Tap Oil Limited
ABN 89 068 572 341

Appendix 4E
Preliminary Final Report
For the year ended 31 December 2017

Results for announcement to the market				US$ million
Revenue from continuing operations	Down	30%	to	44.8
Loss from continuing operations after tax	Down	2%	to	14.6
Net loss for the period attributable to members	Down	17%	to	13.9

Dividends per share	No dividends have been declared or paid.
Record date for determining entitlements to the dividend	N/A. No dividends have been declared or paid.

NTA backing	31 December 2017	31 December 2016
Net tangible asset backing per ordinary security *(Net assets excluding deferred exploration expenditure per share)*	US$0.07	US$0.11

The attached Financial Report has been audited.

This information should be read in conjunction with the notes and commentary contained in the Financial Report.

2017 Financial Report

Tap Oil Limited
ABN 89 068 572 341
Financial Report for the year ended 31 December 2017

Contents

Reporting in United States dollars
In this report, all amounts are stated in US dollars unless otherwise stated. This is consistent with the functional and presentation currency of the company

OVERVIEW

Tap continued to focus on debt repayment and minimising costs, particularly where possible during the year as oil prices continued to remain subdued. A key focus area was ensuring operational performance at Manora was maximised and potential exploration opportunities were inventorized.

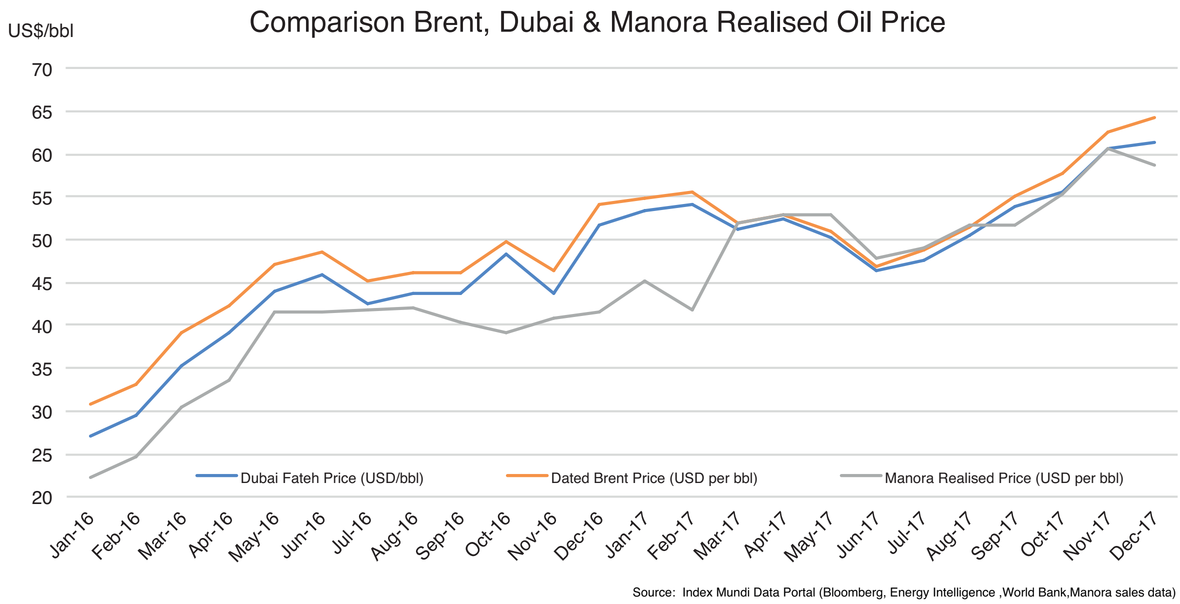
During the year Tap worked closely with the Manora Joint Venture Operator while it continued its assessment of the exploration potential of the G1/48 concession, including a regional Kra Basin study to understand reservoir distribution, prospect maturation, detailed seismic mapping, develop play concept for deep targets and re-evaluation of the Manora Footwall. Following this work, the Manora 6 and the Ladawan-1 wells were drilled. The Ladawan-1 failure downgraded the exploration potential of the nearby area as well as the eastern side of the block and the fluvial play, resulting in the Joint Venture making a decision to relinquish a large part of the Reservation Area. The Manora footwall prospect in the production license area has been prioritised for drilling in 2018.

In the second half of the year, the Manora Joint Venture successfully completed the drilling of 2 planned additional development wells, which increased production significantly.

In September 2017, Tap made the final debt repayment of $3.4 million under the BNP Facility. This marked a significant milestone for the Company, with the original US$90 million BNP Facility secured in April 2014 to fund the Manora Oil Development.

