BOUNTY OIL & GAS NL

(ABN: 82 090 625 353)

ANNUAL REPORT 2010

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Website

Bounty maintains a website at:

www.bountyoil.com

On our website you will find full information about the Company. Every announcement made to the Australian Securities Exchange (ASX) is published on the website. You will also find detailed information about the Company's Exploration and Production Permits.

Stock Exchange Listing

Bounty Oil & Gas NL securities are listed on the Australian Securities Exchange.

ASX Code: BUY

Bounty Oil & Gas NL
ACN: 090 625 353
ABN: 82 090 625 353

Annual General Meeting:

The 2010 Annual General Meeting will be held at Amora Hotel Jamison Sydney, 11 Jamison Street, Sydney NSW 2000

Monday, 29th November, 2010, commencing at 11 a.m.

The Notice of Meeting and Proxy Form have been mailed separately from this Annual Report.

KEY OUTCOMES

Australia

- **Bounty will be free carried in New Seaclem 1; a $20 million well to be drilled by the rig *"Ocean Patriot"* as a first test of a 4.1TCF gas target in PEP 11, offshore Sydney Basin.**
- **New Seaclem 1 will be the first well to test gas prospects in the 8,200 km^2 PEP 11 permit adjacent to the Sydney market.**
- **Success in PEP 11 could add major development options and gain to Bounty's enterprise value.**
- **Bounty petroleum reserves and balance sheet strengthened in 2010.**
- **Bounty commencing phase 2 of Utopia oil development drilling in late 2010 and has acquired new land positions with oil emphasis in the Cooper and Surat Basins.**

Tanzania

- **Progress to drill Nyuni 2 step out well to test well defined prospect with 800 BCF gas potential in the Nyuni Block.**

CHAIRMAN'S REVIEW

I am pleased to report that Bounty has made excellent progress on both its growth and core business strategies in the year ended 30 June 2010.

The highlight of 2010 has been Bounty's involvement as a joint venture partner in preparations to drill the New Seaclem 1 well in PEP 11 offshore Sydney basin.

This project has attracted significant attention from shareholders and international investors and as a result Bounty's share price has steadily improved since its low point in March 2010. Our farm-in partner, Advent Energy Limited, has contracted the *Ocean Patriot* semi-submersible rig to drill New Seaclem 1 at a location approximately 55 kilometres east of Newcastle. The well will be targeting gas with a combined prospective resource estimate of 4.1 trillion cubic feet (TCF) of gas in place at the P50 confidence level. A gas discovery in this well will significantly transform Bounty and lay the ground work for what may be a major gas project. The well should also promote Bounty so that it can pursue core projects.

Bounty participated in five wells in the year to 30 June. Wakefield 1 in PEL 218 South Australia encountered oil and significant coal seam gas. It is still awaiting evaluation due to lengthy delays caused by one of the wettest years on record in the Cooper Basin region of South Australia.

Bounty also participated in three development wells U7, U8 and U9 at Utopia Oil Field, and a near field exploration well, Watson West 1, in the Naccowlah Block, both in SW Queensland. The Utopia drilling has increased Bounty's oil reserves.

Your company's balance sheet was significantly strengthened during the year. Total revenue from all sources increased to $1.8 million and pleasingly petroleum revenue increased 49% to $659,000. Proceeds from share issues of $10.85 million materially strengthened Bounty's financial position to have net assets of $23 million at year end.

This balance sheet and proved producing oil reserves are allowing Bounty to develop a diversified portfolio of oil production opportunities for future growth. As a result, in recent months your company acquired a 2% interest in the major Naccowlah Block ATP 259P which includes the Jackson and Watson Oil Fields. It has also recently acquired other significant acreage adjacent to Utopia and near its Surat Basin areas, southeast of Roma, eastern Queensland.

The current timing for drilling in PEP 11 is around December 2010. As Bounty's shareholders we are all looking forward to what will be an historic first well offshore in New South Wales. Bounty is free carried and our partners are spending around $20 million on the project.

Bounty is in the petroleum business and must replace and increase reserves. Our employees and consultants have worked enthusiastically this year to drive this task on our existing projects and to identify new projects.

I wish to thank our management team and staff for their untiring efforts during the year, and look forward to further growth for the company with the drilling in PEP 11.

GRAHAM REVELEIGH
Chairman

28 October 2010.

CEO'S REVIEW

Introduction

Bounty has had a very successful year in 2010 with material progress on both it's growth and core strategies to build share value. Bounty has achieved growth in oil and gas reserves, revenue, drilling, land acquisition and creating value through farm ins.

Growth Strategy:

PEP 11

It's growth strategy sees Bounty now on the cusp of participating in an offshore well in the Sydney Basin on a free carried basis. The well; New Seaclem 1 is one of the most anticipated offshore wildcat wells to be drilled in Australia for many years.

The farminee, Advent Energy Limited, have undertaken the major task of technical work and raising funds to drill New Seaclem 1 at an estimated cost of $20 million. It will be the first offshore well in the history of New South Wales.

The lead up work by Advent for this well in the last year has included:-

- Extensive re-processing of the Baleen 2004 seismic survey.
- Proof that there is an active hydrocarbon gas generating system operating in the offshore Basin.
- Conducting specialist site surveys as a necessary pre-requisite to drilling.
- Fixing the location for the New Seaclem 1 well to test two potentially very large stratigraphic traps with 4.1 TCF gas potential in the Cainozoic age section of the sequence.
- Sourcing and funding a suitable offshore drilling rig.

On current timing the "*Ocean Patriot*" semi-submersible rig which has been contracted by Advent from Apache Energy is expected to be released to Advent in early December 2010. Drilling an offshore well is a major undertaking for any operator and Advent has expended considerable energy and determination to both fund this well and prepare for drilling. It has recently applied for all necessary statutory approvals including environmental permits and drilling permits. New Seaclem1 has the potential to see major reserve and value gains for Bounty.

Tanzania

There has been steady progress with Bounty's investment in the Nyuni Block, easternTanzania. The principal steps this year have been:-

- A firming up of 40 BCF of gas reserves at the Kiliwani North gas field.
- Further progress on obtaining a production licence for Kiliwani North.
- Re-processing and re-mapping most of the seismic database for the rest of the Block resulting in identification of a very large 877 BCF target to the East of Nyuni to be tested by the Nyuni 2 Well.
- Firming up a secondary target at Fanjove North which may also be tested in 2011.
- Success in Nyuni has the potential to see new gas and potentially oil added to Bounty's reserves.

CORE STRATEGY:

Bounty's Australian onshore core strategy for 2011 is focused on oil in Queensland.

During the year we made progress with developing Bounty's known conventional oil reserves, acquiring proved producing conventional oil reserves in the Naccowlah Block ATP 259P in western Queensland and adding acreage north of Utopia and in the Surat Basin.

Bounty participated in five wells. These included three new development wells at Utopia Field adding to reserves and increasing oil volumes and revenues but not quite at the predicted rate. The drilling however significantly extended the Utopia oil pool by proving a lower oil water contact. As a result the shallow Murta Zone structure at Utopia appears to hold significantly more oil than previously indicated. Bounty will participate in two additional development wells and an exploration well; Ubute 1 within the Utopia Block.

Bounty also participated in the Watson West 1 well in Naccowlah Block and in the Wakefield 1 in September 2009.

In early 2009 Bounty acquired additional acreage in the Surat Basin by the purchase of Ausam Resources. This step has seen Bounty participate on a 50% basis in a major seismic re-processing and re-mapping project conducted by the operator, Origin Energy Limited. That work has now identified a firm drilling target in the Evergreen Formation at a prospect named Mardi to the northwest of Alton Oil Field. Preparations to drill that prospect are currently under consideration by the joint venture. Bounty expects that it will participate in this well in April 2011.

Conclusion

With additional development drilling at Utopia Field and an anticipated closing of the Naccowlah Block acquisition we expect Bounty's conventional oil revenue to again increase during 2011.

We look forward to the potential for a gas discovery in PEP 11. Bounty will continue to seek additional production and exploration opportunities with emphasis on oil in the Surat and Cooper Basins.

Bounty shareholders participated strongly in our capital program for the year ending 30 June 2010 raising an additional $10.8 million. As a result Bounty is stronger and we will endeavour to make it stronger again in 2011 while looking for a major advance with gas in PEP 11.

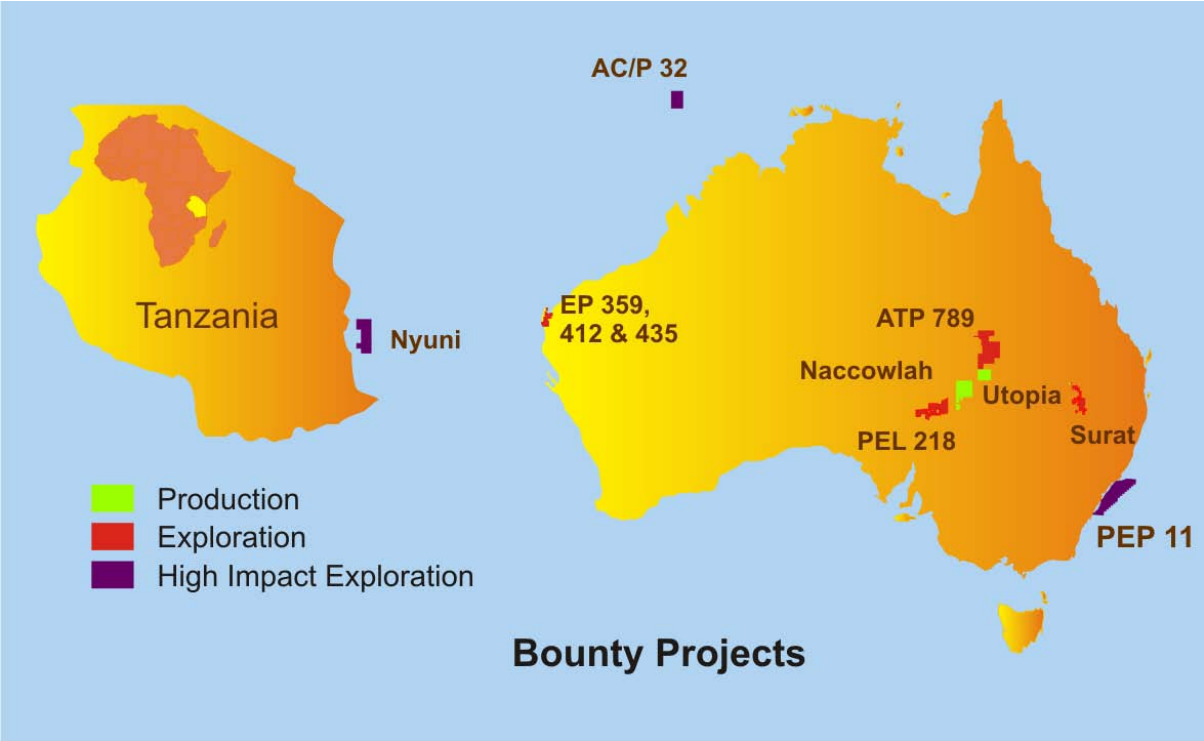
PHILIP F. KELSO
Chief Executive Officer

Dated: 28 October 2010

PROJECT and OPERATIONS REVIEW

Bounty Projects

Bounty's projects are located in Australia, with the exception of the Nyuni Joint Venture which is offshore Tanzania, East Africa



Summary Land Position

Offshore Australia	**Gross km^2**	**Net km^2**
PEP 11 Sydney Basin NSW	8,267	6,200
AC/P 32 Vulcan Sub-basin	504	76
Onshore Australia		
PEL 218 Eromanga Basin SA	1,604	373
Naccowlah Block Eromanga Basin QLD	3,113	156
ATP 789P Eromanga Basin QLD	1,478	1,478
Utopia Oil Field Eromanga Basin QLD	307	122.8
Surat Basin QLD	3,558	1,655
EP 359, 412, 435 Carnarvon Basin WA	3,188	1,296
Offshore Tanzania		
Nyuni JV - Mandawa Basin	2,860	143
Total	**24,878**	**11,499**

This table summarises Bounty's land position as at October 30, 2010. Bounty's schedule of tenements as at June 30, 2010 is included in Additional Information Required by ASX Listing Rules at the end of this Report.

Production Operations

As at the end of June 2010 Bounty's production capacity was 50 boepd although actual production was diminished due to equipment downtime at Utopia and the effects of wet weather at Downlands. With the acquisition of the interest in ATP 259P Naccowlah Block effective April 1, 2010 Bounty has a net interest in approximately 90 boepd, with an oil to gas ratio of 5:1. This represents a tripling of production over the year.

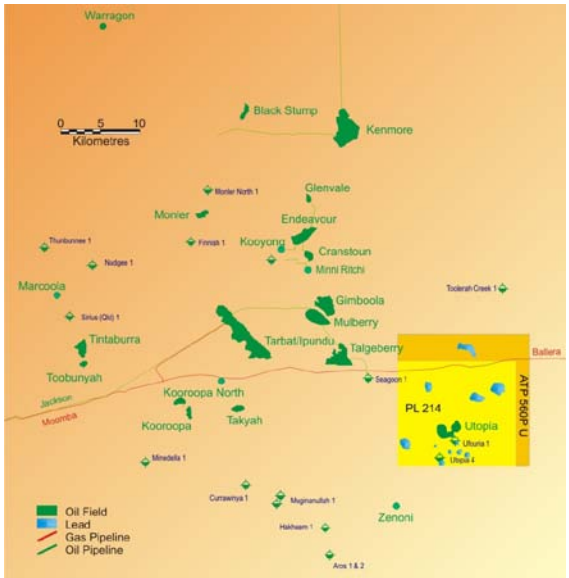
Utopia Block; PL 214 and ATP 560P Eromanga Basin, SW Queensland – Bounty 40%

Location: 30 km south/east of Tarbat/Ipundu oil fields (Tintaburra Block) and 45km south/east of Eromanga.

Petroleum Resource/Reserve Estimates Net to Bounty

MMbo		
1P	2P	3P
0.12	1.2	3.10
Producing Zone: Murta Member		

Background

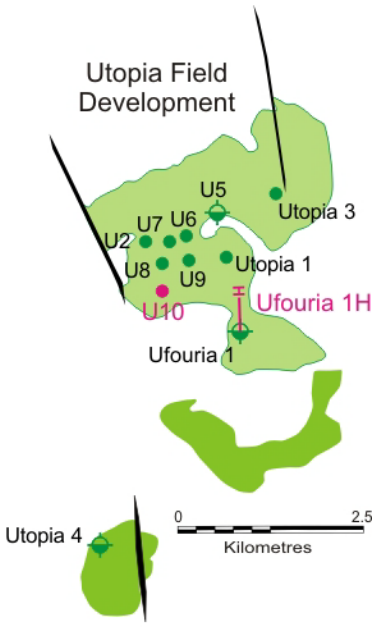


Bounty produces 30 bopd of light sweet crude from the oil wells developed in the Murta Formation at a depth of 1000 metres below surface. The Utopia Field is in a low relief anticline with a maximum elevation of 10 metres and is the largest Murta pool in the Queensland Eromanga Basin. It is underdeveloped.

2009/10 Development

In December 2009 – January 2010 Bounty participated in three new development wells; Utopia 7 and 8 which were bought on stream in first quarter 2010 and Utopia 9 which commenced production on April 1, 2010.. The new wells, combined with a production optimisation programme on the Utopia 1, 2 and 6 wells, resulted in a near tripling of daily production. Utopia 3 which had been offline for three years was also refurbished and re-equipped and came online in July 2010.

Drilling to date has established that the 2P reserves are 3 MMbo recoverable (Bounty share 1.2 MMbo) with a possible additional contingent resource of 1 – 2 MMbo. As the structure is low relief and the seismic coverage is old there has been uncertainty as to the exact limits of the field. This will be resolved with a 140 km^2 3D seismic to be acquired in late 2010. This will provide a better definition of the structure and guide development drilling. A further two development wells Utopia 10 and Ufouria 1H are planned for December 2010. Utopia field wells can be drilled, cased, completed and tied in for around $1 million making this a very low cost development opportunity.

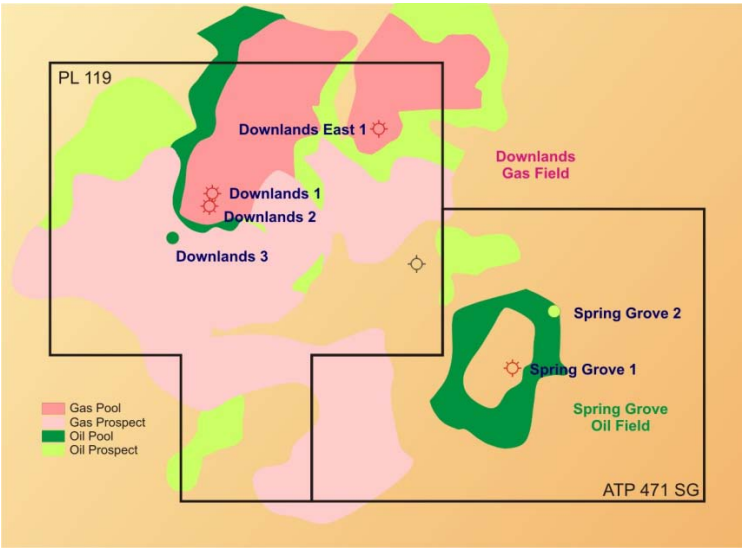


Production & Sales:

Bounty sells its Utopia oil production to the Eromanga Refinery. In 2009/10 production volumes steadily increased as optimisation efforts and the new wells were bought on line. Production will further increase in 2010/11 with 3 wells to be drilled in late 2010 and the optimisation of the Utopia 3 well.

Bounty's petroleum production and sales for the year ended 30 June 2010 are summarised in the Review of Operations set out in the Directors Report below.

