

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 March 31, 1997

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

For the transition period from _____ to _____

Commission file number 1-5507

MAGELLAN PETROLEUM CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE 06-0842255

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

149 Durham Road, Madison, Connecticut 06443

(Address of principal executive offices) (Zip Code)

203-245-7664

(Registrant's telephone number, including area code)

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

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

Yes No

The number of shares outstanding of the issuer's single class of common
stock as of May 12, 1997 was 24,851,245.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MAGELLAN PETROLEUM CORPORATION

CONSOLIDATED BALANCE SHEET
(unaudited)

<TABLE>
<CAPTION>

March 31, June 30,
1997 1996

ASSETS

<S>

<C>

<C>

Current assets:		
Cash and cash equivalents	\$12,203,348	\$ 11,278,957
U. S. Government securities	946,946	-
Accounts receivable	1,606,136	2,496,085
Reimbursable development costs	126,236	237,112
Inventories	282,397	371,925
	-----	-----
Total current assets	15,165,063	14,384,079
	-----	-----
Property and equipment:		
Oil and gas properties (full cost method)	69,654,257	65,621,151
Land, buildings and equipment	1,893,165	2,328,174
Field equipment	1,484,959	1,621,561
	-----	-----
	73,032,381	69,570,886
Less accumulated depletion, depreciation and amortization	(28,213,108)	(26,053,222)
	-----	-----
Net property and equipment	44,819,273	43,517,664
	-----	-----
Other assets	518,769	519,759
	-----	-----
	\$60,503,105	\$58,421,502
	=====	=====
LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,529,980	\$ 1,504,167
Accrued liabilities	940,502	1,041,372
Income tax payable	-	1,980,817
	-----	-----
Total current liabilities	2,470,482	4,526,356
	-----	-----
Long term liabilities:		
Deferred income taxes	10,749,859	9,054,117
Reserve for future restoration costs	3,895,475	3,902,909
	-----	-----
	14,645,334	12,957,026
	-----	-----
Minority interests:	19,605,265	18,966,281
	-----	-----
Stockholders' equity:		
Common stock, par value \$.01 per share:		
Authorized 50,000,000 shares		
Outstanding 24,851,245 and 24,691,245 shares	248,512	246,912
Capital in excess of par value	43,410,176	43,244,901
	-----	-----
	43,658,688	43,491,813
Deficit	(17,098,155)	(18,735,378)
Foreign currency translation adjustments	(2,778,509)	(2,784,596)
	-----	-----
Total stockholders' equity	23,782,024	21,971,839
	-----	-----
	\$60,503,105	\$58,421,502
	=====	=====

</TABLE>

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MAGELLAN PETROLEUM CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS
(unaudited)

<TABLE>

<CAPTION>

	Three months ended		Nine months ended		
	March 31, 1997	1996	March 31, 1997	1996	
<S>	<C>	<C>	<C>	<C>	
Revenues:					
Oil sales	\$ 1,692,263	\$ 1,620,607	\$ 5,328,738	\$ 4,469,217	
Gas sales	2,925,565	2,475,558	8,636,923	7,148,921	
Other production related revenues		364,631	222,018	1,134,186	962,106
Interest income	193,464	161,415	644,043	483,267	
Gain on sale of assets	-	290,311	-	290,311	
	5,175,923	4,769,909	15,743,890	13,353,822	
Costs and expenses:					
Production costs	1,251,602	1,361,096	3,647,038	3,423,556	
Salaries and employee benefits		398,609	410,402	1,337,026	1,327,934
Depletion, depreciation and amortization	947,925	761,164	2,762,024	2,257,059	
Auditing, accounting and legal services	87,819	158,506	339,242	596,481	
Shareholder communications		25,434	32,429	159,619	162,141
Other	302,572	14,005	672,239	632,493	
Interest	9,381	7,558	40,216	22,856	
	3,023,342	2,745,160	8,957,404	8,422,520	
Income before income taxes and minority interests		2,152,581	2,024,749	6,786,486	4,931,302
Income tax provision		759,330	724,036	2,754,292	2,175,881
Income before minority interests		1,393,251	1,300,713	4,032,194	2,755,421
Minority interests		738,670	706,041	2,394,971	1,762,846
Net income	\$ 654,581	\$ 594,672	\$ 1,637,223	\$ 992,575	
Average number of shares outstanding		24,851,245	24,599,370	24,761,695	24,572,495
Net income per share		\$.03	\$.02	\$.07	\$.04

