



BOUNTY OIL & GAS NL

ABN: 82 090 625 353

Half Year Report
For the Half Year Ended 31 December, 2006

CORPORATE DIRECTORY

DIRECTORS

Graham Reveleigh (Chairman)
Thomas Fontaine
Charles Ross

COMPANY SECRETARY

Michael Hutt

REGISTERED AND PRINCIPAL OFFICE

Level 8 , 16 Spring Street , Sydney, NSW,
AUSTRALIA, 2000

Telephone: (02) 9247 4777
Facsimile: (02) 9241 4404
Website: www.bountyoil.com

AUDITORS

DFK - Richard Hill Pty Ltd

Chartered Accountants
Level 11
32 Martin place
Sydney, NSW, 2000

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233

BANKERS

BankWest
Investec Australia Ltd

STOCK EXCHANGE

The company's securities are quoted on the official list of the Australian Stock Exchange Ltd, the home branch being Perth.

ASX Code:

BUY – Shares

TABLE OF CONTENTS

	Page
Directors' report	4
Auditor's Independence Declaration	6
Income Statement	7
Balance Sheet	8
Statement of Cash Flows	9
Statement of Change in Equity	10
Condensed Notes to the Financial Statements	11-18
Directors' Declaration	19
Auditor's Independent Review Report	20

DIRECTORS REPORT

The Directors present their report together with the financial report of Bounty Oil & Gas NL (“Bounty Oil & Gas” or “the Company”) for the half-year ended 31 December, 2006 and the auditors’ report thereon.

DIRECTORS

The following persons were directors of the Company during the whole of the half-year and up to the date of this report:

GRAHAM REVELEIGH *MSc M. Aus. IMM CP (Man) (Non-Executive Chairman)*

THOMAS FONTAINE *B.Sc. (Mech. Eng) (Non-Executive Director)*

CHARLES ROSS *B.Sc. (Non-Executive Director)*

REVIEW OF OPERATIONS

The operating loss from ordinary activities after income tax for the half year was \$313,006.

During the period the company continued the business of oil and gas exploration, development and production and a summary of operations is as follows:

Utopia Oil Field, PL 214 (Bounty 40%)

During the July-December half year the Utopia Oil Field produced and sold 7,870 barrels of oil. Total revenue from the sale of crude for the six months was \$638,259 (Bounty share was \$255,304).

Vulcan Sub-Basin, AC/P32 (Bounty 16%)

Work continued on mapping the newly acquired 3D seismic data.

A Farm-in Agreement has been signed between the joint venture parties in the Permit and Bharat Petroleum Corporation Limited (BPCL). Under the terms of this agreement BCPL will pay the joint venture parties a sum of US\$1.42million to cover the costs incurred in purchasing, processing and interpretation of the rest of the 3D seismic for the block. Bounty’s participation in the joint venture has thus decreased to 12.8%.

The licence terms require one well to be drilled in the 12 month period beginning 27th May, 2007, entry into which will be optional for all parties. BPCL has the first right to take any additional interest offered by the original parties in exchange for a promoted share of the drilling costs of the next exploration well.

Offshore Sydney Basin, PEP-11 (Bounty 75%)

Bounty has obtained a suspension and a 12 month extension to its PEP 11 permit term. With the extension, the company has until August 2007 to drill one well in the permit.

Asset Energy Pty Ltd funded all costs outstanding to Fugro Inc for the 2004 seismic survey and obtained delivery of the data. Asset thereby earned a 25% interest in the Permit. Interpretation of the seismic data has confirmed the size and location of the Biggus prospect. In addition, another lead has been identified to the North of Biggus in an area which previously had no seismic. The Biggus prospect has the potential to contain over 1.2Tcf of recoverable gas.

Bonaparte Basin, WA-324-P (Bounty 100% and Operator)

Work is continuing on mapping the 340 km Dolphin seismic survey data, and integrating the results with previous seismic data.

Onshore Carnarvon Basin, EP 412 (Bounty 65%)

Rough Range Oil Pty Limited has an obligation under its farm in agreement with Bounty to drill a commitment well in 2007.

Rough Range announced towards the end of the period that their farm in partner, Jurassica Oil and Gas Plc is proposing to farm in to the well. It is likely that the well will be Whitlock Hill No 1 where Jurassica will pay \$600,000 towards the drilling costs to earn 30% interest in the permit after the farm out. (If completed, Bounty Oil and Gas will retain a 20% interest).

