

MAGELLAN PETROLEUM (N.T.) PTY. LTD.**ABN 62 009 718 183****DIRECTORS' REPORT FOR THE YEAR ENDED JUNE 30, 2000**

Your Directors present their report on the accounts for the year ended June 30, 2000.

Directors

The following persons held office as Directors of Magellan Petroleum (N.T.) Pty. Ltd. during the whole of the financial year and up to the date of this report, unless otherwise specified:

Hedley Howard

Bruce McInnes and Joseph P. Morfea (appointed as Directors on August 13, 1999)

Dennis D. Benbow (resigned as a Director on August 13, 1999)

Principal Activities

The principal activities of the Company consist of petroleum exploration, development, production, processing and marketing. There were no significant changes in the nature of these activities during the financial year.

Results

The operating profit after income tax was \$9,081,000 (1999: \$5,960,000).

Dividends

A dividend of \$2.00 per fully paid ordinary share totalling \$4,534,824 (franked as to \$355,556) was paid to shareholders of the Company on June 30, 2000. The Directors do not now recommend the payment of any further dividends.

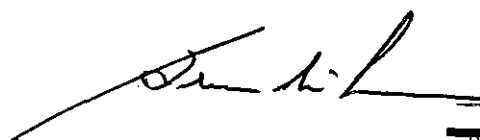
Rounding of Amounts to Nearest Thousand Dollars

The amounts contained in this Report and in the Financial Statements have been rounded off under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

This Directors' Report is signed in accordance with a resolution of the Board of Directors of Magellan Petroleum (N.T.) Pty. Ltd. dated September 05, 2000.



Hedley Howard
Director



Bruce McInnes
Director



A03
COMPANIES HOUSE

A326BGEN

0230
02/12/02

INDEPENDENT AUDIT REPORT

To the members of Magellan Petroleum (N.T.) Pty Limited

Scope

We have audited the financial report of Magellan Petroleum (N.T.) Pty Limited for the financial year ended 30 June 2000, as set out on pages 3 to 22, including the Directors' Declaration. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

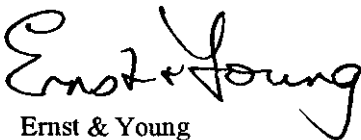
Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements in Australia, so as to present a view which is consistent with our understanding of the company's financial position and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

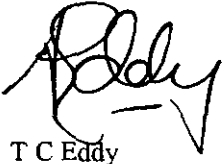
Audit Opinion

In our opinion, the financial report of Magellan Petroleum (N.T.) Pty Limited is in accordance with:

- (a) the Corporations Law including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2000 and its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.



Ernst & Young



T C Eddy

Partner
Brisbane

Date: 5 September 2000

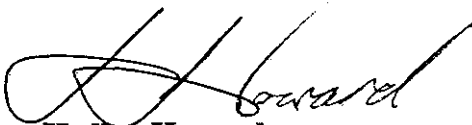
MAGELLAN PETROLEUM (N.T.) PTY. LTD.

DIRECTORS' DECLARATION

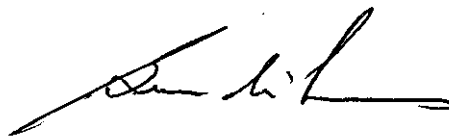
In the opinion of the Directors of Magellan Petroleum (N.T.) Pty. Ltd.:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Law, including:
 - (i) giving a true and fair view of the Company's financial position as at June 30, 2000 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations; and
- (b) 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:



Hedley Howard
Director



Bruce McInnes
Director

Brisbane, September 05, 2000

MAGELLAN PETROLEUM (N.T.) PTY. LTD.

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED JUNE 30, 2000

	NOTES	2000 \$000	1999 \$000
OPERATING REVENUE	2	<u>28,508</u>	<u>23,310</u>
Operating Profit before Write Offs	2	9,557	7,292
Write Off of Capitalised Exploration Expenditure		<u>330</u>	<u>1,142</u>
Operating Profit before Income Tax		9,227	6,150
Income Tax attributable to Operating Profit	3	<u>146</u>	<u>190</u>
OPERATING PROFIT AFTER INCOME TAX		9,081	5,960
Retained Profits at the beginning of the financial year		<u>5,363</u>	<u>3,133</u>
Total available for appropriation		14,444	9,093
Dividends provided for or paid	4	<u>4,535</u>	<u>3,730</u>
RETAINED PROFITS at the end of the financial year		<u>9,909</u>	<u>5,363</u>

The Profit and Loss Statement should be read in conjunction with the accompanying notes.