Downlands PL 119 and ATP 471 (Spring Grove) Surat Basin, Queensland – Bounty 24.748%



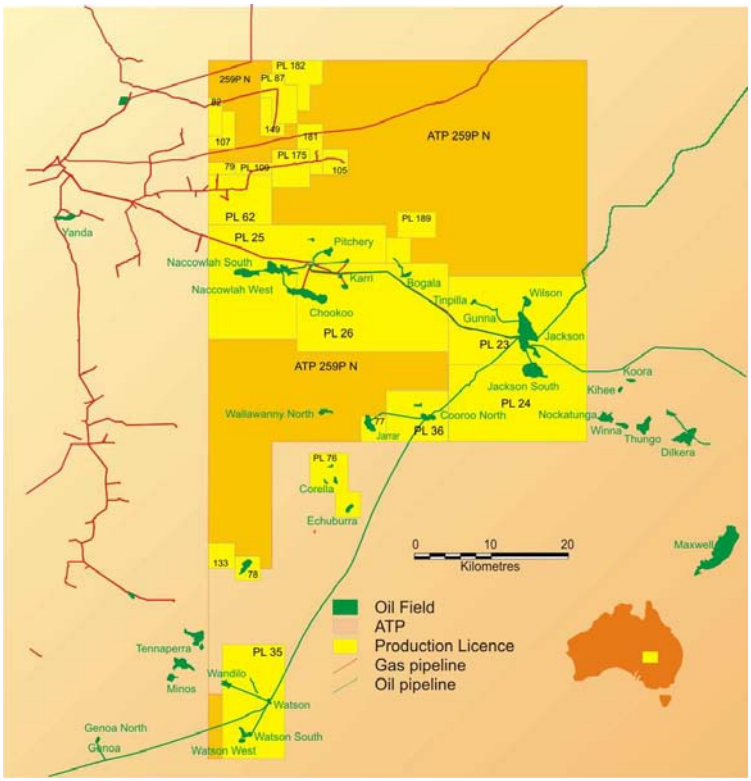
Location: 8 km. north of the town of Surat

Background

PL 119 and ATP 471P (Spring Grove) were acquired as part of Bounty's purchase of Ausam Resources Pty Ltd in early 2009. Downlands production averages just under 13 boepd net to Bounty as a mixture of gas, natural gas liquids, condensate and crude oil. Production was badly affected by the rains in March/April 2010. Development targets for both oil and gas exist within PL 119 and also in the Spring Grove oilfield. An application for renewal of PL 119 is pending.

ATP 259P Naccowlah Block and Associated PL's SW Queensland - Bounty 2%

Location: Surrounding Jackson and Watson Oilfields



Background

Effective April 1, 2010 Bounty purchased a 2% interest in the Naccowlah Block in SW Queensland from Drillsearch Energy Ltd. The Block comprises 3116 km^2 approximately half of which is covered by ATP 259P (N) and the remainder in 22 production licences (PL's) covering producing fields. This acquisition adds 40 bopd to Bounty's production.

The Jackson and Jackson South fields and associated production facilities are the largest in onshore Australia. Over the past four years several new fields have been discovered and successful development wells at Naccowlah South & West, Watson, Jackson and Jackson South have been drilled, resulting in a doubling of production. The forward programme includes drilling 5 Near Field Exploration and Development wells, the first of which Watson West 1 was successfully cased and suspended as a future Lower Birkhead oil production well. It encountered 1.8 – 2.4 metres of net pay in a gross oil column of 7.3 metres based on an initial interpretation of results. Bounty anticipates a programme of 5 – 6 exploration or development wells per annum over the next year.

2010/11 Programme

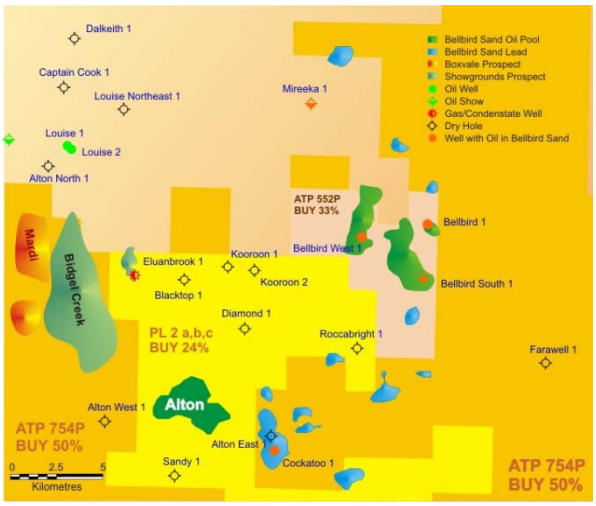
Three near field exploration wells and one appraisal well on the Bowen Field are scheduled for the remainder of 2010 and possibly five or six development and appraisal wells in calendar 2011.

Near Field Exploration

ATP 552P – Bellbird; Onshore Surat Basin Queensland - Bounty 33.33%

Location: 17 km NW of Alton Oil Field.

Background



The Bellbird 1 and Bellbird West 1 wells both recovered live oil from the same sand in the Permian age Bandanna Formation. Oil appears to be widespread in this part of the Basin and the only attempt to produce it was from Bellbird 1 which flowed initially at rates between 34 and 54 bopd, dropping off to 12 bopd on an extended test. Bellbird West 1 was drilled underbalanced to test the sand with minimal formation damage. However, the well was never completed or tested. When the well was abandoned 6 litres of oil were recovered at the surface.

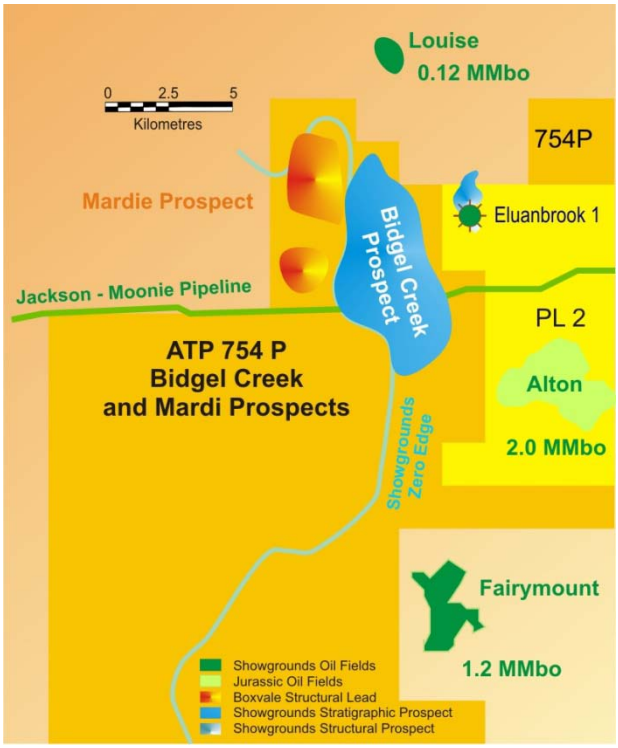
2011 Development

Bounty has applied for renewal of ATP 552P with a programme of well re-entries and testing. Work will commence when renewal is granted.

ATP 754P – Onshore Surat Basin Queensland - Bounty 50%

Location: Surrounds Alton and Fairymount Oil Fields

Petroleum Resource/Reserve Estimates Net to Bounty:



Prospect - Zone	Prospective Resources MMboe
Mardi - Evergreen	0.18
Bidgel Creek - Showgrounds	0.60
Coomrith - Tinowan	0.20
Eluanbrook Updip	0.15
Total	**1.13**

Background

There are a number of high potential oil prospects in ATP 754P in the Triassic and Jurassic sequences. The Mardi Prospect (Evergreen Formation) northwest of Alton has mean potential recoverable oil reserves of 350,000 barrels. The Evergreen Formation is also the producing reservoir at the Alton Oil Field.

All local oil migration paths appear to lead to Mardi and offsetting wells indicate excellent reservoir can be expected from the Evergreen Formation (Boxvale Sandstone Member).

The Bidgel Creek Prospect with mean recoverable potential of 1,200,000 bbls oil is a stratigraphic closure at the Showgrounds Sandstone level (older than the Evergreen Formation) where it is down faulted against basement. The target has considerable upside and could contain as much as 4 million barrels recoverable.

Subsequent to year end Bounty has acquired interests in PL 2 Alton.The oil and gas in the Eluanbrook 1 well in PL2 was in the upper part of the sandstone which has poor reservoir qualities, the basal sandstone with its superior reservoir qualities does come above the oil water contact up dip from Eluanbrook 1 and offers a low risk target of 300,000 bbls.

2010 Exploration

New seismic acquisition and reprocessing carried out in 2009 was interpreted and a full review of conventional oil and gas prospects will be concluded early in 2010/11. The Joint Venture will determine which of the Mardi or Bidgel Creek prospects will be drilled in early 2011.

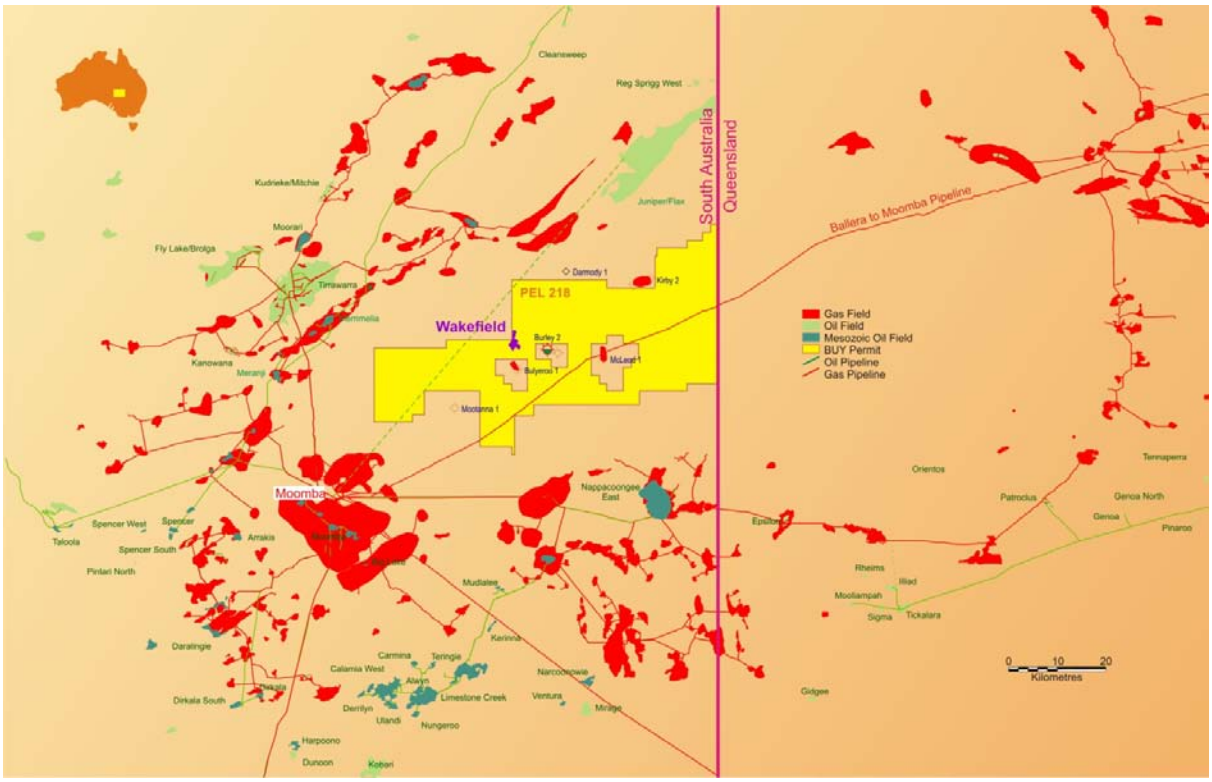
Exploration

PEL 218 Eromanga Basin, NE South Australia – Bounty 23.28% in section above the Permian

Location: 50 Km northeast of Moomba, SA

Petroleum Resource/Reserve Estimate Net to Bounty:

	Contingent MMbo	Prospective MMbo
Wakefield	1.34	
Greater PEL 218		5.92



PEL 218 is prospective for oil and coal seam gas (CSG). It covers the Nappamerri Trough the main source kitchen for the oil and gas fields in the surrounding areas. In September 2009, Bounty earned in by funding 50% of Wakefield 1. It was the first well drilled specifically to test for oil in this part of the Eromanga Basin and demonstrated that not only are hydrocarbons being actively generated but that many of the sands are oil saturated and have suitable seals. Wakefield 1 well was cased and suspended to enable the joint venture to test the oil shows in a number of zones in the Murta and McKinlay Members, Namur Sandstone, Adori Sandstone and Birkhead Formation. Testing has been curtailed in 2010 by the extremely wet conditions and flooding along the Cooper Creek, SA.

Wakefield 1 also intersected 9 metres of gassy coal at the base of the Winton Formation, confirming widespread coals within the Nappamerri Trough. The best developed coals occur in a zone through the licence with up to 14 metres of coal in the section. The Beach Energy-Adelaide Energy Joint Venture has commenced drilling two shale gas wells (Holdfast 1 and Endeavour 1) in the underlying Permian section in which Bounty has no working interest. These wells will also provide additional data on the coal distribution. If producible CSG is proved, Bounty may have major reserves as the permit covers 1600 km^2.

2011 Programme

The delayed testing of Wakefield 1 will be progressed by the joint venture.Drilling to evaluate the coal seam gas discoveries is being planned for 2011.

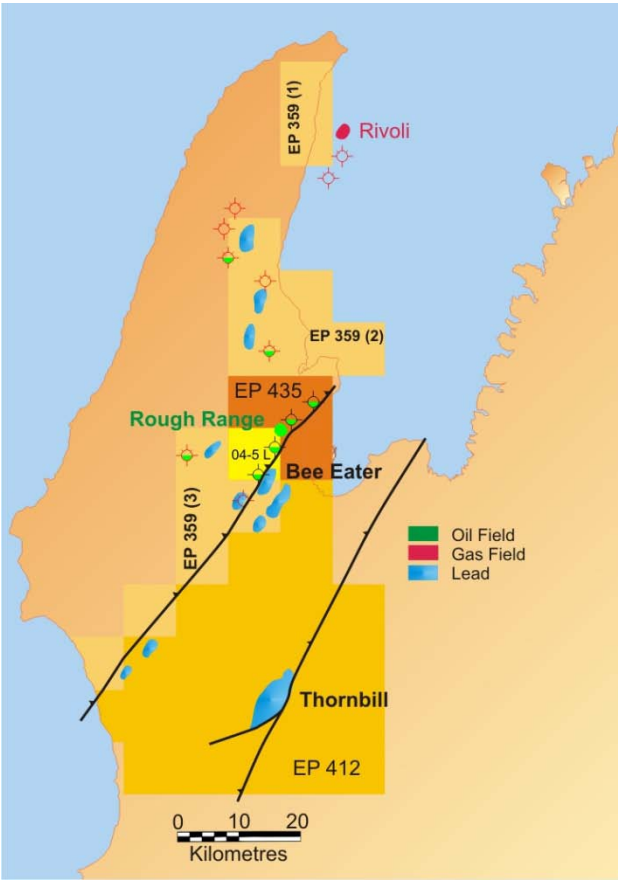
EP 412 (Bounty 65%) and EP 435, Production Licence 04-5L and EP 359 (Bounty 10% in each) – Onshore Carnarvon Basin, Western Australia

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

Petroleum Resource/Reserve Estimates Net to Bounty:

Prospect - Zone	Prospective Resources MMboe
Bee Eater – Birdrong Sandstone	0.5
Sandalwood South – Birdrong Sandstone	3.51
Thornbill – Permian (Gas)	5.92
Total	**9.93**

Background



Bounty resumed operatorship of EP 412 in early 2010. The area is up dip from the prolific offshore Carnarvon Basin and the Rough Range oil discovery in the 1950's proved that oil has migrated into this area. The Rough Range structure, however, formed during a Tertiary age compression and post dates the bulk of oil migration. Bounty is targeting older, better timed structures up dip, in particular the 5-6 MMbo potential Bee Eater prospect. The targets in this area are all less than 1000 metres below surface so offer potentially relatively inexpensive drilling.

As well as the Mesozoic age targets in the Carnarvon Basin there are also untested gas plays in the underlying Permian age sequences, in particular the Thornbill Prospect, where distinct seismic anomalies possibly due to a gas charged sand occur sealed by the unconformity at the base of the Carnarvon Basin sequence. If successful Thornbill could contain 50 Bcf gas recoverable.

2010/11 Exploration

Bounty has also acquired a 10% interest in EP 359 which adjoins EP 435 and PL 04-5L all of which are operated by Rough Range Oil Pty. Ltd. The operator is planning to drill the Bea Eater prospect a 5 MMbo recoverable oil target which straddles both permits.

