Tap Oil Limited
ABN 89 068 572 341

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28 August 2014

The Company Announcements Platform
Australian Securities Exchange
Exchange Centre
20 Bond Street
SYDNEY NSW 2000

TAP OIL LIMITED
HALF-YEAR RESULTS TO 30 JUNE 2014

Please find attached Tap Oil Limited's Half-Year Results to 30 June 2014.

Included in the attachment is a summary announcement, Appendix 4D and the Financial Report for the half-year ended 30 June 2014, including the Directors' Report, the Auditor's Independence Declaration and the Auditor's Review Report.

A copy of this announcement and accompanying documents are available at the ASX and can be viewed on the Company's website www.tapoil.com.au under the heading "Investor Centre".

Enquiries:	Troy Hayden	Managing Director/CEO
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Persons compiling information about hydrocarbons

The reserve and contingent resource information in this report is based on information compiled by Mr Denis Bouclin B.A.Sc (Hons), M.A.Sc (Engineering), P.Eng., who has consented to the inclusion of such information in this report in the form and context in which it appears. Mr Bouclin is a part-time employee of the Company, with more than 25 years relevant experience in the petroleum industry and is a member of The Association of Professional Engineers and Geoscientists of Alberta (APEGA) and The Society of Petroleum Engineers (SPE).

Reserves and Contingent resources have been estimated using both probabilistic and deterministic methods. Tap is not aware of any new information or data that materially affects the assumptions and technical parameters underpinning the estimates of reserves and contingent resources and the relevant market announcements referenced continue to apply and have not materially changed.

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Appendix 4D

Half-Year Report

Six months ended 30 June 2014

Results for announcement to the market

					A$'000
2.1	Revenue from continuing operations	Down	11%	to	12,719
2.2	Loss from continuing operations after tax	Down	82%	to	2,514
2.3	Loss for the period attributable to members	Down	82%	to	2,514

	Dividends (distributions)	Amount per security	Franked amount per security
2.4	Dividends	Nil	Nil
	Previous corresponding period	Nil	Nil
2.5	Record date for determining entitlements to the dividend	N/A - No dividends have been declared or paid.	

	NTA backing	30 June 2014	31 December 2013
3.	Net tangible asset backing per + ordinary security	$0.35	$0.37

+ Net assets excluding deferred exploration expenditure and deferred tax liabilities.

4. **Details of controlled entities**

4.1 **Control gained over entities having material effect**

Name of entity (or group of entities)	No entities were acquired during the half-year ended 30 June 2014
Date from which control was gained	N/A
Profit after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A

4.2	**Control lost over entities having material effect**	
	Name of entity (or group of entities)	No entities were disposed during the half-year ended 30 June 2014
	Date from which control was lost	N/A
	Contribution to consolidated profit from sale of interest leading to loss of control	N/A
5.	Details of dividends	No dividends have been declared or proposed
6.	Details of dividend reinvestment plans	N/A
7.	Details of associate and joint venture entities	Full list included in the Annual Report of Tap Oil Ltd for the year ended 31 December 2013.
8.	Foreign entities	Foreign entities' financial reports were compiled based on International Financial Reporting Standards (IFRS).
9.	Details of audit dispute or audit qualification	N/A
10.	Other significant information	Refer to the attached reviewed Half Year financial report
11.	Commentary on results for the period	Refer to the attached Directors' Report included in the Half Year financial report
12.	Audited accounts	The report is based on the attached Half Year financial report which has been reviewed by Tap's auditors

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TAP OIL JUNE 2014 HALF-YEAR RESULTS

Tap Oil Limited (ASX: TAP or Tap) is pleased to release its Half-Year Financial Results to 30 June 2014. The key points include:

<u>Financial</u>

- Consistent revenue from third party gas contracts.
- Gross profit of $6.9 million and EBITDAX of $0.5 million.
- Net loss after tax of $2.5 million after $4.9 million in exploration write downs/impairment.
- Refinancing the Commonwealth Bank of Australia's (CBA) debt facilities with a BNP Paribas (BNP) borrowing base facility for up to US$90 million.

<u>Operational</u>

- Four significant milestones were achieved at the Manora development – in order of progression:
  - ➢ The loadout and installation of the platform jacket, subsea lines and Pipeline End Manifold (PLEM), including the installation and hook up of all subsea equipment, lifting the jacket in place and completing the jacket piling operations.
  - ➢ Installation of the subsea work was completed. This included the installation of the CALM Buoy, risers and connections.
  - ➢ In July 2014 Phase 2 of the Offshore Installation program, the loadout and installation of the topsides, was completed. The platform topsides were successfully installed and secured on the previously installed jacket.
  - ➢ The FSO arrived on location on 25 July and has been connected to the CALM Buoy and subsea flowlines.
- Awarded shallow water Block M07 in the Moattama basin, offshore Myanmar.

Tap's Managing Director, Mr Troy Hayden said:

"The first-half has been a solid period for the Company, with a number of highlights including a major refinancing deal with BNP and the ongoing advancement towards the commissioning of Tap's flagship Manora Project, scheduled for first production late in the third quarter of 2014.

Tap is set to emerge as a mid-tier producer, generating substantial net cash flows in the short-term, against a company backdrop that is strong financially and operationally."

Financial Summary

	Half-year to		
	June 2014 $ million	Dec 2013 $ million	June 2013 $ million
Sales revenue	12.7	12.7	14.3
Gross profit	6.9	6.3	8.6
EBITDAX*	**0.5**	**3.6**	**3.4**
Exploration and impairment expense	(4.9)	(26.3)	(20.8)
Net (loss)/profit before tax	(4.9)	(22.8)	(16.8)
Net (loss)/profit after tax	**(2.5)**	**(25.8)**	**(13.6)**

* These numbers are considered non-IFRS financial information. Please refer to the audited financial statements and Attachment 2 for the IFRS financial information.

For the six months to 30 June 2014, Tap again generated a positive EBITDAX due to the ongoing third party gas sales which generate a significant gross profit.

During the period there was a concerted effort to keep Administration costs down with some further reductions in staff. The cost of the staff reductions and increased legal expenses relating to the successful resolution of one of the Woollybutt disputes and the refinancing led to a higher net administration cost than the prior corresponding period.

Financial Summary

The Consolidated Entity's gross profit from operations for the half-year is $6.892 million (2013: $8.646 million). Cash provided by operating activities was $3.623 million (2013: utilised $2.215 million) and cash at 30 June 2014 was $17.846 million (30 June 2013: $74.944 million).

