



Quarterly Report

REPORT FOR THE QUARTER ENDING 31 DECEMBER 2005

HIGHLIGHTS

- The **Donga-3 oil discovery recovered 23 barrels of light sweet oil** and 39 barrels of water. The well is located in ATP 805P in the Surat Basin and was cased and suspended as a future oil producer (Bow 42.5%).
- **Bow purchased 100% of western Surat Basin permits ATP 706P and ATP 664P** on trend with Donga Oil discovery.
- **Avery Resources exercised its option to drill up to five wells and acquire 100 km of new seismic data to earn up to 50% in ATP 752P. Bow is fully carried on the exploration earning program** (Bow 25% after Avery farmin completed).
- **ATP 794P in the Cooper-Eromanga Basin granted** following a landmark agreement with traditional owners (Bow has an option to earn 25% in Barcoo Block).
- **Bow swaps 20% of ATP 805P for 20% of ATP 608P Stratton Block** and participates in the drilling of Pinnacle West-1 in ATP 608P. The well was plugged and abandoned after failing to encounter commercial hydrocarbons.
- **2D seismic surveys completed in the Carnarvon Basin included 69 kilometres in TP/19 and EP 421 and 79 kilometres in EP 325.**
- **Bow Operations Pty Ltd formed to carry out operations and management of Bow Energy joint ventures.**
- **Appointment of Peter O'Neill as Operations Manager for Bow Operations.**
- **Preparations for the 2006 Surat and Cooper Basin drilling program – Bow secures a drilling rig.**

For further information, contact Ron Prefontaine, Managing Director or Duncan Cornish, Company Secretary. Telephone +61 7 3303 0675 or e-mail info@bowenergy.com.au

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ACTIVITIES DURING THE PAST QUARTER

SURAT-BOWEN BASIN

Bow intends to drill or participate in the drilling of at least two exploration wells within its western Surat holdings in the next 12 to 18 months. This drilling is in addition to planned appraisal drilling on Donga-3 which is conditional on the long term flow test of this well.

ATP 805P (Bow 42.5%) – New Oil Discovery at Donga-3

The Donga-3 oil discovery well was drilled during the quarter. A drill stem test over the primary Basal Moolayember sandstone target recovered 23 barrels of light oil, 3 bbl mud contaminated oil and 39 bbl of formation water.

Preliminary evaluation of wireline logs along with drill stem test results confirm the presence of at least 2 metres of net oil pay in the Basal Moolayember sandstone with the possibility of oil saturated sands beneath this pay zone.

The well reached a total depth of 1,630 meters was cased and suspended as a future oil producer.

The Ensign No. 44 workover rig has been contracted to complete the Donga-3 well for an extended production test to commence in February 2006. The zone which produced oil on drill stem test will be perforated and a pump installed. Oil will be produced into facilities to be installed at the well location which will include oil storage tanks and truck loading facilities.

If a viable flow rate is established at Donga-3, consideration will be given to a full field development plan for the Donga Field.

A seismic reprocessing program of selected seismic lines over the Donga structure indicates there is a drilling location updip from Donga-3. New seismic acquisition, including 3D seismic and additional reprocessing may be considered as part of the development plan.

ATP 664P/706P (Bow 100%) – Bow Purchases 100%

Bow consolidated its position in the western Surat Basin by purchasing 100% direct working interest in permits ATP 664P and ATP 706P.

The new tenements now give Bow a contiguous acreage position in the western Surat Basin which overlie the Triassic and Jurassic aged stratigraphic subcrop and onlap edges. Several oil fields have been discovered adjacent to and along these stratigraphic edges including the recent oil discovery at Donga-3 (Bow 42.5%). Bow interprets the potential for additional oil discoveries along this stratigraphic trend. Following this acquisition, Bow now has the largest gross land position overlying the western Surat late Triassic to Jurassic oil fairway.

Bow acquired 100% equity in ATP 664P and ATP 706P from Tri-star Petroleum in exchange for \$200,000 cash. Tri-star has a 3.125% overriding royalty which can be converted to a 10% working interest after payout of past costs. Bow will operate the

permits and will look at farming out its drilling costs but still retain substantial interest in the tenements.

ATP 608P Stratton Block (Bow 20%) – Drills Pinnacle West-1

The Pinnacle West-1 well was drilled to 1,531 metres and was plugged and abandoned after failing to encounter commercial hydrocarbons. The well did not encounter the Jurassic aged basal Evergreen sandstone and Triassic aged Moolayember secondary target zones suggesting these reservoirs may be oil targets on the flanks of the structures.