MAGELLAN PETROLEUM (N.T.) PTY. LTD.

BALANCE SHEET AS AT JUNE 30, 2000

	NOTES	2000 \$000	1999 \$000
CURRENT ASSETS			
Cash		1,077	860
Receivables	5	6,400	3,854
Inventories	11	<u>485</u>	<u>324</u>
Total Current Assets		<u>7,962</u>	<u>5,038</u>
NON-CURRENT ASSETS			
Petroleum properties	6	30,229	31,374
Property, plant and equipment	7	<u>13,357</u>	<u>15,279</u>
Total Non-Current Assets		<u>43,586</u>	<u>46,653</u>
TOTAL ASSETS		<u>51,548</u>	<u>51,691</u>
CURRENT LIABILITIES			
Accounts payable	8	3,779	4,403
Provisions	9	<u>2,059</u>	<u>180</u>
Total Current Liabilities		<u>5,838</u>	<u>4,583</u>
NON-CURRENT LIABILITIES			
Accounts payable	8	20,103	24,799
Provisions	9	<u>10,748</u>	<u>12,387</u>
Total Non-Current Liabilities		<u>30,851</u>	<u>37,186</u>
TOTAL LIABILITIES		<u>36,689</u>	<u>41,769</u>
NET ASSETS		<u>14,859</u>	<u>9,922</u>
SHAREHOLDERS' EQUITY			
Share capital	10	4,535	4,144
Reserves - Asset revaluation		415	415
Retained Profits		<u>9,909</u>	<u>5,363</u>
TOTAL SHAREHOLDERS' EQUITY		<u>14,859</u>	<u>9,922</u>

The Balance Sheet should be read in conjunction with the accompanying notes.

MAGELLAN PETROLEUM (N.T.) PTY. LTD.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2000

	NOTES	2000 \$000	1999 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		25,698	21,522
Payments to suppliers and employees		(9,298)	(7,781)
Income tax paid		(200)	(87)
Interest received		58	62
Royalties paid		(2,412)	(1,856)
Royalties received		143	195
Management fees paid to immediate parent entity		<u>(921)</u>	<u>(1,173)</u>
Net Cash Flows from Operating Activities	11	<u>13,068</u>	<u>10,882</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditure on:			
Property, plant and equipment		(876)	(5,248)
Exploration phase properties		(123)	(1,422)
Production phase properties		(3,289)	(1,058)
Proceeds from call on issued shares		391	—
Proceeds from the sale of property, plant and equipment		1	28
Proceeds of borrowings from immediate parent entity		22,487	24,037
Repayment of borrowings from immediate parent entity		(27,131)	(24,620)
Reimbursements of development expenditure		<u>224</u>	<u>1,499</u>
Net Cash Flows used in Investing Activities		<u>(8,316)</u>	<u>(6,784)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	4	<u>(4,535)</u>	<u>(3,730)</u>
Net Cash Flows used in Financing Activities		<u>(4,535)</u>	<u>(3,730)</u>
NET INCREASE IN CASH HELD		217	368
Add opening cash brought forward		<u>860</u>	<u>492</u>
CLOSING CASH CARRIED FORWARD	11	<u>1,077</u>	<u>860</u>

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

MAGELLAN PETROLEUM (N.T.) PTY. LTD.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Financial Statements

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Law which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The statements have been prepared in accordance with the historical cost convention modified by certain revaluations of property and investments. The accounting policies adopted are consistent with those of the previous year.

B. Income Tax

Tax-effect accounting procedures are applied whereby the income tax is regarded as an expense and is matched in the Profit and Loss Statement with the accounting profit after allowing for permanent differences. Income tax on cumulative timing differences (which arise when amounts are recognised in a different year for accounting purposes than the year in which they are recognised for income tax purposes) is set aside to the deferred income tax and future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse. Potential future income tax benefits (timing differences) are not recognised for accounting purposes unless they are expected to be recovered beyond reasonable doubt.

The income tax expense for the year is calculated using the 36% tax rate, however the provision for deferred income tax has been adjusted for the decreased corporate tax rate of 34% for the tax year 2000-01 and 30% thereafter. The adjustment recognises that the reversal of timing differences will occur within the 2000-01 or later income tax years, at which time tax will be attributed at the applicable lower rate. The corresponding adjustment has been charged to income tax expense.

