

30 October 2009

## ASX/MEDIA RELEASE

### BOUNTY OIL & GAS NL



*Retrieving side wall cores from Wakefield 1, Cooper Basin*

### Quarterly Activities Report - End September 2009

#### Highlights

- Bounty free carried in 8,200 sq. Km. PEP 11, offshore Sydney Basin where its farm in partner is preparing to drill a well with a semi-sub rig in 2010 to test the 5 TCF plus gas prospects at Fish – Baleen.
- Success in PEP 11 could add \$2.20 per share to Bounty's IEV.
- Bounty commencing Utopia oil development drilling in late 2009. A successful development is projected to increase bounty oil revenue to \$ 4 million pa in 2013.
- Wakefield 1 well encounters 6 oil zones and coal seam gas as Bounty earns into the large PEL 218 in northeast South Australia.
- Bounty makes a record profit of \$ 3.44 million and increases net assets to \$ 14.26 million in 2009.

## Introduction

Bounty has this quarter completed a number of important steps to ensure longer term growth:

- Achieved a record profit of \$3.44 million.
- Completed new equity raisings during the quarter of \$ 4.1 million before expenses.
- Increased its reserves by 39 percent in the 12 months to 30 June from 1.14 to 1.69 mmmboe.
- Deployed that new capital on a series of projects aimed at building revenue and having the potential to add new conventional reserves and possibly major CSG reserves as follows:
  - Prepared to embark on an initial 5 well oil development drilling programme on the Utopia Property in 2010 and potentially up to 12 wells aimed at producing over 160 bopd net to Bounty by end 2010.
  - Drilled Wakefield 1 in PEL 218 which was cased and suspended pending cased hole testing of oil zones and CSG.
  - Commenced engineering and other studies on the Surat Basin properties to test existing discoveries and prepare for new drilling.

These steps have laid the ground work for growth in 2010 with the aim of raising production to 200 to 400 barrels of oil per day (bopd) by developing Core Assets

As a result Bounty now anticipates a material increase in oil revenues and reserves in 2010 while building for further revenue increases in 2011.

Bounty has also seen major progress in PEP 11 offshore Sydney Basin, where our partners have conclusively proved an active hydrocarbon gas generating system, the potential for major gas reserves in the range around 5 TCF and are closing in on accessing a drill rig and funding for an exploration test well in the Fish-Baleen Area. The estimated well cost is \$20 million and the well will be drilled, about 20 kms offshore from Newcastle. Bounty will be free carried through the first well with the potential to enter a major gas project if it is a success.

Bounty's schedule of permits: See Table on the Bounty website: [www.bountyoil.com](http://www.bountyoil.com).

## Petroleum Production and Development:

During the quarter Bounty continued to produce light, sweet crude oil from the Murta Zone at the Utopia Field and to sell oil to the Eromanga Refinery. Volumes increased this quarter as all three wells are now back online.

During the quarter Bounty commenced receiving minor additional petroleum production from PL 119 Downlands located in the Surat Basin. As a result group production increased.

Revenue:

Q1	1 July – 30 September, 2009	\$
PL 214,Utopia	Bounty Share (40% Interest)	\$158,875
PL 119 Downlands	Bounty Share (24.75% Interest)	TBA
	<b>Total Revenue subject to adjustment</b>	<b>\$158,875</b>

Production:

Q1	1 July – 30 September, 2009	
PL 214,Utopia	Bounty Share (40% Interest)	1542 bbls
PL 119 Downlands	Bounty Share (24.75% Interest)	942 boe
	<b>Total Revenue</b>	<b>2494</b>

Sales:

<b>Q1</b>	<b>1 July – 30 September, 2009</b>	
<b>PL 214, Utopia</b>	Bounty Share (40% Interest)	1587 bbls
<b>PL 119 Downlands</b>	Bounty Share (24.75% Interest)	942 boe
	<b>Total Revenue</b>	<b>2529</b>