</TABLE>

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(unaudited)

<TABLE>

<CAPTION>

	Number of shares	Capital in		Accumulated		Total
		Common stock	excess of par value	Deficit	translation adjustments	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
June 30, 1996	24,691,245	\$246,912	\$43,244,901	\$(18,735,378)	\$(2,784,596)	\$21,971,839
Net income	-	-	1,637,223	-	1,637,223	
Currency translation adjustments	-	-	-	6,087	6,087	
Exercise of stock options	160,000	1,600	165,275			166,875
March 31, 1997	24,851,245	\$248,512	\$43,410,176	\$(17,098,155)	\$(2,778,509)	\$23,782,024

</TABLE>

Item 1. Financial Statements

MAGELLAN PETROLEUM CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited)

<TABLE>
<CAPTION>

	Nine months ended March 31,	
	1997	1996
	-----	-----
<S>	<C>	<C>
Operating Activities:		
Net income	\$ 1,637,223	\$ 992,575
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion, depreciation and amortization	2,762,024	2,257,059
Deferred income taxes	1,695,742	1,967,245
Minority interests	2,394,971	2,712,179
Increase (decrease) in operating assets and liabilities:		
Accounts receivable	829,802	145,655
Reimbursable development costs	104,815	(25,626)
Other assets	(16,333)	(151,952)
Inventories	78,613	(87,867)
Income tax payable	1,977,044	-
Accounts payable and accrued liabilities	(156,971)	(184,078)
	-----	-----
Net cash provided by operating activities	7,352,842	7,625,190
	-----	-----
Investing Activities:		
Purchase of U.S. Government securities	(946,946)	-
Net additions to property and equipment	(4,145,561)	(3,815,625)
	-----	-----
Net cash used in investing activities	(5,092,507)	(3,815,625)
	-----	-----
Financing Activities:		
Dividends to MPAL minority shareholders	(1,778,622)	(1,619,104)
Exercise of MPC stock options	166,875	134,000
	-----	-----
Net cash used in financing activities	(1,611,747)	(1,485,104)
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	275,803	202,620
	-----	-----
Net increase in cash and cash equivalents	924,391	2,527,081
Cash and cash equivalents at beginning of year	11,278,957	8,982,582
	-----	-----
Cash and cash equivalents at end of period	\$12,203,348	\$11,509,663
	=====	=====

</TABLE>

PART I - FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

March 31, 1997

The information for the three and nine month periods ended March 31, 1997 and 1996, is unaudited but includes all adjustments which the Company considers necessary for a fair presentation of the results of operations for those periods. All adjustments are of a normal recurring nature. The consolidated financial statements include the Company's 50.7% owned subsidiary, Magellan Petroleum Australia Limited ("MPAL").

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

Liquidity and Capital Resources

Consolidated

At March 31, 1997, the Company on a consolidated basis had approximately \$12,203,000 of cash and cash equivalents. A summary of the major changes in cash items during the period is as follows:

Cash and cash equivalents at beginning of period	\$11,279,000
Cash provided by operations	7,353,000
Net additions to property and equipment	(4,146,000)
Purchase of U.S. Government securities	(947,000)
Dividends paid to MPAL minority shareholders	(1,779,000)
Other	443,000

Cash and cash equivalents at end of period	\$12,203,000

As to the Company (unconsolidated)

At March 31, 1997, Magellan Petroleum Corporation ("MPC"), on an unconsolidated basis, had working capital of approximately \$3,059,000. MPC's normal annual operating budget is approximately \$700,000 and its current cash position and its future dividends from MPAL should be adequate to meet its current cash requirements. During fiscal 1997, MPC has budgeted approximately \$350,000 for oil and gas exploration. MPC also has available a \$1.5 million bank line of credit. MPC has in the past invested and may in the future invest substantial portions of its available funds to maintain its majority interest in MPAL.

PART I - FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

March 31, 1997

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

As to MPAL

At March 31, 1997, MPAL had working capital of approximately \$9,635,000. MPAL has budgeted approximately \$5.6 million for exploration in fiscal 1997 in comparison to the \$2.9 million incurred during fiscal 1996. MPAL expects to fund its exploration and development costs through its cash flow from Australian operations, and, if necessary, any additional requirements from its A.\$10 million bank line of credit.