C. Petroleum Properties - Capitalised Expenditure

All exploration and development expenditure incurred by the Company on the various petroleum property interests is capitalised and carried in the Balance Sheet as Non-Current Assets. General and administrative expenditure on each of the properties, generally, is capitalised until the productive capacity of the property is adequately evaluated and, thereafter, is written off to Profit and Loss in the year it is incurred.

MAGELLAN PETROLEUM (N.T.) PTY. LTD.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Petroleum Properties - Capitalised Expenditure (Continued)

The capitalised expenditure incurred on the various petroleum property interests is recorded separately in respect of each area of interest. If an area is abandoned, the applicable capitalised expenditure is written off to the Profit and Loss Statement in the year the abandonment decision is taken. Furthermore, where the prospect of recouping the capitalised expenditure on an area has been downgraded, all, or an appropriate part of, such expenditure is written off to Profit and Loss.

The capitalised expenditure is classified into three distinct phases; the exploration, development and production phases. All costs incurred on properties in the exploration phase are capitalised until such time as evaluation activities have reached the stage which permits a reasonable assessment of the economically recoverable reserves. When an area of interest progresses from one phase to another, the applicable capitalised expenditure is reclassified accordingly.

From time to time, the Company has entered into joint venture agreements with other parties whereby those parties have earned or may earn a portion of certain of the Company's petroleum property interests in return for conducting approved exploration programs on such properties at no cost to the Company. No adjustment is made to capitalised expenditure to reflect the change in the Company's percentage share in the relevant property interests as a result of such joint venture agreements.

It should be noted that the extent to which the capitalised expenditure shown in the Balance Sheet is recoverable is dependent on the Company obtaining revenue, at some future date, from the sale of petroleum production or the sale of assets.

D. Amortisation of Capitalised Expenditure on Petroleum Properties

In calculating amortisation of capitalised expenditure in respect of petroleum properties in the production phase, an estimate is made of the future expenditures to be incurred in developing the properties to the extent necessary to produce all of the economically recoverable reserves of oil and gas. Such estimated future expenditures are added to the unamortized balance of capitalised expenditure already incurred in respect of the production phase properties and the aggregate amounts are amortised by apportionment in the ratio of the production for the period to the total remaining economically recoverable reserves of oil and gas (i.e. on a production output basis). In the case of gas, the economically recoverable reserves used for amortisation purposes are limited to those committed to contracts.

Amortisation is not charged on petroleum properties and projects in the exploration or development phases, pending the commencement of production.

MAGELLAN PETROLEUM (N.T.) PTY. LTD.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Provision For Future Restoration Costs

A provision is being built up in the accounts (on a production output basis) over the period required to produce all the proved reserves of petroleum in the various areas of interest for the estimated future restoration obligations in respect of such areas. The estimated restoration obligations recognised include removal of facilities, abandoning of wells and restoring the disturbed areas and are based upon current undiscounted costs, current legal requirements and current technology. Estimates of future restoration obligations are reviewed and reassessed regularly and if revisions to estimates arise, they are made on a prospective basis.

F. Depreciation of Fixed Assets

Field production facilities are depreciated on a production output basis by apportioning their written down value in the ratio of the production for the period to the remaining economically recoverable reserves of petroleum. Effective July 1, 1999 the methodology of depreciating the Mereenie oil pipeline and Brewer Estate oil handling facilities was changed from a straight line basis over their expected useful life to a production output basis. This involves apportioning the remaining costs in the ratio of oil production for the period to the total estimated oil production for the remaining expected useful life. This change in methodology has led to an additional \$1,014,000 of depreciation expense which, after an income tax benefit of \$365,000, has resulted in a \$649,000 net charge against profits. Depreciation of all other fixed assets is calculated on a straight line basis so as to write off the cost or revalued amount of each item of property, plant and equipment over its expected useful life to the company.

The expected useful lives are:

- | | | |
|--|---------------|---|
| • Field production facilities | 12 years | (remaining life on a production output basis) |
| • Oil pipeline and handling facilities | 4 years | (remaining life on a production output basis) |
| • Other plant and equipment | 3 to 15 years | (from date of installation) |
| • Buildings | 40 years | (from date of installation) |

G. Non-Current Assets (Recoverable Amount)

With the exception of exploration expenditure carried forward, which is covered in Note 1C, the carrying amounts of non-current assets are reviewed annually to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the recoverable amount. In assessing recoverable amounts the relevant net cash flows have not been discounted to their present value. The Company has no policy of regular revaluation of non-current assets.