### **PL 214 - Utopia Block, SW Queensland**

#### **Preparation for 2010 Oil Development**

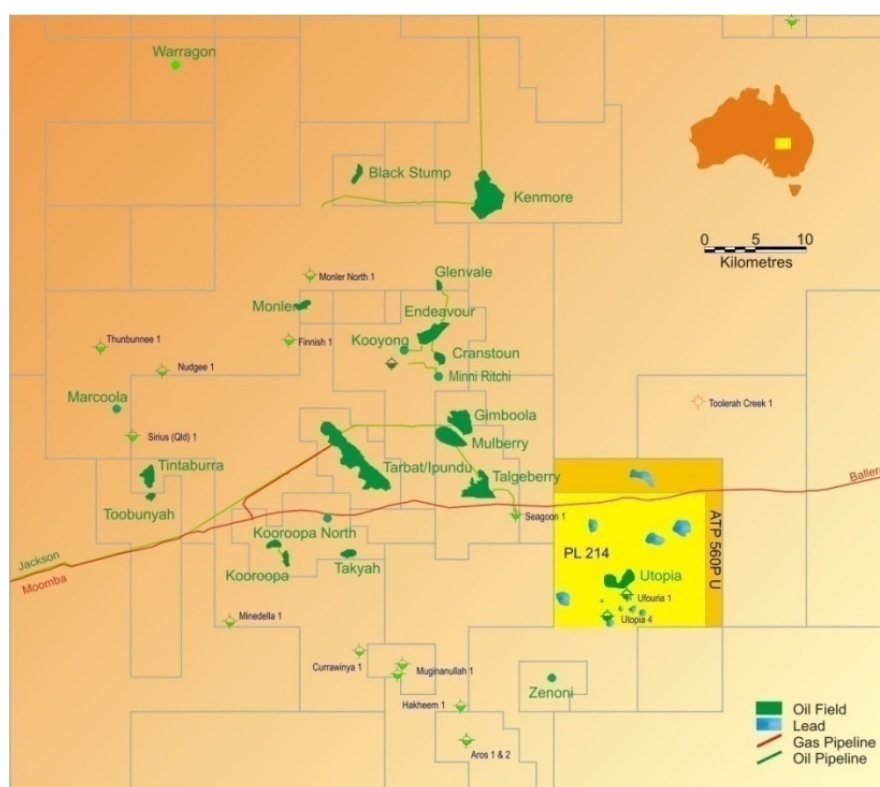
The Utopia Field is in a low relief anticline with a maximum elevation of 10 metres and is the largest Murta pool in the Queensland Eromanga Basin. It is underdeveloped.

During the quarter a new group; Newport Energy acquired the operator, Oil Wells Inc of Kentucky and commenced a programme of production optimisation of the existing wells, conducting a full regulatory compliance audit and preparing a development drilling plan:

The features of the proposed development plan are as follows:

- Bounty will participate at its 40% working interest in a 5 well oil development drilling programme which is commencing in December 2009.
- This will require an initial capital outlay of around \$2.8 million in 2009/10.
- As a result, Bounty hopes to be producing 160 bopd by late 2010.
- Bounty's will then participate in up to another 7 development wells over the 2011/2012 period.
- At peak production this will lift Bounty revenue to around \$4 million in 2013 and it is anticipated to be strongly cash flow positive.
- The later development drilling will be financed from oil sales

**Map 1 - Utopia and Surrounding Fields**

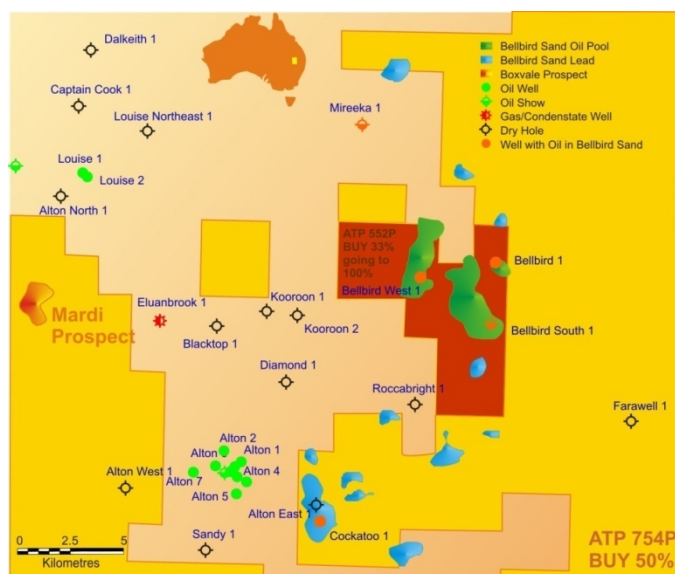


## Near Field Exploration, Surat Basin, Queensland

### PL's 71 & 119, ATP 741 (SG) and ATP 740P – Bounty 24.478%

Gas and minor oil production continued in PL 119 Downlands during the quarter. The operator was commencing engineering and reservoir studies to determine the feasibility of developing oil legs to the Downlands field (PL 119) and the Spring Gully oil field (ATP 741P SG). There are contingent resources of more than 2 million barrels of oil potentially recoverable from this programme.

