MAGELLAN PETROLEUM AUSTRALIA LIMITED
ABN 62 009 728 581

MAGELLAN

ADMINISTRATIVE OFFICE
10th Floor, 145 Eagle Street,
Brisbane, Queensland, Australia 4000
Postal Address:
GPO Box 2766, Brisbane 4001

Telephone: (07) 3224 1600
Facsimile: (07) 3832 6411
Email: magadmin@magpet.com.au
Website: www.magpet.com.au

13 September 2005

Company Announcements Office
Australian Stock Exchange
10th Floor, Exchange Centre
20 Bond Street
SYDNEY NSW 2000

PRELIMINARY FINAL REPORT (APPENDIX 4E) AND MEDIA RELEASE

This report is submitted by Magellan Petroleum Australia Limited in compliance with Australian Stock Exchange (ASX) Listing Rule 4.3A and covers the year ended 30 June 2005.

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

Also attached is a media release on the results for the year.

Regards

Gwynn Davies
General Manager

MAGELLAN PETROLEUM AUSTRALIA LIMITED
ABN 62 009 728 581

MAGELLAN

ADMINISTRATIVE OFFICE
10th Floor, 145 Eagle Street,
Brisbane, Queensland, Australia 4000
Postal Address:
GPO Box 2766, Brisbane 4001

Telephone: (07) 3224 1600
Facsimile: (07) 3832 6411
Email: magadmin@magpet.com.au
Website: www.magpet.com.au

13 September 2005

ANNOUNCEMENT TO ASX
& MEDIA RELEASE

Magellan Petroleum Australia Limited Profit Report for the Year Ended 30 June 2005

FINANCIAL SUMMARY

Magellan Petroleum Australia Limited has recorded a consolidated operating profit from ordinary activities before write off of capitalised exploration expenditure and income tax for the year ended 30 June 2005 of $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 is 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 (2004: $3,182,000).

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.

Further details are provided in the Preliminary Final Report to the Australian Stock Exchange, a copy of which is attached.

OIL & GAS SALES STATISTICS

Magellan's share of oil sales volume was down 2,646 barrels (1 percent) to 175,687 barrels (481 BOPD) for the period and Magellan's share of Amadeus Basin gas sales for the year was up 55 MMcf (1 percent) to 6,774 MMcf.

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

	OIL (BBLS)			GAS (MMCF)		
12 Months Ended	**30.06.05**	30.06.04	Variance	**30.06.05**	30.06.04	Variance
Mereenie	**136,054**	130,536	+4%	**4,334**	3,867	+12%
Palm Valley	**—**	—	—	**2,440**	2,852	-14%
Nockatunga	**35,135**	40,124	-12%	**—**	—	—
Aldinga	**4,498**	7,673	-41%	**—**	—	—
TOTAL	**175,687**	178,333	-1%	**6,774**	6,719	+1%
DAILY AVERAGE	**481**	487		**18.6**	18.4	

On an energy equivalent basis, Magellan's share of oil and gas sales for the year ended 30 June 2005 fell by 0.4 percent to 1,410,932 barrels of oil (3,866 BOEPD) from 1,416,740 barrels of oil (3,871 BOEPD) in the previous corresponding period.

BBL	=	Barrel (35 imperial gallons)	MMcf	=	Million cubic feet
BOE	=	Barrels of oil equivalent	BOEPD	=	Barrels of oil equivalent per day

For further information, please contact Dr Gwynn Davies, General Manager, or Mr Joseph Morfea, Finance Manager.

