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24 February 2004

Ref: A4034JPM

Company Announcements Office  
Australian Stock Exchange Limited  
Level 10, 20 Bond Street  
**SYDNEY NSW 2000**

The Manager

**REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2003**

This report is submitted by Magellan Petroleum Australia Limited in compliance with ASX Listing Rule 4.2A and covers the half-year ended 31 December 2003.

This report comprises the Directors' Report, Financial Report (in the form of Appendix 4D of the Australian Stock Exchange Listing Rules), Directors' Declaration and Auditors' Independent Review Report thereon for the six month period.

The report is being filed with the ASX as agent for the Australian Securities & Investments Commission (refer ASIC Practice Note 61).

Yours sincerely

**T G Davies**  
**General Manager**

**MAGELLAN PETROLEUM AUSTRALIA LIMITED**  
ABN 62 009 728 581

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# **FINANCIAL REPORT**

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**FOR THE  
HALF-YEAR ENDED  
31 DECEMBER 2003**



**MAGELLAN PETROLEUM AUSTRALIA LIMITED**  
ABN 62 009 728 581

**FINANCIAL REPORT**  
FOR THE HALF-YEAR ENDED  
31 DECEMBER 2003

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# DIRECTORS' REPORT TO SHAREHOLDERS

Your Directors present their report for the half-year ended 31 December 2003.

## REVIEW OF OPERATIONS

### FINANCE

Consolidated operating profit before write off of capitalised exploration expenditure and income tax for the half-year ended 31 December 2003 was \$2,212,000. This represents a decrease of 35 percent from the figure of \$3,381,000 for the previous corresponding period.

The principal factor contributing to the \$1,169,000 decline was the increase in amortisation booked for the period due to a change in accounting policy.

After writing off capitalised exploration expenditure totalling \$85,000 (2002: \$3,616,000), and taking into account an income tax benefit of (\$782,000) (2002: (\$1,047,000)), operating profit after income tax was \$2,909,000. This compares to an operating profit of \$812,000 which was recorded in the previous corresponding period.

Compared on a year-on-year basis, the Statement of Financial Position shows a \$3,082,000 (5 percent) increase in shareholders' funds to \$59,644,000 and the current asset ratio has decreased from 5.4 to 4.6 due to a combination of lower cash reserves and debtors and increased payables.

## PRODUCTION AND EXPLORATION ACTIVITIES

### AUSTRALIAN OPERATIONS

The following table sets out Magellan's share of oil and gas volumes sold during the respective periods:

6 Months Ended	<u>OIL (bbl)</u>			<u>GAS (MMcf)</u>		
	<u>31.12.03</u>	<u>31.12.02</u>	<u>Variance</u>	<u>31.12.03</u>	<u>31.12.02</u>	<u>Variance</u>
Mereenie	<b>69,016</b>	70,010	-1%	<b>2,029</b>	1,818	+12%
Palm Valley	—	—	—	<b>1,456</b>	1,577	-8%
Nockatunga	<b>18,267</b>	—	—	—	—	—
Aldinga	<b>4,662</b>	—	—	—	—	—
TOTAL	<b>91,945</b>	70,010	+31%	<b>3,485</b>	3,395	+3%
DAILY AVERAGE	<b>500</b>	380		<b>19</b>	19	

On an energy equivalence basis, Magellan's share of oil and gas sales for the half-year ended 31 December 2003 rose by 6 percent to 727,000 barrels of oil equivalent (3,950 BOEPD).

### **Palm Valley Gas Field, Amadeus Basin (52.023% Interest)**

The Palm Valley Petroleum Lease L3 was renewed for a further 21 year period by the Northern Territory Government in November 2003. The lease was originally granted in November 1982, and gas production commenced in August 1983. The lease is now scheduled to expire in November 2024.

The Palm Valley field which is operated by Magellan produced an average of approximately 17.3 Terajoules per day (15.2 MMcf/D) of natural gas for sale during the period. The Northern Territory Government has approved a wellhead pressure reduction program which is designed to counteract the field's natural production decline and maximise gas deliverability from the field while operating in accordance with good oil field practice.