### ATP 552P – Bellbird; - Bounty 33.33%



Map 2 – ATP 552P Bellbird Location

## Background

**Location:** 17 km NW of Alton Oil Field

The Bellbird 1 and Bellbird West 1 wells located in ATP 552P both recovered live oil from the same sand in the Permian age Bandanna Formation. In Bellbird South 1 the sand was poorly developed but still recorded shows. The only attempt to produce oil was from Bellbird 1 which flowed initially at rates between 34 and 54 bopd, dropping off to 12 bopd on an extended test. The Bellbird 1 reservoir was possibly damaged during drilling consequently Bellbird West 1 was drilled underbalanced to test the sand with minimal formation damage. However, the well was never completed or tested. When the well was abandoned 6 litres of oil were recovered.

## Development Plan

Bounty has applied for renewal of ATP 552P and the application was pending at the end of the quarter. During the quarter Bounty continued seismic mapping of the ATP 552P/754P database with focus on integration of the Bellbird area data and well completion data. The work so far has indicated extensive oil in the area in sands associated with the Bandanna Formation in ATP 552P and in offsetting wells

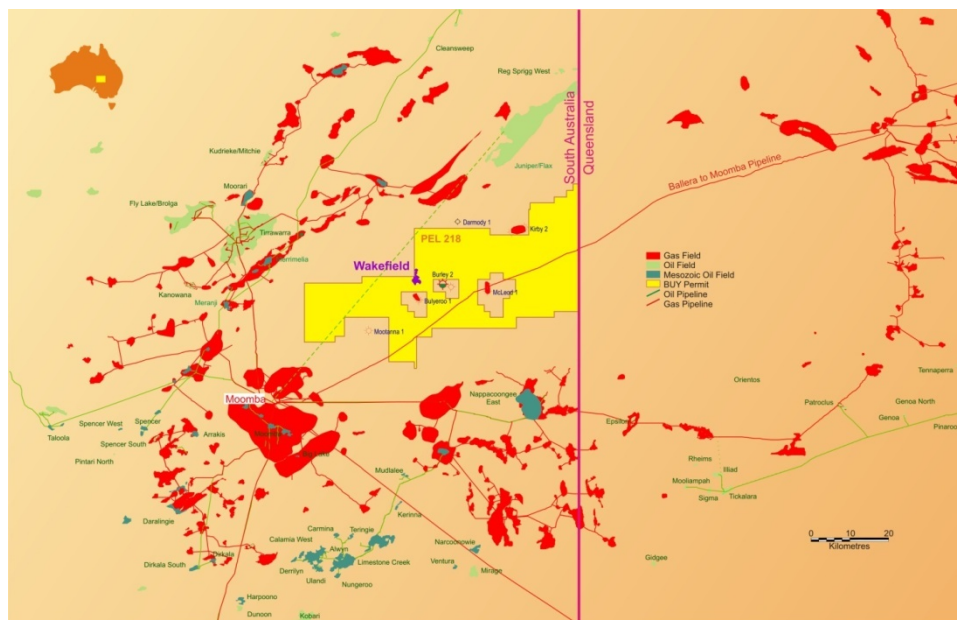
It is planned to undertake a re-entry of the Bellbird West 1 well when the Block is renewed.

## Australian Onshore Exploration

### Cooper/Eromanga Basins, NE South Australia

#### PEL 218– Bounty 23.28%

**Location:** 50 Km northeast of Moomba



**Map 3 - PEL 218 Location**

During the quarter Bounty completed earning a 23.28% interest in the section above the Permian in the whole of PEL 218 a large 1600 km<sup>2</sup> permit by funding half of the cost of the Wakefield 1 oil exploration well.