Other targets present in the permit are being firmed up for future drilling. One target is a closure updip of Stratton-1 which had very good oil shows within a basal Evergreen sandstone.

ATP 807P (Bow 100%) – Wunger Block

Collation of the available data is progressing. ATP 807P contains the Wunger-1 well drilled in 1963 which flowed 740 barrels per day gross of which 10 barrels per day was oil along with 180,000 cubic feet per day of gas. Bow plans to rework the complete data set over the Wunger structure to determine the petroleum potential.

ATP 747/746P (Bow 100% of conventional petroleum rights - Applications)

The applications for these permits are located on the eastern side of the Surat Basin adjacent to several oil fields including the Moonie Oil field, the largest oil field discovered to date in the Surat Basin.

Bow carried out the initial mapping in the Strathpine area of ATP 747P which indicates there may be a stratigraphic trap containing oil within the Precipice sandstone at depths between 790 and 810 metres. Although there were excellent oil shows, testing of the wells at the time failed to flow oil. An internal log analysis of the well over the oil show intervals indicates the formation has poor to fair reservoir properties. Bow plans to rework the data set with the goal to determine if zones of improved reservoir development can be intersected within the trap. Alternative drilling methods designed to improve production in tight reservoirs are also being investigated.

Granting of these tenements has been placed on hold by the Department pending a decision by the Minister on exploration within state forests.

ATP 574P – Conloi (Bow 6.25% to 12.5% of conventional petroleum rights)

White Sands carried out a workover of the pump on Conloi-1 which resulted in no flow of oil to surface. There appears to be some downhole problems and White Sands plans to move the rig back on site in the next quarter for further evaluation.

Clarence-Moreton Basin

PEL 432 (Bow 87.5%) – Pickabooba South-1 encounters oil show

Pickabooba South-1 drilled in August 2005 to 1,152 metres encountered several zones with elevated gas readings over the primary and secondary shallower targets that proved not to be of commercial significance. Good gas indications and up to 75% blue white fluorescence with very slow crush cut and faint ring residue were noted in a secondary targets within a 14.2 metre thick Basal Bundamba Sandstone at the contact with the Ipswich Coal Measures.

This oil show was tested with a single DST bottom hole test over the interval 1,086-1,117 metres recovered water. Although the oil show is interpreted as being residual, it does indicate oil has migrated into the Pickabooba area of PEL 432 and valid traps with the Basal Bundamba Sandstone in the area have oil potential.

Post drilling interpretation of the seismic data indicates the Basal Bundamba sandstone tested in Pickabooba South-1 was outside structural closure and three untested structural prospects and leads updip and in the vicinity of the well have been identified.

Bow plans to farm out the drilling of a well in this area.

PEL 445 (Bow 100% of conventional petroleum rights)

Future conventional oil and gas exploration work in this tenement will be contingent on integrating the results of Pickabooba South-1. Expenditure commitments in the permit are currently being met by Arrow's coal seam exploration work.

ATP 644P (Bow 100% of conventional petroleum rights) – new seismic survey planned

Bow has been investigating carrying out a 60 kilometre seismic survey in the Mt Lindesay area near the Mt Lindesay-1 wells where pressure data from a previously drilled CSG core hole suggests there is a conventional gas accumulation at a depth of 920 metres interpreted to be within the Heifer Creek Sandstone (Hutton Sst equivalent).

The seismic program, if carried out, will be delayed until later in 2006 when a seismic crew becomes available in the area.

CARNARVON BASIN

WA 261P (BOW 10%)

The Hestia-1 well, has been deferred while the operator incorporates the technical results from Gats-1 and determines the implications to the Hestia prospect exploration risks. Drilling of the well will be conditional on positive results of the new integrated interpretation and availability of a suitable drilling rig.

Hestia-1 is a test of Jurassic aged Athol Formation sandstones subcropping the overlying Cretaceous marine sequence with up to 23 million barrels of recoverable oil potential.

The permit contains the Chamois Oil field which is located on the western side of the permit and could become economic to develop if Hestia is successful.

TP/17 (Bow 10%)

The permit was renewed for another six years. A well called Gargoyle-1 located in an adjacent permit to TP/17 which tests a Triassic fault block is planned for 2006. Since similar Triassic fault block prospects on trend with the Gargoyle Prospect are mapped in TP/17, a positive result at Gargoyle-1 would enhance the prospectivity of TP/17.

