



ABN 41 009 117 293

FIRST AUSTRALIAN RESOURCES LIMITED

Incorporated in Western Australia

24 October 2003

QUARTERLY REPORT FOR THE PERIOD FROM 1 JULY 2003 TO 30 SEPTEMBER 2003

HIGHLIGHTS

UNITED STATES OF AMERICA

Third quarter oil and gas sales amount to \$551,073.

Production casing run in Terry Ewing #2, Jackson Parish, Louisiana.

Eagle Prospect, San Joaquin Basin, California, farmout discussions continue.

CHINA

Drilling Program - potentially five wells planned for December start. Any success in the China drilling has the potential to add significant value to FAR.

AUSTRALIA

Drilling of Cerberus Prospect, WA-254-P.

NEW OPPORTUNITIES IN RESOURCE SECTOR

AUSTRALIA

WA-254-P - OFFSHORE CARNARVON BASIN,

10.71% (parts 1, 3 and 4), 11.25% (part 2)

(OPERATOR - APACHE ENERGY LTD)

Subsequent to the quarter end, the WA-202-P participants drilled the Cerberus Prospect which overlapped into WA-254-P (part 1). No hydrocarbons were reported. A number of untested prospects remain within WA-254-P, including Collier, Kleopatra, Jayasariya and Sage follow-up.

The Sage discovery lies within the permit and is estimated to have potential reserves of 8.3 (mean) to 13.4 (P10) million barrels from the three reservoirs intersected in the Sage-1 well. For Sage to proceed to development stage an add-on discovery is required in favourable proximity to the Sage location.

WA-254-P was renewed on the 3 May 2001 for a further term of five years and comprises 4 graticular blocks (321 square kilometres).

EP 104 - CANNING BASIN - 8% INTEREST
WEST KORA APPLICATION – CANNING BASIN – 12% INTEREST
(OPERATOR – GULLIVER PRODUCTIONS PTY LTD)

EP 104 occupies an area of 990 sq km with the current term expiring on 10 November 2004. The permit contains the Point Torment and Valentine Prospects and the West Kora oil discovery which is currently shut in.

The Joint Venture has agreed to a first phase farm-in proposal on EP 104 and the West Kora discovery. Under that Farm-in Agreement, Bounty has undertaken a technical study involving further geological, geophysical and engineering work and exercised an option to drill a well to earn a 12 percent interest in EP-104 by contributing 20 percent. Bounty has indicated that in view of the fact that the well has not been drilled within the original time envisaged it is no longer obligated to fund the well.

Notwithstanding the Bounty position, the Operator continues to seek other interested parties to drill the Point Torment structure which has estimated potential recoverable reserves of 80 BCF gas and 6-12 million barrels of oil.

Subject to finding additional drilling partners, a well is scheduled for 2004. In the event that a well is drilled on EP 104 at the farminee's expense, FAR's interest in EP-104 shall reduce.

BEIBU GULF BLOCK 22/12 - 5%
OPERATOR: ROC

Block 22/12 is situated approximately 60 km off the coast of China, northwest of Hainan Island, and covers an area of 456 sq km. Water depths are shallow, ranging from, approximately, 10 metres to 40 metres. Within the Block there are several undeveloped oil accumulations.

The recent announcement by CNOOC that their Weizou II-1-2 appraisal well in the Beibu Gulf area tested 8,200 bopd and 13 mmcf/d has positive implications for the potential of Block 22/12. In addition to upgrading the prospectivity of the Beibu Gulf area, the 11-1 discovery, when developed, is likely to use the Weizou Island oil facilities and may create some incremental synergies for future developments in the area. Block 22/12 is already supported by good infrastructure and lies adjacent to the 12/1-1 Oil Field. A pipeline to the Weizhou Island Oil Terminal, 10 km to the north, passes within 5 km.

Block 22/12 is covered by 421 sq km 3D seismic acquired during 2002. The 3D seismic has been integrated with preliminary engineering studies incorporating fast track, low cost, development modelling of oil discoveries within the Block.

