

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, 1996

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

For the transition period from _____ to _____

Commission file number 1-5507

MAGELLAN PETROLEUM CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE 06-0842255

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

149 Durham Road, Madison, Connecticut 06443

(Address of principal executive offices) (Zip Code)

203-245-7664

(Registrant's telephone number, including area code)

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

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

The number of shares outstanding of the issuer's single class of common stock as of November 1, 1996 was 24,691,245.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MAGELLAN PETROLEUM CORPORATION

CONSOLIDATED BALANCE SHEET
(unaudited)

<TABLE>
<CAPTION>

	September 30, 1996	June 30, 1996
ASSETS		
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$14,119,248	\$ 11,278,957
U. S. Government securities	946,946	-

Accounts receivable	1,878,602	2,496,085
Reimbursable development costs	50,086	237,112
Inventories	328,528	371,925
	-----	-----
Total current assets	17,323,410	14,384,079
	-----	-----
Property and equipment:		
Oil and gas properties (full cost method)	66,715,933	65,621,151
Land, buildings and equipment	2,250,681	2,328,174
Field equipment	1,495,952	1,621,561
	-----	-----
	70,462,566	69,570,886
Less accumulated depletion, depreciation and amortization	(26,840,375)	(26,053,222)
	-----	-----
Net property and equipment	43,622,191	43,517,664
	-----	-----
Other assets	522,334	519,759
	-----	-----
	\$61,467,935	\$58,421,502
	=====	=====
LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$2,153,048	\$ 1,504,167
Accrued liabilities	998,972	1,041,372
Income tax payable	1,990,627	1,980,817
	-----	-----
Total current liabilities	5,142,647	4,526,356
	-----	-----
Long term liabilities:		
Deferred income taxes	9,867,832	9,054,117
Reserve for future restoration costs	3,922,238	3,902,909
	-----	-----
	13,790,070	12,957,026
	-----	-----
Minority interests:	19,862,245	18,966,281
	-----	-----
Stockholders' equity:		
Common stock, par value \$.01 per share:		
Authorized 50,000,000 shares		
Outstanding 24,691,245 shares	246,912	246,912
Capital in excess of par value	43,244,901	43,244,901
	-----	-----
	43,491,813	43,491,813
Deficit	(18,175,040)	(18,735,378)
Foreign currency translation adjustments	(2,643,800)	(2,784,596)
	-----	-----
Total stockholders' equity	22,672,973	21,971,839
	-----	-----
	\$61,467,935	\$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
September 30,

	---	---
	1996	1995
<S>	<C>	<C>
Revenues:		
Oil sales	\$1,758,328	\$ 1,310,237
Gas sales	2,770,943	2,144,888
Other production related revenues	356,719	310,754
Interest income	223,936	168,897
	<u>5,109,926</u>	<u>3,934,776</u>
Costs and expenses:		
Production costs	1,284,818	1,058,777
Salaries and employee benefits	433,376	452,782
Depletion, depreciation and amortization	865,885	696,839
Auditing, accounting and legal services	194,049	213,087
Shareholder communications	19,036	27,850
Other	213,916	293,287
Interest	7,882	5,774
	<u>3,018,962</u>	<u>2,748,396</u>
Income before income taxes and minority interests	2,090,964	1,186,380
Income tax provision	768,459	448,133
Income before minority interests	1,322,505	738,247
Minority interests	762,167	465,738
Net income	<u>\$ 560,338</u>	<u>\$ 272,509</u>
Average number of shares outstanding	<u>24,691,245</u>	<u>24,547,495</u>
Net income per share	<u>\$.02</u>	<u>\$.01</u>

</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, 1996	24,691,245	\$246,912	\$43,244,901	\$(18,735,378)	\$(2,784,596)	\$21,971,839
Net income	-	-	560,338	-	560,338	
Currency translation adjustments	-	-	-	140,796	140,796	
September 30, 1996	<u>24,548,745</u>	<u>\$246,912</u>	<u>\$43,244,901</u>	<u>\$(18,175,040)</u>	<u>\$(2,643,800)</u>	<u>\$22,672,973</u>

</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,	
	1996	1995
<S>	<C>	<C>
Operating Activities:		
Net income	\$ 560,338	\$ 272,509
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion, depreciation and amortization	865,885	696,839
Deferred income taxes	813,715	809,843
Minority interests	762,167	686,804
Increase (decrease) in operating assets and liabilities:		
Accounts receivable	636,238	(513,032)
Reimbursable development costs	188,382	(112,632)
Other assets	2,344	(19,949)
Inventories	46,703	(38,577)
Accounts payable and accrued liabilities	632,771	494,445
Net cash provided by operating activities	4,508,543	2,276,250
Investing Activities:		
Purchase of U.S. Government securities	(946,946)	-
Net additions to property and equipment	(765,981)	(2,532,666)
Net cash used in investing activities	(1,712,927)	(2,532,666)
Financing Activities:		
Exercise of MPC stock options and stock issued	-	3,750
Net cash provided in financing activities	-	3,750
Effect of exchange rate changes on cash and cash equivalents	44,675	237,855
Net increase (decrease) in cash and cash equivalents	2,840,291	(14,811)
Cash and cash equivalents at beginning of year	11,278,957	8,982,582
Cash and cash equivalents at end of period	\$14,119,248	\$ 8,967,771

</TABLE>

PART I - FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

September 30, 1996

Item 1. Financial Statements - Notes

The information for the three month period ended September 30, 1996 and 1995, 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, 1996, the Company on a consolidated basis had approximately 14,119,000 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	4,509,000
Net additions to property and equipment	(766,000)
Purchase of U.S. Government securities	(947,000)
Other	44,000)

Cash and cash equivalents at end of period	\$14,119,000

As to the Company (unconsolidated)

At September 30, 1996, Magellan Petroleum Corporation ("MPC"), on an unconsolidated basis, had working capital of approximately \$1,953,000. 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.

