



**Half Year Report
30 June 2017**

Incorporating Appendix 4D Disclosures

Tap Oil Limited and its controlled entities
ABN 89 068 572 341

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TAP OIL LIMITED
APPENDIX 4D

For the half year ended 30 June 2017

Results for announcement to the market

		% change	30 June 2017 \$'000	30 June 2016 \$'000
Revenue from continuing operations	Down	14%	24,069	28,113
Loss from continuing operations after tax	Up	33%	7,972	5,994
Loss for the period attributable to members	Up	33%	7,972	5,994

Dividends	Amount per security	Franked amount per security
Dividends	Nil	Nil
Previous corresponding period	Nil	Nil

NTA backing	30 June 2017	31 December 2016
Net tangible asset backing per + ordinary security	\$0.09	\$0.11

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

Details of controlled entities

Control gained/lost over entities having material effect

There was no control gained or lost over entities during the six month period ending 30 June 2017.

Competent Persons Statement

The Reserves and Contingent Resources in this report are based on and fairly represent information and supporting documentation prepared by qualified petroleum reserves and resource evaluator Mr Denis Bouclin B.A.Sc (Hons), M.A.Sc (Engineering), P.Eng. 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).

Tap's reserves and contingent resources estimates have been compiled in accordance with the definitions and guidelines in the 2007 SPE PRMS, ASX disclosure rules for Oil and Gas Entities, Chapter 5 and ASX Listing Rules Guidance Note 32. Tap Oil Limited is not aware of any new information or data that materially affects the information included in this Report and that all the material assumptions and technical parameters underpinning Reserve and Resource estimates in previous ASX Announcements continue to apply and have not materially changed.

Reserves and contingent resources have been estimated using both deterministic and probabilistic methods. Reserves and contingent resources are aggregated by arithmetic summation by category. Reference point for measurement of reserves is the point of sales which is the sales metre on the Manora Princess FSO.

TAP OIL LIMITED

OPERATING AND FINANCIAL REVIEW

Overview

Tap is an exploration and production company, with ongoing revenues and cash flow from its interest in the Manora oil field in the Gulf of Thailand and an existing Australian exploration portfolio.

During the half year ended 30 June 2017, Tap has continued to strengthen its balance sheet and repay debt. Tap's improved financial position, ongoing cash flow from its interest in the Manora oil field and the expected final debt repayment creates a platform to grow the Company. In the early part of this year, Tap announced a new strategic direction, focusing on South East Asia, and in particular:

- Operated production & development hubs with low risk step out exploration opportunities
- Target countries of Malaysia, Indonesia, Thailand and Vietnam
- Working assets too small for international oil companies, Majors & national oil companies
- Low cost, conventional developments
- Onshore, shallow water
- Proactively managing non-core assets to exit or monetise value

As part of its strategy to exit or monetise value from its non-core asset portfolio, Tap entered into a sale and purchase agreement in June 2017 for the sale of its 20% interest in permit WA-8-L for cash consideration of A\$800,000. The transaction is conditional on National Offshore Petroleum Titles Administrator (NOPATA) approval and joint venture consent within 90 days.

During the half year Tap's long term third party gas business came to an end following conclusion of the long term contract for gas supply from the John Brookes field offshore Western Australia.

Production and Sales (Net)

	30 June 2017 '000 boe	30 June 2017 \$'000	30 June 2016 '000 boe	30 June 2016 \$'000
Production:				
Oil – Manora	433		662	
Total production	433		662	
Sales):				
Oil - Manora	385	18,578	588	17,689
Third Party gas sales – 921 TJ (2016: 1,625 TJ)	135	5,490	239	10,424
Total sales	520	24,068	827	28,113
Average realised oil price/bbl		US\$48		US\$30

Manora Oil Field – G1/48 Thailand (30% interest)

The Manora oil field is located offshore in the Gulf of Thailand and operated by Mubadala Petroleum (Thailand) Ltd. The field is located approximately 80 kilometres offshore of Prachuap Khiri Khan Province.

Manora was discovered in November 2009 and brought on-stream in November 2014.

The Manora facilities include a wellhead processing platform with oil stored in a floating storage and offloading (FSO) vessel and exported via shuttle tanker. The FSO stores the crude oil and also serves as the accommodation hub.

The average gross production rate year to date to 30 June 2017 was 7,623 bopd (gross). Gross production for the half year was 1.39 MMSTB (Tap share 0.42 MMSTB) and cumulative field production to 30 June 2017 was 10.8 MMSTB (gross).