The increasing use of compression is required to meet the Northern Territory Government approved wellhead pressure reduction program which is designed to counteract the field's natural production decline and maximise gas deliverability from the field. Stage 4 of the field compression program is being planned which will allow the wellhead pressures to be reduced progressively to a final wellhead pressure of 690 kPa; this involves engineering design for a further 720 HP of compression capacity in the field.

An additional development well, Palm Valley-11, is scheduled for drilling in the second quarter of calendar year 2004 to increase deliverability from the field. Approval to drill the well was received from the Northern Territory Government in early January 2004.

### **Mereenie Oil & Gas Field, Amadeus Basin (35% Interest)**

A major upgrade of the compression facilities and gas processing plant at Mereenie is in progress, which will increase deliverability of gas from the field to meet gas contracts over the next several years. The drilling of two additional gas development wells will be undertaken later this year, following the drilling of the Palm Valley well, as part of the program to increase gas deliverability.

### **Nockatunga Oil Fields, Cooper Basin (40.936% Interest)**

Magellan acquired a 40.936% interest in Queensland Petroleum Leases 33, 50 and 51 and the surrounding exploration permit ATP 267P from Voyager Energy, effective 1 July 2003. The Petroleum Leases cover eight small oil fields in the Nockatunga area in the Cooper Basin in southwest Queensland; the fields are Dilkeria, Koorra, Maxwell, Maxwell South, Muthero, Nockatunga, Thungo and Winna. The fields were discovered during the 1980-1990s, and have been on production from that time. Cumulative production from all the fields as at 31 December 2003 is 3.51 million barrels. The Company's share of crude oil produced from each of the fields is trucked and sold to the IOR Energy oil refinery at Eromanga in southwest Queensland. Total production from the 14 producing wells on the fields currently is approximately 325 BOPD.

Production from each of the fields is declining naturally, and a further development well, Thungo-8, was drilled in October 2003 by the operator of the joint venture, Santos Ltd. The well intersected the productive Murta Formation as prognosed and was cased and suspended. The productive horizon was fracture stimulated in January 2004 and will now be completed for production.

### **Aldinga Oil Field, Cooper Basin (50% Interest)**

Magellan and Beach Petroleum (Operator) are conducting an extended production test on the Aldinga-1 discovery well which was drilled in PEL 95 in the South Australian Cooper Basin in September 2002. The well initially flowed at a sustained rate of around 80 barrels of oil per day from Cadna-Owie Formation sands at the commencement of the test in May 2003, but has subsequently declined to a rate of around 55 barrels of oil per day by the end of the period

## **AUSTRALIAN EXPLORATION**

### **Offshore**

#### **Browse Basin – Offshore Western Australia**

Magellan (35% interest holder and Operator of the adjacent WA-288-P and WA-311-P joint ventures) drilled the Strumbo-1 well in WA-288-P in the Browse Basin on the North West Shelf during the first quarter of 2003. The Strumbo-1 well was plugged and abandoned as a dry hole, and following a re-evaluation of the hydrocarbon prospectivity of WA-288-P and WA-311-P a decision has been taken to relinquish WA-288-P; further evaluation is to be carried out on WA-311-P.

The Company has not been successful in a farmout program for its exploration permit WA-287-P (Magellan interest 100%) which is located adjacent to its WA-288-P permit area in the Browse Basin, and this permit is also being relinquished.

#### **Carnarvon Basin – Offshore Western Australia**

Magellan is also seeking farminees to participate in the drilling of the Sheila prospect in WA-291-P in the Carnarvon Basin, offshore Western Australia. Magellan has farmed out a further 35% interest in the permit to Tap Oil, thereby reducing its interest from 85% to 50%. The Sheila prospect is located in the Beagle Sub-Basin of the Carnarvon Basin, and comprises a series of stacked Triassic sands with a mean potential oil reserve of 112MMSTB.