TP/19, EP 421 (Bow 10%)

The 60 kilometre portion of the Karatha 2D seismic survey acquired in TP/19 and EP 421 was completed. The program was designed to detail the Sharp Peak lead which has up to 83 million barrels of oil potential.

EP 325 (Bow 11.213%)

The permit is being renewed and awaiting final approval. The 79 kilometre Rivoli 2D seismic program to detail the Rivoli Gas field and one other prospect in immediate area was completed. A 377 km seismic reprocessing program over other prospects and leads in the permit is in progress.

COOPER-EROMANGA BASIN

Bow intends to drill or participate in the drilling of up to eight exploration wells within its Cooper-Eromanga Basin tenements in the next 12 to 18 months. The number of wells to be drilled is conditional on the granting of ATP 752P (five wells planned) and the results of seismic reprocessing, seismic acquisition and mapping in progress and planned.

ATP 794P Barcoo Block (Bow farming in for 25%) – milestone Native Title agreement leads to granting of the tenement

ATP 794P was granted during the quarter following a landmark agreement with traditional owners. The new agreement forms a template for future agreements with traditional owners and should result in faster turnaround of subsequent native title agreements.

Bow has completed the seismic reprocessing over the Moothandella structure and gained an option to earn 25% in this block by funding 60% of a well by 1 November 2006. Three wells drilled to date on the Moothandella structure had oil shows and/or oil recoveries. The reprocessed data is superior to the earlier processing and indicates the structure has more faulting than previously interpreted and several modest size fault independent closures have been identified.

A detailed log analysis was carried out on the three previously drilled wells with oil accumulations interpreted within Jurassic aged sandstones with fair reservoir properties in the vicinity of Moothandella-2 and Moothandella-3. Although the reserves potential of the oil accumulations could be in excess of 1 million barrels, the reservoir properties suggests there is a high risk that flow rates may not be economic, particularly since the targets are in excess of 2500 metres depth and will be expensive to test with the drill.

Bow has recognised commercial oil potential within the Trinidad and Hobsons Gap areas located on the eastern side of ATP 794P where several large, relatively shallow (~1,600 metres) untested four-way closures have been identified. The Trinidad area in particular has three four-way closed structures mapped with a combined total oil potential of 52 million barrels recoverable. The ATP 794P Joint Venture has commenced a 205 kilometre seismic reprocessing program over the Trinidad area prospects with the view to firm an alternative ATP 794P farmin drilling location in this area.

ATP 752P Barta and Wompi Blocks (Bow/Ocellaris 25% after farmin completed)

Avery Resources (Australia) Pty Ltd, a wholly owned subsidiary of Avery Resources Inc (“Avery”) from Calgary, Alberta, Canada has exercised its option to drill up to five wells and acquire 100 kilometres of seismic data to earn an interest in the Barta and Wompi Blocks (Blocks) in Cooper-Eromanga Basin permit ATP 752P. The terms of the farmin offer are as follows:

1. Avery paid an option fee of A\$300,000 (non refundable) which is being spent on seismic reprocessing and technical work as required to confirm drilling prospects in the Blocks.

2. Avery has exercised the option to acquire 100 kilometres of seismic data and drill three exploration wells to earn 30% equity in the Blocks. The seismic and wells must be completed within 12 months of the granting of ATP 752P.
3. Avery will then have an option to acquire an additional 20% interest in the Blocks by drilling two additional exploration wells within 18 months of the granting of ATP 752P.

On completion of the farmin, Bow and Ocellaris Oil Pty Ltd (a wholly owned subsidiary of Bow Energy Ltd) will be fully carried through the seismic program and drilling of five exploration wells and retain a total of 25% direct working interest in the permit.

The Barta Block is located 10km east of the James-1 oil discovery which flowed 1,810 barrels of oil per day and immediately adjacent to the Cook Oil Field where the Cook-1 oil discovery flowed 979 barrels of oil per day.

Bow carried out initial detailed mapping of the Barta area which indicated there are several large untested structures in the block. The largest structure identified to date is the Vancouver Prospect which has over 27 square kilometres of closure and 29 million barrels of recoverable oil potential. The Vancouver Prospect is located between the James and Cook oil fields. Bow has commenced a 508 kilometre seismic reprocessing program and plans a 100 km seismic program to firm up drilling prospects in the Barta Block.

A detailed log analysis of previously drilled wells in the Wompi Block is in progress. The results to date have interpreted several potential oil zones within Jurassic aged sandstones (bypassed oil pay) which were either not interpreted previously or considered uneconomic when initially drilled by the previous operator during periods when oil prices were substantially less. Bow has commenced a 600 km seismic reprocessing program over the structures associated with the interpreted bypassed pay zones and other prospects in the Wompi Block.

