

31 January 2008

ASX/MEDIA RELEASE

BOUNTY OIL & GAS NL

Quarterly Activity Report - End December 2007

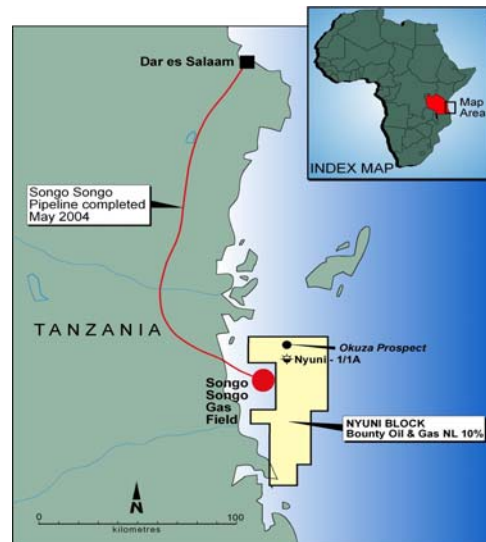
Highlights

- **Kiliwani 1 spuds in southeast Tanzania to test the 100BCF potential Kiliwani prospect adjacent to the Songo Songo gas field.**
- **At 6% interest Bounty is targeting 6 million boe's OGIP in Kiliwani 1.**
- **Preparations underway to drill the 200 million bbl potential Wisteria prospect in A/CP 32, Timor Sea in July 2008.**
- **Bounty farms down part of it's cost in this high impact well on a 2:1 basis but retains a highly meaningful 10% interest in Wisteria and A/CP 32.**
- **Seismic studies upgrading WA 324P Bonaparte Gulf adjacent to the permit where ExxonMobil make Marina gas/condensate discovery in October,2007.**
- **Bounty upping it's activity tempo for 2008 as it reverts to being a fully independent explorer/producer following the sale by Drillsearch Energy Limited of it's 13.9% holding in Bounty.**
- **This Activity Report expanded to provide more detail on current projects. Bounty actively reviewing new projects .**

Look Back: 1 October – 31 December Review

Drilling Activity

Nyuni Block, Offshore Tanzania



Map 1: Nyuni Block offshore Tanzania

Location: South East Tanzania **Basin:** Mafia Basin **Area:** 1430 sq km

Interest: Bounty is free carried through Kiliwani 1 at 6%. 6% straight up thereafter.

Operator: Ndovu Resources Limited

Resource Estimates: Kiliwani 1 – 100 BCF

Background:

The Nyuni Block is offshore and is adjacent to the producing Songo Songo Gas Field that provides gas to the city of Dar es Salaam through under-utilized infrastructure that was built in 2003 with World Bank funding.

The Songo Songo field contains 590 BCF (proved and probable) recoverable gas in Lower Cretaceous sands. The reserves are contracted to the Ubungo Power Plant, Dar es Salaam and are delivered by a 16" pipeline. Commercial production from Songo-Songo commenced in July 2004. The pipeline has excess capacity and the Joint Venture including Bounty have a right of access to these relatively new facilities and pipeline under the terms of the Production Sharing Agreement (PSA) in place with the Government's Tanzanian Petroleum Development Corporation (TPDC). The Kiliwani 1 prospect is located 4 km south/east of Songo-Songo.

Kiliwani 1

Kiliwani 1 was spudded on 15th November, 2007 as the first of two back to back wells. Both wells are being drilled directionally from Kiliwani Island. Kiliwani 1 is targeting a potential estimated recoverable reserve of 100 BCF (100 mme's) (Bounty: 6 mme's). See Map 1.

Kiliwani 1 well details are as follows:

Location:	Latitude: 8° 33' 9" S Longitude: 39° 31' 16" E Kiliwani Island, south/east Tanzania, 4 kms south/east of Songo Songo gas field.
Planned Total Depth:	2,548 metres
Primary Target:	Lower Cretaceous Sandstones. These sandstones are the principal gas producing reservoirs at the Songo Songo gas field.
Drilling:	The well is being drilled with the Caroil – 6 rig. The drill pad is located on Kiliwani Island. The well has been drilled vertically to 270 metres and then directionally drilled to the south/west on an azimuth of 230° and inclination of 38° off vertical. The target formation is 1,200 metres offset from the surface location.