#### **Barcoo Sub-Basin – Offshore Western Australia**

The Company currently holds a 50 percent interest in each of exploration permits WA-306-P and WA-307-P in the Barcoo Sub-Basin located in the southwest portion of the Browse Basin, offshore Western Australia. Data from the Floreanas-Plazas 2D seismic survey, conducted earlier in 2003, are being integrated into the geological and geophysical interpretation of the area. Agreement, in principle, has been reached with Antrim Energy Australia, Operator of the joint ventures, to fund the drilling of the South Galapagos-1 well in WA-306-P to earn a further 37.5% interest in the permit. Magellan's interest in WA-306-P will reduce to 12.5%. Drilling is planned for later in 2004.

## **Onshore**

### **Cooper Basin – South Australia**

Magellan (37.5% interest), Beach Petroleum (Operator) and Cooper Energy (under a farmin arrangement) spudded the Semaphore-1 well in PEL 110 in the Cooper Basin of South Australia in October 2003. The well reached a Total Depth of 2518 metres (measured depth) but failed to encounter any significant hydrocarbons and was plugged and abandoned.

Magellan (50% interest) and Beach Petroleum (Operator) also drilled the Waitpinga-1 well in exploration permit PEL 94 and the Seacliff-1 well in PEL 95 in the Cooper Basin during November 2003. Waitpinga-1 reached a Total Depth of 1740 metres but did not encounter significant hydrocarbons, and was plugged and abandoned. Seacliff-1 reached a Total Depth of 1684 metres. A Drill Stem Test over an interval in the Murta Member failed to recover hydrocarbons, and the well was plugged and abandoned.

### **Cooper Basin – Queensland**

Magellan (40.936% interest) and Santos (Operator) drilled exploration well Callisto-1 in ATP 267P in the Cooper Basin of Queensland. The well spudded in November 2003, following the Thungo-8 development well, and was drilled to evaluate the exploration potential of the ATP 267P area which is adjacent to the Nockatunga production leases. The well reached a total depth of 1877 metres and was plugged and abandoned after failing to encounter significant hydrocarbons. The Authority to Prospect was renewed for a further term of four years from December 2003.

### **Maryborough Basin - Queensland**

Magellan (50% interest) and Novus Petroleum (under a farmin arrangement) drilled the Gregory River-3 well in the northern portion of ATP 613P in the Maryborough Basin earlier in 2003. The well failed to encounter significant natural gas flows. Novus Petroleum has elected to withdraw from the venture, and Magellan is assessing the remaining potential of the permit area.

## **INTERNATIONAL EXPLORATION**

### **United Kingdom**

The Company holds a 45 percent interest in petroleum exploration and development licences PEDL 098, PEDL 099 and PEDL 113, a 33.3 percent interest in PEDL 112 and a 50% interest in PEDL 125 and PEDL 126 in the Weald-Wessex Basins of onshore southern England. The licences are operated by Northern Petroleum of the UK, and evaluation of these areas continued. Magellan concluded a farmout arrangement with Northern Petroleum in January 2004 under which Northern Petroleum will fund 35% of the cost of drilling a well in PEDL 113 to earn a 17.5% interest in PEDL 098 and PEDL 113 on the Isle of Wight and a 5% interest in PEDL 099 in the adjacent Portsmouth area of southern England. The well is planned for drilling later in 2004.

## **New Zealand**

Magellan (100% Interest) has farmed out a 25% interest in PEP 38222 in the Great South Basin to the south of the South Island of New Zealand to the UK-company, Electro Silica Oil & Gas Plc. Electro Silica will earn the interest by undertaking the acquisition of around 2000 line kilometres of 2D seismic data, and has the option to earn a further 50% interest in the permit by drilling an exploration well. The seismic survey is scheduled to commence later this month.

In November 2003, Magellan (100% interest) was granted the offshore exploration permit PEP 38225 in the Great South Basin adjacent to, and to the south of, PEP 38222. Award of PEP38225 provides a relatively low cost expansion into a high risk/high reward exploration area. Magellan also holds a 25% interest in exploration permit PEP 38256 in the onshore Canterbury Basin of the South Island. Evaluation of these permit areas is ongoing.

