000	463,256
Federal Home Loan Mortgage Corporation	360,000	Apr. 2, 2001	361,890	361,688
	$1,200,000		$1,201,890	$1,199,007

June 30, 1997	Par value	Maturity Date	Amortized Cost	Fair value

Security				
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. In February 1997, the FASB issued Statement No. 128 Earnings per Share ("EPS"), which the Company adopted for the year ended June 30, 1998. Accordingly, all prior year amounts have been restated to conform to FASB No. 128. The only reconciling item in the calculation of diluted EPS is the dilutive effect of stock options which was computed using the treasury stock method. The Company's basic and diluted calculations of EPS are the same.

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

Financial instruments

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

Segment Disclosure

FASB Statement No. 131 requires the disclosure of certain financial data based on an entity's operating segments. The Company's two operating segments are MPC and MPAL. Condensed financial statements of these segments are included in Notes 3 and 4 and additional segment data are included in Note 11.

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%.

The field was producing about 2,145 (MPAL share 751) barrels of crude oil per day ("bpd") from 40 wells at June 30, 1998. During 1998, MPAL's share of oil sales was 285,000 barrels and 3.6 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. On August 2, 1998, there was an explosion at the Adelaide refinery which is now shut down for repairs. At the present time, the Company's crude oil is still being purchased and stored at the refinery. If the repairs are not completed in a timely manner, it may be necessary to sell the crude oil to another facility at a slightly lower net price.

The operator of the field has currently scheduled five wells for remedial work. This work is expected to increase production costs in fiscal 1999. In addition, production will decrease in the short term while these wells are shut-in.

2. Oil and gas properties (Cont'd)

The MJV is negotiating for the sale of Liquid Propane Gas ("LPG") from the field to a potential purchaser. The agreement would require the MJV to install an LPG plant to produce 5,000 tons of LPG per year. The plant would utilize some of the field gas that is presently being flared. The project is expected to generate a modest profit.

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 1998, the MJV agreed to supply 57.7 bcf of gas to PAWA over a 10 year period.

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 are flowed at maximum deliverability levels to meet the Alice Springs and Darwin supply contracts with PAWA. During fiscal 1998, MPAL's share of gas sales was 3.5 bcf. In order to increase deliverability, field compression began in November 1996 and two 400 HP compressors have been operating in parallel since March 1998. A third 800 HP compressor is scheduled to be installed by March 1999. MPAL has recommended that two additional wells be drilled at Palm Valley to improve the field's production capacity. Under the agreement with PAWA, the costs of these wells are reimbursed by PAWA; consequently, the recommendation is under review by PAWA's consultants.

The Palm Valley Participants ("PVP") are 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	49	65	25 years (1983-2008)
Darwin	88.9	76.6	68.0	58.6	40	52	25 years (1987-2012)

	-----	-----	-----	-----			
	113.3	97.6	82.2	70.9			
	-----	-----	-----	-----			
Mereenie:							
Darwin (1985)	19.6	17.0	14.0	12.2	44	63	25 years (1987-2012)
Darwin (1995)	7.5	6.5	6.0	5.2	78	98	10 years (1995-2005)
Darwin (1997)	20.2	17.6	16.3	14.1	-	-	10 years (1999-2009)
Other	.5	.5	.5	.5	-	-	Various
	-----	-----	-----	-----			
	47.8	41.6	36.8	32.0			
	-----	-----	-----	-----			
Total	161.1	139.2	119.0	102.9			
	=====	=====	=====	=====			

</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, 1998, the balance of the MJV gas subject to this entitlement was 22 bcf (MPAL share - 11 bcf).

At June 30, 1998, the Company had accrued $657,000 for future site restoration costs for the Mereenie and Palm Valley fields. The balance of the estimated liability is $2,687,000 at June 30, 1998 which will be accrued over the remaining life of the related reserves based on units of production.