Production for the period declined with water influx increasing and capacity limitations of injection wells to dispose of additional volumes of produced water.

A workover programme is planned for the second half of 2017 in order to add injection capacity to deal with the issue.

During the period Tap entered into a new offtake agreement for the marketing of crude from the Manora oil field, at a significantly improved price of Dubai plus \$1.40/bbl, an increase of 100% in the premium to the previous contract. This new agreement was effective from 1 June 2017.

There were 5 oil liftings during the first six months of 2017.

Third Party Gas

Tap has had a long term offtake agreement for gas from the John Brookes field offshore Western Australia. The option was exercised in 2007 and continued until 31 December 2016 ("supply period"). The supply period was followed by a three month recovery period which concluded on 31 March 2017.

At 31 March 2017, Tap had 38TJ of inventory gas and entered into an extended supply/recovery period with one of its suppliers. This gas was subsequently sold in the spot market during April 2017. There are no residual obligations in relation to third party gas.

Exploration and Appraisal

Offshore Thailand (30% interest)

The G1/48 concession comprises the Manora oil field under production license and the Reservation Area of 484 km² within the concession.

During the period, the Operator continued its assessment of the exploration potential of the concession including a regional Kra Basin study to understand reservoir distribution, prospect maturation, detailed seismic mapping, develop play concept for deep targets and re-evaluation of Manora Footwall.

The Exploration effort is focussed on identifying prospects that offer significant upside to existing reserves and resources and small resource additions that are reachable from the Manora Platform that are:

- Low cost to drill, quick to bring on-line
- Small resource adds for later in field life
- Able to extend field life

Myanmar (95% interest)

Block M-7 Moattama Basin, Offshore Myanmar

Tap is operator. Block M-7 is located in the gas and condensate prone Moattama basin, offshore Myanmar. Block M-7 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.

Tap has continued to explore options to withdraw from the Production Sharing Contract (PSC) and its remaining obligations under the terms of the Production Sharing Contract for Block M-7. The Myanmar Government has requested Tap provide a performance bank guarantee of \$200,000 as required under the terms of the PSC. Tap expects the performance bank guarantee to be put in place during the September quarter.

Carnarvon Basin – Offshore Western Australia

WA-72-R (20% interest)

WA-72-R is a Retention Lease granted over the Tallaganda gas discovery located in the offshore Carnarvon Basin, Western Australia, operated by BHP. The Tallaganda-1 well was a new field gas discovery in the Triassic Mungaroo Formation. The Tallaganda structure is well defined by modern 3D seismic data.

Tap has booked 49 PJ as a 2C contingent resource for the WA-351-P portion of the Tallaganda structure (ASX release 29 January 2013).

WA-290-P and WA-49-R (10% interest)

WA-290-P is an Exploration Permit in the offshore Carnarvon Basin, Western Australia, operated by Quadrant Energy Ltd. In early 2011, the Joint Venture drilled the Zola discovery and in August 2012, a Retention Lease, WA-49-R, was granted over the Zola and Antiope discoveries for a period of five years. The lease area covers two graticular blocks.

The Operator proposed acquisition of the new 200 km² Bianchi 3D seismic survey in November 2016 aimed at high grading Triassic Mungaroo prospects in these permits for future drilling. Acquisition of the Bianchi 3D Seismic Survey commenced on 23 January 2017 and was completed on 9 March 2017, having acquired 1,720 km² of fullfold data over 11 permits for Quadrant Energy Ltd and its Joint Venture partners.

Tap has commenced the process to withdraw from the WA-49-R Retention Lease and accordingly no longer recognises any contingent resources in the Retention Lease's three fields: Antiope, Bianchi and Zola as at 30 June 2017.

TAP OIL LIMITED

OPERATING AND FINANCIAL REVIEW

WA-320-P and WA-155-P (Part II) (9.78% and 6.56% interest respectively)

WA-320-P and WA-155-P (Part II) are exploration permits in the offshore Carnarvon Basin, Western Australia operated by Quadrant Energy Ltd.

The Joint Venture partners met during the period to discuss options to exit WA-155-P Part II. The Operator proposed surrender of Part II, which was agreed to by the Joint Venture partners.

WA-320-P cannot be renewed and will expire on 20 October 2017.

