

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

(Mark one)

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

For the quarterly period ended September 30, 1995  
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TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

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

Commission file number 1-5507

MAGELLAN PETROLEUM CORPORATION

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

DELAWARE 06-0842255

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

149 Durham Road, Madison, Connecticut 06443

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

203-245-8380

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

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

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

The number of shares outstanding of the issuer's single class of common stock as of November 1, 1995 was 24,568,745.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MAGELLAN PETROLEUM CORPORATION

CONSOLIDATED BALANCE SHEET  
(unaudited)

<TABLE>  
<CAPTION>

September 30, June 30,

<S>	<C> 1995	<C> 1995
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,967,771	\$ 8,982,582
Accounts receivable	2,303,037	1,772,342
Reimbursable development costs	255,516	141,015
Inventories	249,066	208,334
	-----	-----
Total current assets	11,775,390	11,104,273
	-----	-----
Property and equipment:		
Oil and gas properties (full cost method)	60,274,994	54,334,921
Land, buildings and equipment	2,239,419	2,084,616
Field equipment	1,580,254	1,457,894
	-----	-----
	64,094,667	57,877,431
Less accumulated depletion, depreciation and amortization	(22,538,430)	(20,516,580)
	-----	-----
Net property and equipment	41,556,237	37,360,851
	-----	-----
Other assets:		
Other assets	386,566	363,084
	-----	-----
	\$53,718,193	\$48,828,208
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,833,961	\$ 1,416,315
Accrued liabilities	935,466	881,734
	-----	-----
Total current liabilities	2,769,427	2,298,049
	-----	-----
Long term liabilities and minority interests:		
Deferred income taxes	9,908,162	8,877,253
Reserve for future restoration costs	2,265,421	2,127,805
Minority interests	18,325,016	16,616,405
	-----	-----
	30,498,599	27,621,463
	-----	-----
Stockholders' equity:		
Common stock, par value \$.01 per share:		
Authorized 50,000,000 shares		
Outstanding 24,548,745 and 24,543,745 shares, respectively	245,487	245,437
Capital in excess of par value	43,116,076	43,112,376
	-----	-----
	43,361,563	43,357,813
Deficit	(19,343,475)	(19,615,984)
Foreign currency translation adjustments	(3,567,921)	(4,833,133)
	-----	-----
Total stockholders' equity	20,450,167	18,908,696
	-----	-----
	\$53,718,193	\$48,828,208
	=====	=====

</TABLE>

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MAGELLAN PETROLEUM CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS  
(unaudited)

<TABLE>  
<CAPTION>

	Three months ended September 30,	
<S>	<C> 1995	<C> 1994
Revenues:		
Oil sales	\$ 1,310,237	\$ 1,487,427
Gas sales	2,144,888	1,745,150
Interest and other income	479,651	217,059
	----- 3,934,776	----- 3,449,636
Costs and expenses:		
Production costs	1,058,777	917,055
Salaries and employee benefits	452,782	317,395
Depletion, depreciation and amortization	696,839	871,014
Auditing, accounting and legal services	213,087	222,584
Shareholder communications	27,850	17,472
Other	293,287	277,900
Interest	5,774	7,460
	----- 2,748,396	----- 2,630,880
Income before minority interests and income taxes		
	1,186,380	818,756
Minority interests	686,804	531,967
	----- Income before income taxes	----- 286,789
Income tax provision	227,067	198,708
Net income	----- \$ 272,509	----- \$ 88,081
Average number of shares outstanding		
	----- 24,547,495	----- 24,389,080
Net income per share	----- \$ .01)	----- \$( - )

</TABLE>

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
(unaudited)

<TABLE>  
<CAPTION>

<S>	Number of shares <C>	Capital in Common stock <C>	excess of par value <C>	Accumulated Deficit <C>	translation adjustments <C>	Total <C>	
June 30, 1995	24,543,745	\$245,473	\$43,112,376	\$(19,615,984)	\$(4,833,133)	\$18,908,696	
Net income	-	-	272,509	-	272,509		
Currency translation adjustments	-	-	-	1,265,212	1,265,212		
Exercise of stock options	5,000	50	3,700	-	-	3,750	
	-----	-----	-----	-----	-----	-----	
September 30, 1995	----- 24,548,745	----- \$245,487	----- \$43,116,076	----- \$(19,343,475)	----- \$(3,567,921)	----- \$20,450,167	

</TABLE>

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MAGELLAN PETROLEUM CORPORATION  
CONSOLIDATED STATEMENT OF CASH FLOWS  
(unaudited)