2. Oil and gas properties (Cont'd)

Dingo Gas Field

MPAL has a 34% interest in the Dingo gas field which is held under Retention License 2 which is subject to renewal in 2003. The Dingo gas field, which is located in the Amadeus Basin in the NTA, has approximately 25 bcf of presently proved and recoverable reserves based on four delineation wells. Dingo 2 and Dingo 3 wells are estimated to have the capacity of producing a combined rate of 5 million cubic feet ("mmcf") per day. The Dingo field participants have been negotiating for the sale of gas (.7 bcf per annum) from the field. 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 40% interest in permit EP-15 in the Ngalia basin in the NTA which covers 1.9 million acres. During July 1998, the Newhaven well was plugged and abandoned. MPAL's share of the drilling costs incurred through June 30, 1998 is included in exploratory and dry hole costs. The costs to drill the well subsequent to June 30, 1998 in the amount of $316,000 will be included in the 1999 fiscal year.

Northern Surat Basin

During March 1998, MPAL agreed to sell its 15.625% interest in ATP 378P Queensland, Australia to its partner, Santos Limited. The $636,000 difference between the carrying cost and the sale price is included in loss on the sale of assets.

Eastern Surat Basin

MPAL has earned a 17% interest in Block D of ATP 244P in Queensland by completing a pilot seismic reprocessing program. MPAL has a $2,500 commitment through February 1999 on the permit and the right to withdraw prior to the beginning of the next permit year, which has a $15,000 commitment.

Southern Surat Basin

MPAL earned a 15% interest in ATP 626P in Queensland. The operator is attempting to farmout MPAL's interest in connection with the planned drilling of two wells on the permit which would reduce MPAL's interest to 8.7%. MPAL has no obligation to participate in the drilling program.

2. Oil and gas properties (Cont'd)

Timor Sea

MPAL earned a 10% interest in WA-74-P offshore Western Australia by funding 20% of the cost of drilling the Schilling-1 well which was plugged and abandoned during September 1997. MPAL's share of the Schilling-1 well was written off during the first quarter of fiscal 1998 and is included in exploratory and dry hole costs. MPAL relinquished its interest in the permit during December 1997.

During April 1998, MPAL acquired a 5% interest in Exploration Permit WA-199-P in the Bonaparte Basin in the Timor Sea offshore Western Australia. MPAL earned its interest in the permit by funding 10% of the cost of drilling the Kittiwake-1 well. The Kittiwake well was drilled to its projected total depth without encountering any commercial hydrocarbons. MPAL's cost of the well was written off in the fourth quarter of fiscal 1998 and is included in exploratory and dry hole costs. MPAL expects that it will relinquish its interest in the permit by September 30, 1998.

Browse Basin

During July 1998, MPAL acquired a 17 1/2% interest in exploration permits WA-281-P, WA-282-P and WA-283-P in the Browse Basin offshore Western Australia. MPAL's share of the work obligations for the three permits is as follows:

	WA-281-P	WA-282-P	WA-283-P
Year 1	$ 341,000	$266,000	$ 266,000
Year 2	661,000	103,000	103,000
Year 3	1,225,000	22,000	1,116,000
Total	$2,227,000	$391,000	$1,485,000

Northwest Shelf

MPAL earned a 15% interest in exploration permits TP/12 and EP398 in the Carnarvon Basin offshore Western Australia by funding 30% of the cost of drilling the Springbok-1 well. Drilling of the Springbok-1 well began on August 21, 1998 and was plugged and abandoned on August 31, 1998. MPAL's estimated cost of drilling the well ($650,000) will be written off during the first quarter of fiscal 1999.

2. Oil and gas properties (Cont'd)

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 1998, additional seismic surveys were completed on the permit. Processing and analysis of the data has been completed. A well is expected to be drilled in fiscal 1999 at an estimated cost of $700,000.

(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. The Company is unable to determine at this time when it will receive any revenue from the field.