MAGELLAN PETROLEUM (N.T.) PTY. LTD.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Translation of Foreign Currencies

Foreign currency transactions are translated into Australian currency at the rate of exchange ruling at the date of the transaction. At balance date, amounts receivable and payable in foreign currencies are translated to Australian currency at the rates of exchange then ruling. Resulting exchange gains and losses are brought to account in determining the profit or loss for the period.

I. Inventories

Inventories consist of crude oil in various stages of transit to the point of sale and are valued at cost (being lower than the net realisable value). Costs used are average costs of both fixed and variable direct expenses including amortisation and depreciation.

J. Joint Venture Operations

Interests in joint venture operations are brought into account by including in the respective classification categories the Company's share of individual assets employed, the liabilities and share of expenses incurred in relation to the joint ventures.

K. Cash

For purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and deposits at call which are readily convertible to cash on hand, net of outstanding bank overdrafts.

L. Comparatives

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

M. Revenue Recognition

Revenue is only recognised by the Company when it is satisfied that (a) control of the right to receive the revenue has been attained, (b) the amount of revenue can be reliably measured, (c) it is probable that consideration will be received and (d) in the case of the sale of goods and assets, control has passed to the buyer.

MAGELLAN PETROLEUM (N.T.) PTY. LTD.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000

2. OPERATING PROFIT

	2000	1999
	\$000	\$000
The Operating Profit before income tax has been determined after charging/ (crediting) the following specific items:		
Amortisation of capitalised expenditure on production phase petroleum properties	3,633	2,607
Depreciation of plant and equipment	2,767	1,219
Royalties paid to governments	1,691	1,363
Provision for future restoration costs	294	211
Bad debts	(9)	—
Profit on disposal of property, plant and equipment	<u>—</u>	<u>12</u>
Included in the Operating Profit are the following revenues arising from operating activities:		
Oil sales revenue	7,760	4,763
Gas sales revenue	<u>18,718</u>	<u>16,626</u>
Total sales revenue	26,478	21,389
Interest received from other persons/corporations	58	62
Proceeds from sale of non-current assets	1	28
Rent	19	14
Royalties	143	198
Other revenue	<u>1,809</u>	<u>1,619</u>
Total Operating Revenue	<u>28,508</u>	<u>23,310</u>

MAGELLAN PETROLEUM (N.T.) PTY. LTD.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000

	2000 \$000	1999 \$000
3. INCOME TAX		
The Company applies tax-effect accounting procedures as set out in Note 1B.		
The amount provided for income tax differs from the amount of tax prima facie payable on the Operating Profit before Income Tax as follows:		
Operating Profit	<u>9,227</u>	<u>6,150</u>
Prima facie income tax expense at 36%	3,322	2,214
Income tax effect of permanent differences:		
Non-assessable receipts net of non-deductible expenses	(936)	(714)
Transfer of tax losses to (from) related entities	<u>(827)</u>	<u>(1,310)</u>
Income Tax attributable to Operating Profit at 36%	1,559	190
Gain or change in Income Tax rate from 36% to 34% effective July 1, 2000 and to 30% effective July 1, 2001	<u>(1,413)</u>	<u>—</u>
	<u>146</u>	<u>190</u>
4. DIVIDENDS PROVIDED FOR OR PAID		
Dividends Proposed:		
Franked at 34%	—	—
Unfranked	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>
Dividends Paid during the Year:		
Current year dividend		
- Franked at 36%	356	—
- Unfranked	<u>4,179</u>	<u>3,730</u>
	<u>4,535</u>	<u>3,730</u>
Franking credits available for the subsequent financial year	<u>—</u>	<u>—</u>

MAGELLAN PETROLEUM (N.T.) PTY. LTD.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000