TL/2 and TP/7 (10% and 12.47% interest respectively)

The TL/2 production licence and TP/7 exploration permit are located in shallow water in the offshore Carnarvon Basin approximately 40 kilometres north-northeast of Onslow, Western Australia and operated by Quadrant Energy Ltd.

The Taunton oil field was discovered in 1991 and straddles the TL/2 and TP/7 permit boundaries. It was subsequently appraised by three additional wells which encountered oil in the Birdrong Sandstone. Tap has previously recognised a net 2C Contingent Resource of 0.9 MMstb for the Taunton field which is primarily in the Birdrong Sandstone reservoir (2016 Tap Annual Report).

There have been no significant activities undertaken during the period.

WA-515-P & WA-516-P (100% interest)

WA-515-P and WA-516-P are located in the northern Carnarvon Basin in shallow water. Tap had agreed to a three year work program for each block, with each program running from 6 March 2015 to 5 March 2018. The primary term work program for each block comprises 160 km² reprocessing of open file 3D seismic data, quantitative interpretation studies and geotechnical studies.

Tap has licensed reprocessed Multi-client 3D seismic data over the two permits in order to satisfy the year one commitment for both permits. No activities were undertaken during the period.

WA-34-R (12% interest)

WA-34-R is a Retention Lease in the offshore Bonaparte Basin, Western Australia, operated by ENI Australia Ltd. The Retention Lease contains the Prometheus/Rubicon Gas fields and covers 418 km². Tap estimates gross 2C contingent resources of 377 PJ and a net resource to Tap of 45 PJ. A Retention Lease Renewal application was submitted to NOPTA and was granted by the Authority on 23 December 2015. The renewal is for five years to 22 December 2020.

There have been no activities undertaken during the period.

WA-8-L (20% interest)

Production License WA-8-L covers an area of 161 km² over 2 graticular blocks and is located within the north-eastern part of the Dampier sub-basin of the Northern Carnarvon Basin. The licence contains the Talisman and Amulet oil fields. The Amulet field lies approximately 30 kilometres south of the Santos operated Finucane South and Fletcher oil field FPSO facility. The Production Licence expires 7 November 2031.

In June 2017 Tap executed a sale and purchase agreement in relation to its 20% interest for a cash consideration of A\$800,000.

WA-33-R (22.474% interest)

WA-33-R is operated by Quadrant Energy Ltd and contains the Maitland gas discovery, which is approximately 12 km from John Brookes platform and approximately 17 km from the East Spar gas line.

Following a review of the data from the Davis-1 well and the Operator's assessment of porosity, Tap has revised downwards its estimate of contingent resources from 48.4 PJ to 34.8 PJ as at 30 June 2017.

Decommissioning Activities

WA-25-L (15% interest)

The WA-25-L production license is operated by Eni Australia Ltd and is located off the northwest coast of Western Australia, approximately 80 kilometres north of the town of Onslow and lies in 100 metres water depth. The Woollybutt oil field was discovered in 1997 and development of the field started in 2003. The field included subsea wells producing to a floating production, storage and offloading facility (FPSO).

The field ceased production in May 2012 and the Joint Venture partners are at the planning stage to decommission the field. It is likely that the Operator will propose an abandonment work programme to the Joint Venture late 2017 for approval, with the abandonment of the subsea wells expected to occur in 2018. Further decommissioning activities related to subsea infrastructure may be undertaken in 2019 or 2020.

TAP OIL LIMITED

OPERATING AND FINANCIAL REVIEW

Business Development

Tap's strategy is to develop a portfolio of production and development assets with low risk step out exploration opportunities in South East Asia, targeting Malaysia, Vietnam, Thailand and Indonesia.

Manora cash flow provides a platform to grow and the Company is actively reviewing opportunities.

A business development team has been established, led by Mike Buck, who has more than 35 years' experience in International Upstream E&P and was previously Chief Operating Officer for Salamander Energy Plc. Salamander Energy Plc was a South East Asian focused independent E&P company with exploration and production activities in Thailand, Indonesia, Malaysia, Vietnam and Laos.

Financial Summary

Tap's revenue for the first half of 2017 was \$24.1 million (2016: \$28.1 million). Gross profit was \$4.7 million (2016: \$4.1 million). After impairment losses and write-downs of \$0.8 million (2016: \$5.0 million), the net profit before tax was \$1.8 million (2016: net loss before tax of \$7.7 million); and the net loss after tax was \$7.9 million (2016: net loss after tax of \$6.0 million). The income tax expense of \$9.7 million primarily relates to the de-recognition of income tax benefit of carry forward losses in Thailand, as a result of a decrease in the estimated future taxable profit from the Manora project. Net cash flows from operations were \$5.8 million (2016: US\$18.4 million).