Rules 4.3A

Appendix 4E

Preliminary Final Report

Name of entity

MAGELLAN PETROLEUM AUSTRALIA LIMITED

	ABN	Financial Year Ended ('Current Period')
1.	**62 009 728 581**	**30 June 2005**

Previous Corresponding Period: Year ended 30 June 2004

2. Results for Announcement to the Market

					$A'000
2.1	Revenues from Ordinary Activities	up	15%	to	32,965
	Profit from Ordinary Activities before write off of Capitalised Exploration Expenditure and Income Tax	up	113%	to	8,998
	Write off of Capitalised Exploration Expenditure	up	105%	to	7,581
	Profit from Ordinary Activities before Income Tax	up	171%	to	1,417
2.2	Profit from Ordinary Activities after Income Tax attributable to Members	down	52%	to	1,534
2.3	Net Profit for the period attributable to Members	down	52%	to	1,534

2.4 Dividends (distributions)	Amount per security	Franked amount per security
Final dividend	**5¢**	**5¢**
Interim dividend	N/A	N/A

2.5 Record date for determining entitlements to the dividend, (in the case of a trust, distribution): 21 October 2005

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 and write-off of capitalised exploration expenditure has had a significant improvement from the profit made in the prior corresponding period primarily due to the increase in oil sales revenue achieved during the current financial year resulting from higher average world crude oil prices.

- 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.

See attached Media Release for further information.

3.1 Consolidated Statement of Financial Performance for the Financial Year Ended 30 June 2005

	Current Period $A'000	Previous Corresponding Period $A'000
Sales Revenue	29,107	25,001
Cost of Sales	(20,546)	(20,736)
Gross Profit	8,561	4,265
Other Revenue from Ordinary Activities	3,858	3,667
Administrative Expenses	(3,370)	(3,638)
Other Expenses from Ordinary Activities	(51)	(65)
Profit before Write Off of Capitalised Expenditure and Income Tax Expense	8,998	4,229
Write Off of Capitalised Exploration Expenditure	(7,581)	(3,706)
Profit from Ordinary Activities before Income Tax Expense	1,417	523
Income Tax Benefit on Ordinary Activities *(see item 3.3)*	117	2,659
Profit from Ordinary Activities after Income Tax Expense	1,534	3,182
Profit from Extraordinary Items after Income Tax Expense	–	–
Net Profit	1,534	3,182
Net Profit attributable to outside equity interests	–	–
Net Profit attributable to Members of the Parent Entity *(see item 8.2)*	1,534	3,182
Total Revenue, Expense and Valuation Adjustments Attributable to Members of the Parent Entity Recognised Directly in Equity	–	–
Total Changes in Equity Other than those Resulting from Transactions with Owners as Owners	–	–

Earnings Per Security (EPS)	Current Period	Previous Corresponding Period
Basic EPS	3.3¢	6.8¢
Diluted EPS	3.3¢	6.8¢

Notes to the Consolidated Statement of Financial Performance for the Year Ended 30 June 2005

3.2 Revenue and Expenses from Ordinary Activities

	Current Period $A'000	Previous Corresponding Period $A'000
Revenue from Sales or Services	29,107	25,001
Interest Revenue	1,407	1,305
Other Relevant Revenue	2,451	2,362
Details of Relevant Expenses:		
- Cost of Sales	20,546	20,736
- Administrative Expenses	3,370	3,638
- Other Expenses	51	65
- Write Off of Capitalised Exploration Expenditure	7,581	3,706
Depreciation and Amortisation excluding Amortisation of Intangibles	8,770	10,427

3.3 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	1,417	523
Prima facie income tax expense at 30% (2004: 30%)	425	157
Income Tax effect of permanent differences:		
- Non-assessable receipts net of non-deductible expenses	(399)	(345)
Prior period income tax benefits previously not brought to account	(79)	(2,471)
(Over) provision for income tax in previous year	(64)	–
Income Tax Benefit attributable to Profit from Ordinary Activities	(117)	(2,659)