	2000	1999
	\$000	\$000
5. RECEIVABLES		
Current Assets		
Trade debtors	5,900	3,302
Other debtors	<u>500</u>	<u>552</u>
	<u>6,400</u>	<u>3,854</u>
6. PETROLEUM PROPERTIES (CAPITALISED EXPENDITURE)		
Production phase properties		
- at Directors' valuation 1964	2,736	2,736
Less: Accumulated amortisation	<u>1,829</u>	<u>1,754</u>
	<u>907</u>	<u>982</u>
- at cost (net of recoverable development expenditure)	61,881	59,173
Less: Accumulated amortisation	<u>32,640</u>	<u>29,069</u>
	<u>29,241</u>	<u>30,104</u>
Production phase properties at written down value	<u>30,148</u>	<u>31,086</u>
Exploration phase properties	411	1,430
Less: Written off during the year	<u>330</u>	<u>1,142</u>
Exploration phase properties at written down value	<u>81</u>	<u>288</u>
Total Petroleum Properties	<u>30,229</u>	<u>31,374</u>

MAGELLAN PETROLEUM (N.T.) PTY. LTD.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000

	2000 \$000	1999 \$000
7. PROPERTY, PLANT AND EQUIPMENT		
Freehold land at cost	<u>71</u>	<u>71</u>
Buildings at cost	33	33
Less: Accumulated depreciation of buildings	<u>33</u>	<u>33</u>
	<u>—</u>	<u>—</u>
Interests in Joint Venture Plant and Equipment at cost:		
Mereenie Field, Pipeline & Brewer Estate	30,223	29,282
Palm Valley Field (net of recoverable development expenditure)	<u>1,434</u>	<u>1,385</u>
	31,657	30,667
Less: Accumulated depreciation	<u>18,376</u>	<u>15,464</u>
	<u>13,281</u>	<u>15,203</u>
Other Plant and Equipment at cost	27	26
Less: Accumulated depreciation	<u>22</u>	<u>21</u>
	<u>5</u>	<u>5</u>
Total Property, Plant and Equipment at written down value	<u>13,357</u>	<u>15,279</u>
Recent Valuations – As at June 30, 1999 the Directors valued interests in the Freehold Land and Buildings included above at other than current value, as follows:		
Freehold Land	136	136
Buildings	<u>130</u>	<u>130</u>
Total Freehold Land and Buildings	<u>266</u>	<u>266</u>

These interests are recorded in the accounts at cost. If these assets were sold at balance date at the valuation amounts, the capital gains tax payable would be \$Nil.

MAGELLAN PETROLEUM (N.T.) PTY. LTD.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000

	2000 \$000	1999 \$000
8. ACCOUNTS PAYABLE		
Current Liabilities		
Trade creditors	3,440	3,995
Amount owing to immediate parent entity	<u>339</u>	<u>408</u>
	<u>3,779</u>	<u>4,403</u>
Non-Current Liabilities		
Amount owing to immediate parent entity	<u>20,103</u>	<u>24,799</u>
9. PROVISIONS		
Current Liabilities		
Income tax payable	<u>2,059</u>	<u>180</u>
Non-Current Liabilities		
Deferred income tax	9,182	11,115
Future restoration costs	<u>1,566</u>	<u>1,272</u>
	<u>10,748</u>	<u>12,387</u>

As discussed in Note 1E, the provision for future restoration costs is being built up (on a production output basis) over the period required to produce all the proved reserves of petroleum in the various areas of interest. It is estimated that the Company's share of the total cost (undiscounted and based upon current costs) of such future restoration after petroleum production operations cease is \$6,419,000 (1999: \$6,135,000).

	2000 \$000	1999 \$000
10. SHARE CAPITAL		
Issued and paid up capital:		
2,267,412 ordinary shares fully paid (1999: 1,876,812)	4,535	3,754
— ordinary shares paid to \$1.00 (1999: 390,600)	<u>—</u>	<u>390</u>
<u>2,267,412</u> issued ordinary shares	<u>4,535</u>	<u>4,144</u>

MAGELLAN PETROLEUM (N.T.) PTY. LTD.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000

11. STATEMENT OF CASH FLOWS

	2000	1999
	\$000	\$000
(a) Reconciliation of Cash		
Cash balances are comprised entirely of cash on hand, at bank and on deposit at call	<u>1,077</u>	<u>860</u>
(b) Reconciliation of the Operating Profit after Income Tax to the Net Cash Flows from Operating Activities:		
Operating Profit after Income Tax	9,081	5,960
Add (less) items classified as investing or financing activities		
Profit on sale of non-current assets	—	(13)
Add (less) non-cash flow items		
Amortisation of petroleum properties	3,633	2,607
Depreciation of property, plant and equipment	2,767	1,219
Provision for future restoration costs	294	211
Write off of capitalised exploration expenditure	330	1,142
Changes in assets and liabilities		
Trade debtors and other receivables	(2,589)	(1,519)
Inventories	(119)	34
Trade creditors and other payables	(276)	1,138
Current income tax liability	1,879	93
Deferred income tax liability	(1,933)	10
Net Cash Flows from Operating Activities	<u>13,068</u>	<u>10,882</u>