The Consolidated Entity's result for the reporting period includes the following:

- Exploration impairment losses / write downs of $4.906 million (2013: $20.799) reflecting Tap's ongoing evaluation of its exploration portfolio.
- Net foreign exchange losses of $0.370 million (2013: $1.824 million gains) reflecting the movement of the Australian dollar against the US dollar during the period.
- An income tax benefit of $2.442 million (2013: benefit of $3.184 million) reflects Tap's current tax loss (2013: loss) position, as well as the movement in the deferred tax balances.

A summary of the activities for the half-year are set out below:

Production & Sales Summary

	Half-year ended 30 June 2014		Half-year ended 30 June 2013	
	'000 boe	$'000	'000 boe	$'000
Sales (net to Tap): Third Party Gas Sales - 1,751 TJ (2013: 1,871 TJ)	258	12,719	276	14,267
Total Sales	258	12,719	276	14,267

There was no production during the half-year to 30 June 2014 or the prior period to 30 June 2013. The Woollybutt field ceased production in May 2012 and Tap expects production to commence from the Manora field late in the third quarter of 2014.

Third Party Gas Contracts (Tap 100%)

In 2005 Tap secured an option over approximately 33 PJ (31 Bcf) of gas from the John Brookes field offshore Western Australia at then current market prices. The option was exercised in 2007 and Tap on-sells the gas to a number of Western Australian gas customers. The gas is purchased at a fixed 2005 price and sold at fixed prices approximately three times higher. Both buy and sell prices are denominated in Australian dollars and subject to CPI escalation. Around 9.5 PJ (approximately 9 Bcf) currently remains to be delivered over the period to December 2016. This gas is largely contracted and provides substantial stable, long-term cash flow.

Third party gas revenues were lower than the previous corresponding period due to an increase in deferred delivery under take-or-pay arrangements resulting in a lower than expected revenue being recorded. Forecast third party gas revenues are expected to be around $30 million per annum until the end of 2016, generating substantial cash flow.

Development

Tap's flagship project is the Manora oil development in Thailand, with first oil expected late in the third quarter of 2014.

Tap reached its Final Investment Decision (**FID**) on the Manora oil development on 23 July 2012 and is now over 24 months into the construction period which is nearing completion. The project has received Environmental Impact Assessment and Production Area Application Approvals.

The Manora oil development has three key components. The platform, the Floating Storage Offloading (FSO) Unit and the development wells. Manora is a single well head platform with a four-leg platform jacket substructure with the topsides containing the production process and well head equipment. A pipeline and risers connect the platform to a leased FSO Unit. The FSO is a site-specific crude oil FSO that is moored and linked to the platform and will also serve as the accommodation hub. It is expected there will be 15 development wells (10 producers and 5 injectors) and the majority of the wells will be drilled following the commencement of first production.

Tap has 2P reserves of 6.1 mmbbls (20.2 mmbbls gross) and 2C contingent resources of 3.2 mmbbls (10.9 mmbbls gross) booked for Manora (ASX release 27 October 2011). Tap will review these reserves and contingent resources following development drilling and production performance.

Tap's estimate of its share of capital expenditure remains at approximately US$97 million. The carry of NGP up to US$20 million will be completed upon commencement of production (with up to US$10 million to be repaid by NGP out of production).

During the period and to the date of this report the following progress was made:

1. The loadout and installation of the Manora platform jacket, subsea lines and Pipeline End Manifold (PLEM) was completed, including the installation and hook up of all subsea equipment, lifting the jacket in place and completing the jacket piling operations.

2. Installation of the subsea work was completed. This included the installation of the CALM Buoy, risers and connections to the previously installed subsea Pipeline End Manifold.

3. In July 2014 Phase 2 of the Offshore Installation program, the loadout and installation of the topsides, was completed. The platform topsides were successfully installed and secured on the previously installed jacket.

The FSO arrived on location on 25 July and has been connected to the CALM Buoy and subsea flowlines. The completion of the two phases of the Offshore Installation program represents significant milestones which have considerably de-risked the construction and installation phases of the project.

The Atwood Orca rig is expected to arrive at the end of August to drill the two Manora development wells required for first oil production.

Following completion of the offshore hook-up and commissioning and drilling of the first two production wells, production is expected to commence late in the third quarter of 2014.

Exploration

Tap's exploration focus has changed over the six months to 30 June 2014 to now include the Carnarvon Basin in Western Australia, the Gulf of Thailand, offshore Myanmar and the offshore Otway Basin in Victoria. Tap has withdrawn from the Offshore Accra Contract Area in Ghana and will have no further commitments for this acreage.

While 2013 was a very active year with four exploration wells and an appraisal well being drilled, 2014 to date has been a period of consolidation as the results of the wells are evaluated by the respective joint venture operators and forward plans are crafted for consideration by the joint venture partners. Details of the activities for the half-year are set out below.

No wells were drilled during the period and there are no wells expected in the second half of 2014.

<u>Myanmar</u>

In March 2014 Tap was advised by the Myanmar Ministry of Energy (MOE) of the successful award of a Production Sharing Contract (PSC) for shallow water Block M-7 in the Moattama basin, offshore Myanmar. The PSC award is subject to finalisation of terms with the MOE. Tap will then hold a 35.625% interest with Roc Oil operating the license on behalf of its Joint Venture (JV) participants. The block award includes provisions for the JV to undertake an 18 month Environmental Impact Assessment and Study Period, following which it has an option to proceed into a three year exploration work programme.

The 13,000 km^2 block is located in the gas and condensate prone Moattama basin, offshore Myanmar. The Block is 160 kilometres east of the 6.5 Tcf Yadana gas field, and 110 kilometres northeast of the 1.5 Tcf Zawtika gas field. The Moattama basin is Myanmar's most prolific offshore hydrocarbon province, with existing production from two offshore fields and a third field close to production commencement. Production is typically from stacked Miocene clastic reservoirs.

<u>Carnarvon Basin – Western Australia</u>

In WA-290-P (Tap 10%, Apache Operator) the Operator is working through its evaluation of the Greater Zola Structure (including the three gas discoveries at Antiope-1, Zola-1 and Bianchi-1) in order to maximise the future potential commercialisation of the lease.

A new 3D seismic data set has been licensed over WA-320-P (Tap 9.778%) and WA-155-P (Part II) (Tap 6.555%). The 3D data is currently in processing stages. The joint venture aims to utilise this new 3D seismic data set to image the Palmerston structure prior to drilling. At this stage, the timing of the drilling of Palmerston as the Year 3 commitment well has not been agreed.