Rough Range, EP 435 (Bounty 5.0%)

The JV partners commence drilling the Parrot Hill 2 exploration well on 4 March 2007 and Bounty will earn an additional 5.0% in EP 435 by contributing 12.5% of the cost of Parrot Hill 2 which increases Bounty's equity in the joint venture to 10%.

Offshore Tanzania, Nyuni Block (Bounty 6.0%)

Work is continuing on preparation for the "transition zone" seismic survey. This survey will involve the use of special equipment designed to work in shallow marine environments. The survey is expected to commence early in 2007.

Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6 for the half year ended 31 December, 2006.

This report is made in accordance with a resolution of the directors made pursuant to section 306(3) of the *Corporations Act 2001*.

For and on behalf of the directors

GRAHAM REVELEIGH
Chairman

Dated: 13 March, 2007
Sydney



DFK - Richard Hill

CHARTERED ACCOUNTANTS &
BUSINESS ADVISERS

Directors:
RICHARD L.S. HILL
B.Com. FCA

RICHARD O. COLLINGE
A.C.A. (NZ)

Associate Director:
DAVID G. SHARP
B.Com. A.C.A

Telephone: (612) 9221 0444
Facsimile: (612) 9221 5935
Email: rhill@dfkrichardhill.com.au
www.dfkrichardhill.com.au

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS
ACT 2001 TO THE DIRECTORS OF BOUNTY OIL & GAS NL**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2006 there have been:

- (a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

Name of Firm
DFK Richard Hill
Address
Level 11,32 Martin Place Sydney 2000

Name of Partner
Richard Hill
Date 13 March, 2007

**CONDENSED NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER, 2006**

**INCOME STATEMENT
For the Half Year Ended 31 December, 2006**

	31 Dec 2006	31 Dec 2005
	\$	\$
Sales Revenue	284,100	221,060
Cost of Sales	<u>(101,919)</u>	<u>(96,276)</u>
Gross Profit	<u>182,181</u>	<u>124,784</u>
Other Revenues from Ordinary Activities	-	1,226,644
Depreciation and Amortisation Expense	(14,385)	(1,353)
Consultancy Fees	(21,903)	(186,110)
Write back of Provision for non-recovery of amount receivable from White Sands	-	643,961
Director Expenses	(30,000)	(33,477)
Corporate Expenses	(281,977)	(55,052)
Exploration and Evaluation – Impairment Charges	-	(249,462)
Other Expenses from Ordinary Activities	<u>(146,922)</u>	<u>(710,271)</u>
Profit from Ordinary Activities before Income Tax Expense	(313,006)	759,664
Income Tax Expense relating to Ordinary Activities	-	-
Net Profit	<u>(313,006)</u>	<u>759,664</u>
Net Profit attributable to members of the Company	<u>(313,006)</u>	<u>759,664</u>
Basic Profit (Loss) per Share (cents per share)	(0.19)	0.48
Diluted Profit (Loss) per Share (cents per share)	(0.19)	0.48

The above income statement should be read in conjunction with the accompanying condensed notes.

**CONDENSED NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER, 2006**

**BALANCE SHEET
As At 31 DECEMBER, 2006**

	Note	31 Dec 2006 \$	30 June 2006 \$
CURRENT ASSETS			
Cash and Cash Equivalents		331,302	1,110,219
Inventory		8,900	8,900
Trade and other Receivables		81,380	453,844
TOTAL CURRENT ASSETS		421,582	1,572,963
NON CURRENT ASSETS			
Property, Plant and Equipment		1,775,595	1,787,954
Financial Assets	4	452,274	-
Exploration Expenditure		1,956,788	1,529,148
TOTAL NON CURRENT ASSETS		4,184,657	3,317,102
TOTAL ASSETS		4,606,239	4,890,065
CURRENT LIABILITIES			
Trade and other Payable	6	382,269	319,246
TOTAL CURRENT LIABILITIES		382,269	319,246
TOTAL LIABILITIES		382,269	319,246
NET ASSETS		4,223,970	4,570,819
EQUITY			
Issued Capital		16,587,743	16,587,743
Investment Fair value reserve		(33,840)	-
Accumulated Losses		(12,329,933)	12,016,924
TOTAL EQUITY		4,223,970	4,570,819

The above balance sheet should be read in conjunction with the accompanying condensed notes.