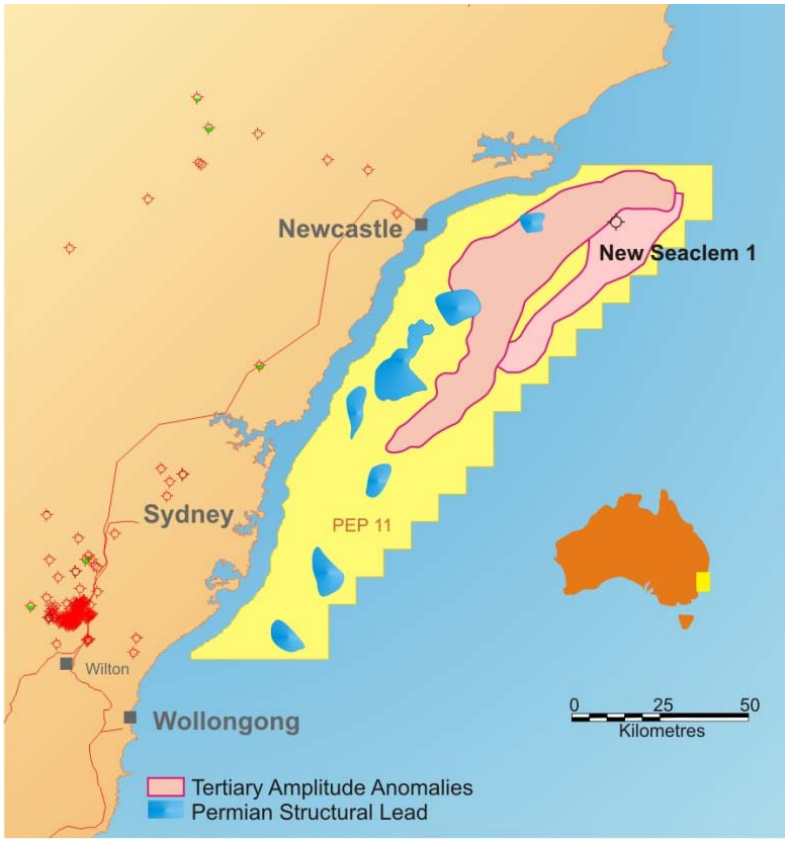
High Impact Exploration

PEP 11, Offshore Sydney Basin, New South Wales – Bounty 75% reducing to 15% on completion of well

Petroleum Resource Estimates Net to Bounty:

	Prospective Recoverable Gas Bcf		
All Leads & Prospects	**P90**	**P50**	**P10**
Tertiary Leads	1,967	7,219	27,035
Permian leads	390	4,718	40,269
Total All Leads	**2,358**	**11,937**	**67,304**
Drill Prospects			
Great White Marlin (New Seaclem 1)	973	3,652	16,097
Greater Fish	142	881	5,684
Total Drill Prospects	**1,114**	**4,533**	**21,780**

Background



PEP 11 is a very high impact exploration project where Bounty is free carried through an offshore exploration well with an estimated cost of $20 million targeting major potential gas reserves. PEP 11 covers 8,267 km^2 offshore Sydney Basin immediately adjacent to the largest gas market in Australia. Bounty currently has a 75% working interest which will dilute to 15% on completion of drilling of the New Seaclem 1 well targeting 4.1 TCF of gas. Bounty's farm in partner Advent Energy Ltd.has been very active in the past year and has proven an active hydrocarbon generation and migration system as well as establishing an inventory of leads and prospects with prospective resources of 12 TCF gas at the P50 confidence level.

Analysis of re-processed seismic has established extensive amplitude anomalies in the Tertiary section which show many of the characteristics of gas charged sands. New Seaclem 1 will test these sands some 55 km east of Newcastle.

2010/11 Exploration

The *Ocean Patriot* rig has been contracted to drill New Seaclem 1 well. Site surveys of five potential drill sites were completed during the period. Work defining the Tertiary amplitude anomalies generated the New Seaclem 1 location. The Permian Fish prospect with 3 TCF potential gas reserves remains to be tested with a later well.

The well will spud in late 2010 or as soon as it finishes its current assignment in the Bass Strait, Victoria

Nyuni Block – Offshore Mandawa Basin Tanzania - Bounty 5%

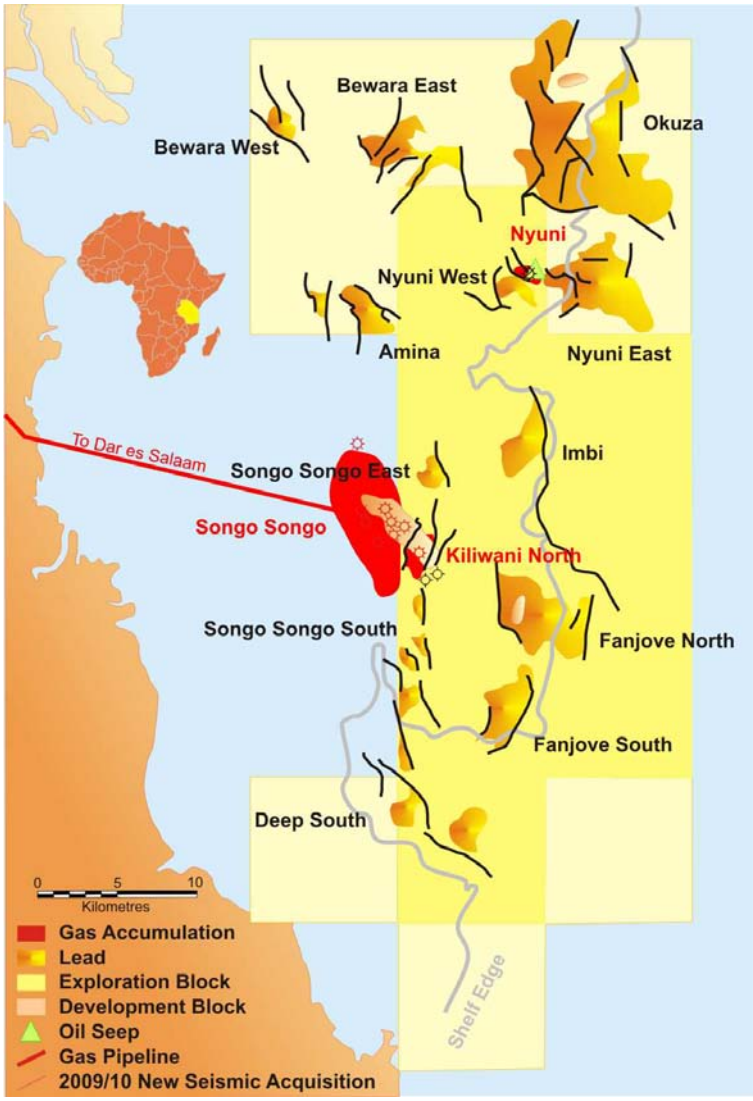
Location: 30 Km offshore from Rufiji Delta Tanzania

Petroleum Resource/Reserve Estimates Net to Bounty:

Kiliwani North: Contingent Recoverable Resources 40 BCF gas

Other Leads and Prospects net to Bounty:		Prospective Resource BCF Gas			
		Gas in Place			Recoverable
Location	Reservoir	P_{90}	P_{mean}	P_{10}	P_{mean}
Nyuni East and West	Albian/Aptian	3	10	21	7
	Neocomian	13	52	106	37
Okuza	Albian/Aptian	1	5	11	4
	Neocomian	8	30	60	21
Fanjove North	Neocomian	7	23	43	16
Totals		**32**	**120**	**242**	**84**

Background



The Nyuni Joint Venture has drilled three wells to date for two new field gas discoveries at Nyuni (25 metre gas column) and Kiliwani North (60 metre gas column). Kiliwani North 1 tested at 40 MMcfg/day and new seismic and material balance studies.During the period contingent resources of 40 BCF have confirmed in the Kiliwani North Pool. located only 3.5 km. from the Songo Songo gas plant and pipeline to Dar es Salaam.Kiliwani North is slated for development subject to finalising capacity upgrades on the gas plant and pipeline followed by the successful negotiation of a gas sales contract.

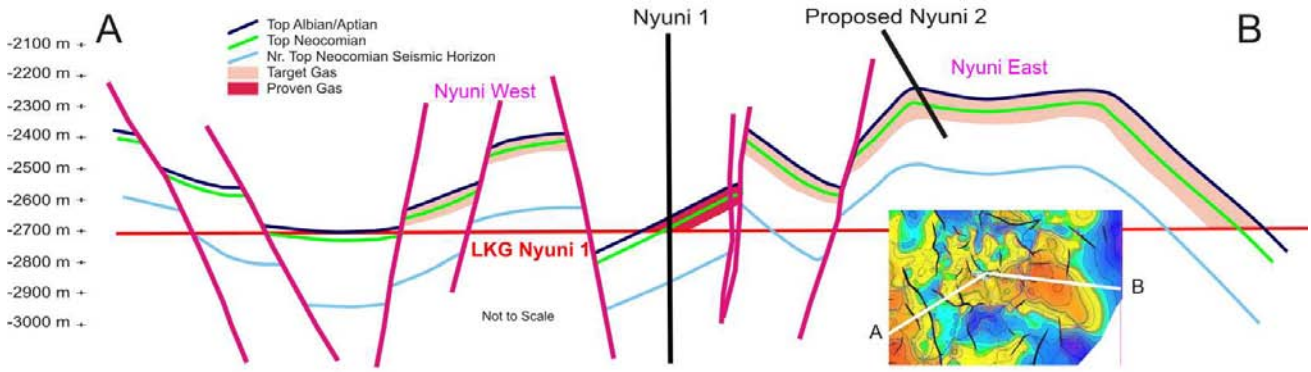
During the past year the joint venture acquired and processed new seismic data over Kiliwani North and has successfully reprocessed most of the legacy seismic data. This work redefined the lead and prospect inventory, doubling the target prospect inventory accessible with a land based rig to a mean of 2.4 TCF gas.

2011 Exploration

The Joint venture is planning to drill two wells in early 2011. It will drill Nyuni 2 and possibly follow this with a well at Fanjove North 1. The wells will test targets totalling 1.7 TCF gas.

Nyuni 1 was drilled as a vertical well from Nyuni Island. It hit a 25 metre gross gas

column in the Albian/Aptian age sands. The underlying Neocomian age sands were probably water wet. Nyuni 2 is planned from the same pad as Nyuni 1 and will be directionally drilled to the east to intersect the Albian/Aptian and Neocomian sands up dip from the proven gas in Nyuni. The well will be located 20 km. north of the Songo Songo gas plant.



Sketch Section Through Nyuni Prospect

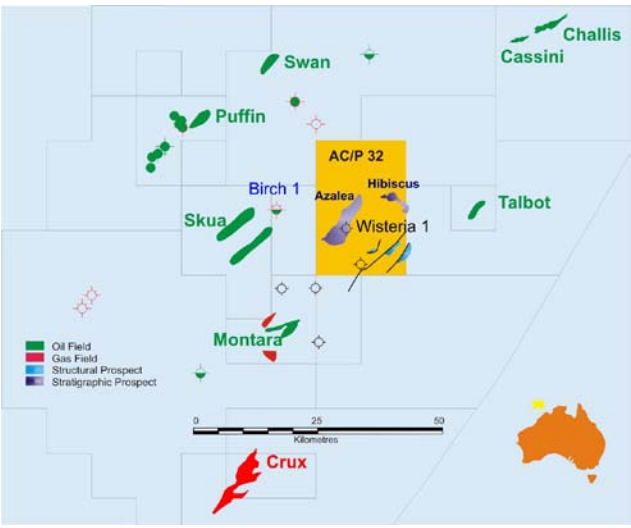
It is then likely that the rig will be moved to Fanjove Island to drill a vertical well into the Fanjove North Prospect only 10 km from the Songo Songo gas plant. This will test the same reservoir sands proved in the Kiliwani North and Songo Songo gas fields.

AC/P 32 – Offshore Vulcan Sub-basin, Ashmore and Cartier Territory - Bounty 15%

Location: Offshore 500 Km northwest of Darwin, NT.

Petroleum Resource/Reserve Estimates Net to Bounty:

Prospect Potential	Prospective MMbo oil
Azalea Puffin Sandstone	26
Hibiscus	10
Totals	**36 million bbls**



Background

This permit is located within the prolific Vulcan Sub-basin and is surrounded by oil and gas fields. The Permit was renewed for a further three years in 2009. Bounty increased its equity to 15%. Current analysis indicates that the Wisteria 1 well, drilled in 2008, may have just missed the Puffin Sand pinchout in the 180 MMbo Azalea Prospect a large stratigraphic type prospect. The Puffin Sand pinchout is up dip from oil in the Puffin field and the Birch 1 well. It is projected to lie west of Wisteria 1, possibly only by a few hundred metres.

The Hibiscus prospect in the north east section of the permit is a 66 MMbo stratigraphic play within Turonian turbidite channel sands a similar setting to the 35 metre gas sand in Tahbilk 1, southwest of the permit.

2010/11 Exploration

The joint venture has spent the past year reprocessing the 3D dataset specifically to image the Puffin Sand pinchout under the Top Cretaceous unconformity. The project was completed in August 2010 and will be interpreted in the coming year. The size of this target demands investigation. The exploration over the next three years is specifically designed to define the prospect leading to a drilling decision.

Bounty Oil and Gas NL – Petroleum Reserves

Reserves increased in the year to 30th June, 2010 due to development drilling at Utopia, Queensland, and establishment of proven contingent resources at Kiliwani North in Tanzania.

Group proved, probable and possible petroleum reserves as at 30th June, 2010.

	YE 2010 MMboe	YE 2009 Mmboe
Producing 2P	1.60	1.54
Proved Contingent	2.0	0.15
Total Recoverable	**3.6**	**1.69**

CORPORATE GOVERNANCE STATEMENT

The Board of Directors

Bounty Oil and Gas NL's Board of Directors and management are committed to enhancing shareholder value and are committed to the principles of best practice in corporate ethics encompassed in the concepts of "corporate governance". Where appropriate to a Company of our size we will honour the intent of the best practice recommendations of the ASX Corporate Governance Council.

The table below summarises the company's compliance with the ASX Corporate Governance Council's recommendations:

Principle	*ASX Corporate Governance Council Recommendations*	*Comply*
1	**Lay solid foundations for management and oversight**	
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions	Yes
1.2	Disclose the process for evaluating the performance of senior executives	Yes
1.3	Provide the information indicated in the Guide to reporting on principle 1.	Yes
2	**Structure the Board to add value**	
2.1	A majority of the board should be independent directors.	Yes
2.2	The chair should be an independent director.	Yes
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes
2.4	The board should establish a nomination committee.	No
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes
2.6	Provide the information indicated in the Guide to reporting on principle 2.	Yes
3	**Promote ethical and responsible decision making**	
3.1	Establish a code of conduct and disclose the code or a summary as to: • **the practices necessary to maintain confidence in the company's integrity;** • **the practices necessary to take into account the company's legal obligations and he reasonable expectations of its stakeholders; and,** • **the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.**	Yes
3.2	Establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summaries.	Yes
3.3	Provide the information indicated in the Guide to reporting on principle 3.	Yes

4	**Safeguard integrity in financial reporting**	
4.1	The board should establish an audit committee.	No
4.2	The audit committee should be structured so that it: • consists only of non-executive directors; • consists of a majority of independent directors; • is chaired by independent chair, who is not chair of the board; and, • has at least three members.	No
4.3	The audit committee should have a formal charter.	N/A
4.4	Provide the information indicated in the Guide to reporting on principle 4.	Yes
5	**Make timely and balance disclosure**	
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary o hose policies.	Yes
5.2	Provide the information indicated in the Guide to reporting on principle 5.	Yes
6	**Respect the rights of shareholders**	
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	Yes
6.2	Provide the information indicated in the Guide to reporting on principle 6.	Yes
7	**Recognise and manage risk**	
7.1	Establish policies for the oversight and management of material business risks and disclosure a summary of those policies.	
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of company's management of its material business risks.	Yes
7.3	The board should disclose whether it had received assurance from the chief executive officer and the chief financial officer that the declaration provide in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes
7.4	Provide the information indicated in the Guide to reporting on principle 7.	Yes

8	**Remuneration fairly responsibly**	
8.1	The board should establish a remuneration committee.	No
8.2	Clearly distinguish the structure on non-executive directors remuneration from that of executive directors and senior executives.	Yes
8.3	Provide the information indicated in the Guide to reporting on principle 8.	

Council Principle 1:

Lay solid foundations for management and oversight.

Role of the Board

The Board's primary role is the protection and enhancement of medium to long term shareholder value. To fulfil this role, the Board is responsible for the overall Corporate Governance of the consolidated entity including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Board Responsibility

The Board of Directors has the overall responsibility for:

- Oversight of the Company, including its control and accountability systems.
- Input into and final approval of management's considered proposals concerning corporate strategy and performance objectives.
- Reviewing and ratifying systems for risk management and internal compliance and control, codes of conduct and legal compliance.
- Monitoring senior management's performance and implementation of strategy and ensuring appropriate resources are available.
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures.
- Approving and monitoring financial and other reporting.

Management Responsibility

The Directors rely on management to manage the Company. The chief executive officer is the person to whom the Board of Directors have delegated its powers of management of the Company's business.

The Board does not expect to be informed of all details of how the Company is managed. The Board expects to be informed of anything material or anything appropriate for consideration by the Board.

In the context of this Company, the Directors rely on senior management to:

- Carry out the day to day function of the Company's business affairs;
- Establish proper internal controls, management information systems and accounting records;
- Reduce to writing if appropriate and communicate policies and strategies adopted by the Board;
- Implement the policies and strategies adopted by the Board;
- Have knowledge of and review detailed figures, contracts and other information about the Company's affairs and financial position and summarise such information for the Board where appropriate;
- Prepare proposals and submission(s) for consideration by the Board;
- Prepare budgets; and,
- Attend to personnel matters including hiring and removal of staff and their terms of employment.

Council Principle 2:

Structure the board to add value.

Board Composition

The skills experience and expertise relevant to the position of each Director who is in office at the date of this report and their term of office are detailed in the Directors Report.

The Board comprises, Mr. G. C. Reveleigh, Non-Executive Chairman, Mr. C. Ross, Non-Executive Director and Mr. J. Gary Higginbotham, Non-Executive Director.
All directors are independent directors.

An independent Director is a non-executive director (i.e. not a member of management), and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last 3 years has not been employed in an executive capacity by the Company or another company member or been a Director after ceasing to hold any such employment;
- within the last 3 years has not been a principal of a material professional adviser or a material consultant to the Company or any company member or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or other company member or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or another company member other than as a Director of the Company;
- has not served on the Board for a period which could or could reasonably be perceived to materially interfere with the Director's ability to act in the best interests of the Company, and
- is free from any interest and any business or other relationship which could or could reasonably be perceived to materially interfere with the Director's ability to act in the best interests of the Company.