(c) 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 the project, which totaled $3,008,000, were written off. MPC has withdrawn from the venture. On August 14, 1998, the Schmidt #15-1 well was spudded on the Maple prospect by a third party at no cost to the Company. The well was plugged and abandoned on August 31, 1998.

2. Oil and gas properties (Cont'd)

Tapia Canyon, California

Effective December 1, 1997, MPC acquired a 18% interest in a heavy oil recovery project in Tapia Canyon, California. The field is estimated to have approximately 12 million barrels of oil in place with only 13% of the oil recovered to date. The reserve study was prepared in 1986 by a major oil company, the field owner at that time. MPC's initial purchase price for its interest in the project was approximately $79,000. There is also a commitment to spend $600,000 to perform remedial work on the field and to complete a pilot stream flood program during the first year of the project (MPC share - $120,000). The field was producing approximately 30 bpd (MPC share - 6 bpd) at June 30, 1998.

(d) Belize

Southern Offshore Block PSA

On March 16, 1998, MPC (2 1/2%), MPAL (20%) and the other joint venture participants entered into a new Production Sharing Agreement ("PSA") with the Government of Belize. The new Southern Offshore Block PSA ("SOB PSA") combines most of the blocks previously included in the Gladden PSA and the Block 13 PSA, and totals approximately 893,000 acres. The work obligations of the new PSA are as follows: Year 1 - $100,000, Year 2 - $300,000, Year 3 - $3,000,000 and Year 4 - - $150,000. The participants in the PSA are seeking partners in the venture.

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. During 1997, the Gladden No. 1 well was plugged and abandoned and the Company's cost of the well was written off. During March 1998, this block was consolidated into the SOB PSA.

Block 13 PSA

MPC (2 1/2%) and MPAL (20%) were also participants in a Production

Sharing Agreement ("Block 13 PSA") offshore Belize adjoining the western and southern boundaries of the Gladden PSA. The Block 13 PSA covers approximately 788,000 acres. During March 1998, this block was consolidated into the SOB PSA.

3. MPC condensed financial statements

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

MAGELLAN PETROLEUM CORPORATION
BALANCE SHEETS

	June 30, 1998	June 30, 1997
ASSETS		
Current assets	$ 2,691	$ 2,913
Other assets	1,202	-
Oil and gas properties - net	126	47
Investment in MPAL	13,497	16,601
Total assets	$17,516	$19,561
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities	$ 97	$ 18
Stockholders' equity:		
Capital	43,782	43,659
Accumulated deficit	(19,350)	(20,387)
Foreign currency translation adjustments	(7,013)	(3,729)
Total stockholders' equity	17,419	19,543
Total liabilities and stockholders' equity	$17,516	$19,561

MAGELLAN PETROLEUM CORPORATION
STATEMENTS OF INCOME

	Year ended June 30, 1998	1997	1996
Revenues	$ 175	$ 122	$ 84
Costs and expenses	(863)	(1,376)	(900)
Loss before income taxes	(688)	(1,254)	(816)
Income tax provision	1	276	252
Loss before equity in MPAL	(689)	(1,530)	(1,068)
Equity in MPAL net income	1,726	2,224	2,479
Net income	$1,037	$ 694	$1,411

