

BOUNTY OIL & GAS NL

ABN 82 090 625 353

REPORT TO SHAREHOLDERS FOR THE QUARTER ENDED 31 DECEMBER 2002

ACTIVITY HIGHLIGHTS

Entitlement Issue

- Bounty successfully raised \$1,594,835 for on-going working capital through an Entitlement Issue of ordinary shares ("Shares") to existing shareholders on the basis of one new share for every three Shares held, at an issue price of 7.7 cents each. A total of 20,712,140 Shares have been issued and allotted.

New Director

- Mr Leith Wale has been appointed non-executive director. Mr Glenister Lamont has resigned as a director. Mr Wale has considerable corporate funding and management experience.

Woodada Gas Field

- The Woodada-19 gas well has been tied in and is expected to contribute 2.0 million standard cubic feet per day of gas ("mmscf/d") to be sold directly into existing contracts.
- Gas production from Woodada-11 was increased from 0.5 mmscf/d to 1.2 mmscf/d following a successful nitrogen stimulation program.
- Preparations have commenced for the drilling of Leafcutter-1 oil exploration well within the Woodada Gas Field production license. Leafcutter-1 is a shallow (1400 metre) exploration well, which will test lower Permian sandstones. The Leafcutter structure is estimated to have potential for over 16 million barrels of recoverable oil. A secondary target in the Carynginia gas reservoir will also be tested.

Offshore North Perth Basin

- The Twin Lions-1 well is expected to commence drilling early February, 2003. The Cliff Head-3 appraisal well (in adjacent permit WA-286-P) tested at a stabilized rate of 3000 barrels of oil per day, constrained by surface facilities. Bounty has 5% equity in TP/15 and is free carried through the drilling and testing of Twin Lions-1. If Twin Lions-1 is successful, the joint venture may drill a second well within the permit, through which Bounty will also be free carried.
- The acquisition of 2,676 kilometres of 2D seismic in WA-325-P and WA-327-P was completed successfully and under budget. The data is presently being processed.

Queensland

- Bounty is in advanced negotiations with a partner to help fund the drilling of a development well in the Thomby Creek Oil Field in PL 18.

Offshore Sydney Basin

- The Environmental Plan for proposed seismic operations in PEP 11 has been reviewed and approved by Environment Australia. An application to undertake the seismic program has been lodged with the NSW Department of Mineral Resources.

GAS PRODUCTION

During the December quarter the Woodada Gas Field produced 176,350 giga joules ("Gj") of natural gas and 200 barrels ("bbls") of condensate for sales to contracted customers. The average daily production of natural gas for the quarter was 2.70 Gj per day (2.67 million cubic feet per day). Bounty has a 25% interest in the Woodada Gas Field.

Total gross sales to industrial customers were 534,100 Gj of natural gas for the quarter. Additional gas was purchased under agreements with Origin Energy Resources Limited ("Origin") and CMS Gas Transmission of Australia ("CMS") to meet sales contract levels. The contract with Origin has been extended until the end of January 2003. At that time Bounty expects to be able to supply its customers using the additional gas deliverability from Woodada 19.

Gross revenue from gas and condensate sales for the quarter was \$1,575,108.

REVIEW OF OPERATIONS

Onshore Perth Basin

Woodada Gas Field (Bounty 25%)

The Woodada Gas Field is located 280 kilometres ("km") north of Perth, Western Australia, approximately 15 km inland from the coast and is connected via the Parmelia gas pipeline to customers in the Perth area. Bounty provides production engineering expertise and field operations management for Hardman Resources Ltd, the operator of the field.

The Woodada Gas Field has produced approximately 46.9 billion cubic feet ("Bcf") of gas up to January 2002 since it commenced production in 1982. Current production is approximately 2.7 mmscf/d from seven wells. Production is expected to increase to 5.0 mmscf/d when Woodada-19 starts producing in January 2003. The additional gas production from Woodada-19 will be sold directly into existing gas sales contracts. Income from this gas will materially contribute to the Company's cash flow.

In addition, gas production from Woodada-11 was increased from 0.5 mmscf/d to 1.2 mmscf/d following a successful nitrogen stimulation program in December 2002.

Preparations have also commenced for the drilling of Leafcutter-1, an oil exploration well within the Woodada Gas Field production license. Leafcutter-1 is a shallow (1400 metre) exploration well, which will test lower Permian sandstones. A secondary target in the Carynginia gas reservoir will also be tested. Drilling at Leafcutter-1 is currently planned to commence in April 2003. The Leafcutter structure is estimated to have potential for 16 million barrels of recoverable oil.