4.1 Consolidated Statement of Financial Position as at 30 June 2005

	At end of Current Period $A'000	As shown in Last Annual Report $A'000
Current Assets		
Cash Assets	29,145	29,486
Receivables	5,561	4,728
Inventories	777	852
Current Tax Assets	91	–
Total Current Assets	**35,574**	**35,066**
Non-Current Assets		
Exploration and Evaluation Expenditure Capitalised *(see para .71 of AASB 1022) (see Item 4.2)*	7,527	9,975
Production Properties (net) *(see Item 4.3)*	13,749	13,496
Other Property, Plant and Equipment (net)	12,803	15,436
Deferred Tax Assets	474	–
Total Non-Current Assets	**34,553**	**38,907**
Total Assets	**70,127**	**73,973**
Current Liabilities		
Payables	4,964	6,973
Current Tax Liabilities	–	250
Provisions - Dividends	–	–
- Other	714	1,102
Total Current Liabilities	**5,678**	**8,325**
Non-Current Liabilities		
Deferred Tax Liabilities	–	1,354
Provisions	5,334	4,378
Total Non-Current Liabilities	**5,334**	**5,732**
Total Liabilities	**11,012**	**14,057**
Net Assets	**59,115**	**59,916**
Equity		
Capital/Contributed Equity	40,027	40,027
Reserves	476	476
Retained Profits	18,612	19,413
Equity Attributable to Members of the Parent Entity	**59,115**	**59,916**
Total Equity	**59,115**	**59,916**

Notes to the Consolidated Statement of Financial Position as at 30 June 2005

4.2 Exploration and Evaluation Expenditure Capitalised

	Current Period $A'000	Previous Corresponding Period $A'000
Opening Balance	9,975	8,698
Expenditure incurred during current period	5,133	4,983
Expenditure written off during current period	(7,581)	(3,706)
Acquisitions, disposals, revaluation increments, etc.	–	–
Expenditure transferred to Production Properties	–	–
Closing Balance as shown in the Consolidated Statement of Financial Position	**7,527**	**9,975**

4.3 Production Properties

	Current Period $A'000	Previous Corresponding Period $A'000
Opening Balance (Net)	13,496	15,393
Expenditure incurred during current period	4,180	2,712
Expenditure transferred from Exploration and Evaluation category	–	–
Expenditure written off during current period	–	–
Acquisitions, disposals, revaluation increments, etc.	–	–
Amortisation	(3,927)	(4,609)
Closing Balance as shown in the Consolidated Statement of Financial Position	**13,749**	**13,496**

5.1 Consolidated Statement of Cash Flows for the Financial Year Ended 30 June 2005

	Current Period $A'000	Previous Corresponding Period $A'000
Cash Flows from Operating Activities		
Receipts from Customers	33,875	31,093
Payments to Suppliers and Employees	(14,740)	(14,416)
Interest and Other Items of similar nature received	1,407	1,305
Income Taxes paid	(2,052)	–
Other - Royalties paid	(2,621)	(2,075)
- Royalties received	115	140
Net Cash provided by Operating Activities	**15,984**	**16,047**
Cash Flows from Investing Activities		
Payment for Purchases of Property, Plant and Equipment	(15,936)	(18,153)
Proceeds from sale of Property, Plant and Equipment	62	58
Payments made on behalf of Co-Venturers	(6,682)	(3,958)
Reimbursements from Co-Venturers	5,177	4,982
Reimbursements of Operating and Development expenditure	3,389	2,376
Net Cash Flows used in Investing Activities	**(13,990)**	**(14,695)**
Cash Flows from Financing Activities		
Dividends paid	(2,335)	(2,335)
Net Cash Flows used in Financing Activities	**(2,335)**	**(2,335)**
Net Increase (Decrease) in Cash Held	**(341)**	**(983)**
Cash at beginning of period *(see Reconciliation of cash)*	29,486	30,469
Cash at End of Period *(see Reconciliation of cash)*	**29,145**	**29,486**

5.2 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

5.3 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	1,029	3,232
Deposits at call	28,116	26,254
Total Cash at End of Period	**29,145**	**29,486**

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

		Amount Per Security	Franked Amount Per Security at 30% Tax (see note A)	Amount per Security of Foreign Source Dividend
Final dividend:	Current year	5¢	5¢	NIL
	Previous year	5¢	5¢	NIL
Interim dividend:	Current year	NIL	NIL	NIL
	Previous year	NIL	NIL	NIL

Date the dividend (distribution) is payable:	10 November 2005

Amount per Security

Total Dividend Per Security (Interim *plus* Final)

(Preliminary final report only)

	Current year	Previous year
Ordinary securities	5¢	5¢
Preference securities	NIL	NIL

7. Details of Dividend or Distribution Reinvestment Scheme

The dividend plans shown below are in operation.