During the year Tap successfully exited from a number of Australian exploration permits and continues to look for ways to minimise expenditure and further reduce its interests in the remaining Australian exploration permits.

The improved outlook for oil supply/demand during 2017 helped to push up crude prices in the second half of the year as global crude inventories started to fall, resulting in a significant improvement in the average realised oil price for Manora crude for 2017 of $51.40/bbl, an increase of 44% compared to the prior year. Tap sells Manora oil under contract priced against the Dubai benchmark, which historically trades at a discount to the Brent benchmark.



> *"A key focus area was ensuring operational performance at Manora was maximised and potential exploration opportunities were assessed.*

Operating and Financial Review

PRODUCTION AND SALES

	2017 '000 boe	2017 $'000	2016 '000 boe	2016 $'000
Production (net to Tap):				
Oil - Manora	786		1,184	
Sales (net to Tap):				
Oil - Manora	762	41,555	1,189	46,058
Commodity hedge gain/(loss)		(2,364)		(3,660)
Oil revenue		39,191		42,398
Third Party Gas Sales – 921 TJ (2016: 3,281TJ)		5,581	484	21,284
Total sales		44,772	1,673	63,682
Average realised oil price		$51.40/bbl		$35.70/bbl

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

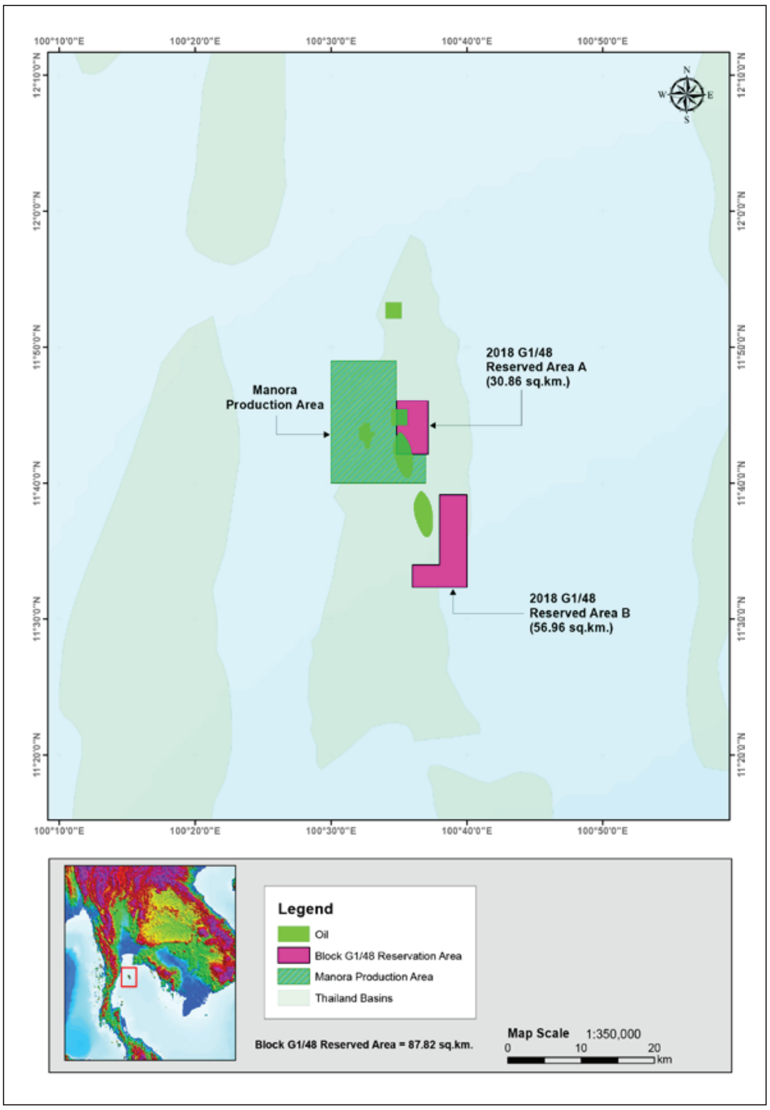


Figure 1 - Map of the G1/48 concession

The Manora oil field is located in the G1/48 concession offshore in the Gulf of Thailand and operated by Mubadala Petroleum (Thailand) Ltd (Mubadala). The Field is located approximately 80 kilometres offshore of Prachuap Khiri Khan Province.

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.

Activities during the year were focussed on maintaining production levels and included a workover programme undertaken in the second half of the year together with the drilling of 2 planned additional development wells.