The Company holds a 25% interest in exploration permits PEP 38746, PEP 38748 and PEP 38753 in the onshore Taranaki Basin of the North Island of New Zealand. Prospecting permit PPP 38761 (Magellan 12.5% interest) also in the Taranaki Basin expired in October 2003 upon the release of the area as part of the NZ Crown Minerals onshore and offshore 2003 acreage release for competitive bid. Magellan and its joint venturers bid on three of the onshore blocks offered, and Crown Minerals announced in February that Magellan had been successful in two of its bids. Exploration Permits PEP 38765 (12.5% interest) which covers the PPP 38761 area and the nearby PEP 38766 (25% interest) will be granted by Crown Minerals in due course.

Following a 3D seismic acquisition program over parts of PEP 38748 and PPP 38761 and a 2D seismic program in PEP 38753, Magellan and its joint venturers drilled the Wawiri-1 and Bluff-1 exploration wells to test the oil potential of the Mt Messenger Formation sands in each of permits PEP 38753 and PEP 38746, respectively.

Wawiri-1 spudded in September and reached a total depth of 1350 metres (measured depth). The Bluff-1 well spudded in October 2003 and reached a total depth of 1459 metres (measured depth). Neither well encountered significant hydrocarbons in the Mt Messenger sands, and both wells were plugged and abandoned. Evaluation of the remaining areas is continuing.

## **DIRECTORS**

The following persons held office as Directors of Magellan Petroleum Australia Limited during the whole of the half year and up to the date of this report, unless otherwise specified:

RODNEY F. CORMIE, BCom, AAUQ, ASA, FSIA, FAICD. (Chairman of Directors)

JAMES R. JOYCE, BA, MBA, JD, CPA.

JOHN P. KELLY, BA, LLB. (Chairman of Remuneration Committee)

WALTER McCANN.

TIMOTHY L. LARGAY.

NORBURY ROGERS AO, BCom, AAUQ, FCA, FAICD (Chairman of Audit Committee)  
(Appointed effective 1 August 2003)

ROBERT MOLLAH. (Appointed effective 3 November 2003)

ROY M. HOPKINS, BSc and MSc in Geology. (Resigned effective 18 July 2003)

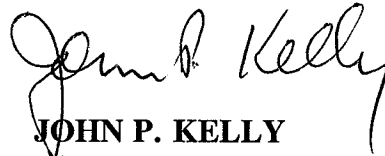
## **ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS**

The amounts contained in this Report and in the Half-Year Financial Report have been rounded off to the nearest thousand under the option available to the Company under ASIC Class Order 98/0100 dated 10 July 1998. The Company is an entity to which this Class Order applies.

This Directors' Report is signed in accordance with a resolution of the Board of Directors of Magellan Petroleum Australia Limited dated 24 February 2004.



**RODNEY F. CORMIE**  
Chairman



**JOHN P. KELLY**  
Director

# Appendix 4D

## Half-Yearly Report

Name of entity

<b>MAGELLAN PETROLEUM AUSTRALIA LIMITED</b>
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ABN

<b>62 009 728 581</b>
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Financial Period Ended ('Current Period')

1. 

<b>31 December 2003</b>
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Previous Corresponding Period: Year ended 31 December 2002

### 2. Results for Announcement to the Market

2.1	Revenues from Ordinary Activities	up	7%	to	\$A'000 14,413	
	Profit from Ordinary Activities before write off of Capitalised Exploration Expenditure and Income Tax	down	35%	to	2,212	
	Write off of Capitalised Exploration Expenditure	down	98%	to	85	
	Profit (Loss) from Ordinary Activities before Income Tax *	up	– %	to	2,127	
2.2	Profit from Ordinary Activities after Income Tax attributable to Members	up	258%	to	2,909	
2.3	Net Profit for the period attributable to Members	up	258%	to	2,909	
2.4	<b>Dividends (distributions)</b>		Amount per security		Franked amount per security	
	<b>Interim dividend</b>		<b>NIL</b>		<b>NIL</b>	
	Previous corresponding period		NIL		NIL	
2.5	Record date for determining entitlements to the dividend, (in the case of a trust, distribution)		<table border="1"> <tr> <td>N/A</td> </tr> </table>			N/A
N/A						
2.6	Brief explanation of any of the figures in 'For Announcement to the Market' section necessary to enable the figures to be understood:					
	* Profit from Ordinary Activities before Income Tax has had a substantial improvement from the loss made in the prior corresponding period due to the minimal write off of capitalised exploration expenditure in the current period. Write-offs of capitalised exploration expenditure amounting to \$3.6 million in the prior period were made in accordance with AASB 1022 on the basis that no further work was planned to be carried out in the areas the amounts related to.					
	See attached Directors' Report for further information.					
	It is recommended that the interim financial report is read in conjunction with the Annual Financial Statements of Magellan Petroleum Australia Limited as at 30 June 2003 together with any public announcements made by Magellan Petroleum Australia Limited and its controlled entities during the half-year ended 31 December 2003 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.					

