



# **BOUNTY OIL & GAS NL**

ABN 82 090 625 353



## **Report To Shareholders For The Quarter Ended 31 December 2004**

### **ACTIVITY HIGHLIGHTS**

**Three offshore Perth Basin Wells scheduled for February**

**One offshore Vulcan Basin Well scheduled for July**

**Purchase of 40% interest in Utopia Oil field**

**Investment in White Sands Petroleum, who are negotiating to drill three to four wells in Utopia area**

**Option to earn 5% in 5 Cooper basin wells**

**Successfully raised \$3.5 million**

#### **Offshore Perth Basin**

The Ensco-56 is scheduled to commence drilling up to three wells in the WA-325-P/WA-327-P project area in late February 2005. The three wells are: Hadda (estimated mean recoverable 40 million barrels of oil (MMbo)), Flying Foam (estimated mean recoverable 21 MMbo) and Blue Jacket (estimated mean recoverable 22 MMbo). Blue Jacket is not yet a firm commitment well by the Joint Venture.

#### **Vulcan Sub-Basin**

Adelphi Energy Limited (via Arc Energy) farmed into AC/P 32 by agreeing to fund 37.5% of the drilling of the Magnolia prospect (estimated mean recoverable 85 MMbo). A commitment has been made to contract the Ocean Bounty to drill this prospect. Drilling is expected to commence in July 2005.

#### **Utopia Oil Field**

Bounty has agreed to purchase a 40% interest in the Utopia Oil Field in ATP 560P in southwest Queensland. The field is estimated to contain 2.86 million barrels of recoverable reserves and is currently producing 45 barrels of oil per day. The agreement is expected to be finalised in early February. Negotiations also are underway for White Sands Petroleum to farm in to accelerate the development of this field.

#### **White Sands Petroleum**

Bounty has loaned US\$1.0Million to a new private company, White Sands Petroleum Pty Ltd ("WSP"). The loan has facilitated WSP's purchase of a state-of-the-art rig to commence drilling in Australia in March 2005. Bounty's loan is secured against the rig, which is presently being transported from Norway. This transaction increases Bounty's shareholding in WSP to 25-30%. Bounty has established an interest in WSP to gain preferential access to the rig for development (eg Utopia) and exploration opportunities (eg. through WSP, Bounty has an option to earn 5% interest in five Cooper Basin wells to be drilled in Eagle Bay Resources NL permit PEL 182). In addition, the relationship with WSP is expected provide ongoing opportunities for Bounty to become involved in onshore drilling opportunities.

## REVIEW OF OPERATIONS

### Offshore Perth Basin

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

The Ensco 56 rig has been contracted to drill up to three exploration wells commencing February 2005.

The Joint Ventures have committed to drill the Hadda (WA-325-P) and Flying Foam (WA-327-P) prospects, with estimated mean recoverable reserves of 40 MMbo and 21 MMbo respectively. The WA-325-P Joint Venture is also considering drilling a third prospect, Blue Jacket with estimated mean recoverable reserves of 22 MMbo.

The WA-325-P and WA-327-P Joint Ventures are comprised of Bounty Oil & Gas NL (10%), Roc Oil (WA) Pty Ltd (37.5% and operator), Apache Energy Ltd (37.5%), Voyager (PB) Ltd (10%) and Wandoo Petroleum Pty Ltd (5%).

### Vulcan sub-Basin

#### **AC/P32** (Bounty 17.33%)

The AC/P 32 joint venture has signed a Letter of Intent to commit to the Ocean Bounty drilling rig to drill the exploration well Magnolia-1. The Magnolia prospect has estimated mean recoverable reserves of 85 MMbo. The current scheduling of the Ocean Bounty indicates that Magnolia-1 will be drilling in July 2005.

Adelphi Energy (a subsidiary of Arc Energy) has farmed into the permit by agreeing to fund 37.5% of the exploration well and some seismic costs to earn 25% interest in the permit. This farmout reduces Bounty's interest in the permit to 17.33%. Joint Venture members are seeking to farmout the remaining 25% of the well costs.

The AC/P 32 Joint Venture is comprised of Bounty Oil & Gas NL (17.33%), Westranch Holdings Pty Ltd (32.67% and operator), OPIC (25.0%), Adelphi Energy (25%).

#### **AC/P25** (Bounty 5%)

The 425km Rufus 2D seismic survey in AC/P 25 was completed in August. Processing is complete and the data is being interpreted for drilling opportunities.

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

### Offshore Sydney Basin

#### **PEP-11** (Bounty 75% and Operator)

Processing of new seismic is complete. The seismic will be used to define a drilling location for one exploration well (Biggus-1).