Revenues for the Third Party Gas business were lower in the period as the gas contracts came to the end of the supply period in March 2017.

Manora revenues were \$18.6 million (2016: \$17.7 million) which consisted of 5 oil liftings totalling 384,771 bbls (2016: 587,662 bbls) sold at an average of \$48/bbl (2016: \$30/bbl).

Manora cost of sales were \$17.2 million (2016: \$20 million). Included in cost of sales was depreciation of \$8.6 million (2016: \$13.3 million).

The impairment loss of \$0.8 million relates to the write off of Manora exploration asset of \$1 million partly offset by Airlie impairment reversal of \$0.2 million triggered by a cash call refund received on the Airlie restoration project. The prior period impairment loss relates mainly to Manora exploration asset of \$4.4 million.

Administration costs were lower for the period at \$1.9 million (2016: \$4.2 million), reflecting a lower cost structure put in place in 2016. 2016 costs were high due to redundancy costs and legal fees related to NGP arbitration.

Debt Facility

Tap has made loan repayments totalling \$5.5 million during the half year, reducing the outstanding debt balance under the BNP Facility from \$8.9 million to \$3.4 million at 30 June 2017. The remaining balance is scheduled to be repaid by 30 September 2017.

Hedging

In March 2016 Tap executed hedging for approximately 700,000 barrels of forecast Manora production from April 2016 to February 2017 at an average swap price of \$42.15/bbl. No further hedging has been undertaken.

TAP OIL LIMITED

DIRECTORS' REPORT

The Directors of Tap Oil Limited (Tap or the Company) present their report for the half-year ended 30 June 2017.

Directors

The names of the Directors of the Company during or since the end of the half-year are set out below. All Directors were in office for the entire period unless otherwise stated.

J G Menzies	Executive Chairman
P J Mansell	Independent Non-Executive Director
A Hall	Independent Non-Executive Director
F S Sreesangkom	Non-Executive Director
T L Soulsby	Non-Executive Director
C Newton	Alternate Director for T L Soulsby
P Panyarporn	Alternate Director for F S Sreesangkom, appointed 14 March 2017

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, production, sales and gas marketing.

Consolidated Results

Tap's revenue for the first half of 2017 was \$24.1 million (2016: \$28.1 million). Gross profit was \$4.7 million (2016: \$4.1 million). After impairment losses and write-downs of \$0.8 million (2016: \$5.0 million), the net profit before tax was \$1.8 million (2016: net loss before tax of \$7.7 million); and the net loss after tax was \$7.9 million (2016: net loss after tax of \$6.0 million). The income tax expense of \$9.7 million primarily relates to the de-recognition of income tax benefit of carry forward losses in Thailand, as a result of a decrease in the estimated future taxable profit from the Manora project. Net cash flows from operations were \$5.8 million (2016: US\$18.4 million).

Dividends

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

Review of operations

The Review of Operations for the half year ended 30 June 2017 is set out on pages 2 to 5 and forms part of this Directors' Report.

Risk Management and Corporate Governance

During the half year the Board adopted a risk appetite statement and the Company also updated its risk management policy.

Tap's Corporate Governance Statement and Appendix 4G were released to ASX on 5 April 2017.

Changes to Equity

1,000,000 ordinary fully paid shares and 1,000,000 performance rights to acquire ordinary fully paid shares were issued to James Menzies pursuant to his executive employment agreement upon shareholder approval on 26 May 2017. 1,000,000 shares were issued (2016: 835,853) as a result of the vesting of Mr Menzies share rights.

A total of 7,359,513 employee share rights were issued during the half-year ended 30 June 2017 (2016: 5,002,576). 1,000,000 shares were issued during the half year ended 30 June 2017 (2016: 835,853) as a result of the vesting of employee share rights. A total of 381,086 share rights expired, lapsed or were cancelled during the half-year ended 30 June 2017 (2016: 2,707,724). The total number of share rights on issue at 30 June 2017 was 8,306,528 (2016: 14,736,778).

Auditor's Independence Declaration

The auditor's independence declaration is included on page 8 of the half-year report.

Rounding Off of Amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the consolidated financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of Directors.