In WA-351-P (Tap 20%, BHP Billiton Operator), efforts continue to be directed at geological and geophysical studies, integrating reprocessed 3D seismic data and the results of the recent Bunyip-1 well on the greater Tallaganda structure within the adjacent block WA-335-P to the south, aimed at high grading Triassic Mungaroo prospects in order to select the drilling candidate for a Year 5 well. Approval has been granted for a six month extension of the permit term, whereby Year 5 now commences 28 December 2014. The commitment well is due to be drilled by 27 December 2015.

Apache, as Operator of the TL/2 production license (Tap 10%) and TP/7 exploration permit (Tap 12.474%) is in the process of incorporating the Taunton-5/5H well data acquired from the pilot hole and the lateral well into the field geological model to update the oil in place estimates for the Taunton Field. The Operator will then update the development plan for the field and ascertain if a commercial project can be achieved. The well was abandoned prior to testing due to mechanical problems.

Native title negotiations continue in relation to the SPA 5 AO & SPA 6 AO special prospecting authorities in the onshore Carnarvon Basin. Tap has earned the right to take a 20% interest in any resulting exploration permits on election, with an option to earn an additional 15% in each permit once granted.

In addition to the above, Tap also has the following interests:

1. a 20% interest in WA-8-L in the offshore Carnarvon Basin which contains the Amulet oil field;

2. a 22.474% interest in WA-33-R in the offshore Carnarvon Basin which contains the Maitland gas field; and

3. a 12% interest in WA-34-R in the Northern Bonaparte basin which contains the Prometheus and Rubicon gas fields.

Gulf of Thailand

During the period, Mubadala, the Operator of the G1/48 concession (Tap 30%) commenced an extensive review of the G1/48 permit area, specifically focused on delivering a balanced prospect portfolio for the Kra Basin, integrating the results of the successful Malida-1 well and subsequent Malida sidetrack wells. The Operator also re-negotiated the 2014 commitment well which is now due by December 2015.

The G3/48 concession (Tap 30% Mubadala Operator) was also renewed for a third three year exploration term and Tap expects a commitment well to be drilled in the first half of 2015.

Offshore Otway Basin – Victoria, Australia

Tap has an option to acquire an initial 10% interest in Vic/P67. WHL Energy, the Operator of Vic/P67 has been processing the data from the La Bella 3D seismic survey completed in December 2013. Processed seismic data was received on 1 August 2014 and is now being interpreted.

Cash flows, liquidity and funding

Receipts from customers during the half-year totalled $15.812 million (2013: $15.233 million) and net cash flows from operations were $3.623 million inflow (2013: $2.215 million outflow). The cash balance decreased in Australian dollar terms and at period close was $17.846 million (31 December 2013: $43.514 million).

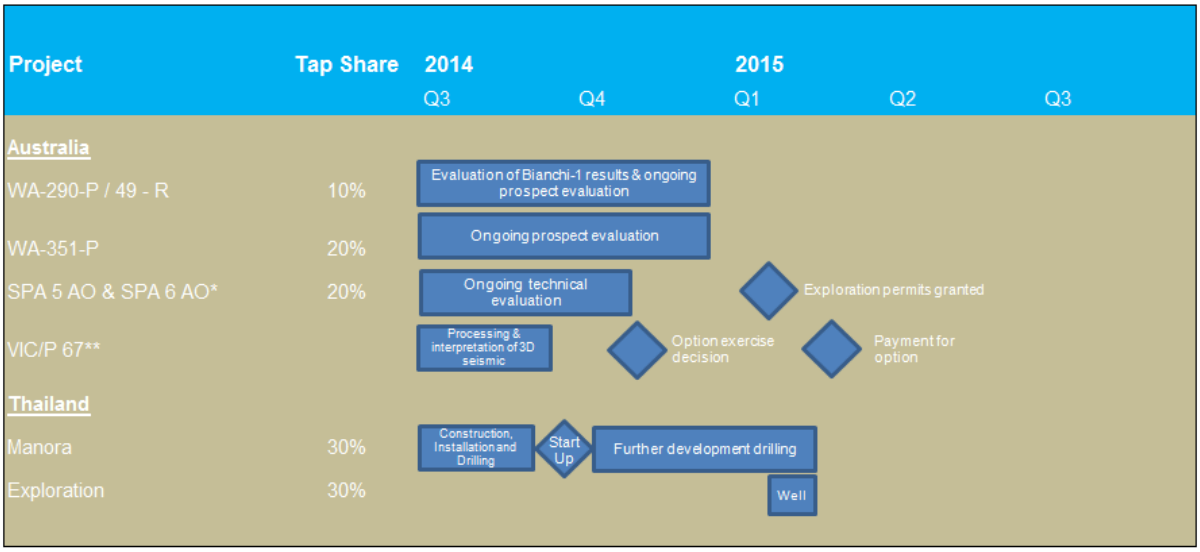
During the period Tap refinanced the Commonwealth Bank of Australia's (CBA) debt facilities with a BNP Paribas (BNP) borrowing base facility for up to US$90 million. As at 30 June 2014 Tap had drawn US$33.5 million of the facility. The first repayment of the facility is expected to be made after 1 July 2015, hence the liability is considered non-current.

Outlook

Tap has the following significant milestones expected in the second half of 2014:

- Commence development drilling at the Manora oil field development;
- Commence production from the Manora oil field;
- First crude oil lifting, sales and cash receipts from the Manora oil field; and
- Finalise the evaluation of the seismic data over Vic/P67 and decide on whether to exercise the option to acquire an initial 10% interest.

The table below lays out the indicative forward Drilling and Development Activity Schedule for the next 15 months:



* Includes shale oil and gas exploration as well as conventional exploration. Tap has earned the right to take a 20% interest in the resulting exploration permits on election, with an option to earn an additional 15% in each permit.

** Tap has an option to acquire an initial 10% interest. For further detail refer to our ASX Announcement of 18 September 2013.

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Disclaimer

Certain statements contained in this announcement, including information as to the future financial or operating performance of Tap Oil Limited and its projects, are forward-looking statements. Such forward-looking statements:

- *are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Tap Oil Limited, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies;*
- *involve known and unknown risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements; and*
- *may include, among other things, statements regarding targets, estimates and assumptions in respect of production and prices, operating costs and results, capital expenditures, reserves and resources and anticipated flow rates, and are or may be based on assumptions and estimates related to future technical, economic, market, political, social and other conditions.*

Tap Oil Limited disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise.