The well was sited using 'transition zone' seismic, which incorporated and re-interpreted the previous seismic data base. This work has identified a number of follow-up leads in the permit. The geologic model of the Mafia Basin indicates that there may be oil-prone source rocks to the south of the permit. The model indicates that rifting persisted throughout Late-Carboniferous and Permo-Triassic time, with the latest rifting in the Late Jurassic, which likely resulted in the deposition of oil prone source rocks to the south of the permit. After the rifting, the region was a passive continental shelf margin, experiencing a series of transgressive and regressive cycles. A phase of extensional faulting is inferred at the end of the Neocomian and continued until the end of the Turonian period. It is this Cretaceous faulting that likely provided the present day structural traps in the area.

Planning for the second well will be Kiliwani North-1, commenced during the quarter and it will be commenced at completion of Kiliwani 1.

Oil Production

1.

Petroleum Lease 214, Eromanga Queensland, Utopia Oil Field

Location: 30 km south/east of Tarbat/Ipundu (Tintaburra Block) and 45km south/east of Eromanga.

Basin: Cooper / Eromanga

Area: 305 sq km

Interest: 40%

Operator: Oil Wells Inc. of Kentucky

Resource/ Reserve Estimates: 40% of 2.86 million bbls (at P50) of oil in Murta Zone (Bounty: 1.14 million bbls).

Background: The Utopia Field is a broad low-relief structure at the Early Cretaceous Murta Zone level with a maximum relief of approximately 10 metres.

Utopia is the largest known Murta field in the Queensland, Eromanga Basin.

An independent technical review of Utopia undertaken in 2004 indicated a large range of potential recoverable oil, with recoverable oil reserve estimates of 0.16 million (P90 ie 90% probability), 2.86 million (P50) and 12.70 million (P10) barrels respectively.

Utopia has considerable development potential within this large lease and drilling has yet to test the deeper oil zones.

Production & Sales:

During the quarter Bounty continued to produce light sweet crude oil from the Murta Zone in the Utopia Field and to sell oil to the Eromanga Refinery.

Oil Revenue	Bounty Share (40% interest)
1 October – 31 December 2007	\$102,074
1 July – 30 September 2007	\$75,450
Total Q1 and Q2	\$177,524

Oil Production/Sales	Oil Production bbls Bounty Share (40% interest)	Oil Sales bbls Bounty Share (40% interest)
1 October – 31 December 2007	3334	2687
1 July – 30 September 2007	2887	2887
Total Q1 and Q2	6221	5491

The Joint Venture is reviewing the possibility of additional 3D seismic and development options that may include horizontal wells.

Look Ahead: 2008

High Impact Drilling Activity mid 2008:

In addition to Kiliwani North 1 (see above)

AC/P 32, Offshore Western Australia (Offshore)

Location: Ashmore Cartier Region, Timor Sea (See Map 2 below for detail)

Basin: Vulcan Sub Basin

Area: 1,092 sq km

Interest: 10% farmed down from 12.8%

Operator: Coogee Resources

Resource Estimates: Wisteria – 200 mmbbls potential

Activity and Background:

During the quarter final seismic interpretation was conducted.

The location of the permit is believed to be within petroleum migration pathways and reservoir catchments along the southern and eastern margins of the Vulcan Sub-Basin an area undergoing a revival through leading edge interpretation by our permit operator.

Technical evaluation has suggested the presence of two functioning hydrocarbon generation systems additional to the established Late-Jurassic marine source rocks, adjacent to the AC/P 32 permit. These include a Lower-Middle-Jurassic terrestrial source rock system (which is the most likely source of the oil at the Montara Field complex adjacent to AC/P 32) and a Permian hydrocarbon generative source rock which appears to have charged the Osprey-1 location in AC/P 25, up-dip and north-east of AC/P 32.