A handwritten signature in black ink, appearing to read 'J G Menzies', with a long horizontal flourish extending to the right.

J G Menzies
Executive Chairman
Perth, 25 August 2017

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

25 August 2017

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 2017, 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



Leanne Karamfiles
Partner
Chartered Accountants

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 2017, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 11 to 26.

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 gives a true and fair view and 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 2016 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.

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 2017 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



Leanne Karamfiles

Partner

Chartered Accountants

Perth, 25 August 2017

TAP OIL LIMITED
DIRECTORS' DECLARATION

In the opinion of the Directors of Tap Oil Limited:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position at 30 June 2017 and the performance for the half year ended on that date of the consolidated entity; and
 - (ii) Complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors.



J G Menzies
Executive Chairman

Perth, 25 August 2017

TAP OIL LIMITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2017

	Note	Consolidated Half-year ended	
		30 June 2017 \$'000	30 June 2016 \$'000
Revenue	B1(a)	24,069	28,113
Cost of sales	B1(b)	(19,350)	(24,003)
Gross profit		4,719	4,110
Other income	B1(a)	2,395	119
Administration expenses		(1,874)	(4,194)
Finance costs		(727)	(1,842)
Exploration expenses		-	(645)
Impairment losses and write-downs	B1(c)	(785)	(4,966)
Other expenses		(1,966)	(274)
Profit/(loss) before tax	B1(c)	1,762	(7,692)
Income tax (expense)/benefit	B3	(9,734)	1,698
Loss for the period after tax		(7,972)	(5,994)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Reversal/(recognition) of unrealised loss on cash flow hedge		1,729	(4,585)
Foreign currency translation differences – foreign operations		(383)	(44)
Total comprehensive loss for the period		(6,626)	(10,623)
Earnings/(loss) per share			
Basic (cents per share)		(1.9)	(1.9)
Diluted (cents per share)		(1.9)	(1.9)

Notes to the financial statements are included on pages 16 to 26.

TAP OIL LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

		Consolidated	
		30 June 2017 \$'000	31 December 2016 \$'000
Note			
Current Assets			
		7,272	6,396
	C3	4,600	7,650
		7,023	5,847
		109	90
		35	-
		304	1,786
		19,343	21,769
Non-current assets			
	C1	46,151	54,724
	C4	223	919
	C5	10,980	16,545
		57,354	72,188
Total assets		76,697	93,957
Current liabilities			
	C2	4,999	12,351
		1,229	-
		1,111	984
	D1	3,425	8,874
		-	1,742
		10,764	23,951
Non-current liabilities			
		26,674	24,244
		26,674	24,244
Total liabilities		37,438	48,195
Net assets		39,259	45,762
Equity			
		141,574	141,524
		3,526	3,526
		3,253	3,180
		-	(1,729)
		55,289	55,672
		72,940	72,940
		(237,323)	(229,351)
Total equity		39,259	45,762

Notes to the financial statements are included on pages 16 to 26.

TAP OIL LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2017

	Issued Capital \$'000	Share options reserve US'000	Share rights reserve \$'000	Cash flow hedge reserve \$'000	Foreign currency translation reserve \$'000	Profit reserve \$'000	Accumulate d losses \$'000	Total \$'000
Balance at 1 January 2016	135,174	3,526	3,168	-	55,651	72,940	(214,419)	56,040
Loss for the period	-	-	-	-	-	-	(5,994)	(5,994)
Other comprehensive income for the period	-	-	-	(4,585)	(44)	-	-	(4,629)
Total comprehensive income for the period	-	-	-	(4,585)	(44)	-	(5,994)	(10,623)
Issue of shares (net of costs)	5,653	-	-	-	-	-	-	5,653
Recognition of share-based payments	-	-	218	-	-	-	-	218
Balance at 30 June 2016	140,827	3,526	3,386	(4,585)	55,607	72,940	(220,413)	51,288
Balance at 1 January 2017	141,524	3,526	3,180	(1,729)	55,672	72,940	(229,351)	45,762
Loss for the period	-	-	-	-	-	-	(7,972)	(7,972)
Other comprehensive income for the period	-	-	-	1,729	(383)	-	-	1,346
Total comprehensive income for the period	-	-	-	1,729	(383)	-	(7,972)	(6,626)
Recognition of share-based payments	50	-	73	-	-	-	-	123
Balance at 30 June 2017	141,574	3,526	3,253	-	55,289	72,940	(237,323)	39,259

Notes to the financial statements are included on pages 16 to 26.