As a small company with a Board of only three (3) Directors, the whole board considers matters of membership and there is no separate nominating committee. As an expanding Company, the Board consider additional appointments in order that the Company can continually maintain the correct balance of skills and experience given the Company's state of development.

Independent Directors have access to legal or other advice, at the Company’s expense, if they have need for professional assistance in the fulfilment of their duties. The approval of the Chairman must be obtained prior to incurring any such expense on behalf of the Company.

Performance Evaluation

Remuneration of directors or key management personnel is not performance based. No performance evaluation has been conducted.

Council Principle 3:
Promote ethical and responsible decision making.

The Company complies with this recommendation. The Company has adopted a code of conduct incorporating all corporate executives. It requires all business affairs to be conducted legally, ethically and with integrity. The code provides for reporting of breach of the code by others.

Trading Policy

The Company's policy regarding Directors and employees trading in its securities is set by the Board of Directors. The policy restricts Directors, officers and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the securities prices.

Council Principle 4:

Safeguard integrity in financial reporting.

The Company's Chief Executive Officer and Chief Financial Officer report in writing to the Board that the consolidated financial statements of the Company and its controlled entities for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards.

The Company has not established an audit committee believing that the Company is not of a size, nor are its financial affairs of such complexity to warrant its establishment. The Board as a whole fulfils the role of an audit committee by:

- monitoring the integrity of the financial statements of the Company and reviewing significant financial reporting judgements.
- Reviewing the Company's internal financial control system and risk management systems.
- Reviewing the appointment of the external auditor and approving the remuneration and terms of engagement.
- Monitoring and reviewing the external auditor's independence, objectivity and effectiveness, taking into consideration relevant professional and regulatory requirements.

Council Principle 5:

Make timely and balanced disclosure.

Compliance procedures for ASX Listing Rule disclosure requirements have been adopted by the Company it has appointed and officer of the Company to be responsible for compliance.

Council Principle 6:

Respect the rights of shareholders.

Information will be communicated to shareholders as follows:

- The annual report is distributed to all shareholders. The Board ensures that the annual report includes relevant information about the operations of the consolidated entity during the year, changes in the state of affairs of the consolidated entity and details of future developments, in addition to the other disclosures required by the Corporations Act The annual report is made available on the Company's website and is provided in hard copy format to any shareholder who requests it.
- The half yearly report contains summarised financial information and a review of the operations of the consolidated entity during the period. The half year audited financial report is prepared in accordance with the requirements of applicable Accounting Standards and the Corporations Act and is lodged with the Australian Securities Exchange. The half yearly report is made available on the Company's website and is sent to any shareholder who request it.
- The quarterly report contains summarised cash flow financial information and details about the Company's activities during the quarter. The quarterly report is made available on the Company's website and is sent to any shareholder who requests it.
- Proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a general meeting of shareholders.
- The Company's website is well promoted to shareholders and shareholders may register to receive updates, either by email or in hard copy.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues are presented to the shareholders as resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors and changes to the constitution. Copies of the constitution are available to any shareholder who requests it.

Company's website

The Company maintains a website at www.bountyoil.com

On its website, the Company makes the following information available on a regular and up to date basis:

- Company announcements;
- Latest information briefings;
- Notices of meetings and explanatory materials
- Quarterly, half yearly and annual reports.

The website is being continuously updated with any information the directors and management may feel is material.

The Company also ensures that the audit partner attends the Annual General Meeting.

Council Principle 7:

Recognise and manage risk.

The Company as a whole works to establish and maintain a sound system of corporate and commercial risk oversight and management and internal control by identifying, assessing, monitoring and managing the Company's risk exposure. It also informs investors of any material changes to the Company's' risk profile should they occur. Given the Company's present status as an exploration company with limited operational activities, it is not considered necessary to develop a comprehensive risk management system at this point in time.

The risks involved with an oil and gas exploration company and the specific uncertainties for the Company, are being regularly monitored and all exploration and investment proposals reviewed by the Board include a conscious consideration of the issues and risks of each proposal.

Council Principle 8:

Remuneration fairly and responsibly.

The Directors are of the opinion that the Board being comprised of only three members it is not feasible to have a Remuneration Committee.

The Remuneration Policies for both Director's Remuneration and Key Management Personnel Remuneration are set out in the Remuneration Report contained in the Directors Report.

None of the Directors were granted shares or options in the period covered by this report and the company does not have an employee share or option scheme. There are no schemes for retirement benefits other than statutory superannuation for non executive directors.

The payment of bonuses, options and other incentive payments are reviewed by the Board of Directors and are paid at its discretion.

The amount of remuneration for all key management personnel for the company and the five highest paid executives, including all monetary and non-monetary components, are detailed in the directors report under the heading Key Management Remuneration.

DIRECTORS' REPORT

Your directors present their report on Bounty Oil & Gas NL ("Bounty", "company" or "the group" being the company and its controlled entities) for the financial year ended 30 June 2010.

Directors

The names of directors in office at any time during or since the end of the year are:

- G. C. Reveleigh (Chairman)
- C. Ross (Non executive Director)
- J. G. Higginbotham (Non executive Director)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated

Company Secretary

The following person held the position of company secretary at the end of the financial year:

- J. G. Higginbotham

Principal Activities

The principal activities of the company during the financial year were that of exploration for, development, production and marketing of oil and gas (petroleum).

There were no significant changes in the nature of the company's principal activities during the financial year.

Operating Results

Consolidated loss of the group after providing for income tax amounted to $ 1,625,305 (see comparative details below).

	Consolidated 2010	Consolidated 2009
	$	$
(Loss) from ordinary activities before income tax	(1,625,305)	(2,975,525)
Income tax attributable to loss	-	-
Excess of subsidiary net assets over cost of acquisition	-	6,414,771
Net profit/(loss) after income tax	(1,625,305)	3,439,246

Revenue from operations for the period was $ 659,148 up 49% on the previous year (2009: $441,708).

Details of drilling activity, exploration and development operations and cash flows for the year ended 30 June 2010 have been reported by the company to the Australian Securities Exchange in the Quarterly Activity Reports and Appendix 5B for each of the quarters during the year and in additional announcements on particular items. Brief details are set out below:

A summary of revenues and results of significant geographical segments is set out in Note 17 to the Financial Statements**.**

Review of Operations

Production & Sales:

During the year ended 30th June 2010, the company continued to produce light sweet crude oil from the Murta Zone in the Utopia Field, SW Queensland and to sell the oil to the Eromanga Refinery, Queensland. It also obtained minor revenue from oil/gas/condensate production at PL 119 in the Surat Basin, Queensland.

Petroleum Revenue, production and sales are summarised below:

Quarter	Utopia Oil Revenue PL 214 Bounty Share (40% interest) $	Surat Basin Revenue PL 119 $	Total $
1 July – 30 September 2009	88,655	20,118	108,773
1 October – 31 December 2009	112,271	44,192	156,463
1 January – 31 March 2010	149,582	15,081	164,663
1 April 2008 – 30 June 2010	207,632	11,617	219,249
Total for the year to 30 June 2010	**568,140**	**91,008**	**659,148**

Oil Production/Sales	Utopia Oil Production bbls Bounty Share (40% interest)	Utopia Oil Sales bbls Bounty Share (40% interest)	Surat Basin Oil Sales Condensate PL 119 (bbls)	Total Oil Sales (bbls)
1 July – 30 September 2009	1,522	1,322	-	-
1 October – 31 December 2009	1,452	1,533	-	-
1 January – 31 March 2010	2,305	2,197	-	-
1 April 2008 – 30 June 2010	2,959	2,889	-	-
Total for the year to 30 June 2010	**8,241**	**7,951**	**264**	**8,215**

In addition production of 3,515 GJ of gas was sold from PL 119 Surat Basin.

Exploration and Development

Significant events, which occurred during the year under review:

Australia

- *Utopia Block. PL 214 SW Queensland:* Bounty participated at its 40% interest in the drilling of 3 development wells at Utopia Field, PL 214. The 3 wells were completed as oil producers and put on stream by 1 April 2010. The drilling validated an increase in 2P oil reserves and further drilling is planned.
- *AC/P 32 Ashmore Cartier Territory offshore Western Australia*: Following the 2008 Wisteria 1 exploration well; Bounty participated at its 15% interest in a major project to re-process the 3D seismic database covering most of AC/P 32 in preparation for an optional well to test the Wisteria West area for 174 mmbbls of oil at the Puffin Formation level. The permit was renewed in 2009.
- During 2010 Bounty group completed the sale of its 24.748% interest in ATP 471P located in the Surat Basin, Queensland for $412,500.
- *PEL 218, Cooper Basin, South Australia:* During the period Bounty paid 50% of the cost of drilling and casing the Wakefield 1 exploration well at an estimated cost of $ 1.14 million.
- Bounty thereby earned a 23.28% working interest in the post Permian section of PEL 218 a 1600 square km permit located northeast of Moomba, SA.
- Wakefield 1 encountered oil in 6 zones. The well was cased and suspended pending an evaluation program aimed at testing the well for conventional oil and gas.
- The well also recorded gas saturated coal seams of the Cretaceous Age Winton Group over wide intervals between 820 metres and 958 metres. One partner Icon Energy Limited conducted coal desorption tests on the coals recovered in the well and the results appear to be encouraging.
- *PEP 11 offshore Sydney Basin, New South Wales*:
    - Additional evaluation work by farmin partner, MEC Resources Limited ("MEC") and it subsidiary Advent

Energy Pty Limited ("Advent Energy") continued to upgrade the gas prospects in PEP 11. PEP 11 covers 8,200 sq. km of the offshore Sydney Basin.

- During the year significant steps were achieved to conduct a drill test of PEP 11. Advent Energy raised approximately $20 million to fund the drill test and in May 2010 conducted site surveys of 4 locations in preparation for drilling. At the end of the year Advent Energy announced that it had contracted the semi submersible drill rig; "Ocean Patriot" from Apache Energy Inc to drill the well.
- The well to be named New Seaclem 1 will test a major gas prospect some 55km east of Newcastle, NSW.
- By funding and drilling the well at an estimated cost of $20 million Advent Energy will increase its interest from 25% to 85% with Bounty free carried in that well and retaining a 15% interest in the permit.

Tanzania

During the year the operator; Ndovu Resources Inc moved to commercialise the reserves established by the Kiliwani North well in the Nyuni Block and preparing to lodge a development licence application with the Tanzanian government. Bounty also participated in a seismic survey and re-processing to more closely map the KN gas pool and prepare for the further testing of a potential 200BCF target at the Nyuni Prospect.

Other Properties

During the period, Bounty continued to fund exploration and development expenditure in connection with its other operated and joint venture interests located in Queensland and Western Australia.

Corporate and Forward Development

During the period the company completed a number of equity capital issues to raise a total of $11.577 million before issue expenses details of which are set out in Note 15 to the Financial Statement.

Dividends Paid or Recommended

No dividends have been paid or declared for payment for the year ended 30th June 2010 and no dividend is recommended.

Financial Position

The net assets of the group have increased by $9.38 million from 30 June 2009 to $23.65 million in 2010. This increase has largely resulted from the following factors:

- Continuing oil production
- New capital raisings of $11.58 million

During the financial year the company has invested in:

- Development drilling, completions and surface production facility upgrades to further exploit its existing oil reserves held in the Utopia Joint Venture, PL 214, Queensland
- Other petroleum exploration projects in Australia and Tanzania as summarised in the Review of Operations above.
- Shares in listed public companies.

The directors believe the company is in a stable financial position to expand and grow its current operations.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the company occurred during the financial year:

i. On 15th July, 2009, the company announced that it had placed 100 million fully paid ordinary shares to shareholders following a rights issue at $0.015 to raise $1.5 million before expenses of the issue.

ii. On 12th August, 2009, the company paid a cash call of $1,141,000 as its estimated 50% share of the cost of drilling the Wakefield 1 oil exploration well.

iii. On 24th August, 2009, the company announced that it had placed 52 million fully paid ordinary shares at $0.05 to by way of private placement to sophisticated investors to provide additional working capital of $2.6 million before expenses of the issue.

iv. On 16th September, 2009, the company participated in a placement of Drillsearch Energy Limited shares and took up 14,837,369 fully paid ordinary shares at five cents ($0.05) for a total cost of $741,868.45.

v. On 15th December, 2009, the company announced that it had placed 83,469,193 fully paid ordinary shares at $0.08, pursuant to a 1:10 rights issue to raise $6.67 million before issue expenses.

vi. On 23rd December, 2009, the company announced the issue of a total of 16,000,000 options to subscribe for share at $0.14 per share to director and officers of the company pursuant to shareholder approvals dated 23rd November, 2009.

viii. On 13th April, 2010, the company announced that it had placed 10,000,000 fully paid ordinary shares at $0.08 cents.

ix. On 3rd June, 2010, the company invested $500,000 in the IPO of Guildford Coal Limited at $0.20 per share.

After Balance Date Events

Subsequent to balance date, the following material events have occurred:

On 16th August, 2010, the company announced that it had entered a purchase and sale agreement with Drillsearch Energy Limited to purchase a 2% interest in Naccowlah Block, ATP.259P, Queensland for $1.15 million.

Except for the above no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Future Developments, Prospects and Business Strategies

Subject to the amount of its ongoing oil revenues and the availability of new capital; consistent with that income and the available cash reserves of the company it will continue:

- Production, development and exploration for oil and natural gas (petroleum).
- Expand in the business of the exploration for, development of and production of petroleum.
- Those operations will be conducted principally in Australia and Tanzania.

In the coming year the company will focus on the:

- Development of its existing oil reserves in the Surat Basin and in the Utopia Joint Venture, Cooper Basin, Queensland.
- Acquisition of additional petroleum properties with existing petroleum production or considered to have exploration potential to develop and/or produce petroleum within an acceptable time frame with.
- Development of new business opportunities.
- Appraisal and commercialization of its gas reserves in the Nyuni Block, Tanzania.

Environmental Issues

The company's operations are subject to significant environmental regulation under the law of the Commonwealth and its States and Territories in respect of its operated and non-operated joint venture interests in petroleum exploration, development and production. Its oil and gas production interests in the State of Queensland are operated by Oil Wells of Kentucky Inc, and Mosaic Oil N.L., which complies with all relevant environmental legislation. Its exploration operations in PEP 11, New South Wales, are operated by the company and it complies with all relevant environmental legislation. Its non operated interests in Australia and Tanzania are operated by third party companies all of whom comply with all relevant environmental legislation.

Information on Directors

The Directors shareholdings at 30th June, 2010, are also shown in Note 20 to the Financial Statements.

Graham Reveleigh	—	Non-Executive Chairman
Qualifications	—	BSc. MSc M Aus IMM CP(Man)
Experience	—	Mr Reveleigh is a professional geologist and has nearly 40 years experience in the resources industry both in Australia and overseas. Early in his career, he worked in the oil industry, then spent most of his career in exploration, mine management and construction in the mineral industry. Mr Reveleigh has had extensive experience in petroleum in recent years as a director of Drillsearch Energy Limited and a director of Canadian producer: Circumpacific Energy Corporation. He retired as a director of those companies in late 2007. He is a Member of the Australasian Institute of Mining and Metallurgy, and is a Chartered Professional (Management) of that body. He was appointed a director and chairman in 2005.
Interest in Shares and Options	—	Ordinary shares: 2,987,835 Options over ordinary shares: 4,000,000 exercisable at $0.14 expiring 23rd December, 2012.
Directorships held in other listed entities	—	Current director of Gulf Mines Limited, Hill End Gold Limited and Peninsula Resources Limited.

Charles Ross	—	Non-Executive Director
Qualifications	—	BSc.
Experience		Mr. Ross has had extensive experience in the private and public equity and corporate finance market in Canada, USA and Europe for 18 years. He has operated extensively in corporate asset acquisition and divestiture, review and development of corporate financing strategies, administration, compliance procedures and investor relations in North America and the Euro zone. He was a director of Circumpacific Energy Corporation (a subsidiary of Drillsearch Energy Limited) from 1992 until 2008. This has included management involvement in most aspects of petroleum exploration, development and production operations in the Western Canada Basin and other areas. He was appointed a director in 2005.
Interest in Shares and Options	—	Ordinary shares: Nil Options over ordinary shares: 2,000,000 exercisable at $0.14 expiring 23rd December, 2012.
Directorships held in other listed entities		Current director of Goldex Resources Corporation, Norzan Enterprises Ltd.,Tearlach Resources Limited, Tower Energy Limited, Peninsula Resources Limited, all listed in Canada.

J. Gary Higginbotham	—	Non-Executive Director, Company Secretary
Qualifications	—	Bachelor of Economics (Sydney)
Experience	—	Mr Higginbotham has practised as an accountant for 35 years. He has held a number of positions as financial controller. He has had wide experience in commercial negotiations, taxation and corporate finance. He was appointed a director on 14 March 2008.
Interest in Shares and Options	—	Ordinary shares: 915,200 Options over ordinary shares: 2,000,000 exercisable at $0.14 expiring 23rd December, 2012.
Directorships held in other listed entities	—	Nil

Information on Key Management Persons

Philip F Kelso	—	Chief Executive Officer
Qualifications	—	B. Sc (Geology), LLB.
Experience	—	Mr Kelso has 40 years experience in the resources industry. He worked as a hard rock geologist for 7 years until 1975. As a lawyer he has experience in commercial, resources and environmental law. He has international petroleum experience with emphasis on Australia, South East Asia and Canada. He has executed petroleum project acquisitions and petroleum production and development operations in Australia and Canada. Until 2007 Mr. Kelso was Managing Director of Drillsearch Energy Limited and of its Canadian offshoot Circumpacific Energy Corporation. He managed the company's growth through project and equity financing as it participated in a major oil development project in the Cooper Basin and in development of its assets in the Western Canada Basin. He headed Drillsearch's offshore team leading to the 2007 Marina 1 gas/condensate discovery in the Bonaparte Gulf. He was appointed CEO of Bounty Oil in March 2008.
Interest in Shares and Options	—	Ordinary shares: 9,847,485 Options over ordinary shares: 8,000,000 exercisable at $0.14

		expiring 23rd December, 2012.
Directorships held in other listed entities	—	Nil

Meetings of Directors

During the financial year, twenty four (24) meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	**Number attended**
Graham Reveleigh	24	24
Charles Ross	24	24
J Gary Higginbotham	24	24

Indemnifying Officers or Auditor

During the financial year ended 30th June 2010 the company has not entered indemnity and access deeds with any of the directors indemnifying them against liabilities incurred as directors, including costs and expenses in successfully defending legal proceedings. The company has not, during or since the financial year, in respect of any person who is or has been an auditor of the company or a related body corporate indemnified or made any agreement for indemnifying against a liability incurred as an auditor, including costs and expenses in successfully defending legal proceedings.