### 3. NTA backing

	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security	Not Required	Not Required

### 4. Control Gained over Entities having Material Effect

Name of Entity (or group of entities) NIL

Date of gain of control	N/A
Where material to the understanding of the report, the contributions of such entities to the reporting entity's profit from ordinary activities during the period.	N/A
Contribution of such entities to the reporting entity's profit from ordinary activities for the whole of the corresponding period.	N/A

### Loss of Control of Entities having Material Effect

Name of Entity (or group of entities) NIL

Date of loss of control	N/A
Where material to the understanding of the report, the contribution of such entities to the reporting entity's profit from ordinary activities during the period.	N/A
Contribution of such entities to the reporting entity's profit from ordinary activities for the whole of the corresponding period.	N/A

### 5. Dividends (in the case of a trust, distribution)

	Amount Per Security	Franked Amount Per Security at 30% Tax	Amount per Security of Foreign Source Dividend
<b>Final dividend:</b> Current year	NIL	NIL	NIL
Previous year	NIL	NIL	NIL
<b>Interim dividend:</b> Current year	NIL	NIL	NIL
Previous year	NIL	NIL	NIL

Date the dividend (distribution) is payable: N/A

A dividend of 5 cents per security (fully franked) was paid during the current half-year period as approved by shareholders at the AGM held on 30 October 2003.

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## 5. Dividends (continued)

### Amount per Security

#### Total Dividend per Security (Interim *plus* Final)

(Preliminary final report only)

	Current year	Previous year
Ordinary securities	N/A	N/A
Preference securities	N/A	N/A

## 6. Details of Dividend or Distribution Reinvestment Scheme

The dividend plans shown below are in operation.

No dividend plans are in operation
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The last date(s) for receipt of election notices for the dividend or distribution plans

N/A
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Any other disclosures in relation to dividends (distributions).

There are no other disclosures in relation to dividends.
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## 7. Details of Associate and Joint Venture Entities

Name of Entity	Entity's percentage holding in each of these entities	
	Current Period %	Previous Corresponding Period %
N/A	N/A	N/A

### Details of Aggregate Share of Profit (Losses) of Associates and Joint Venture Entities

The Economic Entity has no share of profits in associated entities or joint venture entities.
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## 8. Foreign Entity – Accounting Standards

N/A
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## 9. Likely Dispute or Qualification

*If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification.*

N/A
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*If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification.*

N/A
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# Half-Year Financial Statements

31 December 2003

## Condensed Consolidated Statement of Financial Performance

	Current Period \$A'000	Previous Corresponding Period \$A'000
Revenues from Ordinary Activities	14,413	13,484
Expenses from Ordinary Activities	(12,286)	(13,719)
Borrowing Costs	–	–
Share of Net Profits of Associates and Joint Venture Entities	–	–
<b>Profit (Loss) from Ordinary Activities before Income Tax</b>	2,127	(235)
Income Tax Benefit on Ordinary Activities	782	1,047
<b>Profit from Ordinary Activities after Income Tax</b>	2,909	812
Profit from Extraordinary Items after Income Tax	–	–
<b>Net Profit</b>	2,909	812
Net Profit attributable to outside equity interests	–	–
<b>Net Profit for the period attributable to Members of the Parent Entity</b>	2,909	812
<b>Total Revenue, Expense and Valuation Adjustments Attributable to Members of the Parent Entity Recognised Directly in Equity</b>	–	–
<b>Total Changes in Equity Other than those Resulting from Transactions with Owners as Owners</b>	–	–
<b>Earnings Per Security (EPS)</b>		
	Current Period	Previous Corresponding Period
Basic EPS	6.2¢	1.7¢
Diluted EPS	6.2¢	1.7¢