3. MPC condensed financial statements (Cont'd)

MAGELLAN PETROLEUM CORPORATION
STATEMENTS OF CASH FLOWS

Year ended June 30,

1998 1997 1996

	------	------	------
Operating Activities:			
Net income	$1,037	$ 694	$1,411
Adjustments to reconcile net income to net cash used in operating activities:			
Abandonments	-	598	127
Equity in MPAL income	(1,726)	(2,224)	(2,479)
Change in operating assets and liabilities:			
Accounts receivable	(59)	(57)	(62)
Accounts payable and accrued liabilities	79	(73)	29
	------	------	------
Net cash used in operating activities	(669)	(1,062)	(974)
	------	------	------
Investing Activities:			
Additions to property and equipment	(79)	(363)	(288)
Marketable securities purchased	(256)	(2,211)	-
	------	------	------
	(335)	(2,574)	(288)
	------	------	------
Financing Activities:			
Dividends from MPAL	1,546	1,826	1,662
Sales of common stock	122	167	134
	------	------	------
	1,668	1,993	1,796
	------	------	------
Net increase (decrease) in cash and cash equivalents	664	(1,643)	534
Cash and cash equivalents at beginning of year	424	2,067	1,533
	------	------	------
Cash and cash equivalents at end of year	$1,088	$ 424	$2,067
	======	======	======

4. MPAL transactions and condensed financial statements

The following are the condensed consolidated balance sheets and consolidated statements of income of MPAL (in thousands). At June 30, 1998, Santos Ltd. held 18.2% of MPAL and Boral Limited held 17.1% with the balance of 14% held by approximately 2,100 shareholders in Australia.

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

The condensed 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 Sheets

	June 30,	
	1998	1997
	-------	-------
ASSETS		
Current assets	$12,866	$14,526
Oil and gas properties - net	21,887	27,469
Land, building and equipment - net	885	1,154
	-------	-------
Total	$35,638	$43,149
	=======	=======
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities	$ 2,628	$ 2,785
	-------	-------

Long term liabilities	6,606	7,833
	-------	-------
Stockholders' equity:		
Capital	34,408	34,408
Retained earnings	4,865	4,510
Foreign currency translation adjustments	(12,869)	(6,387)
	-------	-------
	26,404	32,531
	-------	-------
Total	$35,638	$43,149
	=======	=======

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

Magellan Petroleum Australia Limited
Consolidated Statements of Income

	Year ended June 30,		
	1998	1997	1996
	--------	--------	--------
Revenues	$15,165	$20,636	$17,989
Costs and expenses	11,615	15,079	11,500
	--------	--------	--------
Income before income taxes	3,550	5,557	6,489
Income tax provision	143	1,166	1,596
	--------	--------	--------
Net income	$ 3,407	$ 4,391	$ 4,893
	========	========	========

Magellan and Minority Equity in MPAL

Magellan equity interest in MPAL:			
Magellan equity in net income	$ 1,726	$ 2,224	$ 2,479
	========	========	========
Minority equity interest in MPAL:			
Minority interest in net income	$ 1,681	$ 2,166	$ 2,414
Foreign currency translation	(3,198)	(922)	1,999
Dividends paid	(1,506)	(1,779)	(1,619)
	---------	----------	---------
Total minority interest increase (decrease)	$ (3,023)	$ (535)	$ 2,794
	=========	==========	========

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 one million shares of the Company's common stock. The plan provides for options to be granted at a price of not less than fair value on the date of grant and for a term of not greater than ten years. On December 3, 1997, the Board of Directors approved a new stock option plan for an additional one million shares which is subject to approval at the 1998 Annual Meeting of Stockholders.

At June 30, 1998, all of the stock options outstanding were vested and exercisable. Options to purchase 225,000 shares expire on January 31, 1999 and options to purchase 50,000 shares expire on September 25, 2001. Following is a summary of option transactions for the three years ended June 30, 1998:

Options outstanding	Number of shares	Exercise Prices ($)
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
Exercised	(131,250)	.94
June 30, 1998	275,000	.8125 - 2.75
		($1.16 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.

5. Capital and stock options (Cont'd)

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, 1998.