The company has paid premiums to insure each of the following directors namely Messrs G. C. Reveleigh, C. Ross and J. G. Higginbotham against liabilities up to a limit of $10 million for damages and for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was $17,295 for all nominated directors.

Options

2010

At the date of this report, the following unissued ordinary shares of the company were under option:

Grant Date	Date of Expiry	Exercise Price	Number under Option
23.12.2009	23.12.2012	$0.14	16,000,000
			16,000,000

The options have been included as an expense item in Note 4 of the Financial Statements in the amount of $201,600.

The options are not quoted on ASX. No ordinary shares of the company were issued pursuant to exercise of options during the year.

Legal Matters or Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings or any other litigation during or since the year.

Non-audit Services

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the board of directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2010:

	2010 $	2009 $
Taxation services	5,370	-

Remuneration Report

The Remuneration Report which forms part of this Directors Report is set out on the following page.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 14.

Signed in accordance with a resolution of the Board of Directors made pursuant to s. 298(2) of the Corporations Act 2001.

On behalf of the Directors.

J. GARY HIGGINBOTHAM
Director/Company Secretary

Sydney, 30th September, 2010.

REMUNERATION REPORT

This report forms part of the Directors Report for the year ended 30 June 2010 and details the nature and amount of remuneration for each key management person of Bounty Oil & Gas NL, and for the executives receiving the highest remuneration.

Remuneration Policy

The remuneration policy of Bounty Oil & Gas NL has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and bonuses issued at the discretion of the board of the company. The board of Bounty Oil & Gas NL believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the company, as well as create goal congruence between directors, executives and shareholders.

Directors Remuneration Policy

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The maximum aggregate amount of fees that can be paid to non-executive directors is within the maximum amount specified in the company's Constitution. Any increase of that amount is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the company.
Remuneration of non-executive directors is determined by the Board after considering the individual Directors time commitment, duties and function. Further considerations of the amount of remuneration are made by referral to amounts paid to Directors, both executive and non executive, by other listed entities of comparable size to the Company in the oil and gas exploration industry.
Any consulting fees payable to Directors as to specific projects outside the normal day to day duties of the Directors are agreed upon prior to commencement of work on the specific projects.
Director's remuneration is not performance based. Each director is paid in cash and 0ptions were granted to directors and key management persons as part of their remuneration.
There were no executive directors during the financial year ended 30th June 2010.

Performance-Based Remuneration

Remuneration of directors or key management personnel is not performance based.

Key Management Personnel Remuneration Policy

The board's policy for determining the nature and amount of remuneration of key management for the company is as follows:

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and key management personnel are on a continuing basis. There are no provisions for retirement benefits in contracts with key management personnel made during the year ended 30th June 2010.

The company makes cash bonus payments to key management personnel and to selected employees from time to time. Bonus payments by way of share based payments are made from time to time subject to any necessary shareholder approval. All such payments are expensed at the time of issue at the prevailing market price.

Key management personnel who are employees receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.
All remuneration paid to key management personnel is valued at the cost to the company and expensed. Shares given to key management personnel are valued as the difference between the market price of those shares and the amount paid by the key management personnel. Options are valued using the Black- Scholes methodology.

The employment conditions of the chief executive officer, Mr. Philip Kelso are formalised in a contract of employment with a personally related entity and contains the following material conditions:

- Management fees of $332,979 per annum payable by equal monthly instalments.
- Payment of lease fees for an Australian sedan motor vehicle.
- Bonuses at the discretion of the board of directors.
- There is no fixed term and there are no retirement or other benefits as noted above.
- The personally related entity is responsible for all statutory entitlements.
- Services: To include non-exclusive executive management, project investigations, capital raising, communication, management strategy, budgets, investment policy and all other duties normally incidental to the position of chief executive officer.

Other than the chief executive officer, all other key management personnel other than directors are permanent or part time employees of the company.

Options were granted to key management persons as part of their remuneration during the financial year ended 30th June 2010 (see below).

The board of directors as a whole determines the proportion of any fixed and variable compensation for each key management person.

Key Management Remuneration

2010	**$**					
Key Management Person	**Short-term Benefits**			**Post-employment Benefits**	**Share based payment**	**Total**
	Cash, salary and commissions	**Cash bonus and Non-cash benefits**	**Consulting Fees + Other**	**Super-annuation**	**Options**	
Graham Reveleigh (1)	50,000	-	44,000	-	50,400	144,400
Charles Ross (2)	25,000	-	29,000	-	25,200	79,200
J. Gary Higginbotham	25,000	-	55,018	-	25,200	105,218
Philip Kelso (3)	313,498	-	60,000	-	100,800	492,472
Michael L.Hutt	47,832	-	-	37,058	-	84,890

1 Paid to Graham Reveleigh & Associates

2 Paid to Modaven Capital Corporation

3 Paid to CQ Pastoral Co. Pty Limited group

2009	$					
Key Management Person	Short-term Benefits				Post-employment Benefits	Total
	Cash, salary and commissions	Cash bonus	Non-cash benefit	Consulting Fees+Other	Super-annuation	
Graham Reveleigh (1)	50,000	-	-	-	-	50,000
Charles Ross (2)	25,000	-	-	-	-	25,000
J Gary Higginbotham	25,000	-	-	10,996	-	35,996
Michael L Hutt	29,460	-	-	-	58,802	88,262
Philip Kelso (3)	332,979	57,920	6,409	-	-	397,308

1 Paid to Graham Reveleigh & Associates Pty Limited

2 Paid to Modaven Capital Corporation

3 Paid to Pemberley Resources Pty Ltd group

Performance income as a proportion of total remuneration

The percentage of remuneration paid to directors and key management personnel during the financial year ended 30th June 2010 which was performance based was: Nil.

Options issued as part of remuneration for the year ended 30 June 2010

A total of 16,000,000 options exercisable at $0.14 per share; expiring 23rd December 2012, were issued to directors and key management personnel or executives as part of their remuneration.

Shares Issued on Exercise of Compensation Options

Please refer to Note 25 of the Financial Statements. No options were exercised during the year that were granted as compensation in prior periods.

DFK - Richard Hill

CHARTERED ACCOUNTANTS &
BUSINESS ADVISERS

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AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF BOUNTY OIL & GAS N.L. AND CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Name of Firm: DFK Richard Hill

Name of Partner: Richard Hill

Date: 30 September 2010

Address: Level 11,32 Martin Place Sydney 2000

Chartered Accountants

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

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A worldwide association of independent Accounting firms and business advisors

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For Year Ended 30 June, 2010

	Note	Consolidated 2010 $	Consolidated 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Revenue	2	**659,148**	441,708	**568,140**	405,164
Other income		**1,145,332**	60,752	**1,141,689**	60,160
Employee benefits expense		**(1,066,753)**	(642,578)	**(1,066,753)**	(662,774)
Depreciation and amortisation expense		**(461,497)**	(280,056)	**(35,601)**	(22,775)
Finance costs		**-**	(9,967)	**-**	(9,967)
Other expenses		**(1,901,535)**	(2,545,384)	**(1,423,592)**	(2,507,750)
Profit/(loss) from ordinary activities before income tax expense	3	**(1,625,305)**	(2,975,525)	**(816,117)**	(2,737,942)
Income tax expense relating to ordinary activities	5	**-**	-	**-**	-
Excess of subsidiary's net assets over cost of acquisition	25	**-**	6,414,771	**-**	-
Net (loss)/profit attributable to members of the company		**(1,625,305)**	3,439,246	**(816,117)**	(2,737,942)
Other comprehensive income		**-**	-	**-**	-
Total comprehensive income for the period		**(1,625,305)**	3,439,246	**(816,117)**	(2,737,942)
(Loss)/profit attributable to members of the parent entity		**(1,625,305)**	3,439,246	**(816,117)**	(2,737,942)
Total comprehensive income attributable to member of the parent entity		**(1,625,305)**	3,439,246	**(816,117)**	(2,737,942)
Earnings per share					
From continuing and discontinued operations					
Basic earnings per share $		**(0.0025)**	0.01	**(0.0013)**	(0.01)
Diluted earnings per share $		**(0.0025)**	0.01	**(0.0013)**	(0.01)

The statement of financial performance is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June, 2010

	Note	Consolidated 2010 $	Consolidated 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
ASSETS					
Current Assets					
Cash and cash equivalents	7	**4,067,577**	1,712,106	**3,817,066**	1,683,427
Trade and other receivables	8	**431,918**	83,857	**1,916,796**	277,550
Inventories	9	**9,520**	9,520	**9,520**	9,520
Financial assets	12	**2,958,859**	960,906	**2,958,859**	960,906
Other current assets	11	**-**	94,571	**-**	-
Total Current Assets		**7,467,874**	2,860,960	**8,702,241**	2,931,403
NON-CURRENT ASSETS					
Property, plant and equipment	10	**672,017**	191,238	**672,017**	191,238
Other non-currents assets	11	**16,893,251**	12,854,082	**9,160,471**	5,625,102
Financial assets		**-**	-	**503,000**	500,000
Total Non-Current Assets		**17,565,268**	13,045,320	**10,335,488**	6,316,340
TOTAL ASSETS		**25,033,142**	15,906,280	**19,037,729**	9,247,743
LIABILITIES					
Current Liabilities					
Trade and other payables	13(a)	**719,937**	531,409	**183,909**	137,971
Financial liabilities	13(b)	**102,601**	1,019,762	**102,601**	1,019,762
Total Current Liabilities		**822,538**	1,551,171	**286,510**	1,157,679
NON-CURRENT LIABILITIES					
Provisions	14	**558,753**	87,857	**464,368**	-
Total Non-Current Liabilities		**558,753**	87,857	**464,368**	-
TOTAL LIABILITIES		**1,381,291**	1,639,028	**750,878**	1,157,679
NET ASSETS		**23,651,851**	14,267,252	**18,286,851**	8,090,064
EQUITY					
Issued capital	15	**35,092,940**	24,080,036	**35,092,940**	24,080,036
Accumulated losses		**(11,441,089)**	(9,812,784)	**(16,806,089)**	(15,989,972)
Total Equity		**23,651,851**	14,267,252	**18,286,851**	8,090,064

The statement of financial position is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For Year Ended 30 June, 2010

	Note	Consolidated 2010 $	Consolidated 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Cash Flows from Operating Activities					
Receipts from petroleum operations		**659,1448**	442,336	**568,140**	405,792
Payments to suppliers including exploration and to employees		**(1,986,279)**	(1,334,038)	**(2,194,809)**	(1,190,075)
Interest received		**154,089**	50,827	**152,825**	49,904
Other receipts		**16,448**	-	**-**	-
Interest paid		**-**	(4,767)	**-**	(4,767)
Foreign exchange loss		**-**	(331)	**-**	-
Net cash provided by/(used in) operating activities	16	**(1,156,594)**	(845,973)	**(1,473,844)**	(739,146)
Cash Flows from Investing Activities					
Payments for exploration and evaluation expenditure		**(5,203,640)**	(2,632,328)	**(3,330,472)**	(2,478,213)
Payments for property plant and equipment		**(516,380)**	(27,072)	**(516,380)**	(27,072)
Payments for securities in listed corporations		**(1,994,747)**	(808,879)	**(1,997,747)**	(808,879)
Proceeds from sale of securities in listed corporations		**971,589**	89,972	**971,589**	89,972
Proceeds from sale of exploration assets		**412,500**	-	**-**	
Loans to/from related parties		**-**	(45,910)	**(1,365,250)**	(45,910)
Loans advanced		**(250,000)**	-	**(250,000)**	-
Loans other parties		**-**	17,600	**-**	17,600
Funds paid by related parties		**-**	210,527	**-**	210,527
Acquisition of subsidiary, net of cash acquired		**-**	(50,000)	**-**	(50,000)
Loans to subsidiary			-		(226,308)
Net cash provided by/(used in) investing activities		**(6,580,678)**	(3,246,090)	**(6,488,260)**	(3,318,283)
Cash Flows from Financing Activities					
Application money for shares		**-**	771,082	**-**	771,082
Proceeds from issue of shares		**10,858,974**	3,626,624	**10,861,974**	3,626,624
Costs associated with issue of shares		**(766,231)**	(212,241)	**(766,231)**	(212,241)
Net cash provided by/(used in) financing activities		**10,092,743**	4,185,465	**10,095,743**	4,185,465
Net increase/(decrease) in cash held		**2,355,471**	93,402	**2,133,639**	128,036
Cash at beginning of financial year		**1,712,106**	1,618,704	**1,683,427**	1,555,391
Cash at End of Financial Year	7	**4,067,577**	1,712,106	**3,817,066**	1,683,427

This statement of cash flows is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For Year Ended 30 June, 2010

CONSOLIDATED GROUP

	Share Capital $	*Accumulated Losses* $	*Total* $
Balance at 1 July, 2008	**20,215,652**	**(13,252,030)**	**6,963,622**
Shares issued during the period	4,076,624	-	4,076,624
Transaction costs	(212,240)	-	(212,240)
Profit/(loss) attributable to members	-	3,439,246	3,439,246
Balance as at 30 June, 2009	**24,080,036**	**(9,812,784)**	**14,267,252**
Balance at 1 July, 2009	**24,080,036**	**(9,812,784)**	**14,267,252**
Shares issued during the period	11,577,535	-	11,577,535
Transaction costs	(564,631)	-	(564,631)
Adjustments during the year	-	(3,000)	(3,000)
Profit/(loss) attributable to members	-	(1,625,305)	(1,625,305)
Balance as at 30 June, 2010	**35,092,940**	**(11,441,089)**	**23,651,851**

PARENT ENTITY

	Share Capital $	*Accumulated Losses* $	*Total* $
Balance at 1st July, 2008	**20,215,652**	**(13,252,030)**	**6,963,622**
Shares issued during the period	4,076,624	-	4,076,624
Transaction costs	(212,240)	-	(212,240)
Profit/(loss) attributable to members	-	(2,737,942)	(2,737,942)
Balance as at 30th June, 2009	**24,080,036**	**(15,989,972)**	**8,090,064**
Balance at 1st July, 2009	**24,080,036**	**(15,989,972)**	**8,090,064**
Shares issued during the period	11,577,535	-	11,577,535
Transaction costs	(564,631)	-	(564,631)
Profit/(loss) attributable to members	-	(816,117)	(816,117)
Balance as at 30th June, 2010	**35,092,940**	**(16,806,089)**	**18,286,851**

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Bounty Oil & Gas NL and controlled entities ("Consolidated Group" or "Group") and the separate financial statements and notes of Bounty Oil & Gas NL as an individual parent entity ("Parent Entity").

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Bounty Oil & Gas NL at the end of the reporting period. A controlled entity is any entity over which Bounty Oil & Gas NL has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 26 to the financial statements.

In preparing the consolidated financial statements all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognize, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent

liabilities of the acquiree will be recognized where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill (refer to Note 1(n) or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognized in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognized in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognized as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is re-measured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

b) **Income Tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the

reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax Consolidation

Bounty Oil & Gas NL and its wholly owned Australian subsidiary has formed an income tax consolidation group under tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Group notified the Australian Tax Office that it has formed an income tax consolidation group to apply from 1 July, 2009. The tax consolidated group has entered a tax funding arrangement whereby each company in the Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by or distribution to the head entity.

c) **Trade Receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 120 days from the date of recognition for land development and resale debtors, and no more than 30 days for other debtors.
Collection of trade receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectible, are written off. A provision for doubtful receivables is established when there is objective evidence that the Group 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 asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount for the provision is recognised in the income statement.

d) **Trade and Other Payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

e) **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of petroleum products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads.

f) **Property, Plant and Equipment**

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

Property

Freehold land and building are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement or comprehensive income. Each year the difference between depreciation based on the re-valued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the assets original cost is transferred from the revaluation surplus to retained earnings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment are measured on the cost basis.

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 asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Group 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.

Depreciation on assets is calculated over their estimated useful life as follows:

Class of fixed asset	**Estimated useful life**
Office furniture and fittings	10 years
Office and computer equipment	3 years
Plant and equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

g) Exploration and Development Expenditure

i) Exploration

Exploration expenditure incurred is accumulated in respect of each identifiable area of interest. The expenditure comprises net direct costs and an appropriate portion of related overhead expenditure directly related to activities in the area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated capitalised exploration expenditure in relation to an abandoned area of interest and/or an area where no mineable ore body is discovered are expensed in the period in which it is determined the area of interest has no future economic benefit.

ii) Evaluation

Evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. The expenditure comprises net direct costs and an appropriate portion of related overhead expenditure directly related to activities in the area of interest.

These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

When the technical feasibility and commercial viability of extracting and processing mineral resources have been demonstrated, then any capitalised evaluation expenditure will be classified to mine development and mineral processing development expenditure. Prior to reclassification, capitalised evaluation expenditure is assessed for impairment.

