

FINANCIAL SUMMARY

Magellan's consolidated profit from ordinary activities before write off of capitalised exploration expenditure and income tax for the year ended 30 June 2005 was \$8,998,000. This represents an increase of 113 percent from the figure of \$4,229,000 for the previous corresponding period. The principal factor contributing to the \$4,769,000 improvement was a 16 percent increase in sales revenue of \$4,106,000.

After writing off capitalised exploration expenditure totalling \$7,581,000 (2004: \$3,706,000), and taking into account an income tax benefit of \$117,000 (2004: income tax benefit of \$2,659,000), profit from ordinary activities after income tax was \$1,534,000, down 52 percent from the comparable figure in 2004 of \$3,182,000. Earnings per share fell 52 percent to 3.3 cents (2004: 6.8 cents).

Total sales revenue was up \$4,106,000 (16 percent) comprised of an increase of \$3,512,000 (47 percent) in oil sales revenue, principally from the Mereenie and Nockatunga fields, and an increase of \$594,000 (3 percent) in gas sales revenue. Although there was a small decrease of 1 percent in total oil sales volumes for the 2005 period, the 47 percent increase in oil sales revenue was attributable to the significant increase in higher

average world crude oil prices. When compared to the previous corresponding period, the average price of Mereenie crude was up from \$43.44 to \$64.15 per barrel and the average price of crude sales from the Nockatunga field rose from \$38.73 to \$57.28 per barrel.

Compared on a year-on-year basis, the Statement of Financial Position shows a 1 percent decrease in shareholders' funds of \$801,000 to \$59,115,000 and the current asset ratio has increased from 4.2 to 6.3 due to a combination of higher receivables and lower payables. Net cash flows from operating activities has fallen slightly from \$16,047,000 to \$15,984,000.

The Company's financial position has remained strong with cash reserves of approximately \$29 million placing the Company in a sound position to fund its future exploration commitments and to take advantage of new investment opportunities as they arise.

The Directors are recommending, for approval by Shareholders at this year's Annual General Meeting, the payment of a fully franked dividend of 5 cents per share.