The Joint Venture is in final negotiations with the Nanhai 4 Jack-up for a 2003 drilling program consisting of two firm wells and three contingent/appraisal wells. The firm wells consist of one appraisal well of the 12-8 discovery and one exploration well to be drilled on the 12-7 East Prospect. Drilling is scheduled for December 2003.

The 12-7 East Prospect involves a combination stratigraphic and structural trap along the southern margin of the Weixinan Depression and will be tested by a planned 1600 metre vertical exploration well. The play is supported by positive AVO characteristics and the Wei 12-3-1 oil discovery along strike 8 kms to the east northeast. The 12-7 East Prospect is significant. The primary objective will be the Oligocene Weizhou Formation with the Liushagang Formation providing a secondary target. The well is believed to have a less than 50% probability of success.

The Wei 12-8-3 well is primarily designed as an appraisal test of the existing 12-8 East oil discovery within the Jiaowei reservoir; however the well will also provide an exploration test of the deeper basal Xiayang Formation. The appraisal well will be the first well drilled since the original discovery was made in 1994. The well is supported by comprehensive 3D seismic coverage and will be drilled in a location interpreted to be both thicker and structurally higher. Plans include the coring of the Jiaowei Formation to provide data for potential development.

A 3D VSP program is also planned to assist in the evaluation of the Wei 12-8 East Oil accumulation and will be carried out while the rig is on the 12-8-3 location. This is a state of the art technique for detailed reservoir evaluation and development well planning which has the objective of enabling the top of the Jiaowei reservoir to be predicted with greater accuracy.

In the event of success at the 12-7-1 location (to be confirmed by logging), contingencies are being put in place to sidetrack the well for coring in addition to drilling a contingent Wei 12-7-2 well and a contingent Wei 12-7-3 well. Provided the 12-8-3 program is successful it is planned to drill a 12-3-4 well prior to follow up drilling on the 12-7 Prospect.

Any development decision in the Block will be dependent on the outcome of the 2003 drilling program. FAR is carried for US\$633,000 in expenditure on the China Beibu Gulf Project of which there remains US\$50,000 toward the above drilling program and a further carry of US\$116,500 should the block be renewed for a further term or a development proceed.

UNITED STATES OF AMERICA

During the quarter, the Terry Ewing No 2 Well was drilled. FAR continues to evaluate a number of drilling opportunities in the gulf coast area which may lead to drilling during the next twelve months. Emphasis is placed on lower risk opportunities likely to increase FAR's reserve and production base

Clear Branch Field, Jackson Parish, North Louisiana

At the date of this report, 5 and ½ inch production tubing has been run in the Terry Ewing No 2 well following logging using wireline Schlumberger Express. By preliminary log analysis, the Upper (9,900 feet) and Lower (9,926 feet) Yellow Sands exhibit gas pay at least as good as in the offset Terry Ewing No 1 well with the Upper Yellow Sand better developed thereby meeting the drilling objective. The Orange Sand (9,800 feet) is well developed but may be wet based on resistivity readings.

The well spudded during the quarter and has been affected by a number of delays associated with repairs and maintenance to the drilling rig and difficult hole conditions. The well was drilled to a total depth of 10,030 feet and ran structurally in accordance with pre-drill prognosis. The well is being operated by Hilcorp Energy Company, of Houston, Texas, using Guichard Drilling Company (Lafayette) Land Rig 5.

The location hosts production facilities connected to the Louisiana State Gas pipeline.

FAR was a participant in the initial discovery well, the Terry Ewing No.1, drilled during the third quarter of 2000, and which discovered 46 feet of Hosston sand porosity with bottom hole pressure ranging from 3100 to 3300 psi. Logs and reservoir tests indicate these sands to be very permeable.

During the completion phase of the Terry Ewing No 1 well, the Hosston sands were damaged beyond repair such that a replacement well is needed to recover the estimated 8 billion cubic feet of gas remaining. The Operator conducted a study of six field wells in the Yellow and Orange Hosston Sands to determine how those wells performed based on similar pressure data measured in the Terry Ewing well. The average per well flow rate determined by the study was 3.1 million cubic feet per day suggesting better rates are possible with a replacement well.