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, expected dividend - 0. 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,		
	1998	1997	1996
United States	$ (850)	$(4,547)	$(3,229)
Foreign	3,712	8,850	8,902
Total	$2,862	$ 4,303	$ 5,673

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,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Pretax consolidated income	$2,862	$4,303	$5,673
Losses not recognized:			
MPC's operations	689	1,254	816
MPAL's nonAustralian operations	-	(145)	831
Permanent differences	(2,443)	(2,040)	(1,615)
Book taxable income - Australia	$1,108	$3,372	$5,705
Australian tax rate	36%	36%	36%
Australian income tax provision	$399	$1,214	$2,054
Tax provision attributable to reconciliation of year end deferred tax liability	(255)	(48)	(458)
MPAL Australian tax provision	143	1,166	1,596
MPC income tax provision	1	276	252
Consolidated income tax provision	$ 144	$1,442	$1,848
Current income tax provision	$ 1	$ 276	$1,848
Deferred income tax	143	1,166	-
	$ 144	$1,442	$1,848
Effective tax rate	5%	34%	33%

</TABLE>

The amount of $5,854,000 and $7,087,000 in deferred income tax liability at June 30, 1998 and June 30, 1997, 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

On June 30, 1998, the Company had approximately $15,659,000 and $4,602,000 of net operating loss carryforwards for federal and state income tax purposes, respectively, which are scheduled to expire periodically between 2000 and 2013. The Company also has approximately $1,004,000 of foreign tax credit carryovers, which are scheduled to expire periodically between 1998 and 2003. 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 1998	June 30 1997
Net operating losses	$4,075,000	$4,183,000
Foreign tax credits	1,004,000	1,120,000
Interest	214,000	212,000
Subpart F deemed dividend	1,311,000	1,476,000
Intangible drilling costs	7,000	21,000
Total deferred tax assets	6,611,000	7,012,000
Valuation allowance	(6,611,000)	(7,012,000)
Net deferred tax assets	$ -	$ -

7. Bank loan

MPAL has a A.$10 million line of credit with an Australian bank at the bank's prime rate of interest (5.2% at June 30, 1998, and 5.7% at June 30, 1997) plus .5%. This line of credit is unsecured and expires December 31, 1998. In addition, there is an annual fee of A.$30,000 payable with respect to the line of credit. At June 30, 1998 and 1997, 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 and $109,000 for fiscal years 1997 and 1996, respectively. G&O'D INC, a firm that provides accounting and administrative services, office facilities and support staff to the Company, was paid $248,174, $211,088 and $187,898 in fees for fiscal years 1998, 1997 and 1996, 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 LLP, which firm was paid fees of $36,366, $29,004 and $28,449 for fiscal years 1998, 1997 and 1996, respectively. In addition, Mr. Heath, a director, has 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 Mr. Heath with respect to these royalties in fiscal 1998 were $46,044, in fiscal 1997 were $54,252 and in fiscal 1996 were $45,657.

9. Leases

At June 30, 1998, future minimum rental payments applicable to MPAL's noncancelable operating (office) lease were as follows:

Fiscal Year	Amount
1999	$ 88,000
2000	92,000
2001	97,000
2002	102,000
2003	120,000

2004	126,000
Total	$625,000

The information regarding the rental expense for all operating leases is included in Note 13.

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, 1998 and 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.

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

<TABLE>
<CAPTION>

	June 30,	
	1998	1997
<S>	<C>	<C>
Plan assets at fair value	$2,974,283	$3,311,309
Actuarial value of accumulated benefit obligation (vested)	$2,693,571	$3,072,750
Effect of assumed future compensation increases	(281,218)	(433,034)
Projected benefit obligation for service to date	2,412,353	2,639,716
Plan assets in excess of projected benefit obligation	561,930	671,593
Unrecognized net loss	185,646	149,025
Unrecognized net asset at transition	(165,324)	(234,730)
Prepaid pension expense	$ 582,252	$ 585,888

</TABLE>

10. Pension Plan (Cont'd)

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

	Year ended June 30,		
	1998	1997	1996
Service cost	$186,819	$242,014	$247,010
Interest cost	135,945	200,995	204,554
Actual return on plan assets	(192,079)	(246,904)	(259,695)
Net amortization and deferred items	(27,554)	(18,472)	(19,298)
Net pension cost	$103,131	$177,633	$172,571