**CONDENSED NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER, 2006**

**STATEMENT OF CASH FLOWS
For the Half Year Ended 31 December, 2006**

	2006	2005
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest Received	12,958	11,869
Receipts from Operations	255,304	270,046
Proceeds on sale of permits	-	1,000,000
Payments to suppliers including exploration expenditure	(957,480)	(1,810,912)
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	(689,218)	(528,997)
CASH FLOWS FROM INVESTING ACTIVITIES		
Funds paid by related entity	-	-
Loans repayment from other entities	396,417	1,536,921
Cash acquired upon acquisition of joint venture interest	-	-
Payments for share investment	(486,115)	(1)
Payments for Exploration and Evaluation Expenditure	-	-
Payments for property, plant and equipment	-	(11,033)
	<hr/>	<hr/>
Net cash provided by (used in) investing activities	(89,698)	1,525,887
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	960,000
Capital raising costs	-	(63,600)
	<hr/>	<hr/>
Net cash provided by (used in) financing activities	-	896,400
Net increase (decrease) in cash held	(778,916)	1,893,290
Cash at the beginning of the financial year	1,110,219	816,990
	<hr/>	<hr/>
Cash at the end of the 6 months to 31 December 2006	331,303	2,710,280
	<hr/>	<hr/>

The above cash flow statement should be read in conjunction with the accompanying condensed notes.

**CONDENSED NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER, 2006**

**STATEMENT OF CHANGES IN EQUITY
As At 31 December, 2006**

	Issued Capital \$	Accumulated Losses \$	Reserve \$	Total Equity \$
Opening Balance at 1 July, 2006	16,587,743	(12,016,927)	-	4,570,816
Net profit for the period	-	(313,006)	-	(313,006)
Investment Fair value reserve	-	-	(33,840)	(33,840)
Transactions with equity holders in their capacity as equity holders:				
a) Equity settled Share Based Payment Transactions	-	-	-	-
b) Reduction in share capital	-	-	-	-
c) Cost of raising Issued Capital	-	-	-	-
d) Issued Capital	-	-	-	-
Closing Balance on 31 December, 2006	16,587,743	(12,329,933)	(33,840)	4,223,970
Opening Balance at 1 July, 2005	15,606,066	(12,559,757)	-	3,046,309
Net profit for the period	-	759,664	-	759,664
Transactions with equity holders in their capacity as equity holders:				
a) Equity settled Share Based Payment transactions	-	-	-	-
b) Reduction in share capital	-	-	-	-
c) Cost of raising Issued Capital	(63,600)	-	-	(63,600)
d) Issued Capital	960,000	-	-	960,000
Closing Balance on 31 December, 2005	16,502,466	(11,800,093)	-	4,702,373

The statement of changes in equity should be read in conjunction with the accompanying condensed notes.

**CONDENSED NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER, 2006**

(1) Reporting entity

Bounty Oil & Gas NL (“the Company”) is a company domiciled in Australia. The interim financial report of the Company as at and for the half-year ended 31 December, 2006 comprises the Company and its interests in associates and jointly controlled entities.

The annual financial report of the Company as at the end and for the year ended 30 June, 2006 is available upon request from the Company’s registered office or at its website.

(2) Statement of compliance

The interim financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard *AASB 134: Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June, 2006 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim financial report was approved by the Board of Directors on 13 March, 2007.

(3) Summary of significant accounting policies

The accounting policies applied by the Company in this interim financial report are same as those applied by the Company in its financial report as at and for the year ended 30 June, 2006.

(a) Basis of preparation of half-year financial reporting

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Historical cost convention

The financial report has been prepared in accordance with the historical cost convention.

(b) Foreign currency translation

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at the date. Foreign exchange differences arising on translation are recognised as income or expense in the period in which they arise.

(c) Revenue recognition

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend revenue is recognised when the right to receive a dividend has been established. Revenue from the sale of goods is recognised upon the delivery of goods to customers. The net/(gain) on disposal of non-current asset sales are included as other income/(loss) at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated

**CONDENSED NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER, 2006**

as the difference of the carrying amount of the asset at the time of disposal and the net proceeds on disposal. Revenues and other income are stated net of GST.

(d) Income Tax

Income tax on the profit or loss comprises of current and deferred tax. Income tax is recognised in the income statement except to the extent that it related to items recognised directly in equity, in which case it is recognised in equity.

(i) Current Tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using the tax rates and tax laws that have been enacted or substantively enacted by reporting date.

(ii) Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them from initial recognition of assets and liabilities, which affects neither income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposit held at call with financial institutions, and other short-term highly liquid investments.

(f) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables will be estimated when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying

**CONDENSED NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER, 2006**

amount and the present value of estimated cash flows, discount at effective interest rate. The amount of the provision is recognised in the income statement.