Production in the first half of the year declined with water influx increasing and capacity limitations of injection wells to dispose of additional water volumes. In the third quarter the Operator completed workover operations on several wells resulting in enhanced water injectivity, identification of additional bypassed oil zones and additional completions in four separate reservoir horizons.

In the fourth quarter, the Operator successfully completed the drilling of 2 planned additional development wells, MNA-18 and MNA-19.

The MNA-19 infill well targeted the 600 series sandstone reservoirs in the Central Fault Block. The primary target reservoirs all came in on prognosis and are oil-bearing with petrophysical interpretation of 118 feet of oil pay. The well has been completed with an electric submersible pump (“ESP”). The well took approximately 15 days versus a planned 19 days to drill and complete. The well commenced production during November.

The MNA-18 development well encountered approximately 87 feet of oil-bearing pay in the primary target, the 500 series sandstone reservoirs in the Eastern Fault Block and 68 feet of oil pay in the secondary target, the 600 series reservoirs. The well has been completed in the 500 series reservoirs with an ESP. The well took 16 days versus a planned 21 days to drill and complete. The well commenced production during November.

The Operator has significantly reduced well costs over time, with 2017 capex approximately 30% below 2016 capex on a per well basis.

At the end of the year the Manora field had 11 out of 12 possible production wells producing and 4 water injection wells in operation.

Gross production for the year was 2.618 MMSTB (Tap share 0.786 MMSTB). The average gross production rate for 2017 was 7,174 bopd (Tap share 2,152 bopd). Cumulative field production to 31 December 2017 was 12.02 MMSTB gross (Tap share 3.61 MMSTB).

In the Manora oil field, water injection is used to maintain reservoir pressure and sweep oil to the producers. All produced water is required to be injected back to the reservoir and this is supplemented by treated seawater if necessary. Cumulative injection during 2017 was 7.2 MMbbl water or on average 19,800 bwpd. All the reservoirs into which water has been injected have shown stabilised reservoir pressure above the oil bubble point pressure, demonstrating the benefit of water injection. During 2017 a portion of oil production originated from the 500 series reservoirs which have proved to have a strong water drive characteristics thus not requiring water injection.

There were 10 cargo liftings during the year. In May 2017, the Joint Venture partners executed a new offtake agreement for the sale of crude from the Manora oil field. The new offtake agreement is priced at a premium of US$1.40/bbl to the Dubai US$ crude oil price, an increase of 100% in the premium compared to the previous contract.

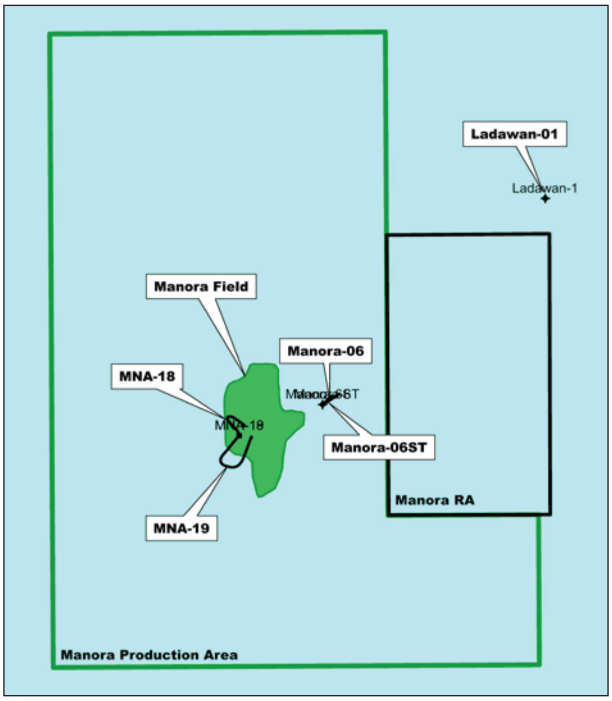


Figure 2 - G1/48 drilling activity

Operating and Financial Review

Third Party Gas

Tap 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

G1/48 Exploration (30% interest)

Tap holds a 30% direct interest in G1/48 exploration concession in the northern Gulf of Thailand. The concession is operated by Mubadala.

At the beginning of the year the G1/48 Joint Venture held an area of 484.23 km^2 under a five year Reservation Area Agreement with the Thailand Department of Minerals and Fuels.