No dividend plans are in operation

The last date(s) for receipt of election notices for the dividend or distribution plans	N/A

Any other disclosures in relation to dividends (distributions).

The final dividend in respect of ordinary shares for the year ended 30 June 2005 has not been recognised in this preliminary report because the final dividend was declared, determined or publicly recommended subsequent to 30 June 2005.

8. Consolidated Retained Profits

		Current Period $A'000	Previous Corresponding Period $A'000
8.1	Retained Profits at the beginning of the Financial Period	19,413	18,566
8.2	Net Profit (Loss) attributable to Members	1,534	3,182
8.3	Net transfers from (to) Reserves *(details if material)*	–	–
8.4	Net effect of changes in Accounting Policies for provision for dividends	–	–
8.5	Dividends and other Equity Distributions paid or payable	(2,335)	(2,335)
8.6	**Retained Profits at end of Financial Period**	**18,612**	**19,413**

9. NTA Backing

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

10. 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

11. 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.

12. Other Significant Information

Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position.

NIL

13. Accounting Standards for Foreign Entities

For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Accounting Standards)

N/A

14. Commentary on Results for the Period

The commentary must be sufficient for the user to be able to compare the information presented with equivalent information for previous periods. The commentary must include any significant information needed by an investor to make an informed assessment of the entity's activities and results, which would include but not be limited to discussion of the following: Earnings Per Security and the nature of any dilution aspects (Item 14.1), Returns to shareholders including distributions and buy backs (Item 14.2), Significant Features of Operating Performance (Item 14.3), the results of segments that are significant to an understanding of the business a s a whole (Item 14.4), a discussion of trends in performance (Item 14.5), and any other factors which affected the results in the period are likely to affect results in the future, including those where the effect could not be quantified.

See attached Media Release.

15. Impact of Adopting Australian Equivalents to IFRS

Magellan Petroleum Australia Limited ('Magellan') is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ending 30 June 2006. In 2004, Magellan allocated internal resources and engaged expert consultants to conduct assessments to identify the key areas that would be impacted by the transition to AIFRS. Magellan has given priority to the preparation of an opening balance sheet as at 1 July 2004 in accordance with AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when Magellan prepares its first AIFRS half year report for the six months ended 31 December 2005 and its fully AIFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on the adoption of AIFRS and the best estimate of the quantitative impact of the changes on total equity as at the date of transition 1 July 2004 and 30 June 2005 and on net profit for the year ended 30 June 2005.

The figures disclosed are the best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to:

- Ongoing work being undertaken by the expert consultants;
- Potential amendments to AIFRSs and interpretations issued by the standard-setters and IFRIC;
- Emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations; and
- The directors may, at any time until the completion of Magellan's first AIFRS compliant financial report, elect to revisit and where necessary change the accounting policies applied in preparing the reconciliation below.