## Condensed Consolidated Statement of Financial Position

	At end of Current Period \$A'000	As shown in Last Annual Report \$A'000	As in Last Half Yearly Report \$A'000
<b>Current Assets</b>			
Cash Assets	25,674	30,469	26,461
Receivables	4,844	6,405	6,562
Inventories	553	629	851
<b>Total Current Assets</b>	<b>31,071</b>	<b>37,503</b>	<b>33,874</b>
<b>Non-Current Assets</b>			
Exploration and Evaluation Expenditure Capitalised (see para .71 of AASB 1022)	11,586	8,698	6,785
Production Properties (net)	15,874	15,393	16,606
Other Property, Plant and Equipment (net)	15,387	13,859	14,173
<b>Total Non-Current Assets</b>	<b>42,847</b>	<b>37,950</b>	<b>37,564</b>
<b>Total Assets</b>	<b>73,918</b>	<b>75,453</b>	<b>71,438</b>
<b>Current Liabilities</b>			
Payables	6,142	7,950	5,477
Current Tax Liabilities	–	–	282
Provisions - Dividends	–	–	–
- Other	639	706	523
<b>Total Current Liabilities</b>	<b>6,781</b>	<b>8,656</b>	<b>6,282</b>
<b>Non-Current Liabilities</b>			
Deferred Tax Liabilities	3,481	4,263	5,436
Provisions exc. Tax Liabilities	4,013	3,465	3,158
<b>Total Non-Current Liabilities</b>	<b>7,494</b>	<b>7,728</b>	<b>8,594</b>
<b>Total Liabilities</b>	<b>14,275</b>	<b>16,384</b>	<b>14,876</b>
<b>Net Assets</b>	<b>59,643</b>	<b>59,069</b>	<b>56,562</b>
<b>Equity</b>			
Capital/Contributed Equity	40,027	40,027	40,027
Reserves	476	476	476
Retained Profits	19,140	18,566	16,059
<b>Equity Attributable to Members of the Parent Entity</b>	<b>59,643</b>	<b>59,069</b>	<b>56,562</b>
<b>Total Equity</b>	<b>59,643</b>	<b>59,069</b>	<b>56,562</b>

## Condensed Consolidated Statement of Cash Flows

	Current Period \$A'000	Previous Corresponding Period \$A'000
<b>Cash Flows from Operating Activities</b>		
Receipts from Customers	16,020	13,665
Payments to Suppliers and Employees	(5,955)	(5,755)
Interest and Other Items of similar nature received	647	672
Income Taxes paid	—	42
Other - Royalties paid	(1,191)	(1,175)
- Royalties received	71	73
- Goods and Services Tax paid	(998)	(607)
<b>Net Cash Flows from Operating Activities</b>	<b>8,594</b>	<b>6,915</b>
<b>Cash Flows from Investing Activities</b>		
Payment for Purchases of Property, Plant and Equipment	(11,400)	(6,857)
Proceeds from sale of Property, Plant and Equipment	41	41
Payments made on behalf of Co-Venturers	(1,936)	(3,712)
Reimbursements from Co-Venturers	1,870	3,930
Reimbursements of Operating and Development expenditure	371	2,018
<b>Net Cash Flows (Used In)/From Investing Activities</b>	<b>(11,054)</b>	<b>(4,580)</b>
<b>Cash Flows from Financing Activities</b>		
Dividends paid	(2,335)	(2,335)
<b>Net Cash Flows Used In Financing Activities</b>	<b>(2,335)</b>	<b>(2,335)</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>(4,795)</b>	<b>—</b>
Cash at beginning of period (see Reconciliation of cash)	30,469	26,461
<b>Closing Cash Carried Forward</b> (see Reconciliation of cash)	<b>25,674</b>	<b>26,461</b>