MAGELLAN PETROLEUM (N.T.) PTY. LTD.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000

12. DETAILS OF INTERESTS IN JOINT VENTURES

- (a) The Company has the following material interests in unincorporated joint ventures at June 30, 2000:

Joint Venture	Output Interest Percent (Before Royalty)		Title Number	Principal Activity
	2000	1999		
Palm Valley Field	50.7750	50.7750	OL 3	Gas Production
Mereenie Field	35.0000*	35.0000	OL 4&5	Oil and Gas Production
Mereenie Pipeline	35.0000*	35.0000	—	Oil Transportation
Dingo Field	34.3365	34.3365	RL 2	Exploration

* Subject to Ministerial consent.

- (b) The Company's share of assets (net of accumulated amortisation and depreciation) employed in the above-mentioned joint ventures is included in the Balance Sheet, under the following classifications:

	2000 \$000	1999 \$000
Current Assets		
Cash	1,077	860
Receivables	—	19
	<u>1,077</u>	<u>879</u>
Non-Current Assets		
Petroleum Properties		
- Production phase properties	30,148	31,086
Land and buildings	71	71
Property, plant and equipment	<u>13,282</u>	<u>15,203</u>
	<u>43,501</u>	<u>46,360</u>
Share of assets employed in joint ventures	<u>44,578</u>	<u>47,239</u>

- (c) Capital and exploration expenditure commitments in respect of joint ventures are disclosed in Note 19.

MAGELLAN PETROLEUM (N.T.) PTY. LTD.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000

13. ECONOMIC DEPENDENCY

The Company has entered into long term contracts for the sale of natural gas to instrumentalities of the Northern Territory Government, primarily for power generation purposes. With the exception of the foregoing, the Directors believe there is no economic dependency.

14. SEGMENT INFORMATION

The Company operates predominantly in one industry; petroleum exploration, development, production, processing and marketing, and one geographical area; Australia.

15. REMUNERATION OF DIRECTORS

	2000	1999
	\$000	\$000
Income paid, or payable or otherwise made available to Directors, directly or indirectly, by the Company and related parties	<u>1,399 *</u>	<u>749</u>

The number of Directors of the Company (in respect of whom disclosure is required) whose income (including superannuation contributions) from the Company or related parties was within the specified bands is as follows:

\$70,000 — \$80,000	—	1
\$160,000 — \$170,000	2	—
\$310,000 — \$320,000	—	1
\$360,000 — \$370,000	—	1
\$370,000 — \$380,000	1	—
\$690,000 — \$700,000	1	—

Note * Includes retirement benefits of \$516,000 paid to Mr Benbow on his retirement.

16. REMUNERATION OF AUDITORS

Amounts received or due and receivable by auditors of the Company for:

Audit of the accounts	45	45
Other services	<u>6</u>	<u>63</u>
	<u>51</u>	<u>108</u>

MAGELLAN PETROLEUM (N.T.) PTY. LTD.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000

17. CONTINGENT LIABILITIES

The Company has contingent liabilities in respect of bank guarantees and bonds on production leases and exploration permits aggregating \$138,000 (1999: \$158,000).

18. RECEIVABLES DENOMINATED IN FOREIGN CURRENCIES

	2000	1999
	\$000	\$000
The Australian dollar equivalents (calculated at year end exchange rates) of amounts receivable in United States currency and which are not effectively hedged, are as follows:		

Receivables - Current	<u>778</u>	<u>412</u>
-----------------------	-------------------	-------------------

19. EXPENDITURE COMMITMENTS

	2000	1999
	\$000	\$000
Capital Expenditure Commitments		
Total capital expenditure contracted for at balance date but not provided for in the accounts, payable:		
— not later than one year	<u>1,331</u>	<u>891</u>

Exploration Expenditure Commitments

The Company holds interest in various petroleum concessions. To maintain these interests, the Company is required to meet its share of minimum work and expenditure obligations set by the relevant government authorities. The estimated cost of such obligations not provided for in the accounts, payable:

— not later than one year	32	32
— later than one year and not later than two years	<u>10</u>	<u>10</u>
	<u>42</u>	<u>42</u>