Accumulated capitalised evaluation expenditure in relation to an abandoned area of interest and/or an area where no mineable ore body is discovered are expensed in the period in which it is determined the area of interest has no future economic benefit.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

iii) Development

Development expenditure represents the costs incurred in preparing the mine site and mine for production. These costs are capitalised to the extent that they are expected to be recouped through successful exploitation of the related mining leases.

h) Leased Assets

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the Group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

i) Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transactions costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

j) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

i) Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii) Loans and receivables

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

iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v) Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

k) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.
The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial asset held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.
The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

l) Impairment of Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation. They are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

m) Interests in Joint Ventures

The Group's share of the assets, liabilities, revenue and expenses of the Utopia joint venture operations are included in the appropriate items of the consolidated financial statements. Details of the Group's joint venture interests are shown at Note 24.

The Group's interests in joint venture entities are brought to account using the cost method of accounting in the financial statements.

n) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Australian dollars which is the Group's functional and presentation currency.

o) Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

p) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

q) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

r) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

s) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax (GST)

t) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

u) Goods and Services Tax (GST)

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 Tax Office. 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 balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

v) Earnings Per Share

i) *Basic earnings per share*
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the 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 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.

w) Comparative Figures

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

x) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates — Impairment
The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

The financial report was authorised for issue on 30th September, 2010, by the board of directors.

y) New Accounting Standards Interpretations

Certain Australian Accounting Standards and interpretations have been published that are not mandatory for 30 June 2010 reporting period. They have not been adopted in preparing the financial report for the year ended 30 June 2010 and are expected to impact the Group in the period of initial application. In all cases, the Group intends to apply these standards from the application date as indicated below.

(i) AASB 123 (revised June 2007) - Borrowing costs

Application date:
Periods on or after 1 January 2010.

Nature of change:
To the extent that borrowing costs are directly attributable to the acquisition, construction or production of a qualifying asset, the option of recognising borrowing costs immediately as an expense has been removed. Consequently, all borrowing costs for qualifying assets will have to be capitalised.

Impact on initial application:

The transitional provisions of this standard only require capitalisation of borrowing costs on qualifying assets where commencement date for capitalisation is on or after 1 January 2010. As such, there will be no impact on prior period financial statements when this standard is adopted.

(ii) AASB 3 (reissued March 2009) - Business Combinations

Application date:

Business combinations where the acquisition date is on or after the beginning of the first reporting period that commences 1 July 2010 or later.

Nature of change:

Released as part of long term international convergence project between IASB and FASB. The revised standard introduces more detailed guidance on accounting for step acquisitions, adjustments to contingent consideration, assets acquired that the purchaser does not intend to use, reacquired rights and share-based payments as part of purchase consideration. Also, all acquisition costs will have to be expensed instead of being recognised as part of goodwill.

Impact on initial application:

As there is no requirement to retrospectively restate comparative amounts for business combinations undertaken before this date, there is unlikely to be any impact on the financial statements when this revised standard is first adopted.

However, due to the nature of some of the changes in the revised standard, business combinations that the entity undertakes after this date may in future impact negatively on the results of the entity. For example, acquisition costs will have to be expensed instead of being recognised as part of goodwill. Specific changes in respect of step acquisitions and sell downs may introduce situations whereby adopting the revised standard may improve profitability.

Also, deferred tax assets that do not satisfy recognition criteria when a business combination is initially accounted for, but do subsequently qualify for recognition post acquisition date, will be recognised as a credit to the income statement and there will be no consequential write-down of goodwill for a similar amount, provided that the deferred tax assets are recognised outside the initial measurement period of 12 months from acquisition date.

iii) AASB 127 (reissued March 2009) - Consolidated and Separate Financial Statements

Application date:

Periods commencing on or after 1 July 2010.

Nature of change:

The revised standard clarifies that changes in ownership interest which result in control being retained are accounted for within equity as transactions with owners. Losses will be attributed to the non-controlling interest even if this results in a debit balance for the non-controlling interest. Investments retained where there has been a loss of control will be recognised at fair value at date of sale.

Impact on initial application:

As there is no requirement to retrospectively restate the effect of these revisions, there is unlikely to be any impact on the financial statements when this revised standard is first adopted.

iv) AASB 2009-3 (issued March 2009) - Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASB 1, AASB 2, AASB 4, AASB 5, AASB 7, AASB 101, AASB 107, AASB 112, AASB 114, AASB 116, AASB 121, AASB 128, AASB 131,

AASB 132, AASB 133, AASB 134, AASB 136, AASB 137, AASB 138, AASB 139, Interpretation 9 and Interpretation 107.

Application date:
Periods commencing on or after 1 July 2010.

Nature of change:
Makes consequential amendments to 20 standards and 2 interpretations arising from the reissue of AASB 3 and AASB 127, including to AASB 128: Investments in Associates and AASB 131: Interests in Joint Ventures.

When an investment ceases to be an associate or jointly controlled entity and is subsequently accounted for under AASB 139, the fair value of the investment at the date when it ceases to be an associate or jointly controlled entity is its fair value.

Impact on initial application:
As there is no requirement to retrospectively restate the effect of these revisions, there is unlikely to be any impact on the financial statements when this revised standard is first adopted.

v) AASB 2009-1 (issued February 2009) - Amendments to AASB 2 - Share-based Payments - Vesting Conditions and Cancellations

Application date:
Periods commencing on or after 1 July 2010.

Nature of change:
The definition of vesting conditions has changed and the accounting treatment clarified for cancellations to share-based payment arrangements by the counterparty. This is to ensure that conditions other than performance conditions do not result in a 'true up' of the share based payment expense and are treated in a manner similar to market conditions.

Impact on initial application:
To date, the entity has not issued any options to employees that include non-vesting conditions and as such, there will be no impact on the financial statements when this revised standard is adopted for the first time.

vi) AASB 2009-7 (issued July 2009) - Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Application date:
Periods commencing on or after 1 January 2010.

Nature of change:
Removal of the definition of the "cost method" in AASB 127, meaning that pre and post acquisition dividends no longer need to be differentiated and all dividends are to be recognised as revenue. However, whenever a dividend is received from a subsidiary, associate or jointly controlled entity, an impairment test will be required under AASB 136 where there is an indicator for impairment.

Impact on initial application:
There will be no impact as these requirements are only required to be applied prospectively for periods commencing on or after 1 July 2010. However, any pre-acquisition dividends received after this date may result in additional impairment charges on investments in subsidiaries,

associates and jointly controlled entities.

(vii) AASB 101 - Presentation of Financial Statements.

Application date:
Periods commencing on or after 1 January 2010.

Nature of change:
Clarifies that terms of a liability that could, at the option of the counterparty, result in the liability being settled by the issue of equity instruments, do not affect its classification. This means that unless the terms of such liabilities require a transfer of cash or other assets within 12 months, they do not necessarily have to be classified as current liabilities.

Impact on initial application:
Initial adoption of this amendment will have no impact as the entity does not have any current liabilities where the counterparty has the option to have the liabilities settled by the issue of equity instruments.

(viii) AASB 2010-2 (issued April 2010) - Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments.

Application date:
Periods commencing on or after 1 January 2010.

Nature of change:
Requires additional disclosures about financial instrument fair values and liquidity risk.

Impact on initial application:
As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, various additional disclosures will be required about fair values of financial instruments and the entity's liquidity risk. No comparative disclosures are required in the first year that these amendments are applied.

(ix) AASB 119 - Employee Benefits

Application date:
Periods commencing on or after 1 January 2010.

Nature of change:
Short term employee benefits now include compensation for absences that are due to be settled within 12 months rather than those that are expected to be settled within 12 months. Accordingly, long service leave provisions will be calculated and discounted based on the contractual due date rather than when the employee is expected to take the leave.

Impact on initial application:
Nil as currently Arafura has not provided for a long service provision in the financial statements.

(x) AASB 136 - Impairment of Assets

Application date:
Periods commencing on or after 1 January 2010.

Nature of change:

Clarifies that CGUs to which goodwill is allocated cannot be larger than an operating segment as defined in AASB 8: Operating Segments before aggregation.

Impact on initial application:
There will be no impact as these requirements are only required to be applied prospectively to goodwill impairment calculations for periods commencing on or after 1 July 2010.

		Consolidated		Parent Entity	
NOTE 2 – REVENUE	**Notes**	**2010 $**	2009 $	**2010 $**	2009 $
Revenue:					
Oil sales	2(a)	**659,148**	441,708	**568,140**	405,164
Other revenue					
- Interest received		**154,089**	50,827	**152,825**	49,904
- Fair value unrealised gain on foreign currency		**15,327**	133	**14,069**	464
- Fair value unrealised gain on listed securities		**542,550**	-	**542,550**	-
- Profit on sale of listed securities		**432,245**	-	**432,245**	-
- Other income		**1,121**	9,792	**-**	9,792
Total Revenue		**1,804,480**	502,460	**1,709,829**	465,324

	Consolidated		Parent Entity	
NOTE 3 - LOSS FROM ORDINARY ACTIVITIES	**2010 $**	2009 $	**2010 $**	2009 $
a) Expenses				
Direct petroleum operating expenses	**485,543**	251,050	**485,543**	244,400
Impairment of exploration expenditure	**500,000**	-	**-**	-
Write off exploration expenditure	**259,471**	1,533,708	**259,471**	1,533,708

	Consolidated		Parent Entity	
NOTE 4 – EMPLOYEE EXPENSES	**2010 $**	2009 $	**2010 $**	2009 $
Directors Fees	**100,000**	100,000	**100,000**	100,000
Consultancy fees - Internal	**501,515**	462,495	**501,515**	462,495
Consultancy fees - External	**112,021**	-	**112,021**	-
Wages & salaries	**112,983**	70,870	**112,983**	91,066
Share based payments	**201,600**	-	**201,600**	-
Secretarial fees	**20,460**	2,804	**20,460**	2,804
Parking	**7,040**	6,409	**7,040**	6,409
Motor vehicles	**11,134**	-	**11,134**	-
Total Employee and Director Expenses	**1,268,353**	642,578	**1,268,353**	662,774

2009

a) The Company had two employees at the year end (2009: two).

b) Mr. P. Kelso was appointed CEO on 5th March, 2009 and was paid consulting and other amounts in the financial years ended 30th June, 2009 and 2010 in recognition of other services provided as disclosed in Note 20.

NOTE 5 – INCOME TAX EXPENSE

a) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:

	Consolidated Group		Parent Entity	
	2010	2009	**2010**	2009
	$	$	**$**	$
Prima facie tax payable on profit/(losses) from ordinary activities before income tax at 30% (2009: 30%)				
- consolidated group	**(487,592)**	(892,655)	**-**	-
- parent entity	**-**	-	**(244,835)**	(821,383)
Add:				
Tax effect of:				
- other non-allowable items	**286,761**	83,120	**173,790**	4,549
- capital losses not subject to income tax	**-**	114,943	**-**	114,844
- foreign currency exchange loss not subject to income tax	**-**	13,501	**-**	13,501
	(200,831)	(681,091)	**(71,045)**	(688,489)
Less:				
Tax effect of:				
- capital profit not subject to income tax	**162,765**	-	**162,765**	-
- foreign currency exchange profit not subject to income tax	**4,598**	-	**4,221**	-
- other deductible items	**87,002**	52,346	**5,290**	18,389
- Blackhold expenses write off	**77,689**	89,537	**77,689**	51,303
- EED Tax- Australia	**444,513**	156,296	**926,580**	271,982
Tax effect of Unused tax losses not recognised as deferred tax asset	**(977,398)**	(979,270)	**(1,247,591)**	(1,030,163)
Income tax expense attributable to loss from ordinary activities	**-**	-	**-**	-

NOTE 6 – PROFIT/(LOSS) PER SHARE

	Consolidated		Parent Entity	
	2010	2009	**2010**	2009
	$	$	**$**	$
Basic profit/(loss) per share ($ per share)	**(0.0025)**	0.01	**(0.0013)**	(0.01)
Diluted profit/(loss) per share ($ per share)	**(0.0025)**	0.01	**(0.0013)**	(0.01)
Net profit/(loss)used in the calculation of basic & diluted loss per share	**(1,625,305))**	3,439,246	**(816,117)**	(2,737,942)
(a) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	**642,863,446**	318,356,344	**642,863,446**	318,356,344
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive EPS	**642,863,446**	318,356,344	**642,863,446**	318,356,344

NOTE 7 – CASH AND CASH EQUIVALENTS	Consolidated 2010 $	Consolidated 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Deposits on call	**30,684**	30,664	**19,464**	19,444
Cash at bank	**4,036,893**	1,681,442	**3,797,602**	1,663,983
Total Cash and Cash Equivalents	**4,067,577**	1,712,106	**3,817,066**	1,683,427

NOTE 8 – TRADE AND OTHER RECEIVABLES	Consolidated 2010 $	Consolidated 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Current				
Trade debtors	**4,367**	-	**-**	-
Prepayments	**17,634**	478	**17,634**	478
Sundry and other debtors	**46,732**	79,423	**29,842**	273,116
Loan Ausam Resources	**-**	-	**1,591,558**	-
Loan other	**11,676**	-	**11,676**	-
GST	**84,940**	-	**11,134**	-
Accrued debtors	**11,617**	-	**-**	-
Amount receivable from:				
- Claymore Capital Pty Ltd	**254,952**	-	**254,952**	-
- Key Management Personnel	**-**	3,956	**-**	3,956
Total Trade and Other Receivables	**431,918**	83,857	**1,916,796**	277,550

(a) Key Management Personnel Loans

Details of loans made to key management personnel including their personally related entities, are set out below:

2010:

	Balance at the Start of the Year	Interest Paid and Payable for the Year	Interest Not Charged	Provision for Impairment	Balance at the End of the Year	Highest Balance During Period
P F Kelso	3,956	Nil	Nil	Nil	Nil	3,956

2009:

	Balance at the Start of the Year	Interest Paid and Payable for the Year	Interest Not Charged	Provision for Impairment	Balance at the End of the Year	Highest Balance During Period
P F Kelso	168,572	21,303	Nil	Nil	3,956	230,888

The loan outstanding at 30th June, 2009 was a secured loan of $3,956 bearing interest at 8.75% per annum. A commercial rate of interest for this loan would be 8.75% per annum.

NOTE 9 – INVENTORY	Consolidated 2010 $	Consolidated 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
The company has a 40% interest in Petroleum Lease 214 and part of ATP 560P, Queensland and associated oil production tangibles referred to as the Utopia Joint Venture. The principal activity of the Joint Venture is the exploration for, development and production of oil within the said permits:				
- Inventory held in Utopia Joint Venture - 40% share	**9,520**	9,520	**9,520**	9,520

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT	Consolidated 2010 $	Consolidated 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Unit 10, 283 George Street, Sydney – at cost	**490,959**	-	**490,959**	-
Less: Accumulated depreciation	**-**	-	**-**	-
	490,959	-	**490,949**	-
Oil Producing Properties				
Plant and equipment – at cost	**541,302**	484,543	**541,302**	484,543
Less accumulated depreciation	**(360,244)**	(293,305)	**(360,244)**	(293,305)
Total Property, Plant and Equipment	**181,058**	191,238	**181,058**	191,238
Movement in carrying amounts:				
Movements in the carrying amounts for each class of property, plant and equipment between the beginning and end of the financial year.				
Opening Balance	**191,238**	189,359	**191,238**	159,869
Additions	**516,380**	24,653	**516,380**	54,144
Depreciation	**(35,601)**	(22,774)	**(35,601)**	(22,775)
Carrying amount at the end of the year	**672,017**	191,238	**672,017**	191,238

NOTE 11 – OTHER ASSETS	Consolidated 2010 $	Consolidated 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Current				
Interest in joint venture	**-**	94,571	**-**	-
Non-Current				
Exploration costs capitalised	**16,369,720**	10,906,574	**7,110,528**	4,085,201
Provision for impairment	**(2,216,270)**	-	**-**	-
Oil producing property – PL119 – at cost	**3,063,198**	2,355,051	**-**	-
Less: Depletion amortisation	**(2,373,340)**	1,947,444	**-**	1,539,901
Oil producing property – Utopia – at cost	**1,585,575**	1,539,901	**1,585,575**	-
Rehabilitation costs	**464,368**	-	**464,368**	-
Total Other Non Current Assets	**16,893,251**	12,854,082	**9,160,471**	5,625,102

NOTE 12 – OTHER FINANCIAL ASSETS	Consolidated 2010 $	Consolidated 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Available for sale Financial Assets				
– shares in listed corporations	**2,958,859**	960,906	**2,958,859**	960,906
Total available for sale financial assets	**2,958,859**	960,906	**2,958,859**	960,906
Non-Current				
Investment in subsidiary at cost	**-**	-	**503,000**	500,000

NOTE 13 – TRADE AND OTHER PAYABLES	Consolidated 2010 $	Consolidated 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
a) Current				
Trade creditor	**171,873**	192,437	**84,518**	120,317
Accrued creditors	**97,544**	-	**82,844**	-
Tax liability	**6,685**	-	**6,685**	-
PAYG liability	**3,438**	-	**3,438**	-
Joint venture cash calls	**-**	338,972	**-**	17,600
Other creditors	**440,397**	-	**6,424**	-
Total Trade and Other Payables	**719,937**	531,409	**183,909**	137,917
b) Financial Liabilities				
Loan – Others	**102,601**	-	**102,601**	-
Application for shares allotted post balance date	**-**	1,019,762	**-**	1,019,762
Total Financial Liabilities - Current	**102,601**	1,019,762	**102,601**	1,019,762

NOTE 14 – PROVISIONS	Consolidated 2010 $	Consolidated 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Non Current				
Rehabilitation costs	**558,753**	87,857	**464,368**	-
Total Provisions	**558,753**	87,857	**464,368**	**-**
Movement in Carry Amounts				
Opening balance	**87,857**	-	**-**	**-**
Provisions made during the year	**470,896**	-	**464,368**	**-**
Balance at the end of the period	**558,753**	87,857	**464,368**	**-**