During September 1996, MPAL announced that its Board of Directors had recommended a dividend of A\$.10 per share. MPC's share of this dividend is approximately \$1,775,000 less Australian withholding taxes of \$266,000. The net proceeds of \$1,509,000 will be added to MPC's working capital. The dividend was approved at MPAL's Annual General Meeting held on October 31, 1996 and is payable on November 26, 1996.

PART I - FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

September 30, 1996

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

As to MPAL

At September 30, 1996, MPAL had working capital of approximately \$10,228,000. 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 September 30, 1996 vs. September 30, 1995.

The Company had consolidated net income of \$560,338 for the three month period ended September 30, 1996 compared to net income of \$272,509 for the comparable 1995 period. The components of consolidated net income for the comparable periods were as follows:

	Three month period ended September 30, 1996	1995
MPC unconsolidated pretax loss	\$(219,957)	\$(205,654)

MPC income tax	(2,206)	-
Share of MPAL pretax income	1,170,671	705,127
Share of MPAL income tax provision	(388,170)	(226,964)
Consolidated net income	\$ 560,338	\$ 272,509
Net income per share	\$.02	\$.01

PART I FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

September 30, 1996

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

Revenues

Oil sales increased by 34% in the current quarter increased because of a 17% increase in oil prices and because of a 13% increase in the number of units sold. The average value of the Australian dollar also increased 6% during the 1996 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 September 30,			
	1996 Sales		1995 Sales	
	bbls	Average price per bbl	bbls	Average price per bbl
Australia-Mereenie	98,927	A.\$25.75	87,750	A.\$22.01

Gas sales increased 29% with a 7% increase in the volumes of gas sold and price increases as shown below. The average value of the Australian dollar also increased 6% during the 1996 period. Total gas volumes are expected to continue at least at current levels in the short term. The volumes in billion cubic feet ("bcf"), (before deducting royalties) and the average price of gas per thousand cubic feet ("mcf") sold during the periods indicated were as follows:

<TABLE>
<CAPTION>

	Three month period ended September 30,			
	1996 Sales		1995 Sales	
	bcf	Average price per mcf	bcf	Average price per mcf
Australia:				
Palm Valley				
Alice Springs contract	.232	A.\$2.94	.247	A.\$2.85
Darwin contract	.377	A.\$2.02	.653	A.\$2.00
Mereenie:				
Darwin contract	.626	A.\$2.17	.400	A.\$1.85
Other	.338	A.\$2.69	.168	A.\$2.62
Total	1.573		1.468	

</TABLE>

PART I - FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

September 30, 1996

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

Other production related revenues increased 15% to \$357,000 in 1996 compared to 311,000 in 1995. The primary reason for the increase is that MPAL's share of gas pipeline tariffs increased during the 1996 period.

Interest increased 33% in 1996. The increase from \$169,000 in 1995 to \$224,000 in 1996 results from the combination of additional funds available for investment and higher interest rates.

Costs and Expenses

Production costs increased 21%. The increase relates to an increase in costs at Mereenie because of the current work program to increase production.

Depreciation, depletion and amortization increased 24% in 1996. The increase reflects the increase in the number of units sold.

Shareholder communications decreased 32% from \$28,000 in 1995 to \$19,000 in 1996 because of cost saving efforts.

Other costs decreased 27% from \$293,000 in 1995 to \$214,000 in 1996. The primary reason for the decrease is a reduction in the amount paid to consultants in the 1996 period.

PART I - FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

September 30, 1996

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 September 30,	
	1996	1995
Pretax consolidated income	\$2,091	\$1,186
Losses not recognized:		
MPC's U.S. operations	220	206
MPAL's non Australian operations	339	224
Permanent differences	(522)	(372)
Book taxable income	\$2,128	\$1,244
Australian tax rate	36%	36%
Australian tax provision	766	448
U.S. tax provision	2	-

Consolidated income tax provision	----- \$768 =====	----- \$448 =====
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Exchange Effect

The value of the Australian dollar relative to the U.S. dollar increased to \$.7914 at September 30, 1996 compared to a value of \$.7875 at June 30, 1996. This resulted in a \$141,000 credit to the foreign currency translation adjustments account for the three month period ended September 30, 1996. The .5% increase in the value of the Australian dollar increased the reported asset and liability amounts in the balance at September 30, 1996 from the June 30, 1996 amounts. The average exchange rate used to translate MPAL's operations in Australia was \$.7887 for the quarter ended September 30, 1996, which is a 6% increase compared to the \$.7411 rate for the quarter ended September 30, 1995.

PART II - FINANCIAL INFORMATION

MAGELLAN PETROLEUM CORPORATION

September 30, 1996

Item 5. Other Information.

The Company expects that a drilling rig will be on location in Belize, C.A. to begin drilling an exploration well in the Gladden Basin by mid December 1996.

Item 6. Exhibits and Reports on Form 8-K

On September 24, 1996, the Company filed a Current Report on Form 8-K to announce the date, time and place of the Annual Meeting of Stockholders for fiscal year 1996.

SIGNATURES

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

MAGELLAN PETROLEUM CORPORATION
Registrant

Date: November 12, 1996 By /s/ James R. Joyce
James R. Joyce, President and
Chief Financial and Accounting Officer

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