

BOUNTY OIL & GAS NL

ABN 82 090 625 353

REPORT TO SHAREHOLDERS FOR THE QUARTER ENDED 31 DECEMBER 2003

ACTIVITY HIGHLIGHTS

BOUNTY WILL BE DRILLING AT LEAST FOUR PROSPECTS WITHIN THE NEXT 12-18 MONTHS.

PROJECT	Bounty Interest	Potential Recoverable Reserves	Comments
Nyuni-1 (Offshore Tanzania)	10%	Unknown	Currently Drilling
Okuza-1 (Offshore Tanzania)	10%	100 mmbo or 390 Bcf	Commitment to drill after Nyuni-1
Offshore Perth Basin	10%	Unknown	One to three wells to be drilled mid-2004 based on new 3D seismic.
Biggus-1 (Sydney Basin)	25%	1.2 Tcf	Adjacent to Australia's largest gas market. Drilling mid to late 2004

Tanzania

Nyuni-1 has been drilled to 3,679 mSS. Wireline logging is underway. Following evaluation of the logs a decision will be made to plug and abandon the well, to test the well or to drill deeper.

Offshore North Perth Basin

2,676km of 2D and 666km of 3D seismic was acquired in WA-325-P and WA-327-P (Bounty 10%). Up to three exploration wells are planned for 2004.

Bounty has sold its 5% interest in TP/15 to Arc Energy NL for \$500,000 cash and a future potential bonus of \$500,000.

Offshore Sydney Basin

Acquisition of 1,500km of 2D seismic has commenced. This seismic will be used to define a drilling location for one exploration well currently planned for mid to late 2004. Bounty is free carried through the seismic and the well through a farmout to Electro Silica Plc. They will earn a total of 75% interest in the permit for funding this program.

Great South Basin, New Zealand

Bounty will be free carried through the acquisition of 2,000km of 2D seismic in February 2004 through a farmout to Electro Silica Plc. They will earn 25% by funding the seismic, and will earn an option to drill an exploration well to earn a further 50%.

Mongolia

Bounty will be free carried for 5% interest through an exploration program in Mongolia with Electro Silica Plc. Acquisition of the first 2,000km of seismic is scheduled to commence in March 2004.

GAS PRODUCTION

During the December quarter the Woodada Gas Field produced 354,430 GJ of natural gas and 269 bbls of condensate for sales to contracted customers. The average daily production of natural gas for the quarter was 3,852 GJ.

Sales made to industrial customers in the Perth Region from the Woodada Gas Field were 526,912 GJ of natural gas for the quarter. Additional gas was purchased under purchase agreements with Origin Energy developments Pty Limited and CMS Gas Transmission of Australia to meet sales contract levels.

Gross revenue from gas and condensate sales for the quarter from the Woodada Gas Field (100%) was A\$1,597,351.

REVIEW OF OPERATIONS

Offshore Tanzania

Nyuni Block (Bounty 10%)

Nyuni-1, commenced drilling on 26 September 2003. The primary target is the Lower Cretaceous Neocomian. The well was expected to reach its programmed depth of 3,018 mSS in December 2003. The well has taken longer than estimated due to operational delays, and the target zone being lower than expected. The current drilled depth is 3,679 mSS and logging operations are underway at the time of writing.

The joint venture has a commitment to drill a second well, Okuza-1, after Nyuni. With the exception of two Songo Songo delineation wells, no drilling has taken place in the Nyuni block. Nine play types have been recognised in the permit area – two of which are productive in the Songo Songo field and one of which has exhibited shows in the field. The remainder remain untested to date. A total of 12 prospects and leads are mapped, of which 9 are structural in nature.

Adjacent to the permit is the Songo-Songo gas field, which contains 590 BCF (proved and probable) of recoverable gas. The proven reserves are contracted to the Ubungo Power Plant. A 12" pipeline (105 mmcfgd uncompressed) from the field to shore has been completed and a 16" (120 mmcfgd) pipeline up to Dar-Es-Salaam is under construction and is due for completion in May 2004. This means that if gas is encountered at Nyuni or Okuza, there is relatively easy access to local gas markets.

Offshore Sydney Basin

PEP-11 (Bounty 25% and Operator)

The acquisition of 1,500 km of 2D seismic has commenced. This will be the first seismic data to be obtained in this permit since 1991. Bounty is free carried through the acquisition of the seismic and the drilling of one exploration well

Bounty has farmed out 75% interest in PEP 11 to UK company Electro Silica Plc in return for Electro Silica funding 100% of the costs of 1,500km of 2D seismic and the drilling of an exploration well within the permit.

Bounty will be free carried through both the seismic, which is scheduled for the first quarter of 2004, and the drilling, which is expected to commence mid to late 2004. By

funding both of these programs, Electro Silica will earn an aggregate 75% in PEP 11.

PEP 11, in the Offshore Sydney Basin, is situated immediately adjacent to the heavily populated and industrialized central coast of New South Wales, Australia. No drilling has taken place in the basin, despite a significant number of wells drilled in the adjacent onshore Sydney Basin, which have flowed gas or encountered oil shows.

Covered by permit PEP 11, a 200 kilometre long, 8,267km² permit, the Offshore Sydney Basin is a significant under-explored exploration area; with large scale structuring and potentially multi-Tcf gas and condensate-charged Triassic and Permian reservoirs. Mapped prospects and leads are generally located less than 50 kilometres from Australia's largest energy market, the Sydney-Wollongong - Newcastle greater metropolitan area - a population centre of approximately 5 million people.

