

# **BOUNTY OIL & GAS NL**

ABN 82 090 625 353

## **REPORT TO SHAREHOLDERS FOR THE QUARTER ENDED 30 SEPTEMBER 2003**

### **ACTIVITY HIGHLIGHTS**

**BOUNTY WILL BE DRILLING AT LEAST FOUR “COMPANY-MAKER” PROSPECTS  
WITHIN THE NEXT 12-18 MONTHS.**

<b>PROJECT</b>	<b>Bounty Interest</b>	<b>Potential Recoverable Reserves</b>	<b>Comments</b>
<b>Nyuni-1 (Offshore Tanzania)</b>	<b>10%</b>	<b>260 mmbo or 870 Bcf</b>	<b>Currently Drilling</b>
<b>Okuza-1 (Offshore Tanzania)</b>	<b>10%</b>	<b>100 mmbo or 390 Bcf</b>	<b>Drill immediately after Nyuni-1</b>
<b>Offshore Perth Basin</b>	<b>10%</b>	<b>Unknown</b>	<b>One to three wells to be drilled mid-2004 based on 3D seismic currently being acquired.</b>
<b>Biggus-1 (Sydney Basin)</b>	<b>25%</b>	<b>1.2 Tcf</b>	<b>Adjacent to Australia’s largest gas market. Drilling mid to late 2004</b>

#### **Corporate**

Bounty issued to Aminex Plc 9 million shares at 15 cents and 3.4 million options exercisable at 20 cents each on or before 1 September 2008. These funds were used for Bounty to farm into Aminex’s two petroleum exploration wells off the Tanzanian coast in East Africa.

Mr Didier Murcia was appointed to the board as a Non-Executive Director.

#### **Onshore Perth Basin**

The Leafcutter-1 well was spudded on 1 September in the Woodada production License, and reached Total Depth on 18 September 2003. Logging indicated numerous gas shows, but the reservoir zones were too tight to yield any commercial flow. The well was plugged and abandoned on 19 September.

#### **Offshore North Perth Basin**

2D and 3D seismic acquisition is scheduled to commence in November in WA-325-P and WA-327-P with joint venture partners Roc Oil (WA) Pty Limited, Apache Northwest Pty Ltd and Chimelle Petroleum Limited. Up to three exploration wells are planned for 2004.

#### **Offshore Sydney Basin**

Bounty will be free carried through the acquisition of 1500 km of 2D seismic and the drilling of one exploration well through a farmout to UK private company Electro Silica Plc. They will earn a total of 75% interest in the permit for funding this program.

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

Bounty will be free carried through the acquisition of 2000 km of 2D seismic through a farmout to UK private company Electro Silica Plc. They will earn 25% by funding the seismic, and will earn an option to drill an exploration well to earn a further 50%.

## **GAS PRODUCTION**

During the September quarter the Woodada Gas Field produced 397,154 Gj of natural gas and 372 bbls of condensate for sales to contracted customers. The average daily production of natural gas for the quarter was 4,273 Gj.

Sales made to industrial customers in the Perth Region from the Woodada Field were 553,363 Gj of natural gas for the quarter. Additional gas was purchased under purchase agreements with Origin Energy Limited and CMS Gas Limited to meet sales contract levels.

Gross revenue from gas and condensate sales for the quarter from the Woodada Field (100%) was A\$1,636,450.

## **REVIEW OF OPERATIONS**

### **Offshore Tanzania**

#### **Nyuni Block**

In September 2003, Bounty farmed in to the Nyuni Block by agreeing to participate in two exploration wells. The first of these wells, Nyuni-1, commenced drilling on September 26, 2003 and is drilling at the time of writing. The second well, Okuza-1, will be drilled immediately after. The Nyuni structure has the potential to contain recoverable reserves of 260 mmbo or 870 Bcf of gas. The Okuza structure has the potential to contain recoverable reserves of 100 mmbo or 390 Bcf of gas. The wells are to be drilled on small islands approximately 30 km off the coast of Tanzania to depths of between 3,000 and 4000 meters. In both cases they are targeting gas in Neocomian sands (the reservoir section at the nearby Songo Songo Gas Field). Oil seeps recently discovered on Nyuni Island, directly above the Nyuni prospect, have enhanced the probability of encountering oil.