Plan contributions by MPAL	$224,000	$275,000	$279,000

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

	1998	1997	1996
Assumed discount rate	5.5%	6.5%	8.0%
Rate of increase in future compensation levels	4.0%	5.0%	6.5%
Expected long term rate of return on plan assets	6.5%	7.0%	8.5%
Australian exchange rate	$.6194	$.7538	$.7875

11. Segment information

The Company has two reportable segments, MPC and its 50.7% subsidiary, MPAL. Although each company is in the same business, MPAL is also a publicly held company with its shares traded on the Australian Stock Exchange. MPAL issues separate audited consolidated financial statements and operates independently of MPC.

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

	Year ended June 30,		
	1998	1997	1996
Revenues:			
MPC	$ 1,721	$ 1,948	$ 1,746
MPAL	15,165	20,636	17,989
Elimination of intersegment dividend	(1,546)	(1,826)	(1,662)
Total consolidated revenues	$15,340	$20,758	$18,073

11. Segment information (Cont'd)

<TABLE>
<CAPTION>

	Year ended June 30,		
	1998	1997	1996
Interest income:			
<S>	<C>	<C>	<C>
MPC	$ 171	$ 122	$ 84
MPAL	570	700	612
Total consolidated	$ 741	$ 822	$ 696
Net income:			
MPC	$ 857	$ 296	$ 594
MPAL	1,726	2,224	2,479
Elimination of intersegment dividend	(1,546)	(1,826)	(1,662)
Consolidated income	$ 1,037	$ 694	$ 1,411
Assets:			
MPC	$ 17,052	$ 19,561	$ 19,718
MPAL	35,638	43,149	45,127
Equity elimination	(12,911)	(16,480)	(17,029)
Total consolidated assets	$ 39,779	$ 46,230	$ 47,816

Other significant items:			
Depletion, depreciation and amortization:			
MPC	$ -	$ -	$ -
MPAL	2,205	2,140	2,448
Total consolidated	$ 2,205	$ 2,140	$ 2,468
Exploratory and dry hole costs:			
MPC	$ 32	$ 598	$ 126
MPAL	3,314	5,645	1,732
Total consolidated	$ 3,346	$ 6,243	$ 1,858
Income tax expense:			
MPC	$ 1	$ 276	$ 252
MPAL	143	1,166	1,596
Total consolidated	$ 144	$ 1,442	$ 1,848

</TABLE>

12. 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,		
	1998	1997	1996
Revenue:			
<S>	<C>	<C>	<C>
Australia	$15,148	$20,618	$17,639
United States	192	140	434
	$15,340	$20,758	$18,073
Operating income (loss):			
Australia	$ 3,979	$10,195	$ 8,526
Belize	(195)	(2,584)	-
United States	(163)	(2,862)	(2,982)
	3,621	4,749	5,544
Corporate overhead and interest net of other income	(759)	(446)	129
Consolidated operating income before income taxes and minority interests	$ 2,862	$ 4,303	$ 5,673
Net income (loss):			
Australia	$ 1,911	$ 5,212	$ 3,835
Belize	(103)	(1,320)	-
United States	(771)	(3,198)	(2,424)
	$ 1,037	$ 694	$ 1,411
Identifiable assets:			
Australia	$35,236	$42,516	$42,295
Belize	433	563	-
United States	17	70	2,831
	35,686	43,149	45,126

Corporate assets	4,093	3,081	2,690
	$39,779	$46,230	$47,816

</TABLE>

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

13. Other financial information

<TABLE>
<CAPTION>

	Year ended June 30,		
	1998	1997	1996
Costs and expenses - Other			
<S>	<C>	<C>	<C>
Consultants	$ 52,741	$ 108,552	$ 135,135
Directors' fees and expense	181,466	173,832	167,002
Insurance	217,503	284,532	272,275
Rent	271,241	326,665	283,954
Taxes	218,467	234,960	220,968
Travel	219,172	233,044	337,132
Other (net of overhead reimbursements)	(228,126)	(426,323)	(389,577)
	$ 932,464	$ 935,262	$1,026,889
Royalty payments	$1,464,478	$1,930,011	$1,544,508
Interest payments	$ 24,468	$ 32,005	$ 30,690
Income tax payments	$ 1,000	$2,256,934	$ 251,888