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%)

TP/15 is situated along the Western Australian coast at Geraldton, approximately 325 km north of Perth. The permit covers 1,299 km² with water depths generally less than 20 metres.

TP/15 lies immediately east of WA-286-P, which contains the Cliff Head Oil Field and contains a number of leads and prospects on geological trend from Cliff Head, only five kilometres west of the TP/15 boundary.

The Twin Lions will be drilled immediately after the Ensco 53 jackup drilling rig is released from Cliff Head-3. The Ensco 53 spudded Cliff Head-3 on 6 January, 2003 and reached a total depth of 1,408 meters below rotary table ("m BRT") on 12 January, 2003. The well was logged and then a sidetrack was drilled to obtain core samples and to perform a production test. On 27 January 2003 the well was production tested at a stabilized rate, constrained by surface facilities, of 3,000 barrels of oil per day on a 28/64 inch choke and a down hole electrical submersible pump.

Through a farmout agreement, Bounty will be free carried through the drilling of Twin Lions-1 and one additional well in TP/15. The funding will include the costs of coring, testing and completing one of the wells. It is therefore expected that Bounty will incur no costs during the upcoming drilling campaign. If Twin Lions is successful, the TP/15 joint venture may drill Moondah-1 within TP/15. The Moondah structure is estimated to contain up to 150 mmbbl in place and is situated approximately six kilometres north of Twin Lions.

Twin Lions is the second well of a three to eight well programme currently being undertaken by the WA-286-P and TP/15 joint ventures.

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%)

These permits, covering 6,047 km² and 6,474 km² respectively, are adjacent areas. Water depths in the permits range from 30 meters to 200 meters, with most of the primary areas of interest in less than 80 metres of water. WA-325-P lies immediately to the north of WA-286-P, which contains the Cliff Head Oil Field, while WA-327-P is immediately east of WA-226-P where the Morangie-1 exploration well was drilled in October 2002. Morangie-1 had residual oil shows, but was wet.

The primary target in the permits comprises Permo-Triassic reservoirs trapped in fault blocks beneath the Triassic Kockatea shale regional seal. Additional plays identified are structural/stratigraphic traps within the Jurassic, pinch-out potential at the edge of the Kockatea Shale regional seal and down-thrown fault closures of Woodada Formation sandstones laterally sealed by Kockatea Shale of Permian reservoir laterally sealed by tight Palaeozoic section.

On 20 October 2002 the joint venture completed a farmout of these permits to Apache Northwest Pty Ltd ("Apache"). In consideration for Apache funding 56.25% of the Year One Work Programme up to a maximum cost of A\$7.5 million, Apache would earn 37.5% interest in each of the permits.

As part of the Year One Work Programme, the joint venture acquired 2,676 kilometres of 2D seismic in the two permits. The Rita survey in WA-325-P and the Cheryl survey in WA-327-P were completed successfully and under budget on 22 November, 2002. Both 2D and 3D seismic surveys are part of the WA-325-P first year work commitment, with one exploration well planned in each of the following two years. While the principle work commitment in WA-327-P is a 2D seismic survey in the second permit year, a portion of this was moved forward (as the Cheryl survey) to take advantage of the presence of the seismic vessel brought in for the Rita survey.

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%)

EP 412 is the subject of a farmin agreement with Rough Range Oil Pty Ltd (Rough Range), a subsidiary of Empire Oil & Gas NL, under which Rough Range can earn up to an 80% interest by meeting various exploration expenditures, including the drilling of one well. On 8 July 2002, Rough Range committed to drill a well to earn an additional 45% interest in the permit. Under the work program applicable to this permit, the well must be drilled by March 2003.

EP 412 covers 5,622 km² and is located on the Western Australian coast, extending into the Exmouth Gulf. Geologically, it sits within the extension of the southern Carnarvon Basin, a region dominated by the NNE structural features of the Cape Range, Rough Range and Giralia Anticlines. The main subsurface structural trends within EP412 parallel these major anticlines.

The largest structural target within the permit is the Jubilee Prospect, a NNE trending compressional fold which is over 50 km in axial length. It has an areal closure in excess of 250 km² - which suggests potential for trapping large hydrocarbon volumes within Palaeozoic-age reservoir rocks. The potential recoverable oil reserves associated with such rock volumes could exceed 200 mmbo and/or several trillion cubic feet (Tcf) of gas (P10). The Jubilee prospect lies approximately 90 kilometres from the Burrup to Perth gas pipeline.