With the exception of two Songo Songo delineation wells, no drilling has taken place in the Nyuni block. Nine play types have been recognised in the permit area – two of which are productive in the Songo Songo field and one of which has exhibited shows in the field. The remainder remain untested to date. A total of 12 prospects and leads are mapped, of which 9 are structural in nature.

Adjacent to the permit is the Songo-Songo gas field, which contains 590 BCF (proved and probable) of recoverable gas. The proven reserves are contracted to the Ubungo Power Plant. A 12" pipeline (105 mmcfgd uncompressed) from the field to shore has been completed and a 16" (120 mmcfgd) pipeline up to Dar-Es-Salaam is under construction and is due for completion in May 2004. This means that if gas is encountered at Nyuni or Okuza, there is relatively easy access to local gas markets.

### **Onshore Perth Basin**

#### **Woodada Gas Field (Bounty 25%)**

The Leafcutter-1 well was spudded on 1 September 2003, and reached TD on 18 September 2003.

Minor hydrocarbon shows (elevated gas levels) were observed while drilling through the Carynginia Formation, Irwin River Coal Measures and High Cliff Sandstone. In sandstones

in the basal Carynginia Formation and upper Irwin River Coal Measures these were accompanied by heavier fractions (C4 and C5). Following the wireline logging, potential reservoir zones were tested. The Carynginia Limestone is gas bearing but too tight to yield any commercial flow. The basal Carynginia, the Irwin River Coal Measures and High Cliff Sandstones are also tight and contain only residual hydrocarbons.

The well was plugged and abandoned on September 19 2003.

The Woodada Joint Venture is comprised of Bounty Oil & Gas NL (25%) and Hardman Resources Limited (75% and operator).

### **Offshore Perth Basin**

#### **TP/15 (Bounty 5%)**

Technical studies are continuing. An aeromagnetic survey over the permit has been completed and the 102km Lillian Seismic Survey is expected to commence within the next week. The TP/15 joint venture is comprised of Bounty Oil & Gas NL (5%), Roc Oil (WA) Pty Ltd (20% and operator), Hardman Resources Ltd (30%), Australian Worldwide Exploration Limited (25%), Arc Energy NL (5%), Westranch Holdings (10%, earning) and Voyager Energy Ltd (5%, earning).

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

2676 kilometers of new 2D seismic data has been acquired and interpreted. Numerous structures with hydrocarbon potential have been identified. The 2D seismic has been used to optimize the location of 660 km<sup>2</sup> of 3D seismic in WA-325-P and WA-327-P to be acquired in November 2003. In addition, a further 820 km of 2D data will be acquired in WA-325-P in November. This additional 2D and 3D seismic will be used to determine the location for drilling up to three exploration wells in 2004.

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%, earning) and Voyager Energy Ltd (15%).

### **Onshore Carnarvon Basin**

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

Rough Range Oil Pty Ltd has been unable to fulfill its commitment to drill a well in the permit. The Joint Venture has obtained a variation of the work commitments for this permit. Under the new work program the commitment well has been deferred until March 2004. If this well is a petroleum discovery, then there will be a commitment to drill a second well also in 2004. Bounty is considering its options on how to proceed in this permit.

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

## **Offshore Carnarvon Basin**

### **WA-310-P**

After further review of the technical data for this permit, Bounty has decided to withdraw from this permit and assign its 50% interest to West Oil NL. The permit work commitment for next year is to acquire 500 km of new 2D seismic - Bounty believes the funding required for this program can be better utilised to develop projects that we consider to be more prospective.