</TABLE>

14. Selected quarterly financial data (unaudited)

The following is a summary (in thousands) of the quarterly results of operations for the years ended June 30, 1998 and 1997:

<TABLE>
<CAPTION>

1998	QTR 1	QTR 2	QTR 3	QTR 4
	($)	($)	($)	($)
<S>	<C>	<C>	<C>	<C>
Total revenues	4,552	4,497	3,184	3,107
Costs and expenses	(3,943)	(2,858)	(2,442)	(3,235)
Income tax provision (benefit)	(251)	(520)	(246)	873
Minority interests	(288)	(653)	(324)	(417)
Net income	70	466	172	328
Per share (basic & diluted)	-	.02	.01	.01

1997	QTR 1	QTR 2	QTR 3	QTR 4
	($)	($)	($)	($)
Total revenues	5,110	5,458	5,176	5,014
Costs and expenses	(3,019)	(2,915)	(5,678)	(4,842)
Income tax provision (benefit)	(768)	(1,227)	95	458

Minority interests	(762)	(894)	10	(521)
	-------	-------	-------	-------
Net income (loss)	561	422	(397)	109
	=======	=======	=======	=======
Per share (basic & diluted)	.02	.02	(.01)	-
	===	===	=====	==

</TABLE>

MAGELLAN PETROLEUM CORPORATION
SUPPLEMENTARY OIL AND GAS INFORMATION
(unaudited)

June 30, 1998

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:

	Natural Gas (BCF) Australia (*)	Oil (Thousand Bbls) Australia
Proved Reserves:		
	------	---
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
Revision of previous estimates	(5.071)	204
Extensions and discoveries	-	-
Production	(5.844)	(248)
	------	---
June 30, 1998	85.167	915
	======	===
Proved Developed Reserves:		
June 30, 1995	83.574	1,496
	======	=====
June 30, 1996	79.670	1,201
	======	=====
June 30, 1997	96.082	959
	======	===
June 30, 1998	85.167	915
	======	===

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

(*) 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
1998	$3,196	$3,474
1997	580	678
1996	335	2,989

	Americas	
Fiscal Year	Exploration Costs	Acquisition Costs
1998	$ 150	$ 79
1997	3,138	47
1996	2,138	426

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

	June 30, 1998		
	Australia	Americas	Total
Costs subject to DD&A	$41,470	$ -	$41,470
Costs not subject to DD&A	-	499	499
Less accumulated DD&A	(18,950)	-	(18,950)
Net capitalized costs	$22,520	$499	$23,019

	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

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, 1998. 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		
	1998	1997	1996
Future cash inflows	$136,828	$198,406	$138,797
Future production costs	(17,441)	(22,204)	(21,065)
Future development costs	893	-	-
Future income tax expense	(40,429)	(60,926)	(41,824)
Future net cash flows	78,065	115,276	75,908
10% annual discount for estimating timing of cash flows	(29,813)	(46,963)	(31,695)
Standardized measures of discounted future net cash flows	$ 48,252	$ 68,313	$ 44,213

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

	1998	1997	1996
Net change in prices and production costs	$ (4,318)	$18,300	$6,330
Extensions and discoveries	-	29,530	87
Revision of previous quantity estimates	(6,675)	(341)	-
Changes in estimated future development costs	(1,087)	-	-
Sales and transfers of oil and gas produced	(8,849)	(11,264)	(9,583)
Previously estimated development cost incurred during the period	-	-	1,493
Accretion of discount	5,623	3,535	3,180
Net change in income taxes	5,716	(12,604)	(43)
Net change in exchange rate	(10,471)	(3,056)	4,368
	$(20,061)	$24,100	$5,832

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, 1998, 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, 1998. All of the crude oil reserves are developed reserves. Undeveloped proved reserves have not been estimated since there are only tentative plans to drill additional wells.