The words "believe", "expect", "anticipate", "indicate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule", "potential", "opportunity" and similar expressions identify forward-looking statements.

All forward-looking statements made in this presentation are qualified by the foregoing cautionary statements. Investors are cautioned that forward-looking statements are not guarantees of future performance and accordingly investors are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein.

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ATTACHMENT 1

KEY FINANCIAL INDICATORS

6 Months Ended		Jun-14	Dec-13	Jun-13
Profit & Loss ($ million)				
Sales Revenue	: Oil and Condensate	-	-	-
	: Gas	12.7	12.7	14.3
Gross Profit		6.8	6.3	8.6
Gross Profit Margin (%)		54%	49%	60%
EBITDAX*		0.5	3.6	3.4
Exploration expenditure writedowns		(4.9)	(26.3)	(20.8)
EBITDA*		(4.4)	(22.7)	(17.4)
NPAT		(2.5)	(25.8)	(13.6)
EPS (cents)		(1.0)	(10.7)	(5.7)
Balance Sheet ($ million)				
Cash		17.8	43.5	74.9
Capitalised Exploration Expenditure		86.1	90.5	97.6
Property, Plant & Equipment		130.5	102.0	72.1
Total Assets		252.7	255.7	258.7
Debt		34.1	-	-
Total Liabilities		90.5	86.9	72.6
Net Assets		162.1	168.8	186.1
Cashflow ($ million)				
Operations		3.6	(3.8)	(2.2)
Investing		(63.4)	(27.2)	(21.5)
Financing		34.8	(2.1)	-
Volumes				
Reserves (Proved and Probable) (mmboe)		6.1	6.1	6.1
Sales of third party gas (PJ):		1.8	2.0	1.9
Other				
Shares on Issue		242.7	242.1	241.3
Share Price at period end ($)		0.51	0.50	0.47

* These numbers are considered non-IFRS financial information. Please refer to the audited financial statements and Attachment 2 for the IFRS financial information.

ATTACHMENT 2

RECONCILIATION OF NON-IFRS FINANCIAL INFORMATION TO AUDITED IFRS FINANCIAL INFORMATION

This Attachment contains a reconciliation of non-IFRS financial information to audited IFRS financial information. EBITDAX (earnings before interest, tax, depreciation, depletion, exploration, evaluation and impairment), EBITDA (earnings before interest, tax, depreciation, depletion) and EBIT (earnings before interest and tax) are non-IFRS measures that are presented to provide investors with further information and perspective on the overall financial performance and operations of the Company. The non-IFRS financial information is unaudited however the numbers have been extracted from the financial statements which have been subject to review by the Company's auditor. The financial report for the half-year ended 30 June 2014 accompanies this announcement and is available at the Tap Oil website at www.tapoil.com.au. Please refer to the financial statements for the IFRS financial information.

	HY ended 30 June 2014 $ million	HY ended 31 Dec 2013 $ million	HY ended 30 June 2013 $ million
Revenue	12.7	12.7	14.3
Cash operating costs	(5.8)	(6.3)	(5.7)
Cash gross profit	6.9	6.4	8.6
Net Admin costs	(5.1)	(3.3)	(3.4)
New Ventures and Bus Dev Costs	(0.8)	(0.8)	(1.7)
Other income	-	1.6	2.0
Other expenses	(0.5)	(0.3)	(2.1)
EBITDAX	**0.5**	**3.6**	**3.4**
Exploration impairment/write down	(4.9)	(26.3)	(20.8)
EBITDA	**(4.4)**	**(22.7)**	**(17.4)**
Depreciation - cost of sales	-	(0.1)	-
Depreciation - admin	-	(0.1)	-
EBIT	**(4.4)**	**(22.9)**	**(17.4)**
Interest	0.2	0.5	1.2
Finance costs	(0.7)	(0.4)	(0.6)
Net (loss)/profit before tax	**(4.9)**	**(22.8)**	**(16.8)**
Tax	2.4	(3.0)	3.2
Net (loss)/profit after tax	**(2.5)**	**(25.8)**	**(13.6)**

TAP OIL LIMITED

ABN 89 068 572 341

FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 30 JUNE 2014

TABLE OF CONTENTS

The directors of Tap Oil Limited ("Tap" or "the Company") submit herewith the financial report for the half-year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of the directors of the Company during or since the end of the half-year are:

- D W Bailey (Independent Non-Executive Director and Chairman)
- T J Hayden (Managing Director and Chief Executive Officer)
- M J Sandy (Independent Non-Executive Director)
- D A Schwebel (Independent Non-Executive Director)

The above named directors held office during and since the end of the half-year.

Principal Activities

The principal activities of the Consolidated Entity, being the Company and its controlled entities, during the half-year were oil and gas exploration, development and gas marketing. Tap expects production to commence at the Manora field late in the third quarter of 2014.

Review of operations

Development

Tap's flagship project is the Manora oil development in Thailand, with first oil expected late in the third quarter of 2014.

Tap reached its Final Investment Decision (FID) on the Manora oil development on 23 July 2012 and is now over 24 months into the construction period which is nearing completion. The project has received Environmental Impact Assessment and Production Area Application Approvals.

The Manora oil development has three key components. The platform, the Floating Storage Offloading (FSO) Unit and the development wells. Manora is a single well head platform with a four-leg platform jacket substructure with the topsides containing the production process and well head equipment. A pipeline and risers connect the platform to a leased FSO Unit. The FSO is a site-specific crude oil FSO that is moored and linked to the platform and will also serve as the accommodation hub. It is expected there will be 15 development wells (10 producers and 5 injectors) and the majority of the wells will be drilled following the commencement of first production.

Tap has 2P reserves of 6.1 mmbbls (20.2 mmbbls gross) and 2C contingent resources of 3.2 mmbbls (10.9 mmbbls gross) booked for Manora (ASX release 27 October 2011). Tap will review these reserves and contingent resources following development drilling and production performance.

Tap's estimate of its share of capital expenditure remains at approximately US$97 million. The carry of NGP up to US$20 million will be completed upon commencement of production (with up to US$10 million to be repaid by NGP out of production).

During the period and to the date of this report the following progress was made:

1. The loadout and installation of the Manora platform jacket, subsea lines and Pipeline End Manifold (PLEM) was completed, including the installation and hook up of all subsea equipment, lifting the jacket in place and completing the jacket piling operations.
2. Installation of the subsea work was completed. This included the installation of the CALM Buoy, risers and connections to the previously installed subsea Pipeline End Manifold.
3. In July 2014 Phase 2 of the Offshore Installation program, the loadout and installation of the topsides, was completed. The platform topsides were successfully installed and secured on the previously installed jacket.
4. The FSO arrived on location on 25 July and has been connected to the CALM Buoy and subsea flowlines.