Bounty has identified a large target located in the northern sector of the permit in an average of 125 metres of water. This structure is situated on the crest of the Offshore Uplift on a thrust anticline. With a closure of over 120km², the feature has potential to hold up to 1.2 Tcf of recoverable gas.

Bounty has completed reprocessing of seismic and aeromagnetic data to mature the mapping in the area. In addition, the prospectivity of the northern sector of the permit has been further enhanced by the confirmation of the presence of apparent hydrocarbon seeps. Originally detected on 1996 satellite imagery, a repeat analysis of 1998 and 2001 images again identified apparent seeps directly over the main prospect. The total depth of a well to test this prospect would be approximately 1,500 metres.

The PEP 11 Joint Venture is comprised of Bounty Oil & Gas NL (25%) and Electro Silica Plc (75.0% - earning).

Great South Basin, New Zealand

PEP 38215 (Bounty 26.25% and Operator)

As soon as the seismic survey is complete in PEP 11, the same seismic vessel (the Polar Duke) will travel to PEP 38215 to acquire 2,000km of seismic. Bounty will be free carried through the acquisition of this data.

Bounty has farmed out 25% interest in PEP 38215 to UK company Electro Silica Plc in return for Electro Silica funding 100% of the costs of 2,000km of 2D seismic. Bounty will be free carried through the seismic, which is scheduled for the first quarter of 2004.

Reprocessing and reinterpretation of over 6,200km of seismic over the permit have confirmed the presence of a number of large untested structures. It has also allowed Bounty to assign probable recoverable reserves of 0.9 Tcf and possible recoverable reserves of 2.2 Tcf of gas in the

Toroa structure. The Toroa-1 well was drilled by Hunt International Petroleum in 1976. Methanex has supplied Bounty with an Expression of Interest indicating that they would seriously consider entering into a long term gas contract if sufficient gas reserves could be proven and delivered under agreeable commercial terms.

The PEP 38215 Joint Venture is comprised of Bounty Oil & Gas NL (26.25%), Hardman Resources Pty Ltd (41.25%), Albatross Energy Pty Ltd (7.5%) and Electro Silica (25% - earning).

Offshore Perth Basin

TP/15 (Bounty 5%)

Bounty has sold its 5% interest to Arc Energy NL for a cash payment of \$500,000. A further \$500,000 bonus will be paid to Bounty at such a time as any future production from TP/15 reaches either five million barrels of oil or 20 petajoules of gas.

WA-325-P and WA-327-P (Bounty 10%)

657km² of 3D seismic, and 825km of 2D has been acquired in November 2003. This is in addition to the 2676 kilometres of new 2D seismic data acquired earlier in the year. This additional 2D and 3D seismic will be used to determine the location for

The WA-325-P and WA-327-P Joint Ventures are comprised of Bounty Oil & Gas NL (10%), Roc Oil (WA) Pty Ltd (37.5% and operator), Apache Energy Ltd (37.5%, earning) and Voyager Energy Ltd (15%).

Onshore Carnarvon Basin

EP 412 (Bounty 65%)

Bounty is considering its options on how to proceed in this permit. Rough Range Oil Pty Ltd has been unable to fulfill its commitment to drill a well in the permit.

The EP 412 Joint Venture is comprised of Bounty Oil & Gas NL (65%) and Rough Range Oil Pty Ltd (35%).

Vulcan sub-Basin

AC/P25 (Bounty 5%)

Bounty Oil & Gas NL (Bounty) has farmed out 95% interest in this permit. Under the terms of the agreement, Bounty will assign a 95% interest in the permit to Hardman Resources Limited in return for \$50,000 cash and a carried interest through the acquisition of 400km of 2D seismic by 25 October 2004.

The AC/P25 Joint Venture is comprised of Bounty Oil & Gas NL (5%) and Hardman Resources Limited (95%).

AC/P32 (Bounty 26%)

The Joint Venture applied for an extension to the permit to allow additional time to undertake seismic reprocessing. This extension was not granted. The joint venture is currently considering its options.

The AC/P 32 Joint Venture is comprised of Bounty Oil & Gas NL (26%), OPIC (25.0%), Westranch Holdings Pty Ltd (49% and operator).

Bonaparte Basin

WA-324-P (Bounty 100% and Operator)

Studies are ongoing.

Surat Basin

PL18 & PL 40

Bounty has decided not to exercise its option to drill in this permit. This project has been dropped.

Electro Silica Oil & Gas NL has invited Bounty to participate in its Mongolian exploration project. The arrangement free carries Bounty through the acquisition of the initial seismic and the drilling of one well in each of Electro Silica's four Mongolian licensed exploration blocks. Bounty

Mongolia (Bounty 5%)

The initial acquisition of 2000km of 2D seismic is scheduled to commence in March 2004. The four exploration blocks cover an area of over 150,000 km².

Regional reserves are unknown because of the lack of modern seismic data, but proven producing basins surrounding Mongolia contain over 17 billion barrels of oil. This seismic survey may confirm whether any of these plays extend into the unexplored basins.

BOUNTY OIL & GAS NL

TOM FONTAINE

MANAGING DIRECTOR

Note: In accordance with Australian Stock Exchange Limited listing requirements, the geological information supplies in this report has been based on information provided by geologists who have had in excess of five years experience in their field of activity.