In addition to Jubilee, work by Rough Range has identified several attractive smaller prospects, Victoria and Yolande. Defined by strong amplitude-versus-offset anomalies, generally indicative of the presence of hydrocarbons, these prospects are considered to be mature and Victoria is a likely candidate for the upcoming drilling. Rough Range estimates a potential 150 and 50 Bcf respectively may be present in these prospects.

Several smaller closures have also been identified at the base of the regional Cretaceous seal, below which is the Birdrong Sandstone reservoir. Two of the largest Birdrong reservoir leads, Hopes Corner and Rabbit Hill, have potential maximum reserves which lie between approximately 10 and 20 mmbo.

There may be further prospectivity in the offshore portion of the permit area beneath the shallow waters of the Exmouth Gulf, some 30 km south east of the Rivoli gasfield.

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 (Bounty 50%)

WA-310-P is located in the Dampier Sub-Basin, offshore Carnarvon Basin, approximately 60 kilometres north of the port of Dampier. It covers an area of 1,840 km² in water depths from 50 - 70 metres. The permit is less than 90 kilometres from numerous known oil and gas fields, including the North Rankin, Perseus and Angel gas fields and the Lambert, Hermes, Wanaea, Cossack, Stag, Wandoo and Legendre oil fields. The proximity of the permit to infrastructure adds to the possibility that any new discoveries could quickly proceed to development. Three prospects were identified in this permit with potential recoverable oil reserves of a total of 60 mmbo.

The Joint Venture has purchased 900 km of seismic in the permit and undertaken a reinterpretation and remapping of the permit. Initial reinterpretation of reprocessed seismic data has been completed. This work has confirmed the presence of the Dolly and Christine prospects and identified a number of additional leads. The Dolly and Christine prospects are structural fault block traps draping over older fault blocks at the Triassic level. The main objective is the Barremian *M. australis* Sand. This sand was identified as between 25 and 40 metres thick and of good reservoir quality in the offset wells Lawley-1 and Hauy-1. Both prospects are covered by 2D seismic.

Additional reprocessed data has been purchased to mature the mapping. On completion of the mapping, the prospects and leads will be assessed for farmout and for possible drilling.

The WA-310-P joint venture is comprised of Bounty Oil & Gas NL (50%) and West Oil NL (50% and operator).

Onshore Canning Basin

EP 104; L98-2 (Bounty 12%, earning)

Located just north of Derby in Western Australia, EP 104 (987 km²) and production licence application L98-2 are situated on the coast, with EP 104 extending into the waters of King Sound. The permits are within the Canning Basin, and both are proven to contain hydrocarbons. The Point Torment-1 well in EP 104 has flowed gas, and the West Kora-1 well in L98-2 has produced oil.

As part of its farmin obligations, Bounty performed an extensive technical review of both EP 104 and L98-2 in late 2001. The work including the reinterpretation and remapping of all existing seismic and a new analysis of available well log data. The technical work confirmed the prospectivity of the permit and further defined the two primary exploration prospects, Point Torment and Valentine. The Point Torment Prospect has estimated recoverable reserves ranging from 5.2 to 34.3 mmbo in the Unit "B" and "C" sands, and from 9.3 to 33.5 Bcf gas in the Unit "A" sand if hydrocarbons are present. The Valentine Prospect has estimated recoverable reserves of 200 mmbo or 1.2 Tcf of gas.

The Joint Venture is presently seeking additional partners to participate in the drilling of a new well in the Point Torment area. Based on its current farmin obligations in the permit, when drilling is undertaken, Bounty will contribute 20% of costs to earn a 12% interest in the permit.

The EP 104 joint venture is comprised of Bounty Oil & Gas NL (12.00%), Chimelle Petroleum Limited (29.92%), Gulliver Productions Pty Ltd (17.60%), Indigo Oil Pty Ltd (15.31%), First Australian Resources NL (7.04%), Kimberly Oil NL (7.04%), Euro Pacific Energy Pty Ltd (7.04%) and Pelsoil NL (4.05%). The L98-2 joint venture is comprised of Bounty Oil & Gas NL (12.00%), Chimelle Petroleum Limited (40.48%), Gulliver Productions Pty Ltd (2.64%), Indigo Oil Pty Ltd (7.04%), First Australian Resources NL (10.56%), Kimberly Oil NL (10.56%), Pancontinental Oil & Gas NL (10.56%) and Pelsoil NL (6.16%).