TAP OIL LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2017

	Consolidated Half-year ended	
	30 June 2017 \$'000	30 June 2016 \$'000
Cash flows from operating activities		
Receipts from customers	22,647	35,238
Payments to suppliers and employees	(16,989)	(16,818)
Interest received	265	49
Income tax paid	(139)	(84)
Net cash provided by operating activities	5,784	18,385
Cash flows from investing activities		
Payments for property, plant & equipment	(164)	(4,730)
Payments for exploration expenditure	(689)	(1,143)
Payments for restoration expenditure	(249)	(137)
Net cash used in investing activities	(1,102)	(6,010)
Cash flows from financing activities		
Proceeds from issue of shares	-	6,140
Payment for share issue costs	-	(487)
Repayment of loans and borrowings	(5,449)	(14,873)
Payment of interest and transaction costs related to loans and borrowings	(336)	(1,504)
Net cash used in financing activities	(5,785)	(10,724)
Net (decrease)/increase in cash and cash equivalents	(1,103)	1,651
Cash and cash equivalents at the beginning of the half-year	6,396	15,581
Effects of exchange rate changes on the balance of cash held in foreign currencies	1,979	(2,815)
Cash and cash equivalents at the end of the half-year	7,272	14,417

Notes to the financial statements are included on pages 16 to 26.

TAP OIL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

A 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 US dollars, unless otherwise noted.

Tap Oil Limited (the Company or Tap) is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Accounting policies

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 2016 annual financial report for the financial year ended 31 December 2016, 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.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year. The adoption of these standards and interpretations did not have any effect on the financial position or performance of the Consolidated Entity.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At the date of authorisation of the financial report, a number of Standards and Interpretations were on issue but not yet effective:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	31 December 2018
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective Date of AASB 15', and AASB 2016-3 'Amendments to Australian Accounting Standards – Clarifications to AASB 15'	1 January 2018	31 December 2018
AASB 16 'Leases'	1 January 2019	31 December 2019
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' and AASB 2015-10 'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128'	1 January 2018	31 December 2018
AASB 2016-5 'Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions'	1 January 2018	31 December 2018
2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments	1 January 2018	31 December 2018

The Directors note that the impact of the initial application of the Standards and Interpretations is not yet known or is not reasonably estimable. These Standards and Interpretations will be first applied in the financial report of the Consolidated Entity that relates to the annual reporting period beginning on or after the effective date of each pronouncement.

TAP OIL LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

B1 Loss for the half year from operations

(a) Revenue

Sales of gas	
Crude oil revenue ⁽ⁱ⁾	
Other revenue:	
Royalties received	
Interest received	
Net foreign exchange gain	

Consolidated Half-year ended	
30 June 2017 \$'000	30 June 2016 \$'000
5,490	10,424
18,579	17,689
24,069	28,113
59	8
18	111
2,318	-
2,395	119
26,464	28,232

⁽ⁱ⁾ Includes commodity hedge loss of US\$1.6 million (2016: US\$3.7 million)

(b) Cost of sales

<i>Crude oil:</i>	
Production costs	
Depreciation of capitalised development costs	
Government royalties	
Other costs of sales	
Third party gas and other production costs	

Consolidated Half-year ended	
30 June 2017 \$'000	30 June 2016 \$'000
7,866	6,285
8,558	13,260
1,535	1,473
(749)	(998)
17,210	20,020
2,140	3,983
19,350	24,003

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(c) Profit/(loss) before tax

Profit/(loss) for the period includes the following items that are unusual due to their nature, size or incidence:

Expenses

Redundancy payments	-	1,466
Legal expenses	57	404
Consultancy fees	27	201
Net foreign exchange losses	-	423
New venture and business development expenses	222	51
Restoration provision increase	1,910	-

Impairment losses and write-downs:

Exploration impairment	988	4,446
Property, plant and equipment impairment losses	(203)	520
	785	4,966

B2. 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 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000
Operations				
Oil & gas production and development	18,579	17,689	3,164	(4,813)
Oil & gas exploration	-	-	(2,928)	(5,092)
Third party gas	5,490	10,424	3,350	6,174
	24,069	28,113	3,586	(3,731)
Interest revenue			5	33
Net central administration costs			(1,601)	(3,910)
Net foreign exchange losses			(228)	(84)
Profit/(loss) before tax			1,762	(7,692)
Income tax (expense)/benefit			(9,734)	1,698
Consolidated segment revenue and loss for the period	24,069	28,113	(7,972)	(5,994)