The completion of the two phases of the Offshore Installation program represents significant milestones which have considerably de-risked the construction and installation phases of the project.

The Atwood Orca rig is expected to arrive at the end of August to drill the two Manora development wells required for first oil production.

Following completion of the offshore hook-up and commissioning and drilling of the first two production wells, production is expected to commence late in the third quarter of 2014.

Exploration

Tap's exploration focus has changed over the period to 30 June 2014 to now include the Carnarvon Basin in Western Australia, the Gulf of Thailand, offshore Myanmar and the offshore Otway Basin in Victoria. Tap has withdrawn from the Offshore Accra Contract Area in Ghana and will have no further commitments for this acreage.

While 2013 was a very active year with four exploration wells and an appraisal well being drilled, 2014 to date has been a period of consolidation as the results of the wells are evaluated by the respective joint venture operators and forward plans are crafted for consideration by the joint venture partners. Details of the activities for the half-year are set out below.

No wells were drilled during the period and there are no exploration wells expected in the second half of 2014.

Myanmar

In March 2014 Tap was advised by the Myanmar Ministry of Energy (MOE) of the successful award of a Production Sharing Contract (PSC) for shallow water Block M-7 in the Moattama basin, offshore Myanmar. The PSC award is subject to finalisation of terms with the MOE. On agreement on terms and PSC execution, Tap will hold a 35.625% interest with Roc Oil operating the license on behalf of its Joint Venture (JV) participants. The block award includes provisions for the JV to undertake an 18 month Environmental Impact Assessment and Study Period, following which it has an option to proceed into a three year exploration work programme.

The 13,000 km^2 block is located in the gas and condensate prone Moattama basin, offshore Myanmar. The Block is 160 kilometres east of the 6.5 Tcf Yadana gas field, and 110 kilometres northeast of the 1.5 Tcf Zawtika gas field. The Moattama basin is Myanmar's most prolific offshore hydrocarbon province, with existing production from two offshore fields and a third field close to production commencement. Production is typically from stacked Miocene clastic reservoirs.

Carnarvon Basin – Western Australia

In WA-290-P (Tap 10%, Apache Operator) the Operator is working through its evaluation of the Greater Zola Structure (including the three gas discoveries at Antiope-1, Zola-1 and Bianchi-1) in order to maximise the future potential commercialisation of the lease.

The joint venture has licensed a new 3D seismic data set over WA-320-P (Tap 9.778%) and WA-155-P (Part II) (Tap 6.555%). The 3D data is currently in processing stages. The joint venture aims to utilise this new 3D seismic data set to image the Palmerston structure prior to drilling. At this stage, the timing of the drilling of Palmerston as the Year 3 commitment well has not been agreed.

In WA-351-P (Tap 20%, BHP Billiton Operator), efforts continue to be directed at geological and geophysical studies, integrating reprocessed 3D seismic data and the results of the recent Bunyip-1 well on the greater Tallaganda structure within the adjacent block WA-335-P to the south, aimed at high grading Triassic Mungaroo prospects in order to select the drilling candidate for a Year 5 well. Approval has been granted for a six month extension of the permit term, whereby Year 5 now commences 28 December 2014. The commitment well is due to be drilled by 27 December 2015.

Apache, as Operator of the TL/2 production license (Tap 10%) and TP/7 exploration permit (Tap 12.474%) is in the process of incorporating the Taunton-5/5H well data acquired from the pilot hole and the lateral well into the field geological model to update the oil in place estimates for the Taunton Field. The Operator will then update the development plan for the field and ascertain if a commercial project can be achieved. The well was abandoned prior to testing due to mechanical problems.

Native title negotiations continue in relation to the SPA 5 AO & SPA 6 AO special prospecting authorities in the onshore Carnarvon Basin. Tap has earned the right to take a 20% interest in any resulting exploration permits on election, with an option to earn an additional 15% in each permit once granted.

In addition to the above, Tap also has the following interests:

1. a 20% interest in WA-8-L in the offshore Carnarvon Basin which contains the Amulet oil field;
2. a 22.474% interest in WA-33-R in the offshore Carnarvon Basin which contains the Maitland gas field; and
3. a 12% interest in WA-34-R in the Northern Bonaparte basin which contains the Prometheus and Rubicon gas fields.

<u>Gulf of Thailand</u>

During the period, Mubadala, the Operator of the G1/48 concession (Tap 30%) commenced an extensive review of the G1/48 permit area, specifically focused on delivering a balanced prospect portfolio for the Kra Basin, integrating the results of the successful Malida-1 well and subsequent Malida sidetrack wells. The Operator also re-negotiated the 2014 commitment well which is now due by December 2015.

The G3/48 concession (Tap 30% Mubadala Operator) was also renewed for a third three year exploration term and will require one well to be drilled prior to January 2015.

<u>Offshore Otway Basin – Victoria, Australia</u>

Tap has an option to acquire an initial 10% interest in Vic/P67. WHL Energy, the Operator of Vic/P67 has been processing the data from the La Bella 3D seismic survey completed in December 2013. Processed seismic data was received on 1 August 2014 and is now being interpreted.

Production & Sales Summary

	Half-year ended 30 June 2014		Half-year ended 30 June 2013	
	'000 boe	$'000	'000 boe	$'000
Sales (net to Tap):				
Third Party Gas Sales - 1,751 TJ (2013: 1,871 TJ)	258	12,719	276	14,267
Total Sales	258	12,719	276	14,267

There was no production during the half-year to 30 June 2014 or the prior period to 30 June 2013. The Woolybutt field ceased production in May 2012 and Tap expects production to commence from the Manora field late in the third quarter of 2014.

Third Party Gas Contracts (Tap 100%)

In 2005 Tap secured an option over approximately 33 PJ (31 Bcf) of gas from the John Brookes field offshore Western Australia at then current market prices. The option was exercised in 2007 and Tap on-sells the gas to a number of Western Australian gas customers. The gas is purchased at a fixed 2005 price and sold at fixed prices approximately three times higher. Both buy and sell prices are denominated in Australian dollars and subject to CPI escalation. Around 9.5 PJ (approximately 9 Bcf) currently remains to be delivered over the period to December 2016. This gas is largely contracted and provides substantial stable, long-term cash flow.