Joint Venture Expenditure Commitments

The above commitments include the Company's share of capital and exploration expenditure commitments in respect of joint ventures

<u>1,639</u>	<u>933</u>
---------------------	-------------------

MAGELLAN PETROLEUM (N.T.) PTY. LTD.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000

20. RELATED PARTY DISCLOSURES

- (a) During the financial year the Directors of the Company were:

Hedley Howard

Bruce McInnes and Joseph P. Morfea (appointed as Directors on August 13, 1999)

Dennis D. Benbow (resigned August 13, 1999)

- (b) The following related party transactions occurred during the financial year:

Transactions between the Directors of Magellan Petroleum (N.T.) Pty. Ltd. and the Company and related entities

Mr H. Howard holds a normal employment service agreement with the immediate parent entity. Remuneration under this contract is included in Remuneration of Directors in Note 15.

Transactions with the immediate parent entity

In its role as operator for the Magellan group of companies, Magellan Petroleum Australia Limited undertakes transactions on behalf of, and re-charges costs to, Magellan Petroleum (N.T.) Pty. Ltd. Any funds required in this process are advanced to the Company by Magellan Petroleum Australia Limited interest free.

During the current financial year Magellan Petroleum Australia Limited charged the Company management fees totalling \$921,000 (1999: \$1,173,000).

Transactions with other related parties

During the year, income tax losses were transferred for no consideration from related entities. The amounts transferred are disclosed in Note 3.

Transactions of Directors and Director-Related Entities Concerning Shares

The aggregate number of shares in Magellan Petroleum Australia Limited held directly, indirectly or beneficially by Directors or their Director-related entities at balance date was Nil (1999: 1,843). The reduction in the number of shares held by Directors is due to the resignation of Mr Dennis D. Benbow.

MAGELLAN PETROLEUM (N.T.) PTY. LTD.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000

20. RELATED PARTY DISCLOSURES (Continued)

- (c) The ultimate Australian parent entity and sole shareholder is Magellan Petroleum Australia Limited. The ultimate parent entity is Magellan Petroleum Corporation (incorporated in the USA) which at June 30, 2000 owns 51.16 percent (1999: 50.90 percent) of the issued ordinary shares of Magellan Petroleum Australia Limited.

21. FINANCIAL INSTRUMENTS

The Company has only simple financial instruments common to most businesses (as detailed in the schedules below) all of which are recognised in the Balance Sheet. The Company does not have any interest rate risk and has a maximum exposure to credit risk at balance date in relation to each class of recognised financial asset, equal to the carrying amount of those assets as indicated in the Balance Sheet. Credit risk is minimised due to the fact that 80 percent of the total debtors amount at balance date was owed, directly or indirectly, by Government instrumentalities. The remaining 20 percent was largely attributable to major Australian companies in the petroleum exploration, production and refining industry.

Accounting Policies, Terms and Conditions

The Company's accounting policies and the terms and conditions applying to each class of financial asset and financial liability recognised at balance date, are as follows:

Financial Instruments	Notes	Accounting Policies	Terms and Conditions
Financial Assets:			
Cash	1K	Apart from small amounts of cash at bank, all cash is invested on the short term money market.	Generally invested on short term deposit and/or short term commercial bills.
Receivables	5	Trade and other debtors are carried at the amounts due less any write off or provision for bad or doubtful debts. A provision is made for doubtful debts when collection of the full amount is no longer probable.	Generally on 15 to 30 day terms.
Financial Liabilities:			
Trade and other creditors	8	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity.	Trade and other liabilities are normally settled on 30 day terms.

MAGELLAN PETROLEUM (N.T.) PTY. LTD.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000

21. FINANCIAL INSTRUMENTS (Continued)

Interest Rate Risks

The Company's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities at balance date, are as follows:

Financial Instruments	Floating interest rate		Non-interest bearing		Weighted average effective interest rate	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000	2000 %	1999 %
Financial Assets:						
Cash	1,077	860	-	-	5.5	4.7
Receivables	-	-	6,400	3,854	N/A	N/A
Total Financial Assets	<u>1,077</u>	<u>860</u>	<u>6,400</u>	<u>3,854</u>		
Financial Liabilities:						
Trade and other creditors	-	-	3,440	3,995	N/A	N/A

Net Fair Values

For each class of financial asset and financial liability, due to the short term to maturity, the carrying amount at balance date approximates net fair value.