AGIP AUSTRALIA LIMITED

DIRECTORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2002

Registered Number: 1020949

AGIP AUSTRALIA LIMITED

DIRECTORS AND REGISTERED OFFICE

BOARD OF DIRECTORS

L Bettinelli
D Fagan
G Ferrara
A Vella

SECRETARY AND REGISTERED OFFICE

D Fagan
Ebury Bridge House
10 Ebury Bridge Road
LONDON SW1W 8PZ

AUDITORS

PricewaterhouseCoopers LLP
32 Albyn Place
ABERDEEN AB10 1YL

REGISTERED IN ENGLAND NO: 1020949

AGIP AUSTRALIA LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 December 2002.

Highlights of the company's activities

Principal activity

The company's principal activity is exploration, development and production of oil and gas reserves. The company operates a branch in Australia. The activity conducted in the year mainly related to the development of the Woolybutt oil field that the company operates, and holds a 65% interest in. The project is due to commence production in the 2nd quarter of 2003.

Results for the year

The results for the year are set out on page 5 of the financial statements. There was a loss after tax for the year to 31 December 2002 of £7,000 (2001 loss after tax - £6,371,000) and this was transferred from reserves.

Dividends

The directors do not recommend the payment of a dividend (2001 - £nil).

Directors

The following served as directors during the year:

L Bettinelli	(Appointed 2 December 2002)
D Fagan	(Appointed 8 August 2002)
G Ferrara	
C Greenway	(Resigned 2 December 2002)
G Mirabelli	(Appointed 8 August 2002; resigned 2 December 2002)
E Sganzerla	(Resigned 2 December 2002)
D Thomas	(Resigned 8 August 2002)
A Vella	(Appointed 2 December 2002)

The directors' interests in Loan Notes of group companies were as follows:

	31 December 2001 (or date of appointment if later)	***31 December 2002***
	Number of Loan Notes Beneficial	***Number of Loan Notes Beneficial***
Agip Investments plc Loan Notes of £1 each		
D Thomas	34,236	**34,236**

Other than as set out above, no director had any interest, beneficial or non-beneficial, in the share capital of the company or any other UK group company at the dates stated or had any material interest during the year in any significant contract with the company or any subsidiary.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit and loss for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2002. The directors also confirm that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 12 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

Elective Regime

A resolution to dispense with the obligation to appoint auditors on an annual basis pursuant to Section 386 of the Companies Act 1985 (as amended) was passed on 11 December 2002. In addition, the company has dispensed with the requirement to hold annual general meetings or to lay accounts before the company in general meeting pursuant to Sections 366A and 252 of the Companies Act 1985 (as amended) respectively.

By order of the Board

DPFagan

D Fagan
Secretary

18 March 2003

AGIP AUSTRALIA LIMITED

INDEPENDENT AUDITORS' REPORT

Independent auditors' report to the members of Agip Australia Limited

We have audited the financial statements on pages 5 to 14.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
ABERDEEN

18 March 2003

AGIP AUSTRALIA LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	2002 £'000	2001 £'000
Turnover		-	-
Change in stocks		(63)	33
Other operating income		8,149	175
		8,086	208
Staff costs	6	2,821	1,790
Depreciation	10	377	262
Exploration costs and licence fees written off	9	1,765	4,185
Other operating charges		5,760	274
		10,723	6,511
Operating loss	4	**(2,637)**	**(6,303)**
Interest receivable	7	48	26
Exchange gains / (losses)		2,582	(94)
		2,630	**(68)**
Loss on ordinary activities before taxation		**(7)**	**(6,371)**
Tax on loss on ordinary activities	8	-	-
Retained loss for the financial year	14	**(7)**	**(6,371)**

The current and prior year results have been derived wholly from continuing operations.

There are no material differences between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents.

Statement of total recognised gains and losses for the year ended 31 December 2002

	2002 £'000	2001 £'000
Loss for the financial year	(7)	(6,371)
Exchange adjustments offset in reserves	(3,187)	-
Total recognised losses relating to the year	**(3,194)**	(6,371)

AGIP AUSTRALIA LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2002

	Notes	2002 £'000	2001 £'000
Fixed assets			
Intangible assets	9	744	1,118
Tangible assets	10	30,666	22,619
		31,410	**23,737**
Current assets			
Stocks	11	180	79
Trade debtors		-	1,583
Other debtors		1,044	2,469
Prepayments and accrued income		5,508	47
Amounts owed by group undertakings		1,253	36
Cash at bank and in hand		2,682	725
		10,667	**4,939**
Creditors – amounts falling due within one year			
Amounts owed to group undertakings		(46,704)	(29,949)
Other creditors		(1,167)	
Accruals and deferred income		(1,191)	(2,518)
		(49,062)	**(32,467)**
Net current liabilities		**(38,395)**	**(27,528)**
Total assets less current liabilities		**(6,985)**	**(3,791)**
Capital and reserves			
Called up equity share capital	13	20,000	20,000
Capital contributions	14	14,425	14,425
Profit and loss account deficit	14	(41,410)	(38,216)
Equity shareholder's funds	15	**(6,985)**	**(3,791)**

Approved by the Board on 18 March 2003
On behalf of the Board

G Ferrara
Director

STATEMENT OF ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year is set out below.