Mapped structures in AC/P 32 at the Base Cretaceous horizon within the Late-Jurassic (Montara Sandstone) section and at the top of the Middle-Jurassic Plover Sandstone section have the potential to access the three separate hydrocarbon charge systems. All systems may generate oil/gas/condensate at different stages within or adjacent to the AC/P 32 permit, thereby improving the chances of locating commercially recoverable hydrocarbons.

The permit is surrounded by existing oil and gas production and discoveries, including Swallow, Swift North, Jabiru, Challis, Cassini, Skua, Swift and Montara. The operator Coogee Resources is developing the Montara Field.

The major Crux Field held by Nexus Energy is located to the south/west.

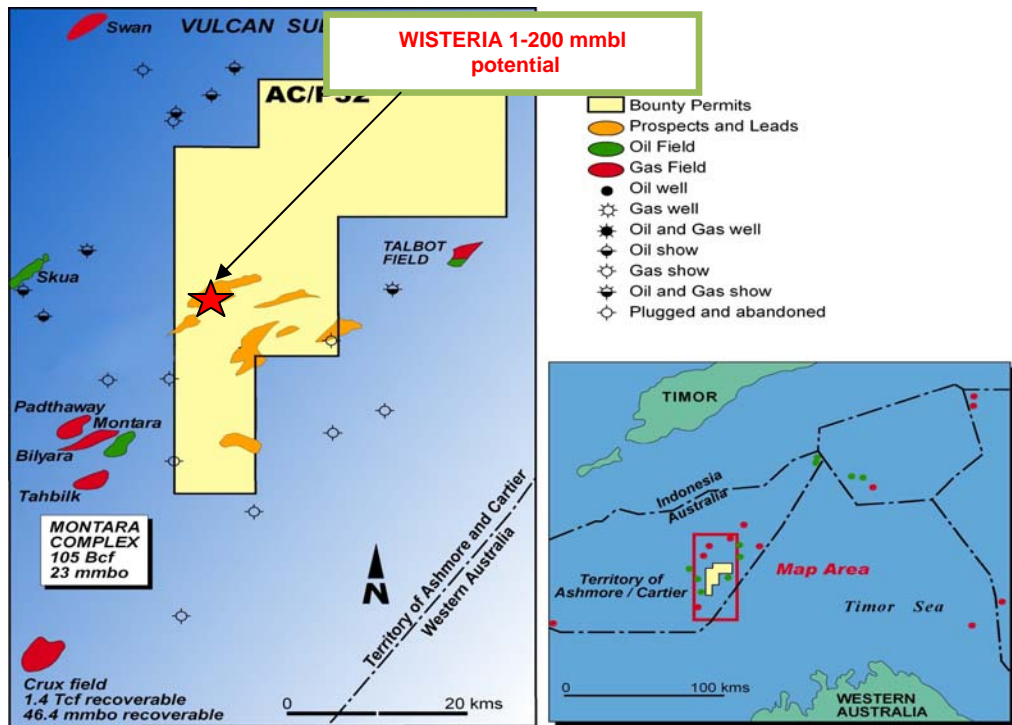
Reprocessing and re-interpretation of 3D seismic purchased in 2007 identified Wisteria as a major stratigraphic trap play with 200 mmbbl potential in the western sector of this large permit.

Wisteria is therefore a high impact play with the potential if successful to push Bounty into the middle rank of Australian petroleum producers.

During the quarter the joint venture commenced planning to drill the Wisteria Prospect. Current planning is for the well to commence in July, 2008. The operator has interests in many of the other discoveries in the area (see above) and this has assisted it to contract a jack up rig to drill Wisteria in mid 2008..

After the end of the quarter Bounty farmed down its interest in Wisteria and A/C P 32 from 12.8% to 10% on a 2:1 basis to Cosmo Energy. The Bharat Petroleum Corporation Limited (BCPL) (India), a Fortune 500 company has also farmed into the permit to earn a 20% interest.