Third party gas revenues were lower than the previous corresponding period due to an increase in deferred delivery under take-or-pay arrangements resulting in a lower than expected revenue being recorded. Forecast third party gas revenues are expected to be around $30 million per annum until the end of 2016, generating substantial cash flow.

Financial Summary

The Consolidated Entity's gross profit from operations for the half-year is $6.892 million (2013: $8.646 million) with an overall loss for the period of $2.514 million (30 June 2013: $13.624 million). Cash provided by operating activities was $3.623 million (2013: $2.215 million utilised) and cash at 30 June 2014 was $17.846 million (30 June 2013: $74.944 million).

The Consolidated Entity's result for the reporting period includes the following:

- Exploration impairment losses / write downs of $4.906 million (2013: $20.799) reflecting Tap's ongoing evaluation of its exploration portfolio.
- Net foreign exchange losses of $0.370 million (2013: $1.824 million gains) reflecting the movement of the Australian dollar against the US dollar during the period.

- An income tax benefit of $2.442 million (2013: benefit of $3.184 million) reflects Tap's current tax loss (2013: loss) position, as well as the movement in the deferred tax balances.

Cash flows, liquidity and funding

Receipts from customers totalled $15.812 million (2013: $15.233 million) and net cash flows from operations were $3.623 million inflow (2013: $2.215 million utilised). The cash balance decreased in Australian dollar terms and at period close was $17.846 million (31 December 2013: $43.514 million).

During the period Tap refinanced the Commonwealth Bank of Australia's (CBA) debt facilities with a BNP Paribas (BNP) borrowing base facility for up to US$90 million. As at 30 June 2014 Tap had drawn US$33.5 million of the facility. The first repayment of the facility is expected to be made after 1 July 2015, hence the liability is considered non-current.

Risk management and corporate governance

The Consolidated Entity's risk management and corporate governance statements were included in the 2013 annual report. These statements remain current.

Changes to equity

588,140 ordinary shares were issued during the six months ended 30 June 2014 (2013: 313,295) as a result of the vesting of rights.

A total of 3,794,075 employee share rights were issued during the half-year ended 30 June 2014 (2013: 9,106,356). 1,035,099 employee share rights vested during the half-year ended 30 June 2014 (2013: 321,385). A total of 2,296,033 share rights expired, lapsed or were cancelled during the half-year ended 30 June 2014 (2013: 2,354,036). Total number of share rights on issue at 30 June 2014 was 13,721,125 (2013: 15,287,983).

Auditor's independence declaration

The auditors independence declaration is included on page 5 of the half-year report.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the directors

D W Bailey
Chairman
Perth, 28 August 2014

Deloitte.

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The Board of Directors
Tap Oil Limited
Level 1, 47 Colin Street
WEST PERTH WA 6005

28 August 2014

Dear Board Members

Tap Oil Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Tap Oil Limited.

As lead audit partner for the review of the financial statements of Tap Oil Limited for the half- year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Ross Jerrard
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Review Report to the members of Tap Oil Limited

We have reviewed the accompanying half-year financial report of Tap Oil Limited, which comprises the condensed statement of financial position as at 30 June 2014, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and entities it controlled at the end of the half-year or from time to time during the half year as set out on pages 8 to 20.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Tap Oil Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Tap Oil Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Tap Oil Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ross Jerrard
Partner
Chartered Accountants
Perth, 28 August 2014

TAP OIL LIMITED
DIRECTORS' DECLARATION

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated Entity.

Signed in accordance with a resolution of directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the directors

D W Bailey
Chairman

Perth, 28 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2014

	Note	Consolidated Half-year ended 30 June 2014 $'000	Consolidated Half-year ended 30 June 2013 $'000
Continuing operations			
Revenue	2	12,719	14,267
Cost of sales	3	(5,827)	(5,621)
Gross profit		6,892	8,646
Other revenue	2	179	1,401
Other income		-	1,824
Administration expenses		(5,101)	(3,482)
Finance costs		(698)	(595)
Exploration impairment losses/write-downs	7	(4,906)	(20,799)
Other expenses		(1,322)	(3,803)
Loss before tax	4	**(4,956)**	**(16,808)**
Income tax benefit		2,442	3,184
Loss for the period		**(2,514)**	**(13,624)**
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Foreign currency translation differences – foreign operations		(4,737)	-
Total comprehensive loss for the period		**(7,251)**	**(13,624)**
Loss per share			
Basic (cents per share)		(1.04)	(5.65)
Diluted (cents per share)		(1.04)	(5.65)

Notes to the financial statements are included on pages 13 to 20.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	Consolidated 30 June 2014 $'000	Consolidated 31 December 2013 $'000
Current Assets			
Cash and cash equivalents		17,846	43,514
Trade and other receivables		8,048	11,767
Inventories		6,157	3,296
Other current assets	5	4,006	4,636
Total current assets		36,057	63,213
Non-current assets			
Property, plant and equipment	6	130,485	101,980
Exploration and evaluation assets	7	86,135	90,487
Total non-current assets		216,620	192,467
Total assets		**252,677**	**255,680**
Current liabilities			
Trade and other payables	8	28,667	53,858
Provisions		10,951	3,540
Total current liabilities		39,618	57,398
Non-current liabilities			
Interest bearing loans and borrowings	9	34,119	-
Deferred tax liabilities		9,592	12,034
Provisions		7,204	14,182
Other non-current liabilities		-	3,297
Total non-current liabilities		50,915	29,513
Total liabilities		**90,533**	**86,911**
Net assets		**162,144**	**168,769**
Equity			
Issued capital		157,729	157,729
Share options reserve		4,491	4,491
Share rights reserve		2,717	2,091
Foreign currency translation reserve		3,265	8,002
Profit reserve		40,254	34,608
Retained earnings		(46,312)	(38,152)
Total equity		**162,144**	**168,769**

Notes to the financial statements are included on pages 13 to 20.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2014