Change in accounting policy
During the year the company adopted FRS 19 "Deferred Tax". Although the adoption represents a change in accounting policy it has not resulted in a change to previously reported results.

Basis of accounting
The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The financial statements have also been prepared in accordance with the Statement of Recommended Practice (SORP), "Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities", with the exception of the following:

a) The depreciation policy followed (see below) is that set out in US Financial Accounting Standard No. 19. This policy is followed in order to be consistent with that adopted for oil and gas properties by the rest of the Eni SpA group and is also considered to be the industry standard.

b) The company values overlifts of product stocks at market value in accordance with the SORP. However, underlifts are valued at cost of production and not market price. This policy is adopted as it is considered more prudent not to recognise profit on a transaction before lifting by the customer has taken place.

Fundamental accounting concept
The financial statements have been prepared under the going concern concept because Agip Ventures plc, an intermediate parent undertaking, has undertaken to provide or procure sufficient funds as and when necessary to allow Agip Australia Limited to continue its operations for at least twelve months from the date of the financial statements.

Financial statements
The company acts as a participant in consortia involved in the exploration and exploitation of oil and gas in Australia.

As a participant, the company receives from the operators, returns of income, expenditure, assets and liabilities of the consortia, the company's shares of which are incorporated into its accounting records.

The financial statements reflect the company's share of each activity as a participant in consortia as governed by their joint operating agreement.

Tangible fixed assets

The tangible fixed assets include the company's share of expenditure in respect of exploration, appraisal and development costs of fields where a decision to exploit their reserves has been made and field development programme approval has been granted, and capital expenditure incurred when the fields are in production. Interest costs incurred during the development stage of fields are capitalised from the date at which field development programme approval is granted.

These assets, except proven mineral interests, are depreciated using the unit of production method based on proved developed oil and gas reserves for each field in production at the balance sheet date. Proven mineral interests are depreciated using the unit of production method based on proved developed and undeveloped oil and gas reserves for each field in production at the balance sheet date. When there is a change in the estimated total recoverable proved developed reserves of a field, the undepreciated cost is written off over the revised remaining reserves.

An impairment review is carried out at each year end in accordance with FRS 11. This review is based on assessments of the future net cash flows for each field calculated by utilising the company's estimate of proved reserves at year end, together with the company's estimates of future oil prices, future capital and operating costs and future decommissioning costs, required for recovering these remaining proved reserves. The calculations are performed using year end exchange rates and a discount factor is applied based on the company's costs of capital. Reversals of previously recorded impairment deficits are recognised only if supported by changes in estimates utilised in the impairment review process.

Intangible assets – exploration and appraisal costs

Exploration costs represent the company's share of expenditure by consortia and as operator on the exploration of the sea bed for oil and natural gas up to the date of any decision to exploit various finds.

Where no decision has been made by the balance sheet date to exploit a find, the costs are accounted for in accordance with the successful efforts method. The cost of drilling exploratory wells is carried forward as an intangible asset if in the opinion of the directors there is a reasonable prospect of development of the related fields commencing within five years of the balance sheet date. Costs of exploratory dry holes are written off at the time that the wells are determined to be dry and all licence fees, geological and geophysical expenses are written off as incurred.

Where a decision has been made to exploit a find, the exploration costs are carried forward. In the period after a decision has been made to exploit a find but before field development programme approval has been granted, any pre-development costs that are incurred are also capitalised and carried forward. When field development programme approval is granted, the exploration and pre-development costs of that field are reclassified as tangible assets, and when production commences are depreciated using the unit of production method based on proved developed oil and gas reserves for each field in production at the balance sheet date.

Exploration wells that are being drilled at the year end are included in fixed assets as drilling in progress until the results of the drilling are determined.

Intangible assets – interests acquired

The cost of acquisition of interests acquired in fields is allocated partly to the tangible fixed assets acquired and partly to intangible fixed assets. The cost of interests in fields in production is depreciated using the unit of production method based on proved developed oil and gas reserves at the balance sheet date. When there is a change in the estimated total recoverable reserves, the undepreciated cost is written off in proportion to the revised remaining reserves.

Stocks
Warehouse stocks are stated at the lower of cost and net realisable value and represent the company's share of stocks belonging to the consortia of which it is a member.