Bounty is in partnership with leading industry players and still holds a very meaningful interest at 10% and this provides Bounty with potential to undertake further farm outs if appropriate or to retain a high exposure to this high impact well.



EP 412 and EP 435, Carnarvon Basin, Onshore Western Australia (Onshore/Offshore)

Location: Exmouth, Western Australia (Map 3)

Basin: Carnarvon Onshore

Area: EP.435 – 317 sq km, EP.412 – 2,650 sq km

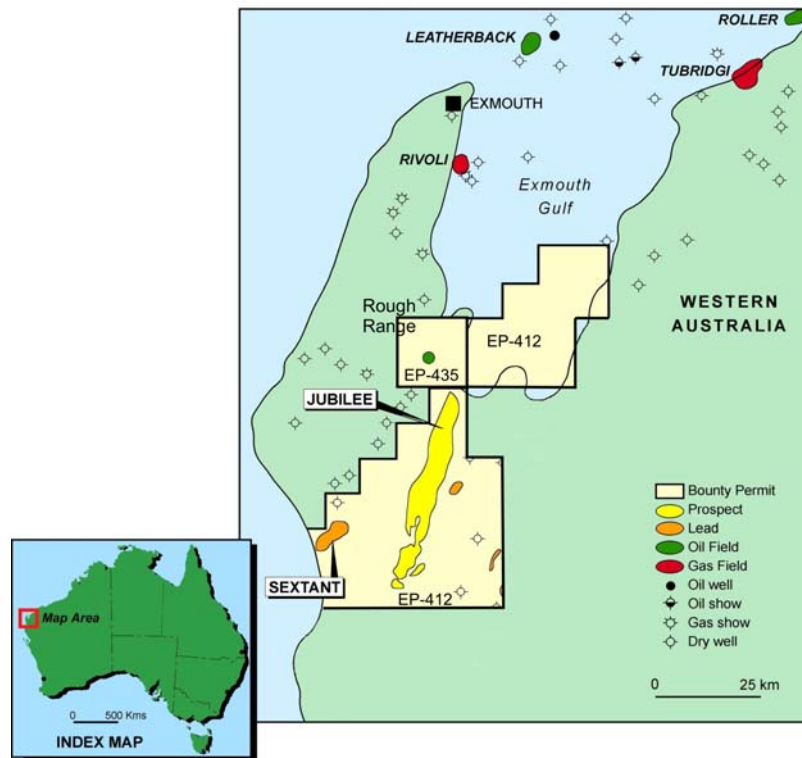
Interest: EP.435 – 10%
EP.412 – 65%

Operator: Rough Range Oil Pty Limited (subsidiary of Empire Oil & Gas N.L. (EGO))

Resource Estimates: Some EP.412 structures have 50-100 bcf potential.

Background:

Bounty increased its interest in EP 435 by farming into the Parrot Hill-2 well drilled in 2007. Bounty now has an interest in 2,967 km² of contiguous acreage in an area with known hydrocarbons (Rough Range Oil Field and Rivoli Gas Pool).



Map 3

The operator has announced plans to drill in EP.412, and possibly in EP.435 in 2008. The operator is obligated to drill to the Birdong Sandstone objective in EP 412 in 2008 and Bounty will be free carried. Thermoluminescence geochemical surveys have shown anomalous results that are interpreted to demonstrate the presence of hydrocarbons coincident to the Thornbill-1 mapped seismic closure in EP 412 (reference not on map) and the Bee-Eater (reference not on map) prospect in EP.435. These results have attracted UK company Jurassica Oil & Gas Plc which has farmed into Rough Range's interest in EP.412.

The Thornbill-1 prospect has a seismic amplitude anomaly resulting from AVO (Amplitude Versus Offset) processing over a shallow target at 800 metres. The operator believes the prospect could be prospective for oil; however it is considered more likely a gas play with potential recoverable reserves of up to 50 billion cubic feet of gas. Discussions with the operator as to its earning commitment are in progress.