	Issued Capital $'000	Share options reserve $'000	Share rights reserve $'000	Foreign currency translation reserve $'000	Profit reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2013	**157,729**	**4,491**	**1,350**	**-**	**-**	**35,848**	**199,418**
Loss for the period	-	-	-	-	-	(13,624)	(13,624)
Total comprehensive income for the period	-	-	-	-	-	(13,624)	(13,624)
Issue of shares	-	-	-	-	-	-	-
Recognition of share-based payments	-	-	329	-	-	-	329
Balance at 30 June 2013	**157,729**	**4,491**	**1,679**	**-**	**-**	**22,224**	**186,123**
Balance at 1 January 2014	**157,729**	**4,491**	**2,091**	**8,002**	**34,608**	**(38,152)**	**168,769**
Loss for the period	-	-	-	-	-	(2,514)	(2,514)
Other comprehensive income for the period	-	-	-	(4,737)	-	-	(4,737)
Total comprehensive income for the period	-	-	-	(4,737)	-	(2,514)	(7,251)
Appropriation to profit reserve	-	-	-	-	5,646	(5,646)	-
Issue of shares	-	-	-	-	-	-	-
Recognition of share-based payments	-	-	626	-	-	-	626
Balance at 30 June 2014	**157,729**	**4,491**	**2,717**	**3,265**	**40,254**	**(46,312)**	**162,144**

Notes to the financial statements are included on pages 13 to 20.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2014

	Note	Consolidated Half-year ended 30 June 2014 $'000	Consolidated Half-year ended 30 June 2013 $'000
Cash flows from operating activities			
Receipts from customers		15,812	15,233
Payments to suppliers and employees		(11,753)	(14,179)
Finance costs paid		(599)	-
Interest received		163	1,867
Income tax paid		-	(5,136)
Net cash provided/(utilised) by operating activities		**3,623**	**(2,215)**
Cash flows from investing activities			
Payments for property, plant & equipment		(61,344)	(6,853)
Payments for exploration expenditure		(1,769)	(14,458)
Payments for restoration expenditure		(289)	(149)
Net cash utilised by investing activities		**(63,402)**	**(21,460)**
Cash flows from financing activities			
Proceeds from loans and borrowings		36,065	-
Payment of transaction costs related to loans and borrowings	9	(1,302)	-
Net cash provided by financing activities		**34,763**	**-**
Net decrease in cash and cash equivalents		**(25,016)**	**(23,675)**
Cash and cash equivalents at the beginning of the half-year		43,514	96,378
Effects of exchange rate changes on the balance of cash held in foreign currencies		(652)	2,241
Cash and cash equivalents at the end of the half-year		**17,846**	**74,944**

Notes to the financial statements are included on pages 13 to 20.

1 Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Tap Oil Limited (the "Company" or "Tap") is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2013 annual financial report for the financial year ended 31 December 2013, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. Certain comparative information has been reclassified to conform with current period presentation.

From 1 January 2014 the Consolidated Entity has adopted the following Standards and Interpretations that are relevant to their operations and effective for the current reporting period:

- AASB 1031 – Materiality (2013)
- AASB 2012-3 – Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities
- AASB 2013-3 – Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-9 – Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

The adoption of these standards and interpretations did not have any effect on the financial position or performance of the Consolidated Entity.

The Consolidated Entity has not elected to early adopt any new standards or amendments.

	Consolidated Half-year ended	
	30 June 2014 $'000	**30 June 2013 $'000**
2 Revenue		
Sales of gas	12,719	14,267
Other revenue:		
Royalties received	38	158
Interest received	141	1,243
	179	1,401
	12,898	15,668
3 Cost of sales		
Depreciation of capitalised development costs	(37)	(36)
Other production costs	(5,790)	(5,585)
	(5,827)	(5,621)
4 Loss before tax		
Loss for the period includes the following items that are unusual due to their nature, size or incidence:		
Income		
Net foreign exchange gains	-	1,824
Expenses		
Redundancy payments	552	729
Legal expenses	1,616	488
Net foreign exchange losses	370	-
Provision for doubtful debts	-	1,763
New venture and business development expenses	814	1,666

	Consolidated	
	30 June 2014 $'000	**31 December 2013 $'000**
5 Other current assets		
Prepayments	186	556
Prepaid gas	3,820	4,080
	4,006	4,636

	Consolidated	
	30 June 2014 $'000	**31 December 2013 $'000**
6 Property, plant and equipment		
Development expenditures		
Gross carrying amount - at cost:		
Opening balance	185,563	140,549
Additions	32,662	38,377
Foreign exchange movements	(4,152)	5,937
Transfer from exploration expenditure	51	700
Closing balance	214,124	185,563
Accumulated depreciation:		
Opening balance	83,787	83,715
Depreciation	37	72
Impairment losses charged to profit or loss	-	-
Closing balance	83,824	83,787
Net Book Value	130,300	101,776
Office improvements, furniture & equipment		
Gross carrying amount - at cost:		
Opening balance	3,762	3,749
Additions	19	13
Closing balance	3,781	3,762
Accumulated depreciation:		
Opening balance	3,558	3,441
Depreciation	38	117
Closing balance	3,596	3,558
Net Book Value	185	204
Total - Net Book Value	130,485	101,980

	Consolidated	
	30 June 2014 $'000	**31 December 2013 $'000**
7 Exploration and evaluation assets		
Exploration and/or evaluation phase		
At cost	146,746	157,292
Less: impairment provisions	(60,611)	(66,805)
Net carrying value	86,135	90,487
Reconciliation of movement:		
Opening balance	90,487	87,237
Current period exploration expenditure	1,262	48,162
Exploration impairment losses/write-downs	(4,906)	(47,147)
Foreign exchange movements (net)	(657)	3,025
Transfer to development expenditure	(51)	(700)
Farm-out of partial interest in WA320P and WA155P	-	(90)
	86,135	90,487
Movement in the impairment provision:		
Balance at the beginning of the period	(66,805)	(27,854)
Impairment provision increase	(4,930)	(38,951)
Foreign exchange movements	1,386	-
Assets written off against provision	9,738	-
Balance at the end of the period	(60,611)	(66,805)

Ultimate recoupment of this expenditure is dependent upon the continuance of Tap's right to tenure of the areas of interest and the discovery of commercially viable oil and gas reserves, their successful development and exploration, or, alternatively sale of the respective areas of interest at an amount at least equal to book value. Impairment losses are provided when the carrying amount exceeds the recoverable amount. Exploration expenditure is written off and any related impairment losses released when permits are relinquished or disposed.

	Consolidated	
	30 June 2014 $'000	**31 December 2013 $'000**
8 Trade and other payables		
Trade payables(i)	2,473	17,448
Share of joint operations' payables	13,839	28,238
Goods and services tax (GST) payable	281	135
Other payables	6,192	5,402
Income received in advance (ii)	5,882	2,635
	28,667	53,858

(i) The credit period on purchases averages between 7 and 30 days. No interest is charged on trade payables. The Consolidated Entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

(ii) Where take-or-pay obligations are enforced on gas customers, cash is received for minimum obligations with the amount being recorded as income in advance until the gas is ultimately delivered. Upon delivery the amount will be transferred to revenue.