Rig availability has pushed planned drilling back to July 2005. Permitting, including community consultations, is continuing.

Due to non-performance of farmin partner Electro Silica, Bounty is currently seeking additional farmin partners.

The PEP 11 Joint Venture is comprised of Bounty Oil & Gas NL (75%) and Electro Silica Plc (25.0% - earning).

### **Great South Basin, New Zealand**

#### **PEP 38215** (Bounty 26.25% and Operator)

Processing of 2,000km of 2D seismic in PEP 38215 is complete.

Crown Minerals have responded negatively to our requests for an extension to the time allowed to complete our mapping and to drill in the permit and have given notice that they are contemplating possible revocation of the permit. Bounty has provided a detailed response to this notice. As Bounty believes it is being unfairly treated under the relevant regulatory guidelines, Bounty has lodged a separate complaint to the Ombudsman's office. In addition, the guidelines for permits (such as PEP 38215) which are granted under the AFO (Acceptable Frontier Offer) regime have been amended as of Jan 1, 2005. Bounty has exercised its right to have PEP 38215 regulated under the new Minerals Program for Petroleum (MPP) rather than the old MPP under which the permit was granted. Accordingly, an application for an amendment to the work program has also been submitted, extending the period for drilling to four years (as permitted by the new MPP), ie we will have until August 2005 to finish mapping and commit to drilling. If the application is unsuccessful, a favourable decision by the Ombudsman will be necessary to retain the permit long enough to fulfil the permit obligations. If an extension can be obtained, it is possible that a suitable rig can be mobilised into the permit area by late 2005 or early 2006.

Due to non-performance of farmin partner Electro Silica, Bounty is currently seeking additional farmin partners. Hardman Resources has decided to withdraw from the permit.

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

### **Bonaparte Basin**

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

Recent remapping by Bounty has matured a number of attractive prospects and leads in the permit. Bounty is planning to undertake a minimum 250 km seismic program by July and is now seeking a farmin partner to join in the program.

### **Onshore Carnarvon Basin**

#### **EP 412** (Bounty 65%)

The EP 412 Joint Venture has been granted a renewal of EP 412. Bounty is continuing to progress discussions with Rough Range Oil Pty Ltd on how Rough Range Oil will fulfil its commitment to Bounty to drill a well in the permit.

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

## **Offshore Tanzania**

### **Nyuni Block (Bounty 10%)**

The Joint Venture has submitted a relinquishment plan and proposed work program for the next renewal period for the Nyuni Block. The Joint Venture is awaiting a formal response from the Tanzanian government.

The proposed work program will involve additional technical studies, including a 400 km seismic acquisition program this year, with a view to drilling an exploration well in early 2006.

The Joint Venture's first well, Nyuni-1/1A, was suspended after recurring mechanical failures of testing equipment. The well had been drilled to a depth of 3905m and had consistent shows of oil and gas in the Lower Cretaceous and Upper Jurassic Formations. The testing program was terminated after it was determined that recurring equipment problems were unlikely to be resolved.

## **BOUNTY OIL & GAS NL**

### **TOM FONTAINE MANAGING DIRECTOR**

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

# 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")

31 December 2004

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (..6... months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for:		
(a) exploration and evaluation	(393)	(969)
(b) development	-	-
(c) production	-	-
(d) administration	(137)	(294)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	10	20
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
<b>Net Operating Cash Flows</b>	<b>(520)</b>	<b>(1,243)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(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	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>-</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(520)</b>	<b>(1,243)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(520)	(1,243)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	3,501	3,501
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Share issue costs	(167)	(167)
	<b>Net financing cash flows</b>	3,334	3,334
	<b>Net increase (decrease) in cash held</b>	2,814	2,091
1.20	Cash at beginning of quarter/year to date	496	1,219
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	3,310	3,310

**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	64
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Consulting fees paid to Directors and related entities

**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

-
---

+ 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	200
4.2 Development	-
<b>Total</b>	<b>200</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	3,085	274
5.2 Deposits at call	225	222
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>3,310</b>	<b>496</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.

**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 <b>Preference<sup>+</sup> 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>	140,653,077	140,653,077	-	-
7.4 Changes during quarter				
(a) Increases through issues	34,270,194	34,270,194		
(b) Decreases through returns of capital, buy-backs				
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>Exercise price</i>	<i>Expiry date</i>
Unlisted	3,400,000	-	20 cents	01/09/08
Unlisted	7,000,000	-	30 cents	30/11/05
7.8 Issued during quarter	-	-		
7.9 Exercised during quarter				
7.10 Expired during quarter	300,000	-	20 cents	30/11/04
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.

Gary Steinepreis  
Company Secretary  
January 2005

## 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.

== == == == ==