Vulcan sub-Basin

AC/P25 (Bounty 100% and Operator)

Located 250 kilometres off the coast of Western Australia, AC/P25 is situated in the Territory of Ashmore/Cartier. The permit covers 754 km² within the Vulcan sub-Basin and contains the extension of the Talbot Field structural trend. The trapping horizon present at Talbot extends into the permit and provides potential for the accumulation of volumes of oil and/or gas.

A number of Triassic closures exist within the permit area with potential for recoverable volumes totalling up to 140 mmbo (P10), one of which has an apparent seismic amplitude anomaly which

may be indicative of a hydrocarbon effect. Deeper prospectivity exists in the Permian section with potential for an oil accumulation in excess of 200 mmbo (P10).

The large Bonneville Channel stratigraphic play may extend through the permit into the adjoining AC/P27 permit. This play has the potential to accumulate over 100 mmbo (P10).

The most recent activity in the permit was the drilling of the Sebring-1 well early in 2002. The well was plugged and abandoned as a dry hole, however initial analysis suggests that the prospect may not have been optimally sited to receive an adequate charge of hydrocarbons and the well itself may have been drilled out of closure.

AC/P27 (Bounty 100% and Operator)

AC/P27 lies immediately south and adjacent to AC/P25. Comprising an area of 904 km², it includes the Dooner prospect and one additional lead located at the Base Cretaceous regional sealing horizon (the same horizon that traps the oil at the Talbot Field).

The Dooner prospect is immediately updip of the Conway-1 well, which had gas shows and minor fluorescence within porous, well-sorted Jurassic sandstones. The apex of the Dooner prospect is over 300 metres updip from the Conway well. Hydrocarbon potential is further demonstrated by positive Airborne Laser Fluorosensor (ALF) anomalies and a hydrocarbon-related diagenetic zone (i.e. a geophysical anomaly) associated with structural spill to the north and south. Potential recoverable reserves at Dooner are estimated to be 96 mmbo (P50).

In addition to Dooner, there is a large poorly-defined lead within shallow Tertiary sandstones. As presently defined, it has the potential to contain up to 70 mmbo (P10).

The Bonneville Channel stratigraphic play (as described above) also appears to extend into this permit.

The most recent activity in the permit was the drilling of the Sleeper-1 well in early 2002. The well was plugged and abandoned as a dry hole.

Bounty has purchased 80 km² of 3D seismic over a portion of the permit including the Dooner prospect. Bounty will be using specialised seismic interpretation techniques to evaluate the prospect. It is anticipated that this will allow more accurate mapping and prospect delineation at Dooner. Simultaneously, an integrated review of the regional geology and the results of the Sleeper well will be undertaken in conjunction with the AC P/25 seismic review.

Subject to maturing the Dooner prospect satisfactorily, a partner will be sought to participate in the drilling of the prospect.

AC/P32 (Bounty 13.5%)

AC/P32 is 1,092 km² in area and provides additional access to the petroleum migration pathways and reservoir catchments along the southern and eastern margins of the Vulcan Sub-Basin. The Joint Venture has farmed out a 25% interest to the Chinese Petroleum Company ("OPIC") who will partially fund upcoming seismic purchase obligations and contribute to any potential drilling activities. Bounty's interest in the permit will reduce to 13.5% as a consequence of this farm-in.

Recent work in the Vulcan sub-basin has suggested the presence of two functioning hydrocarbon generation systems in addition to the established late Jurassic marine source rocks. These include a Lower-Middle-Jurassic terrestrial source rock system (which is the most likely source of the oil at the Montara Field complex adjacent to AC/P32) and a Permian hydrocarbon generative source rock which appears to have charged the Osprey-1 location in AC/P25, updip and north east of AC/P32.

Mapped structures in AC/P32 at the Base Cretaceous horizon within the Late Jurassic (Montara Sandstone) section and at the top of the Middle Jurassic Plover Sandstone section, have the potential to access the three separate hydrocarbon charge systems. All systems may generate oil/gas/condensate at different stages within or adjacent to the AC/P32 acreage, improving the chances of commercially recoverable volumes.

The largest structure within AC/P32 is the "417SW" feature, which lies on the same trend and to the north east of the Montara/Bilyara/Tahbilk Field Complex. It has structural expression at the Base Cretaceous seismic horizon above the Late Jurassic - Montara Formation Sandstone equivalent rock section and below it at the Callovian seismic horizon. The Late Jurassic - Montara Formation will therefore share the structural expression above and below it. This large horst block feature may have at least 120 metres of vertical closure and may host volumes as large as 280 mmbo in place. The "632W" feature is an anticlinal four-way closure at the Base Cretaceous seismic horizon (with likely closure in the Montara Sandstones below it) and may host volumes up to 60 mmbo in place. The adjacent "632C" feature is a down-thrown hanging wall closure and may host up to 54 mmbo in place in sandstones of Middle Jurassic or younger age.