TAP OIL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 2017 \$'000	31 December 2016 \$'000
Oil & gas production and development		68,452	82,722
Oil & gas exploration		5,637	5,998
Third party gas		382	4,295
Total segment assets		74,471	93,015
Unallocated assets		2,226	942
Consolidated total assets		76,697	93,957

		Liabilities	
		30 June 2017 \$'000	31 December 2016 \$'000
Oil & gas production and development		19,012	26,400
Oil & gas exploration		17,833	15,440
Third party gas		-	5,897
Total segment liabilities		36,845	47,737
Unallocated liabilities		593	458
Consolidated total liabilities		37,438	48,195

B3. Income Tax Expense

The income tax expense primarily relates to the de-recognition of income tax benefit of carry forward losses in Thailand, as a result of a decrease in the estimated future taxable profit from the Manora project.

TAP OIL LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

		Consolidated	
		30 June 2017 \$'000	31 December 2016 \$'000
C1	Property, plant and equipment		
	Development expenditures		
	<u>Gross carrying amount - at cost:</u>		
	Opening balance	253,451	248,319
	Additions	160	6,404
	Increase/(decrease) in restoration asset	(176)	-
	Adjustment in respect of carry ⁽ⁱ⁾	-	(1,272)
	Closing balance	253,435	253,451
	<u>Accumulated depreciation and impairment:</u>		
	Opening balance	198,751	173,832
	Depreciation	8,558	24,919
	Impairment losses charged to profit or loss	-	-
	Closing balance	207,309	198,751
	Net Book Value	46,126	54,700
	Office improvements, furniture & equipment		
	<u>Gross carrying amount - at cost:</u>		
	Opening balance	668	2,399
	Additions	4	-
	Foreign exchange movements	43	(23)
	Asset write-offs	-	(1,680)
	Asset disposal	-	(28)
	Closing balance	715	668
	<u>Accumulated depreciation:</u>		
	Opening balance	644	2,327
	Asset write-offs	-	(1,655)
	Foreign exchange movements	41	(22)
	Depreciation	5	20
	Asset disposal	-	(26)
	Closing balance	690	644
	Net Book Value	25	24
	Total - Net Book Value	46,151	54,724

⁽ⁱ⁾ Relates to development portion of the carry outstanding from Northern Gulf Petroleum Holdings Ltd and related entities (collectively NGP) that has been impaired in December 2016 as a result of the Settlement Agreement between the Company and Mr Chatchai Yenbamroong and NGP.

TAP OIL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Impairment of development expenditures

At 30 June 2017, the Consolidated Entity has assessed each cash generating unit to determine whether an impairment indicator existed.

The recoverable amount of the Manora development asset of US\$51.8 million (2016: US\$61.4 million) has been determined based on a value in use model and did not result in an impairment at 30 June 2017 (2016: nil impairment). The oil price assumption used in the recoverable amount assessment is based on the average of analysts' Brent oil price at the date of assessment for 4 years, thereafter fixed. The average Brent price assumptions for remaining 2017, 2018, 2019 and 2020 are US\$53.00/bbl, US\$55.60/bbl, US\$59.30/bbl and US\$61.31/bbl respectively. A decrease in oil price below 6.2% would not result in an impairment. The pre-tax discount rate used in the recoverable amount assessment is 11.84% (2016: 11.82%).

C2 Trade and other payables

Trade payables ⁽ⁱ⁾	
Share of joint operations' payables	
Goods and services tax (GST) payable	
Other payables	
Income received in advance	

Consolidated	
30 June 2017 \$'000	31 December 2016 \$'000
1,825	2,787
3,169	3,362
-	201
5	1,106
-	4,895
4,999	12,351

- (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. Included in Trade payables is \$837,500 payable to Northern Gulf Petroleum Holdings Ltd and related entities (collectively NGP) as a result of the Settlement Agreement between the Company and Mr Chatchai Yenbamroong and NGP in relation to acquisition payments due under the sale and purchase agreement for Tap's acquisition of its 30% interest in the G1/48 concession. Under the terms of the Settlement Agreement, the Company paid US\$500,000 in November 2016, issued 9,973,329 shares with a notional value of \$662,700 and accrued a final payment of \$837,500 that is payable on or before 31 March 2018, however the payment becomes due if the Company undertakes an equity raising.