## **Onshore Canning Basin**

### **EP 104; L98-2**

Bounty had committed to fund 20% of an exploration well in EP 104 for a 12% interest in the permit, subject to the well being drilled prior to October 2003. As the commitment date has passed and there is still no firm date for the drilling, Bounty has decided not to exercise its option. This will allow Bounty to conserve its funds for projects that we consider to be more prospective.

## **Vulcan sub-Basin**

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

Bounty Oil & Gas NL (Bounty) has farmed out an interest in this permit. Under the terms of the agreement, Bounty will assign a 95% interest in the permit to Hardman Resources Limited in return for a carried interest through the acquisition of 400 km of 2D seismic and payment of \$50,000 cash.

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

### **AC/P27 (Bounty 100% and Operator)**

Bounty relinquished this permit on August 25, 2003. After a technical review of this permit, including the purchase and reprocessing of 3D seismic, the permit was considered to be not prospective enough to justify the cost of ongoing commitments.

### **AC/P32 (Bounty 26%)**

Interpretation of 170 square km of purchased 3D seismic data is complete and has been integrated with over 2,000 km of recently reprocessed 2D seismic. The work has matured a number of prospects and leads at the Late Jurassic Montara Formation level which are considered to be potentially economic in size. The Magnolia and Wisteria prospects may hold up to 85 mmbo and 52 mmbo recoverable respectively. In addition, the Azelea lead - at the shallower Cretaceous Puffin sandstone level - has potential for 234 mmbo recoverable. While Azelea is a higher risk, stratigraphic play, it could be tested as a secondary objective while drilling a well at Wisteria. The work has also identified a potential prospect updip of the Longleat-1 well, which had good oil shows within the Montara sands.

The Joint Venture has applied for an extension to the permit to allow additional time to undertake seismic reprocessing to increase our confidence in these prospects prior to drilling.

The AC/P 32 Joint Venture is comprised of Bounty Oil & Gas NL (26%), OPIC (25.0%), Westranch Holdings Pty Ltd (49% and operator).

### **Bonaparte Basin**

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

Studies are ongoing.

### **Surat Basin**

#### **PL18 & PL 40 (50% - earning)**

Negotiations and planning for the drilling of the Thomby Creek well in PL 18 have taken far longer than expected. Currently the agreement with Brisbane Petroleum and Delbaere Associates has lapsed. Bounty is still negotiating with these companies to extend the term of our agreement until the well is drilled. The Company is also negotiating with OME Resources Australia to drill the well and take 50 to 75% of the farmin. If negotiations are unsuccessful, Bounty will drop this project.

### **Offshore Sydney Basin**

#### **PEP-11 (Bounty 25% and Operator)**

**BOUNTY HAS FARMED OUT 1500 km OF 2D SEISMIC AND THE DRILLING OF ONE EXPLORATION WELL.**

Bounty has farmed out 75% interest in PEP 11 to UK company Electro Silica Plc in return for Electro Silica funding 100% of the costs of 1500 km of 2D seismic and the drilling of an exploration well within the permit.

Bounty will be free carried through both the seismic, which is scheduled for the first quarter of 2004, and the drilling, which is expected to commence mid to late 2004. By funding both of these programs, Electro Silica will earn an aggregate 75% in PEP 11.

PEP 11, in the Offshore Sydney Basin, is situated immediately adjacent to the heavily populated and industrialised central coast of New South Wales, Australia. No drilling has taken place in the basin, despite a significant number of wells drilled in the adjacent onshore Sydney Basin, which have flowed gas or encountered oil shows.

Covered by permit PEP 11, a 200 kilometre long, 8,267 km<sup>2</sup> permit, the Offshore Sydney Basin is a significant under-explored exploration area; with large scale structuring and potentially multi-Tcf gas and condensate-charged Triassic and Permian reservoirs. Mapped prospects and leads are generally located less than 50 kilometres from Australia's

largest energy market, the Sydney-Wollongong - Newcastle greater metropolitan area - a population centre of approximately 5 million people.