(g) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

(h) Inventories

Inventories consisting of finished goods are carried at the lower of cost and net realisable value. Net realisable value is determined on the basis of normal selling patterns. Expenses of marketing, selling and distribution to customers are estimated and are deducted from expected selling price to establish net realisable value. Inventories consisting of marketable securities are carried at the lower of cost and net realisable value. Expenses of marketing and selling the securities are estimated and deducted to establish net realisable value.

(i) Depreciation

The depreciable amount of all fixed assets, is depreciated on a straight-line basis over their useful lives to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements

Class of fixed asset	Depreciation Rate
Plant & equipment	20%

(j) Impairment of assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amounts and are recognised in the income statement unless an asset has previously been re-valued in which case the impairment loss is recognised as a reversal to the extent to the previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any exploration and development assets allocated to cash generating units and the In, to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

**CONDENSED NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER, 2006**

(k) Exploration, evaluation and development expenditure

Exploration and evaluation expenditures in relation to separate areas of interest are capitalised in the year in which they are incurred and are carried at cost less accumulated losses where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
 - exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence of economically recoverable hydrocarbon reserves, and active and significant operations in, or in relation to, the area of interests are continuing.

Capitalised exploration costs are reviewed each reporting date to determine whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount; but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years. Where a decision is made to proceed with development, accumulated expenditure will be tested for impairment, transferred to development properties, and then amortised over the life of the reserves associated with the area of interest once operations have commenced.

Development expenditure is recognised at cost less accumulated amortisation and any impairment losses. Where commercial production in an area of interest has commenced, the associated costs are amortised over the estimated economic life of the field on a units-of-production basis. Changes in factors such as estimated of proved and probable reserves that affect unit-of-production calculations are dealt with on a prospective basis.

(l) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

**CONDENSED NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER, 2006**

Loans and receivables

Loans and receivables are non-derivatives financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Any held-to-maturity investments held by the Company are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

The investment in listed public companies is comprised of shares in Drillsearch Energy Limited and Great Artesian Oil & Gas N L.

(m) Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 60 day terms.

(n) Provisions

Provisions are recognised when the company has a present legal obligation or constructive obligation as a result of past events; and the amount has been reliably estimated. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

The company recognises any obligation for removal and restoration that are incurred during a particular period as a consequence of having undertaken exploration and evaluation activity. Restoration and abandonment obligations are reviewed annually.

(o) Employee benefits

The company had no employees during the financial period.

(p) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of the business are included in the cost of acquisition as part of the purchase consideration.

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profits attributable to equity share holders of the company excluding any costs of servicing equity other than ordinary shares,

**CONDENSED NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER, 2006**

by weighted average number of ordinary shares outstanding during the half-year, adjusted for bonus elements in ordinary shares issued during the half-year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with the dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) Joint venture operations

(i) Joint Ventures

Joint ventures are those entities over whose activities the Company has joint control, established by contractual agreements.

(ii) Jointly controlled operations and assets

The interest of the Company in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities it incurs, the expenses it incurs and its share of income from the sale of goods and/or services by the joint venture.

(s) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (“ATO”). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. The net amount of GST recoverable from or payable to the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash flows on a gross basis. The GST components of cash flows arising from investing activities and financing activities which are recoverable from or payable to the ATO are classified as operating cash flows. Commitments are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(t) Significant accounting judgments, estimates and assumptions

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. In the process of applying the Company’s accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognised in the financial statements.

(i) Exploration and evaluation assets

The Company’s accounting policy for exploration and evaluation expenditure is set out at Note 3(k). The application of this policy necessarily requires management to make certain estimates and assumptions as to the future events and circumstances, in particular, the assessment of whether economic quantities of reserve have been found. Any such estimates and assumptions may change as new information becomes available if after having capitalised expenditure under our policy, we conclude that we are unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be

**CONDENSED NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER, 2006**

written off to the income statements. Changes in assumptions may result in a material adjustment to the carrying amount of exploration and evaluation assets.

(ii) Share based payment transactions

The Company measures the cost of equity settled transactions with the Directors, contractors, suppliers and employees by reference to the fair value of the equity investments at the date of which they are granted. The fair value is determined using the Black-Scholes model.

(u) Net financing costs

Net financing costs for the Company comprise interest receivable on funds and foreign exchange gains and losses. Interest income is recognised in the income statement as it accrues, using the effective interest method.

(v) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(4) Available for Sale Financial Assets – Shares

Bounty acquired shares in listed public companies and at balance date the market value of these investments was \$486,115.