ATP 752P will be granted following agreement with the Native Title claimants over the area. The required three month public notice period commenced on 5 November 2005 will be followed by a one month verification period for any new claimants. The negotiation process with current native title claimants is progressing concurrently. Bow anticipates faster turnaround for this native title agreement following the landmark agreement in ATP 794P with granting anticipated in the second quarter of 2006.

ATP 809P (Bow 100%) – New Eromanga Basin permit to be granted

ATP 809P in the central Eromanga Basin was offered and accepted and is waiting endorsement from the Minister so that the permit can be granted. Several wells in the permit had oil shows including a minor oil recovery in a nearby well. Data compilation is in progress.

ATP 736P, ATP 737P, ATP 738P (Bow 20% through Ocellaris Oil)

These areas are subject to native title and are considered lower priority than Bow's other Cooper-Eromanga areas.

BOW OPERATIONS FORMED

Bow Energy formed 100% owned Bow Operations Pty Ltd. Bow Operations was formed specifically to carry out exploration, field operations and management of Bow Energy operated Joint Ventures in the Surat-Bowen and Cooper-Eromanga Basins in Queensland.

Initially Bow Operations will operate Queensland Cooper-Eromanga permits ATP 752P and ATP 794P Barcoo Block where a minimum of six wells are planned including a five well farmin exploration earning program in which Bow is fully carried. Bow Operations will also operate western Surat-Bowen permits ATP 805P, ATP 706P, ATP 664P and ATP 807P. A total of up to ten wells are planned in Bow's operated permits over the next 12 to 18 months.

Bow appointed Peter O'Neill as Operations Manager for Bow Operations. Mr O'Neill will be directly responsible for all of Bow Operations drilling and production programs including Bow's recently discovered Donga oil field.

BOW SECURES A DRILLING RIG

Bow has a letter of intent with Hunt Energy to secure a drilling rig to carry out its oil exploration and appraisal drilling campaign with operations planned to commence in the second quarter of 2006.

NEW VENTURES

Bow is assessing exploration, appraisal and corporate opportunities in proven oil basins in Australia.

PERSONNEL

Peter O'Neill was appointed Operations Manager of Bow's recently formed and 100% owned Bow Operations Pty Ltd.

Mr O'Neill has a first class honours engineering degree from James Cook University and over eighteen years of technical and management experience in the onshore Australia oil and gas industry. His experience includes oil field drilling, completions, workovers and production operations as well as asset management and evaluations.

BOW'S PLANNED ACTIVITIES FOR THE NEXT QUARTER

- Completing the Donga-3 oil discovery and commencing a long term production test. Further work on the field will be contingent on the results of the production test.
- Preparing for a multi-well drilling program in the Cooper-Eromanga Basin commencing in the second quarter of 2006.
- Detailed mapping including reprocessing of seismic data in the vicinity of previously drilled wells in Bow's Cooper-Eromanga Basin permits to determine field size potential and future drilling locations.
- Detailed mapping of Bow's Surat Basin tenements in preparation for a drilling program in the second half of 2006.
- Continued prospect generation in all other Bow areas.
- Continue assessment of new opportunities.

The technical information contained herein is based on information compiled by the Company's Managing Director, Ron Prefontaine, who has more than 25 years experience in petroleum exploration.

CORPORATE INFORMATION & DIRECTORY

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SHAREHOLDER ENQUIRIES

Link Market Services Ltd manages Bow Energy Ltd's share registry.

If you would like to monitor your shareholding online, you can do so by visiting Link Market Services Ltd's website, www.shares.com.au and following the instructions.

For issuer-sponsored shareholders, if you change address, or if you have any other queries regarding the details of your shareholding, please contact the Company's share registry directly:

Link Market Services Ltd Level 22, 300 Queen Street

ISSUED CAPITAL

At 31 December 2005, Bow Energy Ltd had the following securities on issue:

- 73.75 million ordinary shares
- 15.0 million 20c options expiring 31/3/08
- 3.0 million (unquoted) employee options (various exercise prices and expiry dates)

AUSTRALIAN STOCK EXCHANGE ("ASX")

ASX Codes: BOW (Ordinary shares)
BOWO (20c Options expiring 31/3/08)

INTERNET ADDRESS

All Company announcements, reports and presentations are posted on our website www.bowenergy.com.au

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AUSTRALIAN BUSINESS NUMBER

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