WA 324 P, Offshore Bonaparte Basin, Western Australia

Location: 400 km west of Darwin, Northern Territory off the Kimberley Coast (Map 4)

Basin: Bonaparte Basin

Area: 2514 sq km

Interest: 100%

Operator: Bounty Oil & Gas NL

Resources Estimates: Possibly 1 TCF type prospects

Background:

A thorough, geophysical mapping project on the 340 km Dolphin seismic survey data and the integration of the results with previous seismic data was undertaken during the quarter. That work was being done by independent geophysical consultants and was nearing completion at the end of the quarter.

This review is aimed at upgrading the prospectivity of WA.324P.

At the end of the quarter Bounty entered an ingress letter agreement with ExxonMobil to allow Exxon to conduct seismic surveys extending into WA 324P at the end of seismic lines to be shot principally in the adjoining WA 318 P permit,.

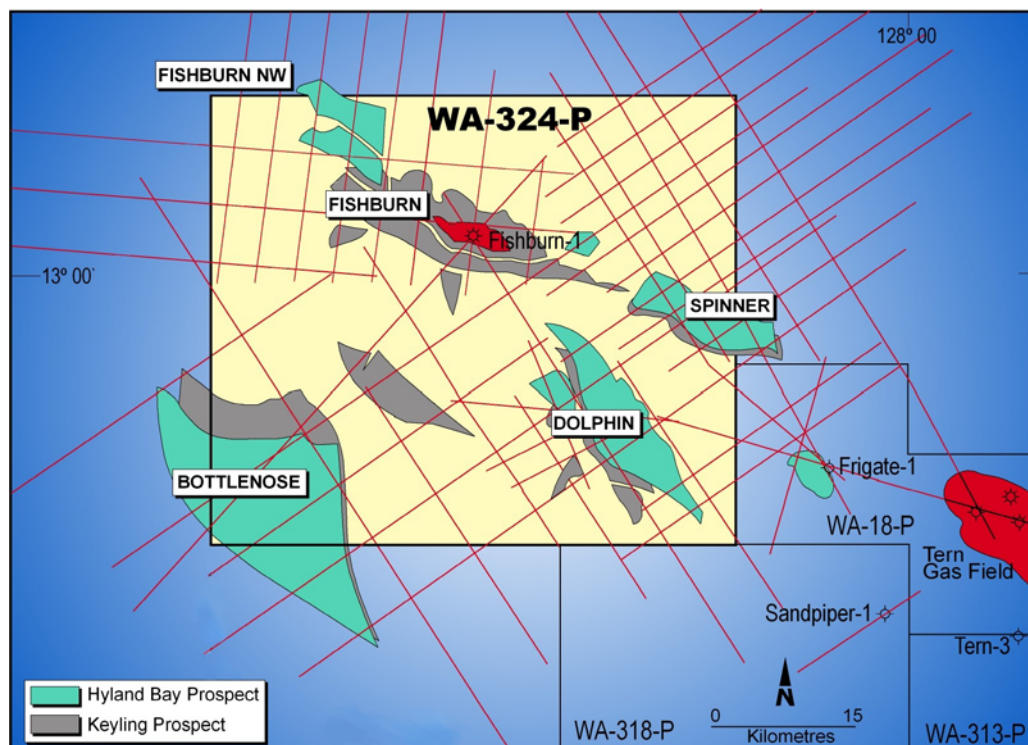
There has been renewed interest in the area following the October 2007 Marina 1 gas /condensate discovery in WA.318P which adjoins WA.324P to the south/east. ExxonMobil is now the operator of the Marina Block and is active in the area

The Marina-1 well proved gas/gas condensate in the Treachery formation (non-commercial) and recovered oil in the Keyling interval.

Development of the region is being led by ENI with first gas deliveries expected to be produced from the Blacktip discovery further east in WA.313P in January 2009. Blacktip will produce from the Early-Permian Keyling and Treachery Formations.