During the year the Manora 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 the 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 and are:

- low cost to drill, quick to bring on-line; and
- able to extend field life

In November 2017 the Manora-6 well was spud. The well was targeting the L fault block prospect. Interpretation of the logging while drilling data indicated an oil column in the primary reservoir section of approximately 5.8 metres, below a depth of 2,229 metres true vertical depth sub-sea (TVDSS). This result was encouraging enough for the joint venture to proceed with a side-track to the well, Manora-6ST, to test the M prospect. The Manora-6ST well was drilled to a depth of 2,387 metres TVDSS. Interpretation of the logging while drilling data showed approximately 5.8 metres of oil in three separate reservoir sandstones, below a depth of 2,214 metres TVDSS, each of which exhibited evidence of an oil water contact.

In December 2017 the Ladawan-1 exploration well was drilled to a total depth of approximately 2,175 metres TVDSS. Interpretation of the logging while drilling data showed approximately 3.3 metre of oil column in the primary reservoir target. This result was not viewed as commercial and the well was plugged and abandoned. Drilling costs will be partially offset by the Reservation Fee paid in December 2016.

The Ladawan-1 failure downgrades the exploration potential of the nearby area as well as the flexural margin (eastern side of the block) and the fluvial play thus supporting the relinquishment of a large part of the Reservation Area, with the Joint Venture agreeing to a reduced Reservation Area of 87.82 km^2. The area to be retained focuses exclusively on the Malida discovery and some prospective acreage to the east of Mubadala operated Block B5/27.

Myanmar (95% interest)

Block M-07 Moattama Basin, Offshore Myanmar

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

During the year Tap commenced discussions with MOGE to obtain approval to withdraw from the Block. MOGE have indicated approval is likely, subject to Tap posting a performance bond for $200,000 for work permit obligations that were triggered on 30 November 2016.

Carnarvon Basin – Offshore Western Australia

WA-72-R (20% interest)

WA-72-R Retention Lease was granted in April 2016, is located in the offshore Carnarvon Basin, Western Australia and contains the Tallaganda gas discovery. The Tallaganda-1 well was a new field gas discovery in the Triassic Mungaroo Formation. The Tallaganda structure straddles both WA-72-R and WA-71-R to the south. The structure is well defined by modern 3D seismic data. Tap has booked 45 BCF (49 PJ) as a 2C contingent resource (ASX release 29 January 2013).

WA-33-R (22.474% interest)

WA-33-R contains the Maitland gas discovery, which is approximately 12 kilometres from John Brookes platform and approximately 17 kilometres 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 revised downwards its estimate of contingent resources from 48.4 PJ to 34.8 PJ as at 30 June 2017.

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

WA-290-P is an exploration permit in the offshore Carnarvon Basin, Western Australia. Previously the Joint Venture drilled the Zola discovery and had been granted a retention lease, WA-49-R, over the Zola and Antiope discoveries for a period of five years.

The Greater Zola Structure comprises several fault blocks along the Alpha Arch, south of the giant Gorgon gas field. A single fault block was tested by Zola-1 (the Zola fault block). Within the Greater Zola Structure, the Bianchi-1 discovery well was drilled in 2013 on an independent Triassic prospect some 6.4 kilometres north-northeast of the Zola-1 gas discovery and 20.8 kilometres south-southwest of the Gorgon-1 gas discovery.

During the year the joint venture completed the acquisition of the 688 km^2 Bianchi 3D seismic survey, which is aimed at high grading Triassic Mungaroo prospects in these permits. Delays to the delivery of the processed seismic data have been created through the application of two new technologies to the data set. Fast tracked data is now expected to be delivered in February 2018 and final data in May 2018. As the primary permit term for WA-290-P is due to end on 21 February 2018, the Joint Venture has sought a six month suspension and extension of the permit term.

During 2017 Tap downgraded its assessment of the value of WA-49-R and in December 2017, Tap formally withdrew from the WA-49-R Retention Lease, subject to National Offshore Petroleum Titles Administrator (NOPTA) approval. Accordingly, Tap no longer recognises any contingent resources in the Retention Lease's three fields: Antiope, Bianchi and Zola.