Decommissioning costs
The estimated cost of dismantling and restoring the production and related facilities at the end of the economic life of each field is recognised in full at the commencement of oil and gas production. The amount recognised is the present value of the estimated future restoration cost. An offsetting tangible fixed asset is also recognised. The asset is depreciated on a unit of production basis. Changes to the present value of the estimated future restoration cost are accounted for as adjustments to the provision and the fixed asset.

Foreign currencies
Transactions denominated in a foreign currency are converted to sterling at rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated at the rates ruling at the balance sheet date. The resulting exchange gains or losses are dealt with through the profit and loss account.

Taxation
Corporation tax payable is provided on taxable profits at the current rate of taxation.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted. Deferred tax is measured on a non-discounted basis.

Turnover
Turnover represents the company's share of oil, condensates and gas production sold and is stated exclusive of value added tax and similar levies.

Operating leases
Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Pension
The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable for the year are charged in the profit and loss account.

1 Parent undertakings

The company's immediate parent undertaking is Agip (BBH) Limited.

The company's ultimate parent undertaking, Eni SpA, a company incorporated in Italy, will produce consolidated financial statements for the year ended 31 December 2002 which will be available from Eni SpA – Exploration & Production Division, Direzioni e Uffici, Via Emilia 1, 20097, San Donato Milanese, PO Box 12069, (20100) Milano.

The parent company of the largest and smallest group into which the company is consolidated is Eni SpA.

2 Cash flow statement and related party transactions

In accordance with Financial Reporting Standard No. 1 (FRS 1 Revised), the company is not required to prepare a cash flow statement being a wholly owned subsidiary of Eni SpA. The cash flows of the company are included in the consolidated cash flow statement for that group.

The company has taken advantage of the '90% owned subsidiary' exemption within Financial Reporting Standard 8 not to disclose related party transactions with other members of the group.

3 Segmental information

The company's activities constitute one class of business – the exploration of oil and gas reserves.

Analysis of results of continuing operations.

	United Kingdom		Australia		Total	
	2002	2001	2002	2001	2002	2001
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover						
Change in stocks	-	-	**(63)**	33	**(63)**	33
Other operating income	**24**	40	**8,125**	135	**8,149**	175
	24	40	**8,062**	168	**8,086**	208
Staff costs	-	-	**2,821**	1,790	**2,821**	1,790
Depreciation	-	-	**377**	262	**377**	262
Exploration costs and licence fees written off	-	-	**1,765**	4,185	**1,765**	4,185
Other operating charges	-	147	**5,760**	127	**5,760**	274
	-	147	**10,723**	6,364	**10,723**	6,511
Operating loss	**24**	(107)	**(2,661)**	(6,196)	**(2,637)**	(6,303)

4 Operating loss

Operating loss is stated after charging the following amounts:

	2002	2001
	£'000	£'000
Auditors' remuneration – audit services	11	7
Operating lease charges	3,887	193

5 Director's remuneration

The director's remuneration was as follows:

	2002	2001
	£'000	£'000
Emoluments	205,922	-

One director receives his salary and benefits from the company.

6 Wages and salaries

Staff costs:

	2002	2001
	£'000	£'000
Wages and salaries	2,051	1,473
Pension costs	655	178
Other staff costs	115	139
	2,821	**1,790**

The average monthly number of persons employed by the company during the year, excluding contracted staff, was 36 (2001 – 28).

In respect of the current year, remuneration was paid by the company to one director (2001 – nil).

7 Interest receivable and similar income

	2002	2001
	£'000	£'000
Bank interest receivable	48	26
	48	**26**

8 Taxation

There is no charge to taxation in the year (2001 – nil).

The tax effect of the loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2001 – 30%) is explained below:

	2002 £'000	2001 £'000
Loss on ordinary activities before taxation	**7**	**6,371**
Loss on ordinary activities before taxation @ 30% (30% - 2001)	(2)	(1,911)
Accelerated capital allowances and other timing differences	(3,472)	1,334
Group relief surrendered for no consideration	3,474	577
Current tax charge for the period	**-**	**-**

The company has agreed to surrender, for no consideration, taxation losses under Section 402 Taxes Act 1988 to other group companies sufficient to cover any UK taxable profits of the group for the year.