WA 324 P contains the Fishburn-1 gas discovery (non-commercial) in the Hyland Bay Formation, but the well did not drill deep enough to penetrate the Keyling and Treachery Formations due to mechanical problems. Fishburn is on trend from the 550 bcf Tern field.

The area the subject of current Bounty is centred on the Dolphin and Dolphin East areas.



Map 4:WA-324-P Hyland Bay and Keyling Prospect Map

PEP 11, Offshore Sydney Basin, New South Wales

Location: Offshore from Newcastle, Sydney, NSW

Basin: Sydney Basin - Offshore

Area: 1,430 sq km

Interest: 75%

Operator: MEC Resources Limited

Resource Estimates: Potential + 1 TCF at Baleen.

Background:

During the quarter Bounty applied for an extension of this permit while the operator sourced a semi submersible rig and conducted farm out discussions.

A considerable amount of geological and geophysical work has been carried out by Bounty since 2002 which has greatly improved the regional Sydney Basin play model and its prospectivity, particularly offshore where the Permian is closer to the likely sediment source. Bounty holds a total of 1,450 km of 2D seismic data obtained in 2004, and 2,345 kms of older 2D seismic data. An active hydrocarbon system is also evidenced by active offshore oil seeps and both oil and gas shows in wells drilled into the Permian onshore.

Corporate

- After the end of the quarter Bounty raised \$319,060 before expenses through a placement of 6,381,200 new shares with a 1:1 free attaching unlisted option exercisable at \$0.08 before 31 March,2009.
- Bounty announced on 25 January 2008 that it has a new substantial shareholder ,GH Corporate Services Pty Ltd who completed the acquisition of 26.4 million Bounty shares (13.9% of Bounty) from Drillsearch Energy Limited. Drillsearch has ceased to be a Bounty shareholder.
- Bounty's Board welcomes this positive development as it will allow Bounty to again be a fully independent explorer/producer as it pursues it's high impact 2008 high impact drilling programme.
- Now it is fully independent Bounty is pursuing a number of new acquisition and farm in opportunities with the aim of achieving new 2008 drilling activity in addition to it's current high impact projects.
- Appendix 5B is attached.
- [The information in this report that relates to or refers to hydrocarbon reserves, is based on information and reports prepared by independent petroleum engineering consultants and/or compiled by the Chairman of Bounty Oil & Gas NL Mr Graham Reveleigh. Mr.Reveleigh is a Master of Science (Geology) and has practised geology and petroleum geology for in excess of 15 years. He is a member of the Australasian Institute of Mining and Metallurgy].

For further information, please contact:

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

BOUNTY OIL & GAS NL

ABN

090 625 353

Quarter ended ("current quarter")

31 December 2007

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6months) \$A'000
1.1 Receipts from product sales and related debtors	85	170
1.2 Payments for		
(a) exploration and evaluation	(70)	(208)
(b) development	0	0
(c) production	(31)	(78)
(d) administration	45	(344)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	3	11
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		-
Net Operating Cash Flows	32	(449)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments	(156)	(297)
(c) other fixed assets	(32)	(32)
1.9 Proceeds from sale of:		
(a) interests in permits		
(b) equity investments	74	74
(c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	(114)	(255)
1.13 Total operating and investing cash flows (carried forward)	(82)	(704)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(82)	(704)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Less Cost of Placement		
1.16	Less Listing fees		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows		
	Net increase (decrease) in cash held	(82)	(704)
1.20	Cash at beginning of quarter/year to date	373	995
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	291	291

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	25
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	Directors/Geological fees capitalised to Exploration	

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	700
4.2 Development	0
Total	700

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	155	137
5.2 Deposits at call	136	236
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	291	373

Changes in interests in mining tenements

Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	183,601,038	183,601,038		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>	Nil	Nil		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	3,400,000	Nil	Exercise price \$0.20c	Expiry date 01/09/2008
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date:31/01/2008.....
(Company secretary)

Print name: MICHAEL L. HUTT

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.