PEL 218 covers the South Australian side of the Nappamerri Trough a “source kitchen” for oil and gas produced both to the north and south of the Block. The Block is well located near existing gas delivery infrastructure lying across the Moomba – Ballera pipeline and 50 km north of the Moomba – Sydney pipeline.

Wakefield 1 was the first well drilled specifically to test for oil in this part of the Eromanga Basin and demonstrated that not only are hydrocarbons being actively generated but that many of the sands are oil saturated and have suitable seals.

Wakefield 1 was spudded on 10 September using the Ensign 30 rig (see photo). The well was drilled in 8½” hole to a total depth (TD) of 2297 metres below rotary table (BRT) in the Lower Poolowanna Formation. After reaching TD wire line logs were run including logging behind the surface casing set at 931 metres BRT.

Electric logging was completed and a suite of side wall cores were cut and recovered but this coring only extended down to the Namur Sandstone and not to the deeper Adori Sandstone.

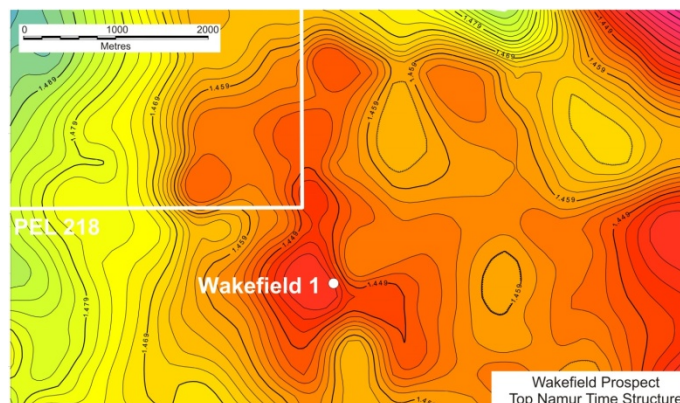
**Right: Ensign 30 Rig drilling Wakefield 1**

Side wall cores are small plugs of rock cut directly from the borehole wall.



The well was cased and suspended pending an evaluation programme aimed at testing the well for conventional oil and gas. The Ensign 30 rig was released on 27 September 2009.

The Wakefield structure was proved to be robust and the well came in 6 -10 metres high to prognosis in the economic section, confirming the closure.



The gas saturated coals of the Cretaceous age Winton Formation intersected by Wakefield 1 further up the hole but above 1000 metres are also highly significant and of potentially economic thickness.

The well proved the western extension of the thick coals intersected in the offsetting well Burley-1; 15 km. to the southeast and confirmed the coal seam gas potential of the permit.

If drill testing proves gas deliverability from these coals then the whole 1600 square km permit comes into play as a CSG target.

A testing program will be implemented next year after careful analysis of the Wakefield 1 logs.

### **Surat Basin, Queensland**

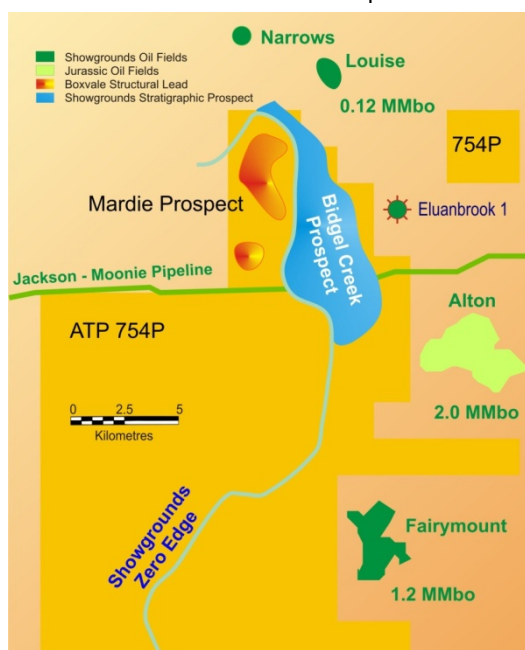
#### **ATP 754P - Bounty 50%**

**Location:** Surrounds Alton and Fairymount Oil Fields south of the town of Surat. Map 4 below shows the location of the Mardi and Bidgell Prospects.

#### **Background**

There are a number of high potential oil prospects in ATP 754P in the Triassic and Jurassic sequences. The Mardi Prospect (Evergreen Formation) has mean potential recoverable oil reserves of 350,000 barrels and is up dip from the older Showgrounds Sandstone hosted oil pools at Louise, Narrows and Eluanbrook. The Evergreen Formation is also the producing reservoir at the Alton Oil Field.