There are at least another 15 structural features of leads in the AC/P32 licence area, the largest of which could support a volume of up to 53 mmbo in place. Other play concepts are present within the permit area, including the Upper and Mid-Cretaceous Sandstones, but these have not yet been mapped. The permit is fully covered by 3D seismic.

The AC/P 32 joint venture is currently comprised of Bounty Oil & Gas NL (13.5%), OPIC (25.0%), Westranch Holdings Pty Ltd (25.5%), West Oil NL(13.5%) and Eagle Bay Resources NL (22.5%). Negotiations are currently underway that may change the structure of the joint venture, and Bounty may have an opportunity to increase its interest in this permit.

Bonaparte Basin

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

WA-324-P is 2,514 km² in area and is situated in the Bonaparte basin, approximately 80 kilometres off the coast of Western Australia.

Located in the permit is the sub-commercial Fishburn-1 gas discovery drilled by BHP in 1992. The well encountered a 51 metre gross gas column in the Late Permian Hyland Bay Formation, the same reservoir as in the nearby Petrel and Tern Fields; it may be noted that it did not penetrate the underlying Keyling and Treachery Formations which were found to be gas productive in Woodside's recent (August 2001) Blacktip-1 gas discovery, located approximately 100 kilometres to the south east of the permit.

Preliminary seismic mapping has identified two new structural leads at the Keyling Formation level in the permit. Collectively defined as the Dolphin prospect, the features have an aggregate closure of 16 km². Bounty will be reviewing all available technical data in the area with a view to fully remapping the permit. This will include re-interpretation and remapping of the Fishburn feature.

High-resolution 2D seismic has been acquired immediately to the south of WA-324-P. Initial interpretation of this data has revealed several major direct hydrocarbon indicators.

Surat Basin

PL18 & PL 40 (50% - earning)

PL18 and PL40 are located in the Surat Basin in Queensland. They cover 189 km² and 75 km² respectively and contain four proven oil fields.

Bounty is committed to drilling a well in the Thomby Creek oil field in PL18. The PL18 agreement gives Bounty the right to earn 85% of the production revenue from the well until the costs are paid out, after which Bounty's production share is 50%. Bounty is in advanced negotiations with a potential partner to help fund the drilling.

There are two proven oil fields in PL18, Yellowbank Creek and Thomby Creek. Technical analysis by Bounty has determined that the Thomby Creek field has excellent potential for additional recovery. Geophysical, petrophysical and geological interpretations have determined that less than 3% of the estimated 2.5 million barrels of oil in place have been recovered. An independent evaluation has determined that at least 300,000 barrels should be recoverable.

The PL 18 and PL 40 joint ventures are comprised of Bounty Oil & Gas NL (50% - earning), Delbaere Associates Pty Ltd (25%) and Brisbane Petroleum NL (25%).

Offshore Sydney Basin

PEP-11 (Bounty 100% and Operator)

Bounty's technical work in the permit, including reprocessing and re-interpretation of seismic and aeromagnetic data, additional analysis of satellite imagery and an integration of the onshore geology have significantly improved the prospectivity of the Offshore Sydney Basin. Bounty is now planning the acquisition of additional seismic data prior to drilling.

The Environmental Plan for the proposed seismic operation was submitted to Environment Australia. They have advised that the seismic program may proceed without additional environmental approvals. An application to undertake the program is now with the New South Wales Department of Mineral Resources.

The Offshore Sydney Basin is a totally untested, but highly prospective basin situated along 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 PEP 11, a 200 kilometres long, 8,267 km² permit, the Offshore Sydney Basin is a significant 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 the South Baleen prospect as a major target. Located in the northern sector of the permit in an average of 125 metres of water, South Baleen is situated on the crest of the Offshore Uplift on a thrust anticline. With a closure of over 120 km², the feature has potential to hold up to 1.2 Tcf of recoverable gas.

The recent reprocessing of key seismic lines has improved the data over the prospect. Bounty has just completed additional seismic reprocessing to mature the mapping in the area. In addition to the seismic work and the reprocessing and reinterpretation of existing aeromagnetic data, the prospectivity of the South Baleen area has recently 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

Baleen feature. The total depth of a well to test this prospect would be approximately 1,500 metres subsea in 125 metres water depth.

