RISK MANAGEMENT POLICY

The Audit Committee is an integral part of Magellan's structure. The Committee ensures that the Board, Directors and the management are aware of all actual and potential risks facing the business and that a system to identify, monitor and assess risk is implemented and effective.

The Company defines business risk as any event or action with the potential to interfere or prevent the Company from achieving its objectives. Business risk is broadly defined so as to ensure that due consideration is given to all issues, internal and external, with the potential to impact upon the Company's business.

The Board, assisted by the Audit Committee, has oversight of risk management. At least annually, the Board must also review the effectiveness of the implementation of the risk management policy.

The key function of the Audit Committee is to identify and, more importantly, prioritise risk arising from business strategies and activities. Risk must be identified to allow the Company to plan, assess and execute its strategies. Once risk has been identified and assessed, the management and the Board will have the capacity to determine the level of risk that is acceptable to the Company. This assessment will also allow for the acceptance of risk designed to accomplish Magellan's strategic plans.

Sources of risk are varied and a wide view should be taken when considering business risks. Possible risk areas for Magellan include:

- exploration;
- operational;
- financial/foreign exchange/interest rate/oil prices;
- commercial/economic;
- political;
- legal/legislative;
- climatic;
- engineering;
- environmental/safety/health; and engineering
- information technology

Risk management encompasses all areas of the Company's activity. Once a business risk is identified, the risk management processes and systems implemented by the Company are aimed at providing the necessary framework to enable the risk to be managed.

The integrity of Magellan's financial reporting relies upon a sound system of risk management and control. Accordingly, the General Manager, the Finance Manager, the Manager – Risk and Business Support/Company Secretary, the Joint Venture Manager and the Exploration and Business Development Manager to ensure management accountability, are required to provide the attached statement stating that the financial reports of Magellan are based upon a sound risk management policy.

[Date]

MANAGEMENT REPRESENTATIONS – FINANCIAL REPORT FOR THE YEAR ENDED [BALANCE DATE]

The Directors
Magellan Petroleum Australia Limited

The General Manager, Finance Manager, Manager – Risk and Business Support/Company Secretary, Joint Venture Manager and the Exploration and Business Development Manager, state that:

(a) With regard to the integrity of the financial report of Magellan Petroleum Australia Limited for the year ended [balance date]:

  (i) The financial statements and associated notes comply in all material respects with the accounting standards as required by Section 296 of the Corporations Act 2001;

  (ii) The financial statements and associated notes give a true and fair view, in all material respects, of the financial position as at [balance date] and performance of the Company and consolidated entity for the year then ended as required by Section 297 of the Corporations Act 2001; and

  (iii) In our opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as when they become due and payable.

(b) With regard to risk management and internal compliance and control systems of Magellan Petroleum Australia Limited for the year ended [balance date]:

  (i) The statements made in (a) above regarding the integrity of the financial statements are founded on a sound system of risk management and internal compliance and control which, in all material respects, implements the policies adopted by the Board of Directors; and

  (ii) The risk management and internal compliance and control systems of the Company and consolidated entity are operating efficiently and effectively, in all material respects, based on the criteria for effective internal control established by the Audit Committee.

(c) Magellan Petroleum Australia Limited during the year ended [balance date];

(i) in accordance with its health and safety policy provided a healthy and safe workplace for its employees and complied with all relevant government occupational health and safety statutory requirements and industry codes of practice; and

(ii) in accordance with its environmental protection policy conducted its operations in an environmentally responsible manner and complied with all relevant government environmental statutory requirements.

_____

General Manager
Date:

_____

Finance Manager
Date:

_____

Joint Venture Manager
Date:

_____

Manager – Risk and Business Support/ Company Secretary
Date:

_____

Exploration and Business Development Manager
Date: