



31 January 2009

ASX/MEDIA RELEASE

BOUNTY OIL & GAS NL

Quarterly Activities Report - End December 2008



Flaring gas Kiliwani North 1 - Tanzania

Highlights

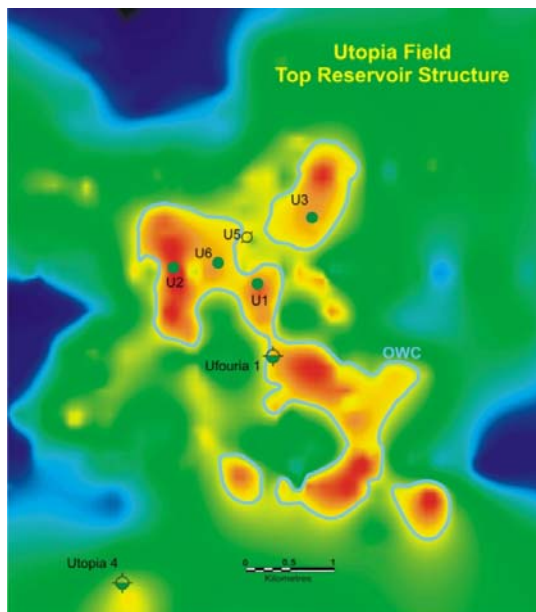
- PEP 11 , Offshore Sydney Basin - studies detect seeping hydrocarbons and upgrade prospective gas resource at Fish Prospect to 9.2 trillion cubic feet(TCF).
- PEP 11 extension pending.
- Kiliwani North commercialisation process: A designated "Location" of 676 km² over the KN 1 gas pool and adjacent areas approved by the Ministry of Energy.
- The KN-1 pool adds a potential 1.7 mmboe to Bounty's probable (P50) petroleum reserves and more than doubles those reserves to 2.8 mmboe.

Bounty's schedule of permits, interests and acreages: See Table 1 at end of this report.

Look Back: 1 October 2008 - 31 December 2008

Oil Production: Utopia Block

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



Background:

Bounty produces light, sweet oil at the Utopia Field from sands in the early Cretaceous Murta Member, trapped in a low relief anticline.

Utopia is the largest known Murta field in the Queensland sector of the Eromanga Basin. A 2004 review indicated a relatively large pool, with recoverable oil reserve estimates of 0.16 million (P90 – i.e. 90% probability), 2.86 million (P50) and 12.70 million (P10) barrels respectively.

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

Operations during Quarter

Production & Sales:

During the quarter Bounty continued to produce light, sweet crude oil from the Murta Zone and to sell oil to the Eromanga Refinery. Volumes were higher but revenues declined due to sharp declines in the oil price.

	Oil Revenue	Bounty Share (40% interest)
Q1	1 July – 30 September 2008	\$158,875
Q2	1 October – 31 December 2008	\$97,296
	Total Q1- Q2	\$256,171

	Oil Production/Sales	Oil Production bbls Bounty Share (40% interest)	Oil Sales bbls Bounty Share (40% interest)
Q1	1 July – 30 September 2008	1175	1297
Q2	1 October – 31 December 2008	1336	1280
	Total Q1- Q2	2511	2577

Exploration and Development:

Bounty and the operator continued a joint development review during the quarter. The outline development plan provides for as many as 12 development wells within the known limits of the field.

Such a development programme will require low cost drilling methods and Bounty is investigating alternative drilling techniques and completions including, horizontal development wells in order to undertake a cost effective development plan.

Exploration and Development Activity:

Nyuni Block, Offshore Tanzania

Location: South East Tanzania.

Kiliwani North 1 (KN 1)

Kiliwani North 1 was spudded as a vertical well on 23rd February 2008 and drilled to a depth of 2030 metres (6,687 ft). The well encountered strong gas shows while drilling and intersected a 60 metre gas column in Lower Cretaceous (Neocomian) age sandstones.

In June 2008 a successful flow test on the KN 1 well was completed.

Initial results from the test established:

- A strong stabilised flow of gas at a rate of 40 million cubic feet/day (mmcf), equivalent to 6,700 barrels of oil per day, through a 72/64ths" choke;
- Strong flowing wellhead pressures;
- Condensate of one barrel per million cubic feet;
- Sweet gas -No carbon dioxide (CO₂) or hydrogen sulphide (H₂S) impurities.
- The KN 1 pool is a separate pool from the major Songo Songo pool to the west.
- The KN-1 discovery has opened up a number of appraisal well opportunities in the pool and in the Nyuni Block.

Operations During Quarter

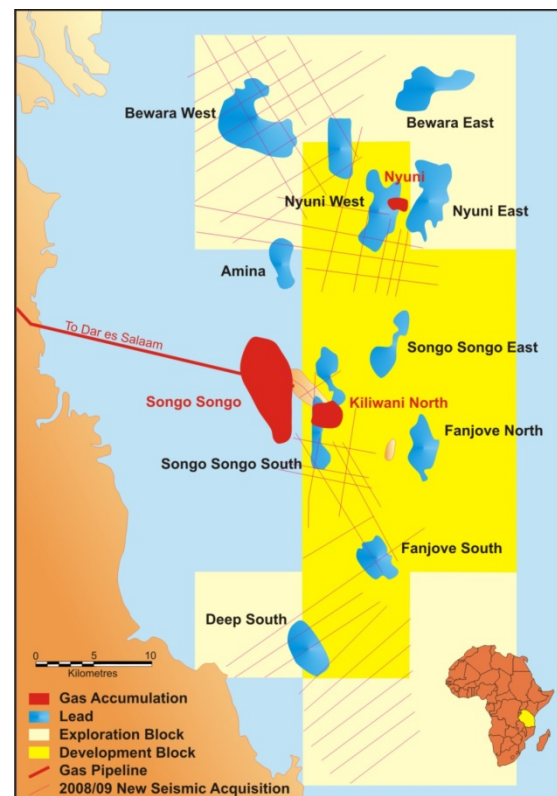
Kiliwani North Commercialisation

During the period the joint venture conducted discussions with stakeholders and utilities in Tanzania on commercialisation of KN1 centred on processing, transportation and purchase of gas.

The Minister of Energy approved the declaration of a "Location" over the Kiliwani North area. A "Location" is a transitional petroleum tenure for a defined area providing secure tenure over that area in advance of a "Development Licence" being granted for a commercial oil or gas field. A similar tenure exists under the Australian offshore petroleum statutes.

Grant of a "Location" is an important and a necessary step towards commercialisation. The Kiliwani North Location comprises 8 graticular blocks covering 676 square kilometres (see area shaded yellow on Block map). The Joint Venture is awaiting responses from the Tanzanian Petroleum Development Agency on a number of other issues connected to KN1 commercialisation.

Compositional analysis of KN 1 gas for process plant and pipeline compatibility requirements was also completed so that engineering design can be advanced.



Nyuni 1

As part of the ongoing exploration of the Nyuni Block further reviews and analysis of the logs and other data from the Nyuni 1 well drilled by the joint venture in 2004 has identified a potential 25 metre gas column in the Cretaceous (Albian – Aptian age) sands in the well. This has upgraded the prospectivity of the prospects and leads (see areas shaded blue on Block map) in the northern section of the Block.

2009 Programme

The Joint venture has approved a scaled back budget for 2009. The programme comprises appraisal of the KN 1 gas pool, seismic re-processing and preparations for 2D exploration seismic recording.

Additional 2D seismic surveys are required to find the outer limit of the KN-1 pool and to provide 2D seismic data over other leads in the Nyuni Block including over the Nyuni / Nyuni West prospect (see northern half of map) and to image the Neocomian reservoir and other horizons including the shallower levels where there is oil potential. Drilling of additional appraisal or production wells will be considered on completion of those seismic programmes.

During 2009 further seismic studies will also focus on the oil and liquids potential of the Nyuni Block..

Drilling Activity

AC/P 32, Offshore Western Australia (Offshore)

Location: Ashmore Cartier Region, Timor Sea.

Following the P&A of the Wisteria 1 well on 22 September 2008 the joint venture has conducted geological reviews and analysis of the well and the AC/P 32 Block.

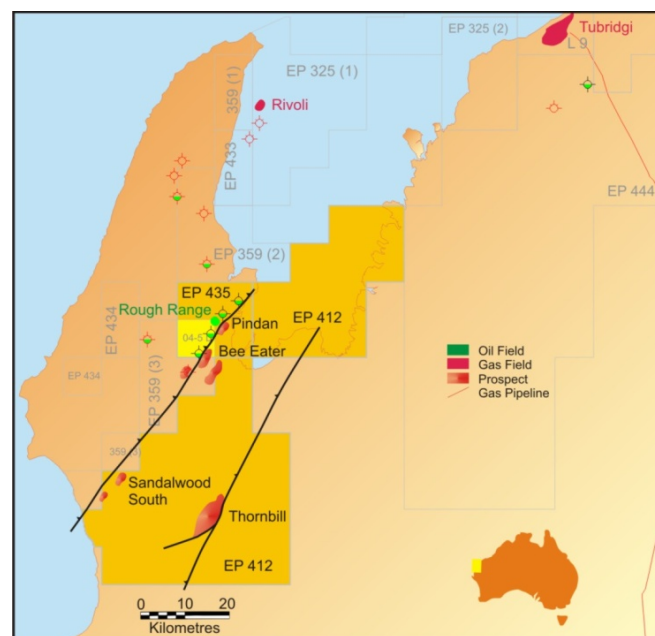
The principal finding was that the Wisteria 1 well may have narrowly missed the Puffin sand pinchout edge and that the Block remains prospective for a large stratigraphic trap at the Puffin level in the Wisteria area.

The joint venture is preparing to apply for renewal of the Block for a further 5 years. Bounty will remain a participant in the Block.

Exploration Activity

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

Location: Southeast of Exmouth, WA.(see map below).



Operations During Quarter

EP 435 – Bounty 10%

Empire Oil & Gas NL, the operator of EP 435 continued planning to drill the Bee Eater Prospect in EP 359. Bounty holds no interest in EP 359 but the Bee Eater prospect immediately adjoins EP 435 to the south. Bee-Eater is an exciting prospect located on the eastern side of the Miocene aged Rough Range Anticline. The structural development of Bee-Eater is interpreted to predate oil generation and migration from the Paterson Trough down dip to the east and pre-dates the formation of the Rough Range Fault and Anticline. The timing of an early formed Bee-Eater structure enhances the possibility that it could be charged with oil to its spill point from oil migrating up from the Paterson Trough. There have been a number of geochemical surveys over the Bee Eater structure which have demonstrated repeated hydrocarbon anomalies.

Empire has estimated that the Bee-Eater structure has potential recoverable oil reserves of up to 5 million barrels. The Bee Eater structure extends into Bounty's EP 435 Permit.

If Bee Eater 1 is successful Empire would also progress the drilling of the Rainbow-1 well located on the extension of the Bee- Eater structure in the adjoining permit EP 435.

A Bee-Eater discovery will also result in drilling additional wells along the Bullara Trend into EP 435 and EP 412 (Bounty 65%).. A number of 'Bee-Eater type prospects' and leads have been identified in EP 435 and EP 412. These include other leads and prospects including the Pindan Prospect along this Bullara Trend in the Permit. Bounty has an interest in a successful outcome at Bee Eater.

EP 412 – Bounty 65% (reducing to 20% after free carry on well)

The operator is obligated to drill to the Birdrong Sandstone objective in EP 412 in 2008 and Bounty will be free carried but delays in the drilling of Bee Eater until 2009 will push this well further into 2009.

Bounty will await the results of drilling the Bee-Eater-1 well in EP 359. The operator will then make the decision to drill a Bee-Eater type prospect, such as Sandalwood South instead of Thornbill-1.

A thermoluminescence geochemical survey conducted on 30 August 2007 recorded anomalous results over Sandalwood South, a seismically defined structure. Further geochemical and other technical surveys would be required to further define a drilling location at the oil prospective Sandalwood South Prospect. The Thornbill Prospect is mapped at the Lyndon Sandstone level, an extensive Permian-aged basal transgressive sandstone. The Thornbill-1 gas Prospect has a seismic amplitude anomaly resulting from amplitude versus offset seismic processing over a shallow target at 800 metres. The operator has completed a geochemical survey over Thornbill to progress drilling this prospect. The preliminary results indicate the presence of hydrocarbons coincident to the mapped seismic closure. Although prospective for oil, the operator considers it is a gas play with potential recoverable reserves of up to 50 billion cubic feet of gas.

WA 324 P, Offshore Bonaparte Basin, Western Australia

Location: 400 km west of Darwin, Northern Territory off the Kimberley Coast

Resources Estimates: Possibly 1 TCF type prospects

Operations during Quarter:

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.

Further review of the geophysical mapping structural report prepared by independent geophysical consultants in the first half of 2008 and the design of an additional 500km 2D seismic survey continued during the quarter.

PEP 11, Offshore Sydney Basin, New South Wales

Background and Geological Setting

PEP 11 is located offshore from Newcastle – Sydney. It is an extensive (8,267 km²) permit and is adjacent to the largest gas market in Australia. The main work commitment for PEP 11 is a requirement to drill an exploration well.

The underlying rocks in PEP 11 are Permian and Triassic age sediments of the Sydney Basin deposited around 250 million years ago and include the Lower Permian age coal measures which are a prime source of gas. The seismic mapping has now identified that PEP 11 contains some massive structures, none of which have been tested by drilling.

The coal measures are also equivalent to the Lower Permian coals which source the major gas/condensate reserves in the Cooper Basin, Central Australia and much of the coal seam gas in the Surat and Bowen Basins, Queensland.

Various drill holes onshore in the Sydney Basin and recent coal seam gas drilling have proved that the Basin has generated gas and oil in the onshore areas. Those wells have proved an active hydrocarbon generating system.

Operations during Quarter

Bounty's farm in partner Asset Energy Pty Limited (part of the listed MEC Resources Limited group) continued seismic interpretation, seismic mapping and assessment of gas seep data acquired during a prior period.

In September 2008, Asset reported that:

- Studies had detected gas seeps on the sea bottom over a large number of locations along the continental shelf within PEP 11. It is likely that the gas in these seeps is being generated by the Lower Permian coals.
- It was "...currently in negotiations to secure an appropriate drilling rig as soon as possible....." to drill an exploration well in PEP 11 and that it was conducting farm out discussions with a number of parties.
- The largest new structure indicated from 2008 mapping was the Fish Prospect with potential prospective gas at the P10 level (10% probability) of 9.2 TCF. The best known structure at the Permian level is the Baleen prospect. It is attractive as it is a fault independent roll over and has the potential to contain over 1 TCF of recoverable gas.

Bounty will be free carried through the first well in PEP 11

During the quarter the joint venture reported the results of the new 2008 technical work to Department of Primary Industries, New South Wales (DPI). The DPI is the relevant department administering the petroleum exploration effort in New South Wales.

Material aspects of that reporting were:

- That the 2008 technical evaluation work had very significantly upgraded the gas prospects in PEP 11.
- Conclusions- Summary:
 - Seismic re-evaluation had better defined targets.
 - Seep evaluation had detected hydrocarbons leaking from the seabed in many locations.
 - Evaluation had mapped a large structure named "Fish" with up to 9.2 trillion cubic feet (TCF) (P10) prospective recoverable gas resources.

- Studies of the effects of these hydrocarbons on the sedimentary sequences and the related seismic velocity effects which impact on structural mapping were continuing.

In summary, the 2008 work generated a number of highly significant outcomes for the hydrocarbon prospectivity of PEP 11.

Further during the quarter due to the unavailability of suitable offshore drilling rigs coming into east Australian waters, Bounty and Asset applied for a suspension of work commitments and an extension of the permit term for 1 year beyond 3rd December 2009. This application was being considered by the joint authority and the outcome is likely to be known in first quarter 2009. PEP 11 in the meantime continues in good standing..

Corporate

- Appendix 5B is attached.

[The information in this report that relates to or refers to petroleum or hydrocarbon reserves, is based on information and reports prepared by , reviewed and/or compiled by the CEO of Bounty Oil & Gas NL Mr Philip F Kelso. Mr Kelso is a Bachelor of Science (Geology) and has practised geology and petroleum geology for in excess of 20 years. He is a member of the Petroleum Exploration Society of Australia and a Member of the Australasian Institute of Mining and Metallurgy. He consents to the reporting of that information in the form and context in which it appears.]

TABLE 1: BOUNTY'S SCHEDULE OF PERMITS, INTERESTS AND ACREAGES

Permit	Basin	Interest %	Gross km ²	Net km ²	Operator
Australia Offshore					
AC/P32	Ashmore Cartier Territory, Timor Sea, WA - Vulcan Basin	10	1,092	109	Coogee Resources
PEP 11	NSW - Sydney Basin	75	8,267	6,200	Bounty
WA 324P	WA - Bonaparte Basin	100	2,509	2,509	Bounty
Australia Onshore					
Utopia Block PL214	SW Qld – Cooper - Eromanga, Basin.	40	221	88	OWK ¹
ATP 560P	SW Qld – Cooper - Eromanga	40	86	34	OWK ¹
EP 435	WA - Carnarvon Basin - Rough Range Area	10	317	32	Rough Range ²
PL 104-5-L	WA - Carnarvon Basin	10	80	8	Rough Range ²
EP 412	WA - Carnarvon Basin	65	2,651	1,723	Rough Range ²
Tanzania Offshore					
	Nyuni Block Mafia Basin	5	2,860	143	Ndovu ³
Total			18,081	10,847	

1. **OWK - Oil Wells Inc of Kentucky Pty Limited**
2. **Rough Range Oil Pty Ltd (a subsidiary of Empire Oil and Gas NL)**
3. **Ndovu Resources Limited (a subsidiary of Aminex PLC)**

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 N L

ABN

090625353

Quarter ended ("current quarter")

31 st DECEMBER 2008

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (..6.. months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	156	269
1.2 Payments for		
(a) exploration and evaluation	(641)	(1925)
(b) development		
(c) production	(265)	(571)
(d) administration		
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	8	21
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other – Increase in receivables	37	(29)
Net Operating Cash Flows	(705)	(2235)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	(120)	(213)
(b) equity investments	(5)	(6)
(c) other fixed assets		
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities	NIL	(42)
1.11 Loans repaid by other entities	25	25
1.12 Other (provide details if material)		
Net investing cash flows	(100)	(236)
1.13 Total operating and investing cash flows (carried forward)	(805)	(2471)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)		
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
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		
1.20	Cash at beginning of quarter/year to date		
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter		

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	
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

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

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

Financing facilities available

Add notes as necessary for an understanding of the position.

Amount available \$A'000	Amount used \$A'000

+ See chapter 19 for defined terms.

3.1	Loan facilities		
3.2	Credit standby arrangements		

Estimated cash outflows for next quarter

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

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		
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)		

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

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				
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>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
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 /does not* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: Date:
(Director/Company secretary)

Print name:

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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