(5) Segment reporting

The Company operates predominantly in one business segment, being oil and gas exploration, and operates predominantly in two geographical segments Australia/New Zealand and Tanzania. Segment results include items directly attributable to a segment as well as those that can be reasonably allocated on a reasonable basis. Unallocated items comprise mainly interest earning assets and revenue and corporate assets and expenses.

	<i>Australia/New Zealand</i>		<i>Tanzania</i>		<i>Company</i>	
	<i>Dec 2006</i>	<i>Dec 2005</i>	<i>Dec 2006</i>	<i>Dec 2005</i>	<i>Dec 2006</i>	<i>Dec 2005</i>
	\$	\$	\$	\$	\$	\$
Segment revenue	284,100	221,060	-	-	284,100	221,060
Segment results	(102,171)	848,193	-	-	(102,171)	848,193
Unallocated expenses					(201,835)	(88,529)
Results from operating activities					(313,006)	759,664

Segment revenue is derived from Bounty's interest in its joint venture with Oilwells Inc of Kentucky in PL 214. All exploration expenditure incurred on the Nyuni block in Tanzania has been capitalised and no revenue will be earned unless the area is brought into production.

(6) Trade and other payables

Further non-recurring legal costs were incurred in litigation on PEP 38215 in the financial period ending 31 December, 2006 and all of these costs have been brought to account in that financial period. All exploration expenditure on PEP 38215 in New Zealand on PEP 38215 was written off in the prior financial year ended 30 June, 2006.

**CONDENSED NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER, 2006**

(7) Contingent liabilities and assets

As at the date this report is made out, there were no contingent liabilities and contingent assets.

(8) Issuances, repurchase and repayments of securities

During the half-year reporting period, no new ordinary share or options over ordinary shares were issued. No options already in issue as on 30 June, 2006 were exercised.

(9) Subsequent events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations, the results of those operations, or the state of affairs of the Company in future years, except that, subsequent to the interim balance sheet date, the Company placed a total of 22,347,628 ordinary shares at 4.5 cents per Share and raised a total of \$1,005,643 before placement costs. The purpose of the placement is to meet the ongoing exploration costs and working capital requirements.

The effect of the above transaction has not been brought to account at balance date.

DIRECTORS' DECLARATION

In the opinion of the directors of Bounty Oil and Gas NL ("the Company")

- a) the financial statements and notes set out on pages 7 to 18, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company as at 31 December 2006 and of the performance as represented by the results of their operations and their cash flows, for the half-year ended on that date; and,
 - (ii) complying with Australian Accounting Standard AASB 134 interim Financial Reporting and the Corporations Act 2001; and
- b) there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors made pursuant to S. 303(5) of the Corporations Act 2001.

For and on behalf of the directors

GRAHAM REVELEIGH
Chairman

Dated: 13th March, 2007
Sydney



DFK - Richard Hill

CHARTERED ACCOUNTANTS &
BUSINESS ADVISERS

B.Com. FCA

RICHARD O. COLLINGE
A.C.A. (NZ)

Associate Director:
DAVID G. SHARP
B.Com. A.C.A.

Telephone: (612) 9221 0444
Facsimile: (612) 9221 5935
Email: rhill@dfkrichardhill.com.au
www.dfkricbardhill.com.au

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF BOUNTY OIL & GAS NL

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Bounty Oil & Gas NL which comprises the balance sheet as at 31 December 2006, and the income statement, cash flow statement, statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration as set out on pages 7 to 18.

Directors' Responsibility for the Half-Year Financial Report

The company's directors are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. The responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of Great Artesian Oil and Gas Limited's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Great Artesian Oil and Gas Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

20



Liability limited by the Accountants
Scheme Approved under the Professional
Standards Act 1994 (NSW)

DFK - RICHARD HILL PTY LTD
A.C.N. 003 304 023 A.B.N. 86 003 304 023
UNITED OVERSEAS BANK BUILDING,
LEVEL 11, 32 MARTIN PLACE, SYDNEY NSW 2000
GPO BOX 104, SYDNEY NSW 2001



A member firm of
DFK
INTERNATIONAL
A worldwide association of independent
Accounting firms and business advisors

**INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF BOUNTY OIL & GAS NL**

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Bounty Oil & Gas NL is not in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- ii. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and



Name of firm DFK RICHARD HILL PTY LTD
Address Level 11, 32 Martin Pl Sydney 2000

Name of partner RICHARD HILL
Date: 13 March, 2007