C3 Trade and other receivables

Trade receivables ⁽ⁱ⁾	
Joint operations' debtors	
Other receivables	

Consolidated	
30 June 2017 \$'000	31 December 2016 \$'000
3,799	6,231
666	1,303
135	116
4,600	7,650

- (i) Trade receivables relate to gas sales and oil sales from Manora. Oil sales are on terms that result in payment 30 days from bill of lading.

TAP OIL LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated	
	30 June 2017 \$'000	31 December 2016 \$'000
C4 Exploration and evaluation assets		
Exploration and/or evaluation phase		
At cost	115,591	111,586
Less: impairment provisions	(115,368)	(110,667)
Net carrying value	223	919
Reconciliation of movement:		
Opening balance	919	3,178
Current period exploration expenditure	717	2,601
Exploration impairment losses/write-downs	(988)	(7,873)
Carry adjustment ⁽ⁱ⁾	-	3,013
Transferred to held for sale assets	(11)	
Reservation area fee offset against payables	(414)	-
	223	919
Movement in the impairment provision:		
Balance at the beginning of the period	(110,667)	(103,389)
Impairment provision decrease/(increase)	(988)	(4,861)
Carry adjustment ⁽ⁱ⁾	-	(3,013)
Foreign exchange movements	(3,713)	596
Balance at the end of the period	(115,368)	(110,667)

- (i) Relates to exploration portion of the carry outstanding from Northern Gulf Petroleum Holdings Ltd and related entities (collectively NGP) that has been impaired in December 2016 as a result of the Settlement Agreement between the Company and Mr Chatchai Yenbamroong and NGP.

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.

C5. Deferred Tax Asset

The deferred tax asset balance has decreased as a result of the de-recognition of income tax benefit of carry forward losses in Thailand, as a result of a decrease in the estimated future taxable profit from the Manora project.

TAP OIL LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated	
	30 June 2017 \$'000	31 December 2016 \$'000
D1 Interest bearing loans and borrowings		
Carrying amount	3,425	8,874
Current	3,425	8,874
Non-current	-	-
	3,425	8,874

D2 Equity securities issued

1,000,000 ordinary fully paid shares and 1,000,000 performance rights to acquire ordinary fully paid shares were issued to James Menzies pursuant to his executive employment agreement upon shareholder approval on 26 May 2017. The impact on share rights reserve as a result of James Menzies's share rights is \$30,000 for the six months ended 30 June 2017. 1,000,000 shares were issued (2016: 835,853) as a result of the vesting of James Menzies' share rights.

A total of 7,359,513 employee share rights were issued during the half-year ended 30 June 2017 (2016: 5,002,576). 1,000,000 employee share rights vested during the half-year ended 30 June 2017 (2016: 835,853). A total of 381,086 share rights expired, lapsed or were cancelled during the half-year ended 30 June 2017 (2016: 2,707,724). The total number of share rights on issue at 30 June 2017 was 8,306,528 (2016: 14,736,778).

D3 Fair value measurement of financial instruments

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.

TAP OIL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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	7,272	7,272
Trade and other receivables	4,600	4,600
	11,872	11,872
Financial liabilities		
Interest bearing loans and borrowings	3,425	3,425
Trade and other payables	4,999	4,999
	8,424	8,424

F1 Contingencies and commitments

	Consolidated	
	30 June 2017 \$'000	31 December 2016 \$'000
Commitments		
<u>Property, plant and equipment</u>		
Not longer than 1 year	3,338	3,497
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	3,338	3,497
<u>Exploration expenditure</u>		
Not longer than 1 year	1,295	2,303
Longer than 1 year and not longer than 5 years	55	341
Longer than 5 years	-	-
	1,350	2,644

There has been no material change to the remaining operating lease commitments as disclosed in the most recent annual report.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Joint Venture Commitments

The operating lease commitments arising from the Consolidated Entity's interests in joint operations:

	Consolidated	
	30 June 2017 \$'000	31 December 2016 \$'000
<u>FSO lease at Manora</u>		
Not longer than 1 year	5,424	5,424
Longer than 1 year and not longer than 5 years	16,747	19,436
Longer than 5 years	-	-
	22,171	24,860

F2 Subsequent events

There have been no matters or circumstances occurring subsequent to the half year that has significantly affected, 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 future years.