Results of Operations

Three month period ended March 31, 1997 vs. March 31, 1996.

The Company had consolidated net income of \$654,581 for the three month period ended March 31, 1997 compared to net income of \$594,672 for the comparable 1996 period. The components of consolidated net income for the comparable periods were as follows:

Three month period ended
March 31,

	1997	1996
MPC unconsolidated pretax loss	\$ (103,796)	\$ (130,205)
MPC income tax	-	(2)
Share of MPAL pretax income	1,143,040	1,090,445
Share of MPAL income tax provision	(384,663)	(365,566)
Consolidated net income	\$ 654,581	\$ 594,672
Net income per share	\$.03	\$.02

On April 22, 1997, the Dogwood 140-1 well was spudded in Baca County, Colorado. The well has reached a total depth 4,623 and the drilling rig was released. A work-over rig is presently on site in order to test two potential producing zones. The tests are not yet complete. If the results of the tests are unfavorable, the Company would write off all of the remaining costs associated with the project during the fourth quarter. The estimated after tax charge to net income would be approximately \$1.1 million.

PART I FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

March 31, 1997

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

Revenues

Oil sales increased by 4% in the current quarter from \$1,621,000 in 1996 to \$1,692,000 in 1997 because of a 15% increase in oil prices, partially offset by a 12% decrease in the number of units sold. The average value of the Australian dollar also increased 3% during the 1997 period. Oil unit sales in barrels ("bbls") and the average price per barrel sold during the periods indicated were as follows:

<TABLE>
<CAPTION>

	Three month period ended March 31,		1996 Sales	
	1997 Sales	Average price	bbls	Average price
	bbls	per bbl	<C>	per bbl
<S>	<C>	<C>	<C>	<C>
Australia-Mereenie	82,490	A.\$29.25	94,223	A.\$25.39

</TABLE>

Gas sales increased 18% to \$2,926,000 in 1997 from \$2,476,000 in 1996 with a 15% increase in the volumes of gas sold and price increases as shown below. The average value of the Australian dollar also increased 3% during the 1997 period. Total gas volumes are expected to continue at least at current levels in the short term. The volumes in billion cubic feet ("bcf"), (before deducting royalties) and the average price of gas per thousand cubic feet ("mcf") sold during the periods indicated were as follows:

<TABLE>
<CAPTION>

	Three month period ended March 31,		1996 Sales	
	1997 Sales	Average price	bcf	Average price
	bcf	per mcf	<C>	per mcf
<S>	<C>	<C>	<C>	<C>
Australia: Palm Valley Alice Springs contract	.296	A.\$2.95	.311	A.\$2.91

Darwin contract	.755	A.\$2.03	.534	A.\$2.02
Mereenie:				
Darwin contract	.392	A.\$1.81	.484	A.\$1.98
Other	.350	A.\$2.79	.230	A.\$2.66
	----		----	
Total	<u>1.793</u>		<u>1.559</u>	
	=====		=====	

</TABLE>

PART I - FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

March 31, 1997

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

Other production related revenues increased 64% in 1997 to \$364,000 from \$222,000 in 1996. Increased prices and production accounted for the increase in MPAL's share of gas pipeline tariffs during the current period.

Interest income increased 20% in 1997. The increase from \$161,000 in 1996 to \$193,000 in 1997 resulted from the additional funds available for investment and higher interest rates.

Costs and Expenses

Production costs decreased 8% from \$1,361,000 in 1996 to \$1,252,000 in 1997. The 1996 period included the costs of the Palm Valley field reserve study which accounted for the decrease during the current period.

Depreciation, depletion and amortization increased 25% in 1997 to \$948,000 compared to \$761,000 in 1996. The increase reflects an increase in capitalized exploration costs and a 3% increase in the value of the Australian dollar.

Auditing, accounting and legal services decreased 45% from \$159,000 in 1996 to \$88,000 in 1997. The Company has reduced legal costs by consolidating the activities of its legal firms. In addition, the 1996 period included various non-recurring legal disputes and activities which have now been favorably settled.

Other costs increased from \$14,000 in 1996 to \$303,000 in 1997. Because current operations at Palm Valley are relatively inactive, the Company was unable to charge a greater part of its overhead to its Palm Valley partners in the current period as compared to the prior period.