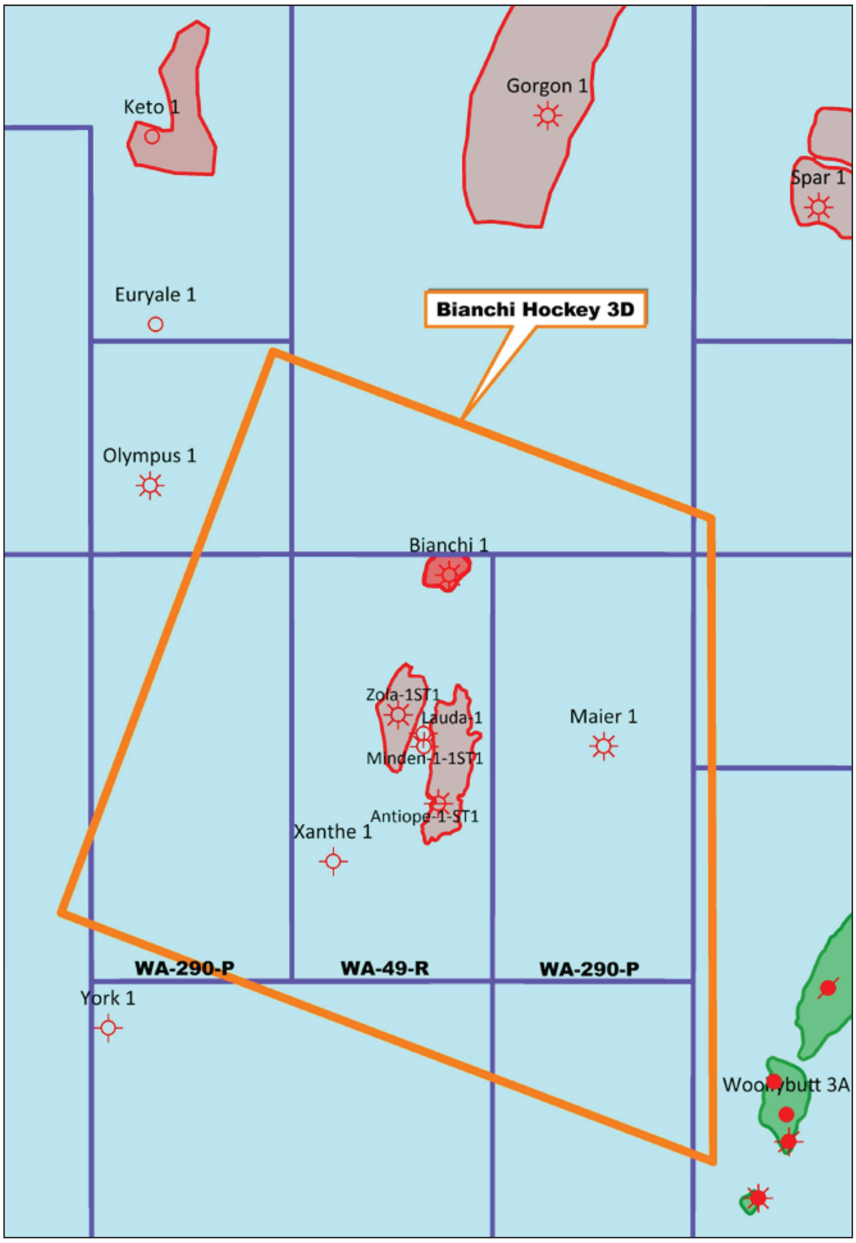


Figure 3 - Bianchi 3D seismic survey

Operating and Financial Review

WA-320-P and WA-155-P (Part II) (9.778% interest in WA-320-P, 6.555% interest in WA-155-P (Part II))
WA-320-P permit expired on 20 October 2017.

WA-155-P (Part II) is an exploration permit in the offshore Carnarvon Basin, Western Australia.

The Part I Venturers and the Part II Venturers are parties to the 1999 Coordination Deed and the 1999 JV Deed. The Part I Venturers are the registered holders of the Permit. In July 2017, the Part II Venturers gave notice to the Part I Venturers of their intention to surrender their interests, with the Part I Venturers agreeing to accept the surrender and assignment of the Part II Venturers, effective 9 November 2017.

TL/2 and TP/7 (10% and 12.474% interest)
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.

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 (2014 Tap Annual Report).

During the second half of the year, the Joint Venture proceeded with a proposal to remove the Chervil Platform and to dispose of it. For further information refer to the section on Decommissioning Activities.

TL/2 & TP/7 sale and purchase
Tap has entered into a conditional sale and purchase agreement for the sale of Tap's interests in TL/2 and TP/7, effective post the completion of the Chervil platform removal in Q417, subject to relevant regulatory and other approvals.

Other Exploration

WA-8-L (20% interest)
Production License WA-8-L covers an area of 161km^2 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 in water depths of 80-85m.

During the year, Tap entered into a sale and purchase agreement for WA-8-L. The terms of the sale include a cash payment of A$700,000 and a further A$100,000 payable upon a Final Investment Decision being made for a development upon the Licence. Completion of the sale is expected to occur during Q1 2018.