Income taxes

Future Australian income tax expense applicable to the future net cash flows has been reduced by the tax effect of approximately A.$9,995,000, A.$9,236,000 and A.$9,448,000 in unrecouped capital expenditures at 1998, 1997 and 1996, 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, 1998:

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	Americas	Australia

	1998	1997	1996	1998	1997	1996
Revenues:						
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Oil sales	$ 3	$ -	$ -	$ 4,095	$ 6,740	$ 5,922
Gas sales	-	-	-	10,485	11,552	9,746
Other production income	-	-	-	632	1,512	1,280
Total revenues	3	-	-	15,212	19,804	16,948
Costs:						
Production costs	5	-	-	3,642	4,811	4,410
Depletion, exploratory and dry hole costs	151	(3,008)	(1,691)	5,937	2,605	2,040
Total costs	(156)	(3,008)	(1,691)	9,579	7,416	6,450
Income before taxes and minority interest	(153)	(3,008)	(1,691)	5,633	12,388	10,498
Income tax provision (36%)	-	-	-	(2,028)	(4,460)	(3,779)
Income before minority interests	(153)	(3,008)	(1,691)	3,605	7,928	6,719
Minority interests (49.3%)	74	1,327	772	(1,779)	(3,909)	(3,312)
Net income (loss) from Operations	$ (79)	$(1,681)	$ (919)	$ 1,826	$ 4,019	$ 3,407
Depletion per unit of production	-	-	-	A.$2.30	A$ 1.86	A$ 2.35

</TABLE>

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, 1998, 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	37
Consolidated balance sheets as of June 30, 1998	

(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, filed on June 24, 1988, 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 filed June 24, 1988, 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.

    Filed herein.

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.

    None.

27. Financial Data Schedule.

    Filed herein.

99. Additional Exhibits.

    None.

(b) Reports on Form 8-K.

None.

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 25, 1998

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	/s/ James R. Joyce
Benjamin W. Heath	James R. Joyce
Director	Director, President and Chief Executive Officer, Chief Financial and Accounting Officer
Dated: September 25, 1998	Dated: September 25, 1998
------------------------	------------------------
/s/ Dennis D. Benbow	/s/ Walter McCann
Dennis D. Benbow	Walter McCann
Director	Director
Dated: September 25, 1998	Dated: September 25, 1998
------------------------	------------------------
/s/ Timothy L. Largay	/s/ Ronald P. Pettirossi
Timothy L. Largay	Ronald P. Pettirossi
Director	Director
Dated: September 25, 1998	Dated: September 25, 1998
------------------------	------------------------

Subsidiaries of the Registrant

Subsidiary	State of Incorporation	Ownership
Magellan Petroleum Australia Limited	Queensland, Australia	50.7%

The following subsidiaries are owned by Magellan Petroleum Australia Limited:

Magellan Petroleum (N.T.) Pty. Ltd.	Queensland, Australia	100%
Paroo Petroleum Pty. Ltd.	Queensland, Australia	100%
Paroo Petroleum (Holdings), Inc.	Delaware, U.S.A.	100%
Paroo Petroleum (USA), Inc.	Delaware, U.S.A.	100%
Magellan Petroleum (W.A.) Pty. Ltd.	Queensland, Australia	100%
Magellan Petroleum (Belize) Limited	Belize, C.A.	100%
Magellan Petroleum (Eastern) Pty. Ltd.	Queensland, Australia	100%
Magellan Petroleum (Burunga) Pty. Ltd.	Queensland, Australia	100%

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 11, 1998 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, 1998.

/s/ Ernst & Young LLP

Stamford, Connecticut
September 21, 1998

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