PART I - FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

March 31, 1997

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

Income Taxes

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

Three month period

ended March 31,

	1997 -----	1996 -----
Pretax consolidated income	\$2,153	\$2,025
Losses not recognized:		
MPC's U.S. operations	104	130
MPAL's non Australian operations	323	490
Permanent differences	(472)	(642)
Book taxable income	----- \$2,108 =====	----- \$2,003 =====
Australian tax rate	==== 36% ====	==== 36% ====
Australian tax provision	759	721
U.S. tax provision	-	3
Consolidated income tax provision	----- \$759 =====	----- \$724 =====

Exchange Effect

The value of the Australian dollar relative to the U.S. dollar decreased to \$.7860 at March 31, 1997 compared to a value of \$.7947 at December 31, 1996. This resulted in a \$288,000 charge to the foreign currency translation adjustments account for the three month period ended March 31, 1997. The average exchange rate used to translate MPAL's operations in Australia was \$.7784 for the quarter ended March 31, 1997, which is a 3% increase compared to the \$.7562 rate for the quarter ended March 31, 1996.

PART I - FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

March 31, 1997

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

Nine month period ended March 31, 1997 vs. March 31, 1996.

The Company had consolidated net income of \$1,637,223 for the nine month period ended March 31, 1997 compared to net income of \$992,575 for the comparable 1996 period. The components of consolidated net income for the comparable periods were as follows:

	Nine month period ended March 31,	
	1997 -----	1996 -----
MPC unconsolidated pretax loss	\$ (545,527)	\$ (567,815)
MPC income tax	(276,117)	(249,488)
Share of MPAL pretax income	3,714,266	2,784,538
Share of MPAL income tax provision	(1,255,399)	(974,660)
Consolidated net income	----- \$1,637,223 =====	----- \$ 992,575 =====
Net income per share	==== \$.07 =====	==== \$.04 =====

Revenues

Oil sales increased by 19% in the current quarter because of a 19% increase in oil prices which was partially offset by a 3% decrease in the number of units sold. The average value of the Australian dollar also increased 5% during the 1997 period. Oil unit sales in barrels ("bbls") and the average price per barrel sold during the periods indicated were as follows:

<TABLE>
<CAPTION>

	Nine month period ended March 31,			
	1997 Sales		1996 Sales	
	bbls	Average price per bbl	bbls	Average price per bbl
<S>	<C>	<C>	<C>	<C>
Australia-Mereenie	272,000	A.\$28.18	280,155	A.\$23.64

</TABLE>

PART I FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

March 31, 1997

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

Gas sales increased 21% with a 9% increase in the volumes of gas sold and price increases as shown below. The average value of the Australian dollar also increased 5% during the 1997 period. Total gas volumes are expected to continue at least at current levels in the short term. The volumes in billion cubic feet ("bcf"), (before deducting royalties) and the average price of gas per thousand cubic feet ("mcf") sold during the periods indicated were as follows:

<TABLE>
<CAPTION>

	Nine month period ended March 31,			
	1997 Sales		1996 Sales	
	bcf	Average price per mcf	bcf	Average price per mcf
<S>	<C>	<C>	<C>	<C>
Alice Springs contract	.813	A.\$2.95	.846	A.\$2.88
Australia:				
Palm Valley				
Darwin contract	1.767	A.\$2.02	1.803	A.\$2.01
Mereenie:				
Darwin contact	1.541	A.\$2.02	1.383	A.\$1.93
Other	.987	A.\$2.74	.639	A.\$2.65
Total	5.108		4.671	

</TABLE>

Other production related revenues increased 18% from \$962,000 in 1996 to \$1,134,000 in 1997. Increased gas prices and production accounted for the increase in MPAL's share of gas pipeline tariff during the current period.

Interest income increased 33% in 1996. The increase from \$483,000 in 1996 to \$644,000 in 1997 resulted from the combination of additional funds available for investment and higher interest rates.

Costs and Expenses

Production costs increased 7% from \$3,424,000 in 1996 to \$3,647,000 in 1997. The increase relates to an increase in costs at Mereenie and a 5% increase in the value of the Australian dollar.