WA-34-R (12% interest)
WA-34-R is a Retention Lease in the offshore Bonaparte Basin, Western Australia. The Retention Lease contains the Prometheus/Rubicon Gas fields and covers 418 km^2. Tap estimates gross 2C contingent resources of 377 PJ and a net resource to Tap of 45 PJ. In 2015 the Retention Lease was renewed for a further five year term to 22 December 2020.

There have been no significant activities undertaken during the year.

Decommissioning Activities

TL/2
During the year the Operator received a fixed priced proposal to remove the Chervil platform and to dispose of it. The proposal provided the Joint Venture partners with a significant cost saving opportunity, compared to continuing to maintain the platform and to remove it at a later date.

The scope included

- Platform preparations for removal;
- Above water/subsea cutting and isolations;
- Platform removal; and
- Back loading, transportation and disposal of removed infrastructure to shore.

The work was completed in December 2017.

Remaining abandonment activities at Airlie Island include the removal of the concrete foundations, the pipeline in the intertidal zone and land remediation, with this work currently estimated to be undertaken in 2020.

During the year the Operator also completed the environmental baseline surveys of the TL/2 pipelines.

Woollybutt, WA-22-L & WA-25-L (15% interest)
The WA-22-L and WA-25-L production licenses are located off the northwest coast of Western Australia, approximately 80km north of the town of Onslow and lie in 100m 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 parties continue to plan for the decommission of the field. The abandonment of the subsea wells is expected to occur in 2019. Further decommissioning activities may be required in relation to the subsea facilities, although the scope and timing are uncertain at this stage.

CORPORATE

Financial

Tap's revenue for 2017 was $44.8 million (2016: $63.7 million). Gross profit was $6.1 million (2016: $12.3 million). After exploration impairment losses and write-downs of $3.1 million (2016: $9.2 million), the net loss before tax was $1.7 million (2016: $12.0 million); and the net loss after tax was $14.6 million (2016: $14.9 million).

Net cash inflows from operations were $15.7 million (2016: $27.4 million inflow).

Manora oil sales were lower because of a decrease in production volumes during 2017. Manora production volumes were approximately 34% lower compared to 2016, with a corresponding 36% reduction in liftings during the year. The average selling price for 2017 was $51.40/bbl (2016: $35.70/bbl).

Revenues from third party gas contracts were lower in 2017, as the gas contracts came to the end of the supply period in March 2017.

Total cost of sales were $38.7 million (2016: $51.4 million) of which $36.5 million (2016: $43.3 million) relates to the Manora asset. Included in cost of sales was depreciation of $16.1 million (2016: $24.9 million), all of which relates to the Manora asset.

Exploration impairment losses and write-downs recorded as at 31 December 2017 were $3.1 million (2016: $9.2 million). The impairment loss primarily relates to the write off of Manora exploration expenditure of $2.5 million, with the remaining $0.6 million relating to other exploration permits.

Administration costs were lower for the year at $3.4 million (2016: $7.0 million), following efforts during 2016 to reduce the Company's cost base. 2016 also included one-off costs relating to staff redundancies and legal costs related to the NGP arbitration proceedings.

BNP Debt Facility

During the year, debt repayments of $8.9 million were made to fully repay the amount due under the facility, with the final debt payment made in Q3 2017. The original BNP Facility of $90 million was secured in April 2014 to fund the Manora Oil Development.

Hedging

In October 2017 Tap entered into a commodity hedging program with BP Singapore Pte Limited to hedge a total of 262,500 barrels (bbls) (37,500 bbl per month) of crude oil production over the seven month period from October 2017 to April 2018, using Dubai benchmark as the reference price at a fixed price of US$52.25 / bbl and in November 2017 a further hedge program was executed with BP Singapore Pte Limited with a total of 112,500 bbls (37,500 bbl per month) of crude oil production over the three month period from June 2018 to August 2018, using Dubai benchmark as the reference price at a fixed price of US$57.90/bbl. This hedged volume represents approximately 50% of Tap's net share of forecast production from the Manora oil field. In 2016, the Consolidated Entity also had commodity hedges in place which covered the periods of January 2017 and February 2017 for 50% of forecast 1P Manora production at an average swap price of US$42.15/bbl.

Directors' Report

The Directors present their report together with the consolidated financial statements of the Group comprising Tap Oil Limited (**Tap** or the **Company**) and its subsidiaries for the year ended 31 December 2017, and the auditor's report thereon. The remuneration report for the year ended 31 December 2017 forms part of the Directors' Report.

1. DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Name	Committee Memberships	Experience
C Newton Non-Executive Director Appointed 31 January 2018 (Previously Alternate Director for TL Soulsby 1 January 2016 – 31 January 2018)	Nomination & Remuneration Committee Reserves Committee (Chair)	Chris Newton has had a 39 year career in oil and gas covering the spectrum of the industry – from exploration, development, production and petroleum economics to strategic planning, business development and senior leadership. Chris has spent more than 25 years in leadership and senior resource industry roles in South East Asia. Roles included Managing Director for Fletcher Challenge Petroleum in Brunei, President and GM for Santos in Indonesia and CEO of Indonesian listed Energy Mega Persada. Chris was an active Director of the Indonesian Petroleum Association (IPA) between 2003 to 2008, including serving as President from 2004 to 2007. Chris is an oil and gas adviser to the Jakarta-based Castle Asia Group and an adviser to Northern Oil & Gas Australia. Mr Newton is also a director of Lion Energy Limited.
G van Ek Non-Executive Director Appointed 31 January 2018	Audit & Risk Committee (Chair) Nomination & Remuneration Committee	Dr Govert van Ek started his upstream oil and gas career at Shell in 1996 having graduated from The University of Manchester with a Ph.D in total technology. He then worked for a number of investment banks becoming responsible for signing off technical matters for loans in the upstream oil sector. He became managing director of a number of upstream E&P companies including Spyker Energy Plc which later sold its Dutch operations to a Barclays bank subsidiary in 2012. He was briefly Sun Resources Managing Director before co-founding a number of successful software technology companies where he remains active.
K Baba Non-Executive Director Appointed 6 February 2018	Audit & Risk Committee Nomination & Remuneration Committee (Chair) Reserves Committee	Mr Baba holds a Bachelor of Laws Degree from the University of London and was also admitted as Associate of The Institute of Chartered Secretaries and Administrators, United Kingdom. He was issued a certificate of Legal Practice from the Legal Profession Qualifying Board Malaysia and was admitted to practice as Advocate and Solicitor in the High Court of Malaya, Peninsular Malaysia. Mr Baba has over 30 years' experience as a company secretary, in private legal practice and in-house counsel. He is currently the General Counsel of the Northern Gulf Petroleum Group (NGP).
B Ulmer Non-Executive Director Appointed 1 February 2018	Audit & Risk Committee Reserves Committee	Mr Blaine Ulmer has over 35 years of oil and gas experience with his recent role as founding CEO of Northern Oil & Gas Australia. Blaine's last 20 years has been in senior leadership roles responsible for delivery of operated and non-operated exploration, drilling, engineering, development, production operations, business development and HSE objectives.Blaine has worked in Australia and internationally with Hudson's Bay (Hudbay), LASMO, Premier Oil, Newfield and Tap Oil prior to joining Northern Oil and Gas Australia in 2015. He has directly managed exploration, drilling, production and decommissioning projects both onshore and offshore, in Australia, Indonesia, Brunei, New Zealand, the Philippines and Canada and holds a GAICD certificate from Australian institute of Company Directors.

