31 October 2003

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

The Manager

REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2003

This report is submitted by Magellan Petroleum Australia Limited in compliance with the ASX Listing Rule 5.2, and covers the quarter 1 July 2003 to 30 September 2003.

This report is based upon, and accurately reflects, information compiled by a person who is a practising geologist, who holds a Bachelor of Science Degree in Geology, who has had a minimum of five years experience in the practice of geology and who is a full time employee of the Company.

PRODUCTION

Mereenie and Palm Valley Natural Gas

The Company’s share of natural gas produced for sale from the two Amadeus Basin fields (Mereenie and Palm Valley) during the quarter ended 30 September 2003 increased by 10.3 percent from the September 2002 quarter, as detailed below:

<table>
<thead>
<tr>
<th>Field (Magellan Share)</th>
<th>Terajoules</th>
<th>Million Cubic Feet</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>Daily</td>
</tr>
<tr>
<td>Mereenie</td>
<td>1,120</td>
<td>965.5</td>
<td>10.5</td>
</tr>
<tr>
<td>Palm Valley</td>
<td>844</td>
<td>741.4</td>
<td>8.1</td>
</tr>
<tr>
<td>Total Both Fields</td>
<td>1,964</td>
<td>1,706.9</td>
<td>18.6</td>
</tr>
</tbody>
</table>
The total amount of Amadeus Basin sales gas produced for sale for the September 2003 quarter increased by 13.3 percent from the September 2002 quarter, as detailed below:

<table>
<thead>
<tr>
<th>Field (All Participants)</th>
<th>Terajoules</th>
<th>Million Cubic Feet</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>Daily</td>
</tr>
<tr>
<td>Mereenie</td>
<td>3,211</td>
<td>2,758.7</td>
<td>30.0</td>
</tr>
<tr>
<td>Palm Valley</td>
<td>1,622</td>
<td>1,425.2</td>
<td>15.5</td>
</tr>
<tr>
<td>Total Both Fields</td>
<td>4,833</td>
<td>4,183.9</td>
<td>45.5</td>
</tr>
</tbody>
</table>

**Mereenie Crude Oil and Condensate**

The Company’s share of crude oil and condensate produced for sale from the Mereenie field during the quarter was 5,690 kilolitres. This equates to approximately 35,787 barrels or a daily average of 389 barrels. Total oil and condensate produced for sale from the field was 102,248 barrels (1,111 barrels per day), a decrease of 3.2 percent from the September 2002 quarter.

**Nockatunga Crude Oil**

Magellan acquired a 40.936% interest in the Nockatunga oil fields in the Cooper Basin of southwest Queensland, effective 1 July 2003. The Company’s share of crude oil sales was 1,278 kilolitres which equates to approximately 8,038 barrels for the quarter, or a daily average of 87 barrels per day.

**Aldinga Crude Oil**

An extended production test commenced in the Aldinga oil field in the Cooper Basin in May 2003, which is continuing. Crude oil sales for the quarter totalled 916 kilolitres. This equates to approximately 5,762 barrels. The Company’s share of crude oil sales was 458 kilolitres which equates to approximately 2,881 barrels for the quarter, or a daily average of 31 barrels per day.

**OPERATIONS AND EXPLORATION ACTIVITIES**

**AUSTRALIAN OPERATIONS**

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

The Palm Valley field which is operated by Magellan produced an average of approximately 0.44 million cubic metres per day (15.6 MMcf/D) of natural gas during the September quarter. The increasing use of compression is required to counteract the field’s natural production decline. The Northern Territory Government has approved a wellhead pressure reduction program which is designed to maximise gas deliverability from the field in accordance with good oil field practice.
An additional development well, Palm Valley-11, is scheduled for drilling early next year to increase deliverability from the field. Approval to drill the well has been sought from the Northern Territory Government who is currently assessing the potential environmental impact of the drilling on the nearby Finke Gorge National Park.

**Mereenie Oil and 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 on the field next year is also planned 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 Dilkera, Koora, Maxwell, Maxwell South, Mutherio, 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 30 June 2003 is 3.5 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 spudded on 29 October by the operator of the joint venture, Santos Ltd, and is currently drilling ahead. The exploration potential of the ATP 267P area will be further tested by exploration well, Callisto-1, which is scheduled to spud following the Thungo-8 well.

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

Magellan and Beach Petroleum (Operator) are conducting an extended production test on the Aldinga-1 discovery well, 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, but has subsequently declined to a current rate of around 55 barrels of oil per day.

**AUSTRALIAN EXPLORATION**

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, offshore Western Australia, during the first quarter of 2003. The Strumbo-1 well was plugged and abandoned as a dry hole, and a re-evaluation of the hydrocarbon prospectivity of WA-288-P and WA-311-P is being conducted in light of the well results.
The Company is continuing the farmout program for its exploration permits WA-287-P (Magellan interest 100%) in the Browse Basin and WA-291-P (Magellan interest 85%) in the Carnarvon Basin, offshore Western Australia, and is seeking farmin partners to participate in the drilling of a well in each permit during 2004.

The Company also 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. Data from the Floreana-Plazas 2D seismic survey, completed during the previous quarter, have now been processed, and the results are being integrated into the geological and geophysical interpretation of the area.

Magellan (37.5% interest), Beach Petroleum (Operator) and Cooper Energy (under a farmin arrangement) spudded the Semaphore-1 well in PEL 110 on 19 October 2003. The well is currently at a Total Depth of 2518 metres (measured depth) and has not encountered any significant hydrocarbons.

Magellan (50% interest) and Beach Petroleum (Operator) plan to drill the Waitpinga-1 well in exploration permit PEL 94 and the Seacliff-1 well in PEL 95 in the Cooper Basin, commencing in November 2003, immediately following the Semaphore-1 well. Waitpinga-1 will target sandstones of the Patchawarra Formation in a large structure in the Milpara Embayment of the South Australian Cooper Basin, and Seacliff-1 will target Murta and Namur Formation sands in the adjacent permit.

As reported above, Magellan and Santos (Operator) will drill the Callisto-1 well in ATP 267P which surrounds the Nockatunga oil fields in the Cooper Basin of southwest Queensland. The Callisto prospect is interpreted to be a fault independent anticlinal closure at the prospective Jurassic and Permian horizons. The well is scheduled to spud immediately following the drilling of the Thungo-8 development well in the adjacent Petroleum Licence 50.

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, Queensland, in the previous quarter. The well failed to encounter significant natural gas flows, and Magellan and Novus are 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.

New Zealand

Magellan, through its wholly-owned subsidiary, Magellan Petroleum (NZ) Limited, holds a 100% interest in offshore exploration permit PEP 38222 in the Great South Basin to the
south of the South Island of New Zealand and a 25 percent interest in exploration permit PEP 38256 in the onshore Canterbury Basin of the South Island. Evaluation of these licence areas is ongoing.

Magellan Petroleum (NZ) Limited holds a 25% interest in exploration permits PEP 38746, PEP 38748 and PEP 38753 and a 12.5% interest in prospecting permit PPP 38761 in the onshore Taranaki Basin of the North Island of New Zealand. 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, during the quarter.

Wawiri-1 spudded on 7 September and reached a total depth of 1350 metres (measured depth). The Bluff-1 well spudded on 12 October 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.

FINANCE

Expenditures incurred in Australia and overseas on exploration, appraisal and development activities during the September 2003 quarter, totalled $3,703,000. All figures are unaudited.

Yours faithfully

T.G. Davies
General Manager.