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## NOTES TO THE FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies

#### Basis of Accounts Preparation

The half-year financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

It is recommended that the interim financial report is read in conjunction with the Annual Financial Statements of Magellan Petroleum Australia Limited as at 30 June 2003 together with any public announcements made by Magellan Petroleum Australia Limited and its controlled entities during the half-year ended 31 December 2003 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The accounting policies adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the 2003 annual financial report except as disclosed below.

For the purpose of preparing the interim financial report, the half-year has been treated as a discrete reporting period.

The interim financial report does not include notes of a type normally included in an annual report.

#### Changes in Contingent Liabilities or Assets

NIL

#### Discontinuing Operations

NIL

#### Material Interests in Entities which are not Controlled Entities

The Economic Entity has no interest (that is material to it) in entities which are not controlled entities.

#### Subsequent Events

A description of each event since the end of the current period which has had a material effect and is not related to matters already reported, with financial effect quantified (if possible).

NIL

## 1. Summary of Significant Accounting Policies (continued)

### Revisions in Estimates of Amounts Reported in Previous Interim Periods

NIL

### Comparatives

Where necessary, the previous year's comparatives figures have been adjusted to ensure consistent presentation with disclosures adopted in the current year. None of the adjustments are considered material.

## 2. Revenue and Expenses from Ordinary Activities

	Current Period \$A'000	Previous Corresponding Period \$A'000
Revenue from Sales or Services	12,537	11,942
Interest Revenue	647	672
Other Relevant Revenue	1,229	870
Details of Relevant Expenses:		
- Cost of Sales	10,472	8,508
- Administrative Expenses	1,688	1,564
- Other Expenses	41	31
- Write Off of Capitalised Exploration Expenditure	85	3,616
Depreciation and Amortisation excluding Amortisation of Intangibles	5,163	3,760

## 3. Income Tax

The amount provided for income differs from the amount of tax prima facie payable on the Profit from Ordinary Activities before Income Tax as follows:

	Current Year \$A'000	Previous Corresponding Year \$A'000
Profit from Ordinary Activities	2,127	(235)
Prima facie income tax expense at 30% (2002: 30%)	638	(71)
Income Tax effect of permanent differences:		
- Non-assessable receipts net of non-deductible expenses	(201)	(137)
Prior period income tax benefits previously not brought to account	(1,219)	(839)
<b>Income Tax Benefit attributable to Profit from Ordinary Activities</b>	<b>(782)</b>	<b>(1,047)</b>

#### 4. Exploration and Evaluation Expenditure Capitalised

	Current Period \$A'000	Previous Corresponding Period \$A'000
Opening Balance	8,698	7,108
Expenditure incurred during current period	2,973	3,293
Expenditure written off during current period	(85)	(3,616)
Acquisitions, disposals, revaluation increments, etc.	–	–
Expenditure transferred to Production Properties	–	–
<b>Closing Balance as shown in the Consolidated Statement of Financial Position</b>	<b>11,586</b>	<b>6,785</b>

#### 5. Production Properties

	Current Period \$A'000	Previous Corresponding Period \$A'000
Opening Balance (Net)	15,393	18,490
Expenditure incurred during current period	2,694	369
Expenditure transferred from Exploration and Evaluation category	–	–
Expenditure written off during current period	–	–
Acquisitions, disposals, revaluation increments, etc.	–	–
Amortisation	(2,213)	(2,253)
<b>Closing Balance as shown in the Consolidated Statement of Financial Position</b>	<b>15,874</b>	<b>16,606</b>

#### 6. Consolidated Retained Profits

	Current Period \$A'000	Previous Corresponding Period \$A'000
Retained Profits at the beginning of the Financial Period	18,566	15,247
Net Profit (Loss) attributable to Members	2,909	812
Net transfers from (to) Reserves ( <i>details if material</i> )	–	–
Net effect of changes in Accounting Policies for provision for dividends	–	2,335
Dividends and other Equity Distributions paid or payable	(2,335)	(2,335)
<b>Retained Profits at end of Financial Period</b>	<b>19,140</b>	<b>16,059</b>