In a similar fashion to the Alton Field, faults connect the Evergreen Reservoirs at Mardi with the Permian source rocks and the oil bearing Showgrounds Sandstone. All local migration paths lead to Mardi and offsetting wells indicate excellent reservoir can be expected from the Evergreen Formation (Boxvale Sandstone Member).



The Bidgell Creek Prospect (formerly Eluanbrook Stratigraphic Prospect) with mean recoverable potential of 670,000 bbls oil is a stratigraphic closure at the Showgrounds Sandstone level where it is faulted against basement. It is also up dip of Showgrounds oil pools at Louise, Narrows, and Eluanbrook. The target has considerable upside and could contain as much as 4 million barrels recoverable.

During the quarter, seismic mapping of the 2009 Mardi Survey data continued in preparation to select a drilling location in the Mardi-Bidgell area to be drilled in 2010.

**Map 4 – ATP 754P Prospects**

**Map 5 - Carnarvon Basin Projects Location**

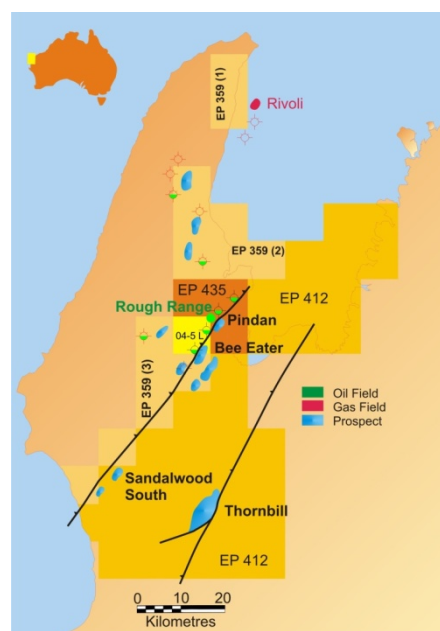
### **Carnarvon Basin, Western Australia**

#### **EP 412 (Bounty 65%) and EP 435, Production Licence 04-5L and EP 359 (Bounty 10% in each)**

**Location:** Surrounding Rough Range Oil Field, 60Km south of Exmouth

#### **Background**

Bounty has concluded negotiations to resume operatorship of EP 412. The area is up dip from the prolific offshore Carnarvon Basin. The Rough Range oil discovery in the 1950's proved that oil has migrated into this area. The Rough Range structure formed during



a Tertiary age compression and post dates the bulk of oil migration. Bounty is targeting older, better timed structures up dip, in particular the 5-6 MMbo potential Bee Eater and Sandalwood South prospects. The targets in this area are all less than 1000 metres below surface so offer the prospect of relatively inexpensive drilling.

As well as the Mesozoic age targets in the Carnarvon Basin there are also untested gas plays in the underlying Permian, in particular the Thornbill Prospect, where distinct seismic anomalies possibly due to a gas charged sand occur sealed by the unconformity at the base of the Carnarvon Basin sequence. Thornbill also has a coincident hydrocarbon geochemical anomaly. Again the depth to target is less than 1000 metres, and if successful could contain 50 Bcf gas recoverable.

## 2010 Exploration

At the end of the quarter Bounty was negotiating a farm in to EP 359 which is operated by Rough Range Oil Pty Ltd who also operate the adjoining EP 435 and PL 04-5L.