PART I - FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

March 31, 1997

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

Depreciation, depletion and amortization increased 22% in 1997 to \$2,762,000 from \$2,257,000 in 1996. The increase reflects the increase in the number of units sold, an increase in capitalized exploration costs and a 5% increase in the value of the Australian dollar.

Auditing, accounting and legal services decreased 43% from \$596,000 in 1996 to \$339,000 in 1997. The 1997 period includes a credit of \$67,000 for certain legal costs recovered by MPAL in settlement of a 1994 Sagasco tender offer dispute. In addition, the 1996 period included various non-recurring legal disputes and activities which have now been favorably settled and a consolidation of the activities of the Company's legal firms.

Other costs increased 6% from \$632,000 in 1996 to \$672,000 in 1997. The primary reason for the increase is the 5% increase in the value of the Australian dollar.

Income Taxes

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

	Nine month period ended March 31,	
	1997	1996
Pretax consolidated income	\$6,786	\$4,931
Losses not recognized:		
MPC's U.S. operations	546	568
MPAL's non Australian operations	1,104	988
Permanent differences	(1,553)	(1,143)
Book taxable income	\$6,883	\$5,344
Australian tax rate	36%	36%
Australian tax provision	2,478	1,924
U.S. tax provision	276	252
Consolidated income tax provision	\$2,754	\$2,176

PART I - FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

March 31, 1997

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

Exchange Effect

The value of the Australian dollar relative to the U.S. dollar decreased to \$.7860 at March 31, 1997 compared to a value of \$.7875 at June 30,

1996. This resulted in a \$6,000 charge to the foreign currency translation adjustments account for the nine month period ended March 31, 1997. The slight decrease in the value of the Australian dollar increased the reported asset and liability amounts in the balance at March 31, 1997 from the June 30, 1996 amounts. The average exchange rate used to translate MPAL's operations in Australia was \$.7874 for the period ended March 31, 1997, which is a 5% increase compared to the \$.7484 rate for the period ended March 31, 1996.

PART II - FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

March 31, 1997

Item 5. Other Information.

None.

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

On March 14, 1997, the Company filed a Current Report on Form 8-K to report that Mr. C. Dean Reasoner, 79, resigned as a director of the Company for health related reasons.

On April 24, 1997, Mr. Ronald P. Pettirossi, 54, was elected a director to fill the vacancy created by Mr. Reasoner's resignation. Mr. Pettirossi is a former audit partner of Ernst & Young LLP, who has worked with public and privately held companies for the past 31 years.

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: May 13, 1997

By /s/ James R. Joyce

James R. Joyce, President and
Chief Financial and Accounting Officer

<TABLE> <S> <C>

<ARTICLE> 5
<CIK> 0000061398
<NAME> Magellan Petroleum Corporation
<MULTIPLIER> 1
<CURRENCY> U.S. Dollars

<S> <C>
<PERIOD-TYPE> 9-MOS
<FISCAL-YEAR-END> JUN-30-1997
<PERIOD-START> JUL-01-1996
<PERIOD-END> MAR-31-1997
<EXCHANGE-RATE> 1
<CASH> 12,203,348
<SECURITIES> 946,946
<RECEIVABLES> 1,732,372
<ALLOWANCES> 0
<INVENTORY> 282,397
<CURRENT-ASSETS> 15,165,063
<PP&E> 73,032,381
<DEPRECIATION> 28,213,108
<TOTAL-ASSETS> 60,503,105
<CURRENT-LIABILITIES> 2,470,482
<BONDS> 0
<PREFERRED-MANDATORY> 0
<PREFERRED> 0
<COMMON> 248,512
<OTHER-SE> 23,533,512
<TOTAL-LIABILITY-AND-EQUITY> 60,503,105
<SALES> 13,965,661
<TOTAL-REVENUES> 15,743,890
<CGS> 0
<TOTAL-COSTS> 8,957,404
<OTHER-EXPENSES> 2,394,971
<LOSS-PROVISION> 0
<INTEREST-EXPENSE> 40,216
<INCOME-PRETAX> 4,391,515
<INCOME-TAX> 2,754,292
<INCOME-CONTINUING> 1,637,223
<DISCONTINUED> 0
<EXTRAORDINARY> 0
<CHANGES> 0
<NET-INCOME> 1,637,223
<EPS-PRIMARY> 0.07
<EPS-DILUTED> 0.07

</TABLE>