Elsewhere in the permit, previous operators have mapped other large leads and some smaller prospects. If hydrocarbons are present, these features also have multi-Tcf potential. They are situated along the western margin of the Offshore Uplift and will require additional seismic data to mature them to a drillable status.

Bounty is currently looking for partners and funding options to either acquire the 2D seismic or to drill a well on the South Baleen structure during 2003.

New Zealand, Great South Basin

PEP 38215 (Bounty 33.75% and Operator)

The PEP 38215 permit covers 13,614 km² in the Great South Basin off the south coast of New Zealand. The permit encompasses most of the Great South Basin. Bounty has 33.75% interest and is the operator for the Joint Venture.

Advanced reprocessing (including the use of the INQUISITOR software) of the 6,100 km of available seismic data in the permit commenced in late February 2002 and is now complete. A three-month extension to the first permit year was granted by New Zealand's Crown Minerals to accommodate this large project. Preliminary results have shown that the reprocessing improves the quality of the seismic data in the permit. A number of large untested structures have already been identified. Previous evaluations have mapped over 4.2 billion barrels potential oil recoverable in the permit.

Previous drilling in the region has established both the presence of an active hydrocarbon generating system and good quality reservoirs. Nearby wells have encountered hydrocarbon shows, and hydrocarbons have flowed to surface.

Once prospects are clearly defined, Bounty proposes to farm them out for drilling, thereby reducing the financial risk to Bounty.

The PEP 38215 joint venture is comprised of Bounty Oil & Gas NL (33.75%), Hardman Resources Pty Ltd (53.75%), Albatross Energy Pty Ltd (10.00%) and McKenzie Petroleum Ltd (2.50%).

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.

FOR FURTHER INFORMATION PLEASE CONTACT

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

BOUNTY OIL & GAS NL

ABN

82 090 625 353

Quarter ended ("current quarter")

31 December 2002

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	435	863
1.2	Payments for		
	(a) exploration and evaluation	(237)	(816)
	(b) development	(161)	(451)
	(c) production	(264)	(661)
	(d) administration	(79)	(147)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	10	22
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	(296)	(1,190)
Cash flows related to investing activities			
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	(28)	(28)
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	(28)	(28)
1.13	Total operating and investing cash flows (carried forward)	(324)	(1,218)

1.13	Total operating and investing cash flows (brought forward)	(324)	(1,218)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares and options less issue costs	8	8
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	8	8
Net increase (decrease) in cash held			
		(316)	(1,210)
1.20	Cash at beginning of quarter/year to date	965	1,859
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	649	649

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	43
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

Settlement of acquisition of Daytona Energy/Arc Energy assets by issue and allotment of 8,200,000 ordinary shares at an issue price of 20 cents each.

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

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+ 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	350
4.2 Development	50
Total	400

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	78	173
5.2 Deposits at call	571	792
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	649	965

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	Offshore Timor Sea, AC/P27	Direct	-	100%
	Offshore Timor Sea, AC/P25	Direct	-	100%
	Offshore Timor Sea, AC/P32	Direct	-	18%

+ See chapter 19 for defined terms.

Onshore Carnarvon Basin, EP412	Direct	-	65%
Offshore Sydney Basin, PEP/11	Direct	-	50%
Offshore Bonaparte Basin, W00-24	Direct		100%

Issued and quoted securities at end of current quarter

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

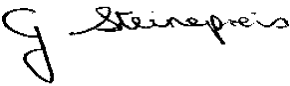
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>	-	-	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 *Ordinary securities	62,134,612	43,022,112	-	-
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	8,200,000 41,612	- 41,612	-	-
7.5 *Convertible debt securities <i>(description)</i>	-	-	-	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-

+ See chapter 19 for defined terms.

7.7	Options			<i>Exercise price</i>	<i>Expiry date</i>
	Listed BUYO	24,895,388	24,895,388	20 cents	30/1/04
	BUYAS	3,100,000	-	20 cents	30/11/03
	BUYAM	200,000	-	30 cents	5/2/03
	BUYAQ	2,700,000	-	20 cents	30/11/03
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	41,612	41,612	20 cents	30/1/04
7.10	Expired during quarter	-	-	-	-
7.11	Debentures (totals only)	-	-		
7.12	Unsecured notes (totals only)	-	-		

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: _____ Date: 31 January 2003
 Company secretary
 Print name: Gary Steinepreis

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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+ See chapter 19 for defined terms.