NOTE 15 – ISSUED CAPITAL	Consolidated 2010 $	Consolidated 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
A reconciliation of the movement in capital for the Company can be found in the Statement of Changes in Equity				
a) 698,839,762 fully paid ordinary shares (2009: 453,370,569)	**34,891,340**	24,080,036	**34,891,340**	24,080,036
b) 16,000,000 options over fully paid shares (2009: Nil)	**201,600**	-	**201,600**	-
c)	**35,092,940**	24,080,036	**35,092,940**	24,080,036

d) Movements in ordinary share capital of the Company during the past two years were as follows:

	Number of shares
Balance 30 June 2008	**259,735,655**
Issue of shares on 31 July 2008 @ $0.035	7,105,000
Issue of shares on 3 September 2008 @ $0.040	34,000,000
Issue of shares on 4 February 2009 @ $0.025	18,000,000
Issue of shares on 15 May 2009 @ $0.015	134,529,914
Balance 30 June 2009	**453,370,569**
Issue of shares on 6 July 2009 @ $0.015	70,000,000
Issue of shares on 15 July 2009 @ $0.015	30,000,000
Issue of shares on 25 August 2009 @ $0.050	52,000,000
Issue of shares on 15 December 2009 @ $0.080	83,469,193
Issue of shares on 15 April 2010 @ $0.080	10,000,000
Balance 30 June, 2010	**698,839,762**

e) Movement in options of the company during the past two years were as follows:

	Number of options
Balance 30 June 2009	**-**
Issue of options on 23 December, 2009	16,000,000
Balance 30 June 2010	**16,000,000**

	Consolidated		Parent Entity	
NOTE 16 – RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES	**2010 $**	2009 $	**2010 $**	2009 $
(a) Reconciliation of Cash Flow from operations with loss from ordinary activities after income tax.				
Loss from ordinary activities after income tax	**(1,625,305)**	(2,975,525)	**(816,117)**	(2,737,942)
Non-cash flows in loss from ordinary activities:				
Depreciation	**35,601**	22,775	**35,601**	22,775
Depletion Amortisation	**425,896**	-	**-**	-
Unrealised foreign exchange loss	**-**	45,004	**-**	45,004
Impairment of Exploration Expenditure	**759,471**	-	**259,471**	-
Exploration expenditure		1,511,420	**-**	1,511,420
Profit on sale of listed securities	**(432,245)**	(8,953)	**(432,245)**	(8,953)
(Increase)/(Decrease) in trade and other receivables	**(98,061)**	(133,139)	**(23,996)**	133,139-
(Increase)/Decrease in other Assets	**544,571**	-	**-**	-
Sale of Exploration Assets	**(412,500)**	-	**-**	
(Decrease)/Increase in trade & other payables	**188,528**	51,664	**45,992**	(86,069)
(Increase)/Decrease in Inventory	**-**	(8,312)	**-**	(1,335)
Unrealised loss/(gain) on Investments	**(542,550)**	382,815	**(542,550**	382,815
Net Cash from Operating Activities	**(1,630,824)**	(845,973)	**(1,473,844)**	(739,146)

NOTE 17 – SEGMENT REPORTING

Primary Reporting- Business and Geographical Segments

The Group operates predominately in one business segment, being oil and gas exploration and production.

It also predominately operates in two geographical segments, being Australia 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. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

The following table details the Group's geographical segment reporting of revenue and carrying assets.

	Revenue		**Carrying Amounts of Assets**	
	2010	2009	**2010**	2009
	$	$	**$**	$
Australia	**1,804,480**	502,460	**23,173,296**	14,796,409
Tanzania	**-**	-	**1,395,478**	1,187,114
	1,804,480	502,460	**24,568,774**	15,906,280

NOTE 18 – AUDITORS REMUNERATION	**2010**	2009	**2010**	2009
	$	$	**$**	$
Remuneration of the auditors of the Company for:				
- Auditing or reviewing the financial report.	**67,000**	24,856	**46,000**	24,856
- Other services	**5,370**	-	**3,170**	-
	72,370	24,856	**49,170**	24,856

NOTE 19 - EXPLORATION COMMITMENTS

In order to maintain current rights of tenure to its exploration permits, the Company has certain obligations to perform work in accordance with the work programmes, as approved by the relevant statutory body, when the permits are granted. These work programmes form the exploration commitment which may be renegotiated, varied between permits, or reduced due to farm-out, sale, reduction of exploration area and/or relinquishment of non-prospective permits. Work in excess of the work programmes may also be undertaken.

The following discretionary exploration expenditure requirements have not been provided for in the accounts:

	Consolidated		**Parent Entity**	
	2010	2009	**2010**	2009
	$	$	**$**	$
Payable				
- Not later than 1 year	**4,200,000**	4,233,000	**3,500,000**	3,133,000
- Later than 1 year but not later than 5 years	**4,500,000**	4,195,000	**4,000,000**	2,345,000
Sum Total	**8,700,000**	8,428,000	**7,500,000**	5,478,000

There are no lease commitments at the balance date.

NOTE 20 – KEY MANAGEMENT PERSONNEL COMPENSATION

The following were key management personnel of the Company at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Key Management Person	Position
G. Reveleigh	Chairman - Non-executive
G Higginbotham	Director - Non-executive – appointed secretary on 21 January 2010
C Ross	Director - Non-executive
P Kelso	Chief Executive Officer
M Hutt	Company Secretary – resigned on 21 January 2010

During the year to 30 June 2010, no executive director was in office. Mr. G. Reveleigh occupied the position of Non- Executive Chairman for the year.

Some of the above key management personnel are employed by the way of service arrangements. Refer to the Remuneration Report in the Director's Report.

Movements in shares

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by the key management person, including their related parties, is as follows:

2010:

SHAREHOLDINGS Key Management Person	Opening Balance 1/7/09	Acquired	Disposed	Closing Balance 30/6/10
Graham Reveleigh	1,249,545	1,738,289	-	2,987,834
Gary Higginbotham	166,667	748,533	-	915,200
Charles Ross	-	-	-	-
Philip Kelso	4,883,089	19,464,396	14,500,000	9,847,485

2009:

SHAREHOLDINGS Key Management Person	Opening Balance 1/7/08	Acquired	Disposed	Closing Balance 30/6/09
Graham Reveleigh	937,158	312,387	-	1,249,545
Gary Higginbotham	-	166,667	-	166,667
Charles Ross	-	-	-	-
Philip Kelso	2,038,208	7,869,881	5,025,000	4,883,089
Michael Hutt	122,142	207,382	-	329,524

No shares were granted to key management personnel as compensation in 2009 or 2010.

Shares held by any key management person's related party were as follows:

On behalf of Graham Reveleigh: G E Reveleigh & Associates Pty Ltd.
On behalf of Philip Kelso: Pemberley Resources Pty Limited and Transoceanic Nominees Pty Limited.

Individual directors and executive compensation disclosure

The Company has taken advantage of the relief provided by ASIC Class Order 06/50 and has transferred the Detailed Remuneration Disclosures to the Directors Report. The relevant information can be found in the Remuneration Report.

Other key management personnel transactions with the Company or its controlled entities

Information regarding individual Directors and executives compensation and some equity instrument disclosures as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 are provided in the Remuneration Report section of the Directors Report.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving Directors interests existing at the year end.

Options over equity instruments

The movement during the reporting period in the number of options over ordinary shares of the Company held, directly, indirectly or beneficially, by each key management personnel, including related parties, was as follows:

Key Management Persons - Option Holdings

On 23 December, 2009; 16,000,000 options over unissued shares were issued to Directors and officers pursuant to shareholder approval given on 26 November, 2009. The options have a term of 3 years and are exercisable at $0.14. These options have been recognized as a non cash expense of $201,600 under Employee Benefits Expense - see Note 4. No options were exercised during the period.

The movements as a result of the equity issues are set out below:

	Consolidated Group	
	31.12.2010	**30.06.2009**
a) Number of issued fully paid ordinary shares	688,839,762	453,370,569
b) Options over fully paid ordinary shares	16,000,000	-

2010:
Options were granted to Key Management Personnel as compensation during the year ended 30th June 2010 as follows:-.

Key Management Person	Opening Balance 1/7/09	Acquired	Disposed	Closing Balance 30/6/10
Graham Reveleigh	Nil	4,000,000	Nil	4,000,000
Charles Ross	Nil	2,000,000	Nil	2,000,000
J. Gary Higginbotham	Nil	2,000,000	Nil	2,000,000
Philip Kelso	Nil	8,000,000	Nil	8,000,000

(1) Acquired from third party off market.

2009:
Options were granted to Key Management Personnel as compensation during the year ended 30th June 2009.

Key Management Person	Opening Balance 1/7/08	Acquired	Disposed	Closing Balance 30/6/08
Michael Hutt (1)	40,000	Nil	40,000	Nil

(1) Acquired from third party off market. Expired 31 March 2009.

2010:
Other key management personnel transactions

Certain key management personnel hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A summary of the entities that transacted with the Company in the reporting period is included below. The terms and conditions of the transactions with the management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to Non-Director related entities on an arms length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as set out in the Remuneration Report contained in the Directors Report and as follows:

Key Management Remuneration

2010	**$**					
Key Management Person	**Short-term Benefits**			**Post-employment Benefits**	**Share based payment**	**Total**
	Cash, salary and commissions	**Cash bonus and Non-cash benefits**	**Consulting Fees+Other**	**Super-annuation**	**Options**	
Graham Reveleigh (1)	50,000	-	44,000	-	50,400	144,400
Charles Ross (2)	25,000	-	29,000	-	25,200	79,200
J. Gary Higginbotham	25,000	-	55,018	-	25,200	105,218
Philip Kelso (3)	313,498	18,174	60,000	-	100,800	492,472
Michael L.Hutt	47,832	-	-	37,058	-	84,890

1 Paid to Graham Reveleigh & Associates

2 Paid to Modaven Capital Corporation

3 Paid to CQ Pastoral Co. Pty Limited group

The Company has a services agreement with a personally related entity of the Chief Executive Officer, Mr. Philip Kelso. The personally related entity is responsible for all statutory entitlements, if any and the material provisions of the services agreement are set out in the remuneration report contained in the Directors Report. Total amount paid for the period to 30 June 2010 was $391,672 (2009: 397,308)

2009	**$**					
Key Management Person	**Short-term Benefits**				**Post-employment Benefits**	**Total**
	Cash, salary and commissions	**Cash bonus**	**Non-cash benefit**	**Consulting Fees+Other**	**Super-annuation**	
Graham Reveleigh (1)	50,000	-	-	-	-	50,000
Charles Ross (2)	25,000	-	-	-	-	25,000
J Gary Higginbotham	25,000	-	-	10,996	-	35,996
Michael L Hutt	29,460	-	-	-	58,802	88,262

2009	$					
Key Management Person	Short-term Benefits				Post-employment Benefits	Total
	Cash, salary and commissions	Cash bonus	Non-cash benefit	Consulting Fees+Other	Super-annuation	
Philip Kelso (3)	332,979	57,920	6,409	-	-	397,308

1 Paid to Graham Reveleigh & Associates Pty Limited

2 Paid to Modaven Capital Corporation

3 Paid to Pemberley Resources Pty Ltd group

Loans to Key Management Personnel

Details of loans made to key management personnel including their personally related entities, are set out in Note 8 above.

Other Transactions with Directors and Executives

2010:
Other than the transactions disclosed in the Remuneration Report contained in the Directors' Report, nil, except that during the period to 30th June, 2010, $30,000 was paid for rent and $74,000 was paid in legal fees to a firm in which Mr. P. Kelso is a principal (2009: $14,700).

2009:
Other than the transactions disclosed in the Remuneration Report contained in the Directors' Report: Nil.

NOTE 21 – RELATED PARTY TRANSACTIONS

Transactions with related parties:

a) **Key Management Personnel**
For details refer to Note 20

b) **Other Related Parties**
All transactions with Non-Director related parties are on normal terms and conditions.

NOTE 22 – FINANCIAL RISK MANAGEMENT

a) Financial risk management policies:

The company's financial instruments consist mainly of deposits with banks, or other regulated financial institutions, short term investments, accounts receivable and payable, short term loans and the like. The directors and key management persons monitor financial risk exposure in the context of market conditions and forecasts.

b) Financial risk exposures and management:

The main risks the company is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

Interest rate risk:

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 30 June 2010 the company had no debt other than trade and other payables.

Foreign currency risk:

Foreign currency risk is managed by retaining in excess of 90% of its cash and receivables in Australian currency. Petroleum sales are received in Australian currency.

Liquidity risk:

Liquidity risk is managed by monitoring forecast cash flows and ensuring that adequate unutilised cash and equivalents are maintained.

Credit risk:

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The Company does not have any material credit risk exposure to any single debtor or company of debtors under financial instruments or collateral securities entered into by the Company.

Price risk:

The sales revenue of the company is derived from sales of oil at the prevailing TAPIS oil price on the Singapore market in United States currency and sales volumes are not sufficient to undertake the expense and risk of the company entering derivative contracts to manage that risk.

(c) Net Fair Value of Financial Assets and Liabilities:

Net fair value of financial assets and liabilities are determined on the following basis:

On-balance sheet financial instruments.

The net fair value of listed shares/securities included in “Financial Assets” which are traded in an organised financial market, are determined by valuing them at the current quoted bid price, adjusted for transaction costs necessary to realise the asset.

For other financial assets and liabilities the net fair value approximates their carrying value.

(d) Financial instrument composition and effective weighted interest rate analysis:

The Company’s exposure to interest rate risk, which is the risk that a financial instrument’s value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

CONSOLIDATED

	Weighted Average Effective Interest rate		Floating Interest Rate		Non-Interest Bearing		Total	
	% 2010	% 2009	$ 2010	$ 2009	$ 2010	$ 2009	$ 2010	$ 2009
Financial Assets								
Cash	4.75	4.94	4,067,577	1,712,106	-	-	4,067,577	1,712,106
Receivables	-	-	-	-	431,918	79,901	431,918	79,901
Loans	-	9.83	-	3,956	-	-	-	3,956
Total Financial Assets		-	4,067,577	1,716,062	431,918	79,901	4,449,495	1,795,963
Financial Liabilities								
Trade Creditors	-	-	-	-	822,538	1,551,170	822,538	1,551,170
Total Financial Liabilities	-	-	-	-	822,538	1,551,170	822,538	1,551,170
Net Financial Assets/ (Liabilities)	-	-	4,067,577	1,716,062	(390,620)	(1,471,269)	3,676,957	244,793

PARENT ENTITY

	Weighted Average Effective Interest rate		Floating Interest Rate		Non-Interest Bearing		Total	
	% 2010	% 2009	$ 2010	$ 2009	$ 2010	$ 2009	$ 2010	$ 2009
Financial Assets								
Cash	4.98	4.94	3,817,066	1,683,427	-	-	3,817,066	1,683,427
Receivables	-	-	-	-	1,666,796	273,594	1,666,796	273,594
Loans	6.2	9.83	250,000	3,956	-	-	250,000	3,956
Total Financial Assets	-	-	4,067066	1,687,383	1,666,796	273,594	5,733,862	1,960,977
Financial Liabilities								
Trade Creditors	-	-	-	-	286,510	1,157,679	286,510	1,157,679
Total Financial Liabilities	-	-	-	-	286,510	1,157,679	286,510	1,157,679
Net Financial Assets/ (Liabilities)	-	-	-	1,687,383	1,380,286	(884,085)	5,447,352	803,298

(d) Sensitivity Analysis

The company does not perform sensitivity analysis with respect to interest rate risk, foreign currency risk, liquidity risk, credit risk or price risk.

NOTE 23 - EVENTS AFTER BALANCE SHEET DATE

Subsequent to balance date, the following material events have occurred:

On 16th August, 2010, the company announced that it had entered a purchase and sale agreement with Drillsearch Energy Limited to purchase a 2% interest in Naccowlah Block, ATP.259P, Queensland for $1.15 million.

NOTE 24 – JOINT VENTURES

a) Interest in Utopia Joint Venture Operations, Queensland

The Company's share of the assets, liabilities, revenue and expenses of Utopia joint venture operations are included in the appropriate items of the statement of financial performance and financial position.

The company has a 40% interest in Petroleum Lease 214 and part of ATP 560P, Queensland and associated oil production tangibles referred to as the Utopia Joint Venture. The principal activity of the Joint Venture is the exploration for development and production of oil within the said permits. The Company records its 40% interest in the Utopia Joint Venture as:

	Parent Entity	
	2010	2009
	$	$
CURRENT ASSETS		
Cash assets	**79,949**	**18,904**
Receivables	**29,842**	**11,676**
Inventories	**9,520**	**9,520**
Other assets	**-**	**-**
Total Current Assets	**119,311**	**40,100**
NON CURRENT ASSETS		
Property, plant & equipment (net of accumulated depreciation)	**1,743,997**	**1,721,695**
Exploration, evaluation and production assets	**1,980,115**	**486,279**
Total Non Current Assets	**3,724,112**	**2,207,974**
Total Assets in Joint Venture	**3,843,423**	**2,248,074**
CURRENT LIABILITY		
Joint Venture Creditors	**289,745**	**54,532**
Net Interest in Joint Venture	**3,553,678**	**2,193,542**

b) Interests in other Joint Venture Entities

At 30 June 2010, the group has interests in the following joint ventures whose principal activities are the exploration, evaluation, development and production of oil and gas.