(a) Reconciliation of equity as presented under AGAAP to that under AIFRS

	Notes	Consolidated		Company	
		30 June 2005**	1 July 2004*	30 June 2005**	1 July 2004*
		$'000	$'000	$'000	$'000
Total Equity Under AGAAP		59,115	59,916	51,208	53,319
Adjustments to net assets					
Recognition of initial disturbance asset	(i)	1,506	1,398	-	-
Amortisation of initial disturbance asset	(i)	(218)	-	-	-
Recognition of net increase in the provision for restoration costs	(i)	(109)	(943)	-	-
Net impairment of production properties and initial disturbance asset	(ii)	(206)	(513)	-	-
Net impairment of property, plant and equipment	(ii)	(252)	(240)	-	-
Net impact on adjustment of depreciation due to impairment in the prior year	(ii)	180	-	-	-
Net tax effect of the transactions on transition to AIFRS	(v)	(298)	350	-	-
Borrowing costs unwinding of the discount on the rehabilitation provision	(b)(i)	(621)	-	-	-
		(18)	52	-	-
Adjustments to other reserves (net of tax)					
Transfer of asset revaluation reserve to retained earnings		(476)	(476)	-	-
Increase in retained earnings due to transfer of asset revaluation reserve	(iv)	476	476	-	-
		-	-	-	-
Total Equity under AIFRS		**59,097**	**59,968**	**51,208**	**53,319**

* *This column represents the adjustments as at the date of transition to AIFRS.*

** *This column represents the cumulative adjustments as at the date of transition to AIFRS and those for the year ended 30 June 2005.*

15. Impact of Adopting Australian Equivalents to IFRS (continued)

(a) Reconciliation of equity as presented under AGAAP to that under AIFRS (continued)

(i) Under AASB 137 *Provision for Rehabilitation and Closure*, Magellan is required to assess the provision for restoration and closure of long lived assets based on the net present obligation arising from past disturbances. AASB 116 *Property, Plant and Equipment* allows for the capitalisation of the cost of rectifying the initial disturbance to the original asset. The asset arising from this capitalized cost is then amortized in accordance with Magellan's depreciation and amortization policy. In addition to the recognition of the asset, the corresponding liability for the restoration provision is adjusted for changes to the requirements for rehabilitation and the unwinding of the discount implicit in the initial determinate. The 2005 adjustments are disclosed net as the profit under AGAAP includes the increase in the provision under the units of production method. The net amount identified is the difference between the calculation of the provision under AIFRS based on the net present value of the current obligation compared with the increase recognised under the AGAAP units of production method.

Magellan has elected to apply the exemption in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* in respect of changes in existing restoration liabilities included in the cost of property, plant and equipment.

(ii) Under AASB 136 *Impairment of Assets*, the recoverable amount of an asset or cash generating unit is determined as the higher of fair value less costs to sell and value in use. The adoption of AIFRS resulted in the determination of cash generating units for production assets and areas of interest for exploration. The calculation of recoverable amount is then based on discounted cash flows for production assets. This differs from the current policy of determining the recoverable amount on a non-discounted cash flow basis.

Consistent with the new policy, Magellan reviews the recoverable amount of non-current assets on a yearly basis to determine whether the carrying amount is in excess of the recoverable amount. If the carrying amount exceeds the recoverable amount, the carrying amount is written down to the recoverable amount. The assets of Magellan were tested for impairment on transition and each subsequent reporting date as part of the cash generating unit to which they belong. In applying the impairment procedure on transition, it was identified that the written down value of capitalised expenditure and property, plant and equipment relating to production assets exceeded the recoverable amount. As a consequence, an impairment loss has been recognised in the retained earnings on transition to AIFRS. The recoverable amount used in calculating the impairment loss used oil price assumptions and a pre-tax discount rate of 14%.

Subsequent to the transition date, management has assessed the recoverable amount of its assets and has identified a reversal of a component of the impairment previously recognised on specific production assets. An adjustment has also been recognised to recognise the over provision of depreciation under AGAAP for assets impaired under AIFRS.

(iii) As at 31 August 2004 Magellan wound up a defined benefit superannuation fund with a deficit between benefits and fund assets. The deficit was previously recognised as a liability under AGAAP prior to transition when it was identified the fund would be wound up.

(iv) Magellan has decided to apply the exemption provided in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* relating to the carrying amounts of property, plant and equipment. Magellan has elected to use a previous revaluation recognised under AGAAP before the transition date for land and buildings as their deemed cost at the date of the revaluation. Accordingly the asset revaluation reserve of $476,000 relating to these assets has been transferred to retained earnings.