	Consolidated	
	30 June 2014 $'000	31 December 2013 $'000
9 Interest bearing loans and borrowings		
Proceeds from loans and borrowings	35,563	-
Transaction costs[(i)]	(1,291)	-
Accreted interest	(153)	-
Carrying amount	34,119	-

(i) A portion of the transaction costs are allocated against the specific qualifying asset to which it relates (Manora) in the Balance Sheet and Cashflow Statement. The remainder is allocated against the loan.

During the period Tap refinanced the Commonwealth Bank of Australia's (CBA) debt facilities with a BNP Paribas (BNP) borrowing base facility for up to US$90 million. As at 30 June 2014 Tap had drawn US$33.5 million of the facility. Tap Oil Limited has provided parent company guarantees to the bank as part of the security.

10 Subsequent events

Since the end of the financial period the Directors are not aware of any other matter or circumstance not otherwise dealt with within the financial report that has significantly or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent financial years other than:

a) Manora development update

Subsequent to 30 June 2014, Phase 2 of the Offshore Installation program, the loadout and installation of the topsides, was completed. The platform topsides were successfully installed and secured on the previously installed jacket. The completion of the two phases of the Offshore Installation program represents significant milestones which have considerably de-risked the construction and installation phases of the project.

The FSO arrived on location on 25 July and has been connected to the CALM Buoy and subsea flowlines.

The Atwood Orca rig is expected to arrive at the end of August to drill the two Manora development wells required for first oil production.

Production is expected to commence late in the third quarter of 2014 following drilling of the first two production wells.

11 Contingencies and commitments

Success payments in respect of the Manora oil development

As part of the consideration for acquiring the G1/48 permit in 2010, Tap Energy (Thailand) Pty Ltd (a subsidiary of Tap Oil Limited), is liable to make a 2P Reserves Deferred Payment up to a maximum of US$29.85 million. This amount is payable up to four years after first production and is conditional on the Manora 2P Reserves (plus recovered oil) remaining greater than 10mmbbls. The payment is calculated pro-rata based on 2P reserves between 10mmbbls and 35mmbbls.

Contractual Disputes - Woollybutt Joint Venture

Production ceased at Woollybutt on 16 May 2012. FVSN, the FPSO contractor for the Woollybutt field, has commenced arbitration in relation to certain claims arising out of the FPSO Contract:

1. Contract rates

   FVSN's claim related to disputed FPSO rates payable under the Contract for works and services performed by it, as disclosed in the 31 December 2013 Financial Statements, was dismissed by the arbitral tribunal on 5 March 2014. Therefore the claim is no longer a contingent liability.

2. Well Product

   On 15 April 2013 Tap received notice from the International Chamber of Commerce Secretariat (ICC) of FVSN's request for arbitration of a claim based on an assertion by FVSN the well product did not accord with the specifications set out in the contract. Tap has filed its answer and counterclaim. Tap denies any liability in respect of the claim made by FVSN in the arbitration and, together with its joint venture partners, will defend the claim. Tap considers the probability of any material financial outflow from the Consolidated Entity is unlikely.

Commitments

There has been no material change to the capital expenditure commitments as disclosed in the most recent annual report

12 Segment Information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The following is an analysis of the Consolidated Entity's revenue and results by reportable operating segment for the periods under review:

	Revenue Half-year ended		**Segment result Half-year ended**	
	30 June 2014 $'000	**30 June 2013 $'000**	**30 June 2014 $'000**	**30 June 2013 $'000**
Operations				
Oil & gas production and development	-	-	(1,261)	(976)
Oil & gas exploration	-	-	(5,819)	(22,587)
Third party gas	12,719	14,267	6,786	6,198
	12,719	14,267	(294)	(17,365)
Interest revenue			141	1,243
Finance costs			(485)	(283)
Net central administration costs			(3,948)	(2,227)
Net foreign exchange (losses)/gains			(370)	1,824
Loss before tax			(4,956)	(16,808)
Income tax benefit			2,442	3,184
Consolidated segment revenue and loss for the period	12,719	14,267	(2,514)	(13,624)

The revenue reported above represents revenue generated from external sources. There were no intersegment sales during the period.

Segment result represents the profit earned by each segment or loss made by each segment without the allocation of centralised administration expenses, recoveries of administration expenses recognised on a Consolidated Entity level, interest revenue, foreign exchange gains/(losses) and income tax (expenses)/benefits.

The following is an analysis of the Consolidated Entity's assets and liabilities by reportable operating segment:

	Assets	
	30 June 2014 $'000	**31 December 2013 $'000**
Oil & gas production and development	138,809	108,104
Oil & gas exploration	87,319	91,636
Third party gas	6,412	9,407
Total segment assets	232,540	209,147
Unallocated assets	20,137	46,533
Consolidated total assets	252,677	255,680

	Liabilities	
	30 June 2014 $'000	**31 December 2013 $'000**
Oil & gas production and development	67,403	59,477
Oil & gas exploration	3,603	6,856
Third party gas	7,010	7,700
Total segment liabilities	78,016	74,033
Unallocated liabilities	12,517	12,878
Consolidated total liabilities	90,533	86,911

13 Fair value measurement of financial instruments

Except as detailed in the table below, the directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair value.

The fair values of the financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The following table details the fair value of financial assets and financial liabilities, which represents a reasonable approximation of the carrying value of the financial assets and liabilities:

	Consolidated	
	Carrying amount $'000	Fair value $'000
Financial assets		
Cash and cash equivalents	17,846	17,846
Trade and other receivables	8,048	8,048
	25,894	25,894
Financial liabilities		
Interest bearing loans and borrowings	34,119	35,563
Trade and other payables	28,667	28,667
	62,786	64,230

14 Dividends

Since the end of the previous financial year, no dividend has been paid or declared.

15 Equity securities issued

588,140 shares were issued (2013: 313,295) as a result of employee share rights being exercised.

A total of 3,794,075 employee share rights were issued during the half-year ended 30 June 2014 (2013: 9,106,356). 1,035,099 employee share rights vested during the half-year ended 30 June 2014 (2013: 321,385). A total of 2,296,033 share rights expired, lapsed or were cancelled during the half-year ended 30 June 2014 (2013: 2,354,036). The total number of share rights on issue at 30 June 2014 was 13,721,125 (2013: 15,287,983).