Bounty has identified a large target located in the northern sector of the permit in an average of 125 metres of water. This structure is situated on the crest of the Offshore Uplift on a thrust anticline. With a closure of over 120 km<sup>2</sup>, the feature has potential to hold up to 1.2 Tcf of recoverable gas.

Bounty has completed reprocessing of seismic and aeromagnetic data to mature the mapping in the area. In addition, the prospectivity of the northern sector of the permit has been further enhanced by the confirmation of the presence of apparent hydrocarbon seeps. Originally detected on 1996 satellite imagery, a repeat analysis of 1998 and 2001 images again identified apparent seeps directly over the main prospect. The total depth of a well to test this prospect would be approximately 1,500 metres.

The PEP 11 Joint Venture is comprised of Bounty Oil & Gas NL (25%) and Electro Silica Plc (75.0% - earning).

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

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

#### **BOUNTY HAS FARMED OUT THE ACQUISITION OF 2000 km OF 2D SEISMIC.**

Bounty has farmed out 25% interest in PEP 38215 to UK company Electro Silica Plc in return for Electro Silica funding 100% of the costs of 2000 km of 2D seismic. Bounty will be free carried through the seismic, which is scheduled for the first quarter of 2004.

Reprocessing and reinterpretation of over 6,200 km of seismic over the permit have confirmed the presence of a number of large untested structures. It has also allowed Bounty to assign probable recoverable reserves of 0.9 Tcf and possible recoverable reserves of 2.2 Tcf of gas in the Toroa structure. The Toroa-1 well was drilled by Hunt International Petroleum in 1976. Methanex has supplied Bounty with an Expression of Interest indicating that they would seriously consider entering into a long term gas contract if sufficient gas reserves could be proven and delivered under agreeable commercial terms.

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).

## **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")

30 September 2003

### 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	451	451
1.2 Payments for		
(a) exploration and evaluation	(420)	(420)
(b) development	-	-
(c) production	(337)	(337)
(d) administration	(101)	(101)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	11	11
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
	(396)	(396)
<b>Net Operating Cash Flows</b>		
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(2)	(2)
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)	-	-
	(2)	(2)
<b>Net investing cash flows</b>		
1.13 Total operating and investing cash flows (carried forward)	(398)	(398)

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(398)	(398)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	1,350	1,350
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	(104)	(104)
	<b>Net financing cash flows</b>	<b>1,246</b>	<b>1,246</b>
	<b>Net increase (decrease) in cash held</b>	<b>848</b>	<b>848</b>
1.20	Cash at beginning of quarter/year to date	1,027	1,027
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>1,875</b>	<b>1,875</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	58
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	250
4.2 Development	150
<b>Total</b>	<b>400</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	1,209	9
5.2 Deposits at call	666	1,018
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>1,875</b>	<b>1,027</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	WA-310-P	Direct	50%	-
	EP104	Direct	12%	-
	AC/P27	Direct	100%	-
	AC/P25	Reducing	100%	5%
6.2 Interests in mining tenements acquired or increased	Nyuni-1 Okuzu-1 Tanzania	Farm-in	-	10%

+ See chapter 19 for defined terms.

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

**Issued and quoted securities at end of current quarter**

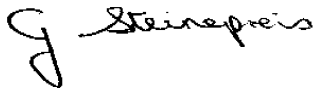
*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	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 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>	91,853,753	72,741,253	-	-
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	9,000,000	9,000,000	-	-
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> Listed BUYO BUYAS BUYAQ	24,888,388 3,100,000 2,700,000 3,400,000	24,888,388 - - -	<i>Exercise price</i> 20 cents 20 cents 20 cents 20 cents	<i>Expiry date</i> 30/01/04 30/11/03 30/11/03 01/09/08
7.8 Issued during quarter	3,400,000	-	20 cents	01/09/08
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.



Gary Steinepreis  
Company Secretary  
31 October 2003

## 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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