Bounty Oil & Gas NL

Name of Project	Interest percentage % 2010	% 2009
Australia Offshore		
AC/P32 – Vulcan Sub-Basin, A/C Territory	15	15
PEP 11 – Sydney Basin, NSW	75	75
Australia On-Shore		
PL 214 Utopia and part ATP560P, Qld	40	40
PEL 218 – Eromanga Basin above Permian, SA	23.28%	Earning 23.28%
EP 435 – Carnarvon Basin, WA	10	10
EP 412 – Carnarvon Basin, WA	10	65
Tanzania Offshore		
Nyuni Block	5	5

Ausam Resources Pty Limited

Name of Project	Interest percentage % 2010	2009
Australia Onshore Surat Basin, Qld		
ATP 470 (FD)	51.781	51.781
ATP 471P (SG)	24.748	24.748
ATP 552P	33.33	33.33
ATP 560P	40	40
ATP 754P	50	50
PL 119 – Downlands Gasfield	24.748	24.748
PL 71 – Parklands Gasfield new development only	20	20

The company contributes funds to the joint ventures by way of cash calls for a specified percentage of total exploration activities. Other than the Utopia Joint Venture none of the joint ventures hold any material assets and accordingly the Company's share of exploration, evaluation and development expenditure is accounted for in accordance with the policy set out in note 1(m)

NOTE 25 – SHARE BASED PAYMENTS

On 23 December 2009, 16,000,000 share options were granted to directors and key management personnel to take up ordinary shares at an exercise price of $0.14 each. The options hold no voting or dividend rights and are not transferable.

Options granted to the directors and key management personnel are as follows:

Grant Date	Expiry Date	Number
23 December 2009	23 December 2010	16,000,000

Option Terms

The principal terms of the options are as follows:
• The options are issued for no consideration.
• The exercise price payable on each option is 14 cents per share.
• The options may be exercised any time after issue.
• The term of the options shall be 3 years.
• In order to exercise any options the director must be a director of the Company or have been a director of the Company at least 90 days prior to the commencement of the relevant Exercise Period. The options will lapse if not exercised within 90 days of the director ceasing to be a director of the Company unless the Board otherwise determines.
• Exercise of the options is not subject to any performance criteria.

• Shares issued upon the exercise of the options rank equally in all respects with the existing shares of the Company;
• The Company will apply for shares issued upon the exercise of options to be quoted on the ASX;

The options are issued with a strike price that is uplifted by 25% to the average market price of the underlying shares determined over the previous 30 trading days.
A summary of the movements of all company options issued is as follows:

	Number	Weighted average exercise price
Options outstanding as at 30 June 2008	-	
Granted	-	
Options outstanding as at 30 June 2009	-	
Granted during year	16,000,000	$0.14
Options outstanding as at 30 June 2010	16,000,000	$0.14
Options exercisable as at 30 June 2010	16,000,000	$0.14

The exercise price of outstanding options at the end of the reporting period was $0.14.

The fair value of the options granted to key management personnel is deemed to represent the value of the employee services received over the vesting period.

The Black -Scholes option price calculation method was used to value the options.

In determining the value of the options, the following inputs have been assumed:

- the date of issue is 23 December 2009;
- the life of the options is 3 years;
- the underlying company share price is $0.082 (based on the closing price of Bounty Oil & Gas NL shares on 23 December, 2009);
- the exercise price is 14 cents;
- the risk free rate is 5.75%;
- the expected volatility is 40.0% pa. This is based on the ASX ; AS39 volatility index for small cap resource companies of 34.2%.

Based on the above input data, the weighted average fair value of the options granted during the year was $0.0126 each.

Based on the issue of 16,000,000 options and the estimated price of $0.0126 per option $0.0126 each the options have been fully expensed in the period at $201,600.

There were no shares granted to key management personnel as share-based payments during the year (2009: nil).

NOTE 26 – PARTICULARS IN REALTION TO PARENT ENTITY AND CONSOLIDATED ENTITY

	Class	% Held 2010	% Held 2009	Place of Incorporation
Parent Entity				
Bounty Oil & Gas NL	Ord	N/A	N/A	Australia
Consolidated Entity				
Ausam Resources Pty Limited	Ord	100	N/A	Australia

NOTE 27 – ECONOMIC DEPENDENCY

The company is not dependent on any external entity.

NOTE 28 – CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent assets or liabilities on the reporting date, other than those exploration commitments set out in Note 19.

NOTE 29 – COMPANY DETAILS

The registered office of the company is:

Level 7, 283 George Street,
Sydney, NSW, 2000, Australia

The principal place of business is:

Level 7, 283 George Street,
Sydney, NSW, 2000, Australia

DIRECTORS' DECLARATION

a) The directors of Bounty Oil and Gas NL ("the Company") declare that the financial statements and notes, as set out on pages 35 to 67 are in accordance with the Corporations Act 2001 and:

(i) comply with Accounting Standards and the Corporations Regulations 2001; and
(ii) give a true and fair view of the financial position as at 30th June 2010 and of the performance for the year ended on that date of the Company;

b) The Chief Executive Officer and the Chief Financial Officer have each declared that:

(i) The financial records of the company for the financial year have been properly maintained in accordance with Section 286 of the *Corporations Act 2001.*
(ii) The financial statements and notes for the financial year comply in all material respects with the Accounting Standards;
(iii) The financial statements and notes give a true and fair view.

c) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

J.GARY HIGGINBOTHAM
Director

Dated this 30th day of September, 2010.

DFK - Richard Hill

CHARTERED ACCOUNTANTS &
BUSINESS ADVISERS

Directors:
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BOUNTY OIL & GAS N.L. ABN 82 090 625 353 AND CONTROLLED ENTITIES
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOUNTY OIL & GAS N.L.

Report on the Financial Report

We have audited the accompanying financial report of Bounty Oil & Gas N.L. and Controlled Entities, which comprises the statement of financial position as at 30 June 2010, and statement of comprehensive income , statement of changes in equity and statement of cash flow for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Bounty Oil & Gas N.L. on 30 June 2010 would be in the same terms if provided to the directors as at the date of this auditor's report.

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

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A worldwide association of independent Accounting firms and business advisors

DFK - Richard Hill

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BUSINESS ADVISERS

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Auditor's Opinion

In our opinion:

a. the financial report of Bounty Oil & Gas N.L. and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included the report of the directors for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 300A of the *Corporation Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Bounty Oil & Gas N.L. for the year ended 30 June 2010, complies with s 300A of the *Corporation Act 2001*.

Name of firm: DFK Richard Hill

Name of partner: Richard Hill

Address: Level 11,32 Martin Place Sydney 2000

Dated this 30 day of September 2010

ADDITIONAL INFORMATION REQUIRED BY ASX LISTING RULES

The following is additional information provided in accordance with the listing requirements of the Australian Securities Exchange Limited.

1. Analysis of equity security holders as at 27th September, 2010:

a) Analysis of numbers of holders of fully paid ordinary shares:

No. of Securities	*No. of Shareholders*
1 – 1,000	165
1,001 – 5,000	156
5,001 – 10,000	633
10,001 – 100,000	2,581
100,001 and above	1,272
	4,807

b) Twenty Largest Shareholders at 27th September 2010

	Holder Name	**Number Held**	**Percentage**
1	G H Corporate Services	18,109,212	2.59
2	W H Ave LLC	18,000,000	2.58
3	Avatar Energy Pty Ltd	8,189,143	1.17
4	Barry Sheedy & Assoc. Pty Ltd	7,753,200	1.11
5	Claymore Capital Pty Ltd	7,337,910	1.05
6	Kestrel Petroleum Pty Ltd	7,000,000	1.00
7	TransOceanic Nominees Pty Ltd	6,709,085	.96
8	J. R. McDonald	6,000,000	.86
9	Justin Nuff Pty Ltd	6,000,000	.86
10	Forty Traders Ltd	4,176,858	.60
11	D. A. McSeveny	4,052,100	.58
12	R. A. Boas	4,025,000	.58
13	CEEC Pty Ltd	4,000,000	.57
14	C & J Viney Pty Ltd	4,000,000	.57
15	Citicorp Nominees Pty Ltd	3,855,902	.55
16	Trida Pty Ltd	3,817,857	.55
17	JoJo Enterprises Pty Ltd	3,746,954	.54
18	Vi Khanh Bang	3,600,000	.52
19	R. A. Hutchfield	3,500,000	.50
20	Maldew Holdings Pty Ltd	3,300,000	.47
	Total Top 20 Holders	**127,273,415**	**18.21**

c) As at 27th September 2010 there were no listed and 16,000,000 unlisted options over ordinary shares (see Notes 15 and 20).

2. **Substantial Shareholders**

As at 27th September 2010 there were no substantial shareholders as disclosed in substantial shareholders notices given to the company.

3. There were 338 holders of less than a marketable parcel of ordinary shares, totalling 714,017 shares.

4. The percentage of the total holding of the 20 largest shareholders of ordinary shares was 18.21% of issued capital.

5. The total number of fully paid ordinary shares on issue on 27th September 2010 was 698,839,762.

6. **Stock Exchange Listing**

Quotation has been granted for all the ordinary shares of the company on the Australian Securities Exchange (ASX) under the code BUY.

7. **Income Tax**

The company is taxed as a public company.

8. **Voting Rights**

On show of hands one vote for every registered Shareholder and on a poll, one vote for each share held by a registered Shareholder.

9. Additional Information

Information in the annual report and in these financial statements that relates to or refers to petroleum exploration and prospectivity or petroleum or hydrocarbon reserves or resources is based on information compiled and/or written by Mr Philip F Kelso the CEO of Bounty Oil & Gas NL. Mr Kelso is a Bachelor of Science (Geology) and has practised geology and petroleum geology for in excess of 20 years. He is a member of the Petroleum Exploration Society of Australia and a Member of the Australasian Institute of Mining and Metallurgy. He has consented to the reporting of that information in the form and context in which it appears in this report.

The company continues to comply with the ASX Listing Rules disclosure requirements. The company reports to ASX which makes available all reports to those who wish to access them. All ASX releases and other background information are posted regularly on the company's website. The company intends to post on its website its annual report and all other required notices to its shareholders.

The board reviews and receives advice on areas of operational and financial risks. Business risk management strategies are developed as appropriate to mitigate all identified risks of the business. The directors are aware of the guidelines for the content of a code of conduct to guide compliance with legal and other obligations to shareholders but have not formally established such a code. Where applicable to its activities, the directors ensure that the company is responsible to its shareholders, employees, contractors, advisers, individuals and the community.

10. Secretary

The name of the Secretary of the company is John Gary Higginbotham.

11. Share Buy Back

There is no current on market share buy back.

12. Schedule of Petroleum Tenements

Permit	Basin	Interest	Gross km^2	Net km^2	Operator
Australia Offshore					
AC/P32	Ashmore Cartier Territory - Vulcan Basin	15%	504	76	PTTEP [4]
PEP 11	NSW - Sydney Basin	75%	8,267	6,200	Bounty
Australia Onshore					
PL 214 Utopia Block	SW Qld – Cooper - Eromanga Basin.	40%	221	88	OWK[1]
ATP 560P	SW Qld – Cooper - Eromanga Basin.	40%	86	34	OWK[1]
PEL 218 (Supra Permian)	SW Qld – Cooper - Eromanga Basin.	23.28% (Earning)	1603.5	373	Beach Petroleum
EP 359 (1)	WA - Carnarvon Basin	10%	159.5	16	Rough Range[2]
EP 359 (2)	WA - Carnarvon Basin	10%	477.6	48	Rough Range[2]
EP 359 (3)	WA - Carnarvon Basin	10%	457.6	46	Rough Range[2]
EP 435	WA - Carnarvon Basin	10%	317	32	Rough Range[2]
PL 104-5-L (Application)	WA - Carnarvon Basin	10%	80	8	Rough Range[2]
EP 412	WA - Carnarvon Basin	65%	2,651	1,723	Bounty
PL 71 (Part)	Qld - Surat Basin	20%	134	27	Origin Energy
PL 119	Qld - Surat Basin	24.748%	21	5	Mosaic Oil
ATP 470P (FD)	Qld - Surat Basin	51.781%	253	131	Origin Energy
ATP 471P (SG)	Qld - Surat Basin	24.748%	15	4	Mosaic Oil
ATP 552P[5]	Qld - Surat Basin	33.33%	124	41	Bounty
ATP 754P	Qld - Surat Basin	50%	2,761	1,380	Origin Energy
Tanzania Offshore					
Nyuni Block	Mandawa Basin	5%	2,860	143	Ndovu[3]
Total			**20,994**	**10,376**	
1. Oil Wells Inc of Kentucky Pty Ltd (a wholly owned subsidiary of Bridgeport Energy Limited)					
2. Rough Range Oil Pty Ltd (a wholly owned subsidiary of Empire Oil and Gas NL)					
3. Ndovu Resources Limited (a subsidiary of Aminex plc)					
4. PPTEP (Ashmore Cartier) Pty Ltd Company Limited					
5. Renewal Pending					
(FD) Formosa Downs					
(SG) Spring Gully					

GLOSSARY OF TERMS

The following definitions are provided for readers who are unfamiliar with industry terminology:

Acreage	Onshore or offshore area leased for oil and gas exploration and development; usually descriptive of more than one lease
AFE	Authority for expenditure issued by a joint venture operator for joint petroleum operations
Anticline	Upward-arching fold of rock strata
Appraisal Drilling	Drilling carried out following the discovery of a new field to determine the physical extent, amount of reserves and likely production rate of the field.
Barrel (bbl)	A unit of volume of oil production, one barrel equals 42 US gallons, 35 imperial gallons or approximately 159 litres
Basin	A segment of the earth's crust which has down warped and in which sediments have accumulated, such areas may contain hydrocarbons.
BCF/BCF	Billion cubic feet, i.e. 1,000 million cubic feet (equivalent to approximately 28.3 million cubic metres) of gas.
BOPD/BPD	Barrels of oil per day; barrels per day.
Closure (structural)	In a subsurface fold, dome, fault block, or other structural trap; the vertical distance between the structures highest point and its lowest closed structural contour; reservoirs within closure are potential sites or traps for oil or gas accumulations.
Condensates	These are light hydrocarbons produced along with gas that condenses to a liquid state at normal temperature and pressure for surface production facilities.
Farm-in/farmin, farm-out/farmout, farmee, farmor	Commercial arrangement in which an incoming (farm-in) partner (farminee) earns an interest in a property by funding costs of exploration, while the (farm-out) partner (farmor) owning the property does not contribute.
Fault	(To form) a break in the subsurface strata; strata on opposite sides of a fault may be displaced vertically and/or laterally relative to their original position. Faults can be the result of tensional forces (Normal faults), Compressional forces (Reverse faults) or lateral forces (Strike-slip or Wrench faults). Often a combination of forces are involved.
Fault trap	Hydrocarbon trap which relies on the termination of the reservoir against a seal, due to fault movement.
Horst	An elongated uplifted block of sediments bounded by faults
Hydrocarbon	A class of naturally-occurring organic compounds containing only carbon and hydrogen atoms (in practice, small quantities of sulphur, oxygen and nitrogen and their compounds may also be present); hydrocarbons include natural gas, liquefied petroleum gas, natural gas condensate and crude oil.
Lead	A potential petroleum trap which has been identified but has not been adequately defined.
License	An agreement in which a national or state government gives an oil Company the rights to explore for and produce oil and/or gas in a designated area.
MCF/Mcf	Thousand cubic feet – the standard measure for natural gas.
MMB/mmb, MMBO/mmbo	Million barrels, million barrels of oil.
MMCF/mmcf, MMCFG/mmcfg, MMCFGPD/mmcfgpd	Million cubic feet, million cubic feet of gas, million cubic feet of gas per day
Permeability	The degree to which fluids such as oil, gas and water can move through the pore spaces of a reservoir rock.

Permit	A petroleum tenement, lease, licence or block.
Play	A geological concept which, if proved correct, could result in the discovery of hydrocarbons.
Plug and Abandon (P&A)	The process of terminating operations in a well. Cement plugs are set in the borehole and the rig moves off the location. The borehole is thus left in a safe condition. In some cases, where the Operator considers it possible that the well may be re-entered at a later date, the well may be only temporarily plugged and abandoned.
Porosity	The void space in a rock created by cavities between the constituent mineral grains. Liquids are contained in the void space.
Prospect (petroleum)	A geological or geophysical anomaly that has been surveyed and defined, usually by seismic data, to the degree that its configuration is fairly well established and on which further exploration such as drilling can be recommended.
Reserves	Quantities of economically recoverable hydrocarbons estimated to be present within a trap, classified as prove, probably or possible.
Reservoir	A subsurface volume of rock of sufficient porosity and permeability to permit the accumulation of crude oil and natural gas under adequate trap conditions.
Seal, Sealing Formation	A geological formation that does not permit the passage of fluids. Refer also to Cap Rock.
Seismic Survey	A type of geophysical survey where the travel times of artificially created seismic waves are measured as they are reflected in a near vertical sense back to the surface from subsurface boundaries. This data is typically used to determine the depths to the tops of stratigraphic units and in making subsurface structural contour maps and ultimately in delineating prospective structures.
Spud	To start the actual drilling of a well.
Stratigraphic Trap	A type of petroleum trap which results from variations in the lithology of the reservoir rock, which cause a termination of the reservoir, usually on the up dip extension.
Structure	A discrete area of deformed sedimentary rocks, in which the resultant bed configuration is such as to form a potential trap for migrating hydrocarbons.
Sub-basin	A localised depression within a basin.
TCF/Tcf	Trillion cubic fee.
Up-dip	At a structurally higher elevation within dipping strata.
Geologic Time Scale	Like to know a little more about geologic times and timing? Visit the "Web Geological Time Machine" at the Museum of Paleontology at the University of California, Berkeley at: www.ucmp.berkeley,edu/exhibit/geology.html

CORPORATE DIRECTORY

Board of Directors

Graham C Reveleigh (Chairman)
Charles Ross
J. Gary Higginbotham

Chief Executive Officer

Philip F. Kelso

Company Secretary

J. Gary Higginbotham

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