## 7. Non-Cash Financing and Investing Activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows:

NIL
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## 8. Reconciliation of Cash

Reconciliation of Cash at the end of the period (as shown in the Consolidated Statement of Cash Flows) to the related items in the accounts is as follows:

	Current Period \$A'000	Previous Corresponding Period \$A'000
Cash on hand and at Bank	3,370	377
Deposits at call	22,304	26,084
<b>Total Cash at End of Period</b>	<b>25,674</b>	<b>26,461</b>

## 9. Segment Reporting

The economic entity operates predominately in one industry; petroleum exploration, development, production, processing and marketing, and two geographical areas; Australia and Overseas. There were no inter-segment sales

Geographical Segments Half Year Ended 31 December 2003	Australia \$000	Overseas \$000	Consolidated \$000
<b>Revenue:</b>			
- Oil & Gas Sales	12,537	-	12,537
- Other	1,876	-	1,876
<b>Total Segment Revenue</b>	<b>14,413</b>	<b>-</b>	<b>14,413</b>
<b>Results:</b>			
- Segment result	2,151	(24)	2,127
- Income Tax expense	782	-	782
<b>Net Profit</b>	<b>2,933</b>	<b>(24)</b>	<b>2,909</b>
<b>Total Assets</b>	<b>71,743</b>	<b>2,175</b>	<b>73,918</b>
<b>Total Liabilities</b>	<b>14,244</b>	<b>31</b>	<b>14,275</b>

Geographical Segments Half Year Ended 31 December 2002	Australia \$000	Overseas \$000	Consolidated \$000
<b>Operating Revenue:</b>			
- Oil & Gas Sales	11,942	-	11,942
- Other	1,542	-	1,542
<b>Total Operating Revenue</b>	<b>13,484</b>	<b>-</b>	<b>13,484</b>
<b>Results:</b>			
- Segment result	(293)	58	(235)
- Income Tax expense	1,047	-	1,047
<b>Net Profit</b>	<b>754</b>	<b>58</b>	<b>812</b>
<b>Total Assets</b>	<b>71,123</b>	<b>315</b>	<b>71,438</b>
<b>Total Liabilities</b>	<b>14,874</b>	<b>2</b>	<b>14,876</b>

# Magellan Petroleum Australia Limited and Controlled Entities

## DIRECTORS' DECLARATION

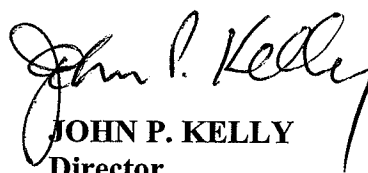
In the opinion of the Directors of MAGELLAN PETROLEUM AUSTRALIA LIMITED:

- (a) the financial statements and notes (in the form of Appendix 4D of the Australian Stock Exchange Listing Rules) set out on pages 7 to 17:
  - (i) are drawn up so as to give a true and fair view of the financial position as at 31 December 2003 and the performance for the half-year ended on that date of the consolidated entity; and
  - (ii) comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Act 2001; and
- (b) at the date of this declaration there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



**RODNEY F. CORMIE**  
Director



**JOHN P. KELLY**  
Director

Brisbane, 24 February 2004

**INDEPENDENT REVIEW REPORT TO THE MEMBERS**  
**OF MAGELLAN PETROLEUM AUSTRALIA LIMITED**

## Scope

We have reviewed the financial report of Magellan Petroleum Australia Limited for the half-year ended 31 December 2003 as set out on pages 7 to 18. The financial report includes the consolidated financial statements of the consolidated entity comprising the disclosing entity and the entities it controlled at the end of the half-year or from time to time during the half-year. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

## Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Magellan Petroleum Australia Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

*M. G. Sheerin*

M. G. Sheerin  
Partner  
Chartered Accountants

Member of  
Deloitte Touche Tohmatsu

Brisbane, 24 February 2004