9 Intangible fixed assets

	Total £'000
Cost	
At 1 January 2002	8,743
Additions	1,365
Exchange difference	(445)
At 31 December 2002	**9,663**
Depreciation	
At 1 January 2002	7,625
Charge for year	1,765
Exchange difference	(471)
At 31 December 2002	**8,919**
Net book value	
At 31 December 2002	**744**
At 31 December 2001	**1,118**

10 Tangible fixed assets

	Oil & gas assets	Office Equipment	Total
	£'000	£'000	£'000
Cost			
At 1 January 2002	21,781	2,213	23,994
Additions	-	10,274	10,274
Disposals	-	(1,014)	(1,014)
Exchange difference	(754)	(1,038)	(1,792)
At 31 December 2002	**21,027**	**10,435**	**31,462**
Depreciation			
At 1 January 2002	-	1,375	1,375
Disposals	-	(875)	(875)
Charge for the year	-	377	377
Exchange difference	-	(81)	(81)
At 31 December 2002	**-**	**796**	**796**
Net Book Value			
At 31 December 2002	**21,027**	**9,639**	**30,666**
At 31 December 2001	**21,781**	**838**	**22,619**

11 Stocks

	2002	2001
	£'000	£'000
Materials and supplies	**180**	**79**

12 Provision for liabilities and charges

No deferred corporation tax has been recognised. The unprovided amounts at 30% (2001 – 30%) are set out below:

	2002 Unprovided	2001 Unprovided
	£'000	£'000
Tax effect of timing differences on accelerated capital allowances	1,194	(2,226)
Tax losses available to carry forward	3,016	5,951
Deferred tax asset not recognised	**4,210**	**3,725**

13 Called up equity share capital

	2002	2001
	£'000	£'000
Authorised, allotted and fully paid £1 ordinary equity shares	**20,000**	**20,000**

14 Reserves

	Capital contributions	Profit and loss account	Total
	£'000	£'000	£'000
At 1 January 2002	14,425	(38,216)	(23,791)
Loss for the financial year	-	(7)	(7)
Exchange difference	-	(3,187)	(3,187)
At 31 December 2002	**14,425**	**(41,410)**	**(26,985)**

15 Reconciliation of movements in shareholder's funds

	2002	2001
	£'000	£'000
Loss for the financial year	(7)	(6,371)
Capital contribution in the year	-	14,425
Exchange difference	(3,187)	-
Net (reduction)/addition to shareholders funds	(3,194)	8,054
Opening equity shareholder's funds	(3,791)	(11,845)
Closing equity shareholder's funds	**(6,985)**	**(3,791)**

16 Capital commitments

The company has interests in various consortia engaged in exploration and development of oil and gas. As a member of these consortia, the company is committed to pay its share of the costs of development. It is anticipated that this may involve capital expenditure in 2003 of approximately £1.4 million (2002 - £17.8 million).

In addition to development expenditure, the company is committed to pay its share of the costs of exploration, which may involve capital expenditure in 2003 of approximately £1.4 million (2002 - £9.2 million).

17 Operating lease commitments

The company was committed to making the following payments in the next year in respect of operating leases:

	2002	2001
	£'000	£'000
Leases which expire:		
Within two to five years	**20,777**	**18,897**

18 Oil and gas exploration and production activities - unaudited

The data has been prepared in accordance with the provisions of the Statement of Recommended Practice "Accounting for Oil and Gas Exploration, Development and Decommissioning activities".

(a) *Capitalised costs relating to oil and gas exploration and production activities as at 31 December:*

	2002	2001
	£'000	£'000
Gross capitalised costs:		
Proved properties	26,451	26,362
Unproved properties	4,239	4,162
	30,690	30,524
Accumulated depreciation and amortisation	(8,919)	(7,625)
Net capitalised costs	21,771	22,899

(b) *Pre-production costs incurred in oil and gas exploration and production activities for the year ended 31 December:*

	2002	2001
	£'000	£'000
Exploration and appraisal costs	3,130	6,189
Development costs	-	-
	3,130	6,189
Capitalised costs included in total above	1,365	2,004

(c) *Results of operations of oil and gas exploration and production activities (including related trading operations) for the year ended 31 December:*

	2002	2001
	£'000	£'000
Turnover	8,086	208
Production costs	(23)	(21)
Exploration and appraisal costs	(1,765)	(4,185)
Depreciation and amortisation	(377)	(262)
Profit before allocable taxes	5,921	(4,260)
Allocable taxes	-	
Results of operations from exploration and production	5,921	(4,260)

18 Oil and gas exploration and production activities - unaudited (continued)

(d) Net proved oil and gas reserve quantities for the year ended 31 December:

	2002 Oil thousand barrels	2001 Oil thousand Barrels
Net proved reserves as at 1 January		
- proved developed reserves	-	-
- proved undeveloped reserves	7,691	-
	7,691	-
Changes during the year		
- production	-	-
- disposals	-	-
- revisions to previous estimates	-	-
- purchase of reserves in place	-	7,691
- extension, discoveries and other additions	-	-
	-	7,691
Net proved reserves as at 31 December		
- proved developed reserves	-	-
- proved undeveloped reserves	7,691	7,691
	7,691	7,691

The reserve quantities have been determined by professional reservoir engineering personnel, utilising computer models based on reservoir information obtained during drilling and producing operations. The company had no gas reserves throughout 2002 and 2001.