<TABLE>  
<CAPTION>

	Three months ended September 30,	
	1995	1994
	<C>	<C>
	<S>	<S>
Operating Activities:		
Net income	\$ 272,509	\$ 88,081
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion, depreciation and amortization	696,839	871,014
Deferred income taxes	809,843	304,377
Minority interests	686,804	531,967
Increase (decrease) in operating assets and liabilities:		
Accounts receivable	(513,032)	(34,169)
Reimbursable development costs	(112,632)	(84,861)
Other assets	(19,949)	(12,153)
Inventories	(38,577)	14,882
Accounts payable and accrued liabilities	494,445	497,218
Net cash provided by operating activities	2,276,250	2,176,356
Investing Activities:		
Net additions to property and equipment	(2,532,666)	(1,506,741)
Net cash used in investing activities	(2,532,666)	(1,506,741)
Financing Activities:		
Exercise of MPC stock options and stock issued	3,750	1,972
Net cash provided in financing activities	3,750	1,972
Effect of exchange rate changes on cash and cash equivalents	237,855	66,023
Net increase (decrease) in cash and cash equivalents	(14,811)	737,610
Cash and cash equivalents at beginning of year	8,982,582	8,350,577
Cash and cash equivalents at end of period	\$ 8,967,771	\$ 9,088,187

</TABLE>

PART I - FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

September 30, 1995

Item 1. Financial Statements - Notes

The information for the three month period ended September 30, 1995 and 1994, is unaudited but includes all adjustments which the Company considers

necessary for a fair presentation of the results of operations for those periods. All adjustments are of a normal recurring nature. The consolidated financial statements include the Company's 50.7% owned subsidiary, Magellan Petroleum Australia Limited ("MPAL").

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

Liquidity and Capital Resources

Consolidated

At September 30, 1995, the Company on a consolidated basis had approximately \$8,968,000 of cash and cash equivalents. A summary of the major changes in cash items during the period is as follows:

Cash and cash equivalents at beginning of year	\$8,983,000
Cash provided by operations	2,276,000
Net additions to property and equipment	(2,533,000)
Other	242,000
	-----
Cash and cash equivalents at end of period	\$8,968,000
	=====

As to the Company (unconsolidated)

At September 30, 1995, Magellan Petroleum Corporation ("MPC"), on an unconsolidated basis, had cash and cash equivalents of approximately \$1,204,000. MPC's normal annual operating budget is approximately \$750,000 and its current cash position and its future dividends from MPAL should be adequate to meet its current cash requirements. During fiscal 1996, MPC has budgeted approximately \$200,000 for oil and gas exploration. MPC also has available a \$1.5 million bank line of credit. MPC has in the past invested and may in the future invest substantial portions of its available funds to maintain its majority interest in MPAL.

During September 1995, MPAL announced that its Board of Directors had recommended a dividend of A.\$10 per share. MPC's share of this dividend is approximately \$1,700,000 less Australian withholding taxes of \$255,000. The net proceeds of \$1,445,000 will be added to MPC's working capital. The dividend was approved at MPAL's Annual General Meeting held on November 2, 1995.

PART I - FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

September 30, 1995

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

As to MPAL

At September 30, 1995, MPAL had cash and cash equivalents of approximately \$7,764,000. MPAL has budgeted approximately \$5.5 million for exploration in fiscal 1996 in comparison to the \$2.8 million incurred during fiscal 1995. MPAL expects to fund its exploration and development costs through its cash flow from Australian operations, and if necessary, any additional requirements from its A.\$10 million bank line of credit.

Results of Operations

Three month period ended September 30, 1995 vs. September 30, 1994.

The Company had consolidated net income of \$272,509 for the three month period ended September 30, 1995 compared to net income of \$88,081 for the comparable 1994 period. The components of consolidated net income for the comparable periods were as follows:

Three month period ended

	September 30,	
	1995	1994
MPC unconsolidated pretax loss	\$(205,654)	\$(259,371)
MPC income tax expense	-	(2,400)
Share of MPAL pretax income	705,127	546,160
Share of MPAL income tax provision	(226,964)	(196,308)
	-----	-----
Consolidated net income	\$ 272,509	\$ 88,081
	=====	=====
Net income per share	\$ .01	\$ -
	=====	=====

PART I FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

September 30, 1995

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

Oil and Gas Sales

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

	Three month period ended September 30,			
	1995		1994	
	Sales	%	Sales	%
Australia	\$3,455	100	\$3,085	95
United States	-	-	148	5
	-----	-----	-----	-----
	\$3,455	100	\$3,233	100
	=====	=====	=====	=====