A new proposal has also been put to the participants to participate in a farmout of a deep (15,500 foot) Cotton Valley test on the leases. Encouragement for this proposal is based on Anadarko drilling and completion activity to the North (Vernon Field) where over 50 wells have been drilled in the "Lower" Cotton Valley. FAR has agreed to the proposal which, if successful, would see an industry partner pick up the likely US\$3 million well cost.

The Terry Ewing No 1 well is currently producing approximately 200 thousand cubic feet of gas per day and currently holds the 640 acre lease around the wellbore. FAR has a 9.375 percent interest in the No 1 well, associated production equipment and proposed No 2 well.

Rainosek-Hallettsville Project, Lavaca County, Texas

No new activity to report during the quarter.

FAR's working interest is 20 percent. The Operator, Texas based Trio Operating Company, has operated numerous other wells for FAR. Other working interests include Lake Long partner, Kriti Exploration, Inc.

Lake Long Field, Lafourche Parish, South Louisiana

During the quarter, a workover was performed on the No 2ST well which was placed back on line following maintenance work to the field sales line. This maintenance work also affected production of other wells in the field.

FAR has enjoyed four successes at Lake Long from four wells in which it has participated. The No. 2ST, No. 6 and No. 7 wells, in which FAR holds an 11.25 percent, 22.2 percent and 11.1 percent interest respectively, are still producing both oil and gas into the central production system with Columbia Gas and Amoco being the ultimate product purchasers

FAR continues to monitor the Lake Long Deep proposal however at the date of this report no decision has been made as to whether or not to participate. The Operator of the Lake Long State Lease 328 is Kriti Exploration Inc of Houston Texas, a company controlled by shipping interests in Athens, Greece. Other participants are all USA based entities.

Bayou Choctaw Project, Iberville Parish, South Louisiana

FAR has entered into an agreement with Horizon Oil NL to participate in the drilling of two development wells at the Bayou Choctaw Oil Field, Louisiana. Under the agreement, FAR will pay for 15% of the costs of two proposed wells (currently Wilberts 93 and Victory Financial 1B) to earn a 15% working interest in the project acreage and assets reducing to a 10% working interest after project payout. At the date of this report, drill timing is uncertain.

Bayou Choctaw comprises approximately 1,725 net acres held by production and 120 acres leasehold. Should FAR elect to withdraw after drilling two wells, its 15 % interest would be limited to the well-bore production units. The agreement is subject to final documentation.

Eagle Prospect, San Joaquin Basin, California

Eagle No 1 well (Mary Bellocchi Re-entry)

The Operator has advised advanced discussions are continuing with a potential farmin partner to undertake further exploration, including the drilling of a new well. FAR has a 15 percent working interest in the Eagle project and 4,360 (approx) acres under lease. Other participants include the Operator, Victoria Petroleum NL, Lakes Oil NL, Sun Resources NL and North American interests.

PRODUCTION

Gas sales during the quarter totalled 34.6 million cubic feet for an average of 0.38 million cubic feet per day at an average price of US\$5.00 per thousand cubic feet before production taxes. Oil sales during the quarter totalled 6,583 barrels for an average of 72 barrels of oil per day at an average price of US\$30.38 per barrel before production taxes. Quarterly revenues amounted to \$51,073. Whilst prices remained robust in US dollar terms, revenues were adversely affected by the strength of the Australian dollar.

Production volumes for the September 2003 quarter were affected due to the sales line at Lake Long being shut down temporarily for routine maintenance, remedial work being undertaken at Pecan Lake and the final depletion of the Kings Ridge Field.

NEW OPPORTUNITIES IN THE RESOURCE SECTOR

Concurrent with a general improvement in the market for ASX listed junior resource companies, FAR has been invited to consider a number of opportunities within the broader resource sector. The directors have agreed to keep the door open and will consider new opportunities where they are likely to impact favourably on the company. If and when the company elects to pursue any given project appropriate details will be released.

FIRST AUSTRALIAN RESOURCES LIMITED

MICHAEL EVANS

Chairman

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NOTE: In accordance with Chapter 5 of the Listing Rules, the geological information in this report has been reviewed by Bevan Warris, a geologist with 35 years experience and AAPG Certified Petroleum Geologist No 4723. Dr Warris has given his consent to the information in the form and context in which it appears.