15. Impact of Adopting Australian Equivalents to IFRS (continued)

(a) Reconciliation of equity as presented under AGAAP to that under AIFRS (continued)

(v) Under AASB 112 *Income Taxes*, the consolidated entity will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the accounting balance sheet (Statement of Financial Position) or the tax-based balance sheet. Previously, the capital gains tax effects of revalued assets were not recognised. The recognition of tax losses will change from a virtual certainty criteria to a probability requirement. There are no significant impacts on adoption of this policy on transition other than those adjustments relating to accounting adjustments recognised under transition to AIFRS. Magellan has not yet considered the impact of UIG1052 *Tax Consolidation Accounting* on the income tax balances of Magellan.

(b) Reconciliation of net profit under AGAAP to that under AIFRS

	Notes	Consolidated 30 June 2005 $'000	Company 30 June 2005 $'000
Net profit after tax and before dividends as reported under AGAAP		1,534	224
Amortisation of initial disturbance asset	(a)(i)	(218)	-
Net write back of impairment of production properties, property plant and equipment and initial disturbance asset	(a)(ii)	295	-
Net adjustment to reverse the depreciation under AGAAP of assets written down as impaired under AIFRS	(a)(ii)	180	-
Adjustment to reverse the AGAAP rehabilitation expense	(i)	942	-
Borrowing costs unwinding of the discount on the rehabilitation provision	(i)	(621)	-
Tax effect on the recognition of the above transactions	(a)(v)	(648)	-
Net profit after tax under AIFRS		**1,464**	**224**

(i) Under AASB 137 *Provision for Rehabilitation and Closure*, Magellan is required to assess the provision for restoration and closure of long lived assets based on the net present obligation arising from past disturbances. The standard allows for the capitalisation of the cost of rectifying the initial disturbance to the original asset and subsequent amortization. The unwinding of the discount on the provision for rehabilitation is to be treated as a borrowing cost under AIFRS. The increase in the rehabilitation provision recognised under AGAAP is derecognized as the increases in the provision are recognised through the unwinding of the discounts and any net increase in the assumptions included in the net present value calculation.

(c) Restated AIFRS Statement of Cash Flows for the year ended 30 June 2005

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

(d) Other AIFRS Disclosures

(i) The directors have elected not to restate comparatives for AASB 132 *Financial Instruments: Presentation and Disclosure* and AASB 139 *Financial Instruments: Recognition and Measurement* as permissible under AASB 1. Accordingly the treatment of financial assets and liabilities, including embedded derivatives that may be identified, will be recognised in the financial reporting period beginning 1 July 2005. There is no financial impact on transition to AIFRS or for the year ended 30 June 2005. The financial impact on adoption of the standards on 1 July 2005 has not yet been assessed.

15. Impact of Adopting Australian Equivalents to IFRS (continued)

(d) Other AIFRS Disclosures (continued)

(ii) The directors have elected not to restate comparatives for AASB 6 *Exploration for and Evaluation of Mineral Resources*. There is no financial impact on transition to AIFRS or for the year ended 30 June 2005.

(iii) Magellan previously recognised the depreciation on production assets on a units of production basis based on an area of interest concept. Under AIFRS the depreciation of production assets is required to be recognised based on the anticipated life of each production asset which may result in a difference where separate production assets are located within the same area of interest. At the reporting date the directors have not yet assessed the impact of retrospectively applying the calculation of depreciation based on each production asset. It is anticipated this will be completed by the first AIFRS compliant financial statements to be prepared for the half year ended 31 December 2005.

16. Audited Accounts

A statement as to whether the report is based on accounts which have been audited or subject to review, are in the process of being audited or reviewed, or have not yet been audited or reviewed. (If the accounts have been audited or subject to review, the audit report or review should be provided with the report.)

This Report is based on accounts which are in the process of being audited.

17. 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

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