Oil Sales

Oil sales decreased by 12% in the current quarter. Oil sales in Australia decreased because of a 9% decrease in oil prices which was partially offset by a 8% increase in the number of units sold. MPAL's share of oil sales in the United States decreased because the producing properties were sold on March 31, 1995. Oil unit sales in barrels ("bbls") and the average price per barrel sold during the periods indicated were as follows:

	Three month period ended September 30,			
	1995 Sales		1994 Sales	
	bbls	Average price per bbl	bbls	Average price per bbl
Australia-Mereenie	87,750	A.\$22.01	81,544	A.\$24.08

PART I - FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

September 30, 1995

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

Gas Sales

Gas sales increased 23%. Gas sales in Australia increased with a 10% increase in the volumes of gas sold and modest price increases. Total gas volumes are expected to continue at least at current levels in the short term. The volumes in billion cubic feet ("bcf"), (before deducting royalties) and the average price of gas per thousand cubic feet ("mcf") sold during the periods indicated were as follows:

	Three month period ended September 30,			
	1995 Sales		1994 Sales	
	Average price		Average price	
	bcf	per mcf	bcf	per mcf
Australia:				
Palm Valley				
Alice Springs contract	.247	A.\$2.85	.232	A.\$2.73
Darwin contract	.653	A.\$2.00	.821	A.\$1.97
Mereenie:				
Darwin contact	.400	A.\$1.85	.216	A.\$1.23
Other	.168	A.\$2.62	.059	A.\$2.60
	----	----		
Total	1.468		1.328	
	=====		=====	

Interest and other income

Interest and other income increased 121% in 1995. Interest and other income includes \$203,000, MPAL's share of gas pipeline tariffs which commenced in May 1995. Interest income also increased \$47,000.

PART I - FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

September 30, 1995

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

Costs and Expenses

Production costs increased 15%. The increase in Australia relates to an increase in costs at Mereenie because of the present work to increase production. Production costs by geographic area (in thousands) are as follows:

	Three months ended September 30,	
	1995	1994
Australia	\$1,059	\$ 938
United States	-	(21)
	-----	-----
	\$1,059	\$ 917
	=====	=====

Salaries and employee benefits increased 43% primarily because of increased compensation costs in Australia.

Depreciation, depletion and amortization decreased 20% in 1995. The costs in Australia increased 10% because of the increase in the number of units sold. The U.S. amounts have decreased because the producing properties were sold on March 31, 1995. The following table is a summary of the depreciation, depletion and amortization expense (in thousands) by geographic area:

	Three month period ended September 30,		
	1995	1994	% Change
Australia	\$697	\$634	10%
United States	-	237	
	----	----	
	\$697	\$870	
	=====	=====	

Shareholder communications increased 59% because of a timing difference in the holding of the Annual Meeting of Stockholders.

## PART I - FINANCIAL INFORMATION

### MAGELLAN PETROLEUM CORPORATION

September 30, 1995

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

##### Income Taxes

Effective July 1, 1995, the Australian income tax rate increased from 33% to 36%. The effect of the change was to increase the consolidated income tax provision for the 1995 quarter by \$19,000.

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

	Three month period ended September 30,	
	1995	1994
Pretax consolidated income	\$ 500	\$ 287
Losses not recognized:		
MPC's U.S. operations	206	259
MPAL's U.S. operations	114	41
Permanent differences	(189)	10
	----	----
Book taxable income	\$ 631	\$ 597
	=====	=====
Australian tax rate	36%	33%
	=====	=====
MPC income tax provision	\$ -	\$ 2
MPAL deferred income tax provision	227	197
	----	----
Consolidated	\$ 227	\$ 199
	=====	=====

##### Exchange Effect

The value of the Australian dollar relative to the U.S. dollar increased to \$.7556 at September 30, 1995 compared to a value of \$.7097 at June 30, 1995. This resulted in a \$1,265,000 credit to the foreign currency translation adjustments account for the three month period ended September 30, 1995. The 6% increase in the value of the Australian dollar increased the reported asset and liability amounts in the balance at September 30, 1995 from the June 30, 1995



amounts. The average exchange rate used to translate MPAL's operations in Australia was \$.7411 for the quarter ended September 30, 1995, which is a .3% increase compared to the \$.7391 rate for the quarter ended September 30, 1994.

## PART II - FINANCIAL INFORMATION

### MAGELLAN PETROLEUM CORPORATION

September 30, 1995

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K

None.

## SIGNATURES

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

MAGELLAN PETROLEUM CORPORATION  
Registrant

Date: November 8, 1995            By /s/ James R. Joyce  
James R. Joyce, President and  
Chief Financial and Accounting Officer

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