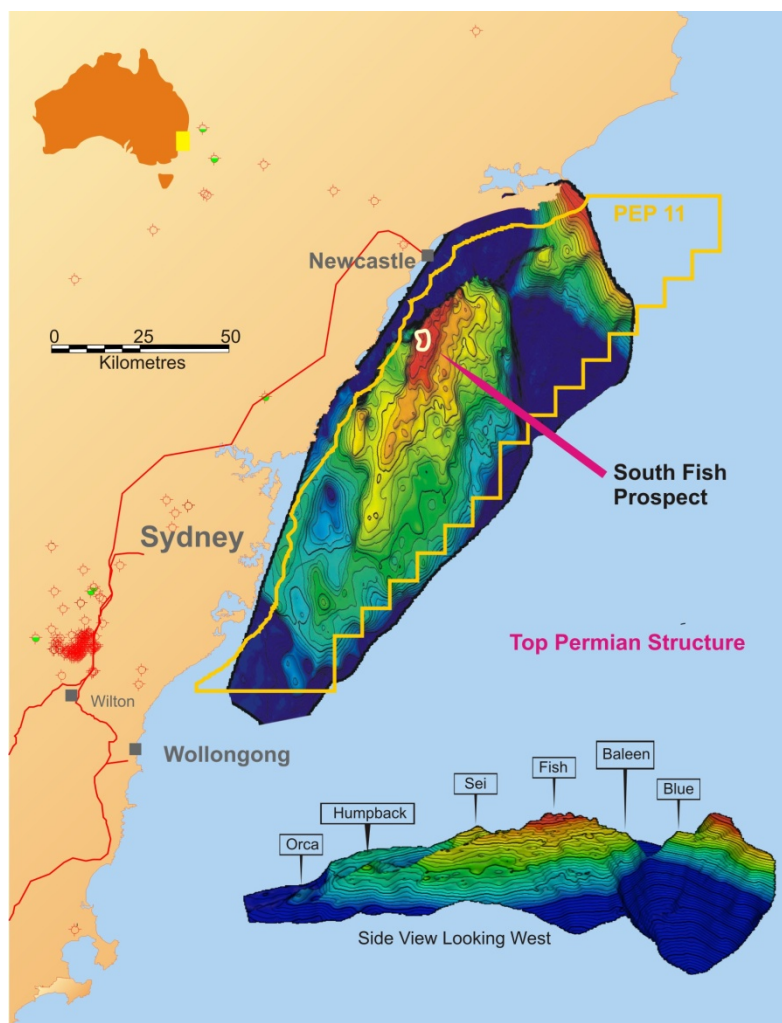
The operator is planning to drill Bee Eater 1 before March 2010 aiming to test the Bee Eater prospect a 5 MMbo recoverable oil target which straddles both permits.

As the result of its moves during the quarter Bounty now has an expanded position in this lightly tested part of one of Australia's most prolific petroleum basin.

## High Impact Exploration

### **PEP 11, Offshore Sydney Basin, New South Wales – Bounty 75% reducing to 15%**

#### Background



This is a high impact exploration project where Bounty is free carried through an offshore exploration well with an estimated cost in excess of \$20 million targeting major potential gas reserves. PEP 11 occupies 8,267 km<sup>2</sup> offshore Sydney Basin immediately adjacent to the largest gas market in Australia. Bounty currently has a 75% working interest which will dilute to 15% on completion of drilling of the 2.4 TCF South Fish prospect. Bounty's farm in partner Advent Energy has been very active in the past year and has proven an active hydrocarbon generation and migration system as well as establishing an inventory of leads and prospects with Prospective Resources of 5 TCF gas at the P50 confidence level.

Recent work has removed much of the risk associated with hydrocarbon generation and migration and the timing of the traps in this previously undrilled area.

### **Activity during the quarter:**

Immediately prior to and during the quarter the farm in partner MEC Resources made significant progress towards a drill test as follows:

- selected a drill location to test the Baleen or possibly the Fish Prospect with a semi submersible drill rig.
- announced on 29 May that it had issued rig tenders
- announced on 11 August completion of the well design and testing program
- announced on 14 August that it had entered a funding mandate with the large Norwegian based Pareto Group to advance funding for the well with backing from a major offshore drilling group and a share purchase plan

Current timing for the well is in the first half of 2010 and a successful gas strike will transform Bounty. A successful test has the capacity to transform the company and add a potential \$2.20 per share to Indicated Enterprise Value.

### ***AC/P 32, Offshore Vulcan Sub Basin, Western Australia***

**Location:** Ashmore Cartier Region, Timor Sea.

The Joint Venture has renewed the permit for another 3 years and Bounty increased its working interest to 15%.

In 2010 the joint venture will be reprocessing 3D seismic data to better image the large stratigraphic traps potentially present within the permit and integrate the data with the results of the Wisteria 1 well.

### ***Tanzanian Exploration***

#### ***Nyuni Block, Offshore Tanzania – Bounty 5%***

##### **Current Activities**

Commercialisation Kiliwani North

Kiliwani North is only 3.5 kilometres from Songo Songo gas plant and the head of the pipeline to Dar es Salaam. The Kiliwani North partners have access to the pipeline and negotiations are now underway with the Tanzanian authorities and other stakeholders on an arrangement that will enable Kiliwani North gas to be developed at a profit. The gas market is for power generation at a base price and to an increasing number of industrial users in Dar es Salaam and environs at a premium price.

Appraisal Kiliwani North

During the June quarter seismic acquisition on Songo Songo Island to delineate the northern extent of the Kiliwani North pool was completed. Initial results indicate good quality data was recovered. This data is the key to the future development of this discovery and is currently being processed and merged with the seismic database and well data. The joint venture continues to evaluate the Kiliwani North reserves with indications that the reserves are larger than initial estimates. The more detailed data is also assisting to re-map and gain a better understanding of the potential for additional gas discoveries in this Block.

Exploration

Seismic re-processing of older data from previous exploration (1978-2007) continued during the quarter and is improving the mapping of the Lower Cretaceous (Neocomian) section and the Upper Cretaceous sequences. These are the sequences where the joint venture has discovered gas at Kiliwani North. This data will provide a framework for additional seismic acquisition and drilling in the Block.

## Corporate

### Bounty Oil and Gas NL – Petroleum Reserves

Group proved, probable and possible petroleum reserves as at 30<sup>th</sup> June, 2009.

	30 June 2009 MMboe	30 June 2008 MMboe
<b>2P (developed + undeveloped)</b>	1.69	1.14
<b>3P (developed + undeveloped)</b>	3.65	2.84

Reserves increased in the year to 30<sup>th</sup> June, 2009 due to the acquisition of a number of properties in the Surat Basin, Queensland.

The drilling of Wakefield 1 well in September 2009 also added best estimate of 1.34 million barrels of oil in the contingent resource category and also opened up prospective resources of Coal Seam Gas both of which have yet to be evaluated.

### Share Issues

During the quarter Bounty raised \$ 4.1 million before expenses from placements at 1 1/2 and 5 cents per share to shareholders and sophisticated investors as authorised at a general meeting on 30 June 2009.

Appendix 5B is attached.

For further information, please contact:

<p>Graham Reveleigh Chairman Tel: +617 4033.1805 Email: <a href="mailto:mining@cairms.net.au">mining@cairms.net.au</a></p>	<p>Philip F Kelso Chief Executive Officer Tel:+612 9299 7200 Email: <a href="mailto:geo@bountyoil.com">geo@bountyoil.com</a>  Website: <a href="http://www.bountyoil.com">www.bountyoil.com</a></p>
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[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.]

# 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

82 090 625 353

Quarter ended ("current quarter")

30<sup>th</sup> September, 2009

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	130	130
1.2 Payments for		
(a) exploration and evaluation	(1,669)	(1,669)
(b) development	-	-
(c) production	-	-
(d) administration	(413)	(413)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	3	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other movements in receivables	(71)	(71)
<b>Net Operating Cash Flows</b>	<b>(2,020)</b>	<b>(2,020)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	(789)	(789)
(c) other fixed assets	(22)	(22)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	40	40
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(771)</b>	<b>(771)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(2,791)</b>	<b>(2,791)</b>

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(2,791)	(2,791)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	4,100	4,100
1.15	Less cost of placement	(246)	(246)
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(1,019)	(1,019)
1.18	Dividends paid	-	-
1.19	Other	-	-
	<b>Net financing cash flows</b>	<b>2,835</b>	<b>2,835</b>
	<b>Net increase (decrease) in cash held</b>	<b>44</b>	<b>44</b>
1.20	Cash at beginning of quarter/year to date	1,711	1,711
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>1,755</b>	<b>1,755</b>

**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	69
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

A

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
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	200
4.2 Development	800
<b>Total</b>	<b>1,000</b>

### 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	1,726	1,675
5.2 Deposits at call	29	36
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>1,755</b>	<b>1,711</b>

### 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	-	-	-

+ See chapter 19 for defined terms.

**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 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	605,370,569	605,370,569		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	100,000,000 52,000,000	100,000,000 52,000,000	\$0.015 \$0.05	\$0.015 \$0.05
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	-	-		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <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 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <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: .....  
Company Secretary

Date: 30 October, 2009

Print name: MICHAEL 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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