Name	Committee Memberships	Experience
J G Menzies Non-Executive Director Appointed 27 May 2016 Executive Chairman Appointed 15 December 2016 Resigned 31 January 2018	Audit & Risk Committee Nomination & Remuneration Committee Reserves Committee (Chair)	James Menzies was the founder of Salamander Energy, an oil and gas business listed on the London Stock Exchange with activities in South East Asia that was acquired by Ophir Energy in 2015. Prior to founding Salamander Energy, James was the Senior Partner in Lambert Energy Advisory, an upstream oil and gas corporate finance advisory business. James has experience in Corporate Development and Mergers & Acquisitions, and has held various corporate positions, including in Corporate Affairs, Strategic Planning and Investor Relations. Mr Menzies is an independent non-executive director of Guinness Oil & Gas Exploration Trust Plc and was previously a director of Salamander Energy Plc until March 2015.
P J Mansell. Non-Executive Director Appointed 27 May 2016 Resigned 31 January 2018	Audit & Risk Committee Nomination & Remuneration Committee (Chair) Reserves Committee	Peter Mansell has practiced as a corporate and resources lawyer in South Africa and Australia and was previously a partner at Freehills, including the Managing Partner for over 10 years, the National Chairman and the Partner responsible for the integration of the Freehills' offices during the Freehills' nationalisation in 2000. Peter has significant, varied corporate experience as a director and lawyer both internationally and in Australia. Peter has over 15 years' experience as a listed company director in Australia, including chair of two ASX 100 companies, Zinifex Limited and West Australian Newspapers Holdings Limited. Amongst other directorships, Peter currently chairs Energy Resources of Australia Ltd and is a director of the Aurecon Group Pty Ltd. Mr Mansell is also a Director of Cancer Research fund Pty Ltd, Foodbank Australia Ltd, and Z-Filter Pty Ltd.
A Hall Non-Executive Director Appointed 19 October 2016 Resigned 31 January 2018	Audit & Risk Committee (Chair) Nomination & Remuneration Committee Reserves Committee	Andrea Hall is a former KPMG Risk Consulting Partner with over 20 years' experience in risk management, financial management, internal audit, external audit and board, corporate and operational governance. Industry segments she has worked with include healthcare, insurance, mining, transport, mining services, property and government. Ms Hall is a board member of Insurance Commission of Western Australia, Lotteries Commission of WA, ASX listed Pioneer Credit Limited, Fremantle Football Club, C-Wise and a Senate member of Murdoch University. She is also Chair of Community First International Ltd.
F S Sreesangkom Nominee Director Appointed 27 May 2016 Resigned 6 February 2018	Nomination & Remuneration Committee Reserves Committee	Frank Sreesangkom is currently Senior Adviser to Northern Gulf Petroleum Pte Ltd. His past roles include CFO at Electricity Generating Pcl, one of the largest independent power producers in Thailand, CFO at Glow Company Ltd., a major independent power producer in Thailand that was part of the Suez Group, Asian Development Bank Consultant on debt management for the Ministry of Finance, Executive Director of Debt Capital Markets for Thailand at SBC Warburg Dillon Read, and later UBS, Chief Representative at Credit Suisse First Boston Thailand Representative Office, Associate at First Boston Corporation, New York, and Analyst in Investment Research & Strategy Division at Nikko Securities, Tokyo.
T L Soulsby Nominee Director Appointed 1 January 2016 Resigned 31 January 2018	Nomination & Remuneration Committee Reserves Committee	Tom Soulsby has over 25 years' experience in the oil and gas and resources sector spanning investment banking, corporate business development, and management and leadership roles. Tom was a founding Director at Indonesian-listed Energy Mega Persada in 2003 and until 2008, where he was responsible for the acquisition of assets which added 525 Mmboe to EMP's 2P reserves – a key growth driver for the company. Mr Soulsby is also a director of Lion Energy Limited.

Company Secretary

Chris Bath CA, MAICD, is a Chartered Accountant and a member of the Australian Institute of Company Directors with significant experience as a senior executive in the energy and resources sector. He was appointed Company Secretary on 30 June 2016.

Shannon Coates was appointed as Joint Company Secretary, effective 24 August 2017. Shannon has over 20 years' experience in corporate law and compliance. She is currently Company Secretary to a number of ASX listed companies and has provided company secretarial and corporate advisory services to boards across a variety of industries, including mining and oil & gas exploration and development, financial services, manufacturing and technology both in Australia and internationally. Shannon is a qualified lawyer, Chartered Secretary and graduate of the AICD's Company Directors course.

Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of committees of the Board of Directors of Tap Oil Limited) held during the financial year and which each Director of the Company was eligible to attend and the number of meetings attended by each Director of the Company.

	Board of Directors		Audit and Risk Committee		Remuneration Committee		Reserves Committee		Remuneration and Nominations Committee[2]	
Directors	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
J G Menzies	8	8	4	4	1	1	3	3	3	2
P J Mansell	8	8	4	4	1	1	3	3	3	3
A Hall	8	8	4	4	1	1	3	3	3	3
F Sreesangkom	8	7	n/a	1[1]	1	1	3	3	3	3
T L Soulsby	8	8	n/a	2[1]	1	1	3	3	3	3
C Newton[3]	8	-	n/a	-	n/a	-	n/a	1	n/a	-
P Panyarporn[4]	8	1	n/a	-	n/a	-	n/a	1	n/a	-

1. *Attended by invitation.*
2. *The Remuneration and Nominations Committees were combined on 24 January 2017.*
3. *Alternate director to T L Soulsby.*
4. *Alternate director to F Sreesangkom*

Directors' Interests

The relevant interest of each Director in the shares and rights issued by the Company as notified by the Directors to the ASX in accordance with s205G(1) of the Corporations Act 2001, at the date of this report are as follows:

Directors	Fully paid ordinary shares	Rights
C Newton	Nil	Nil
G van Ek	Nil	Nil
K Baba	Nil	Nil
B Ulmer	34,654	Nil

2. PRINCIPAL ACTIVITIES

The Consolidated Entity's principal activities during the period were oil and gas exploration, production and gas marketing. There were no significant changes in the nature of the Consolidated Entity's principal activities during the period.

3. CONSOLIDATED RESULTS

Tap's revenue for 2017 was $44.8 million (2016: $63.7 million). Gross profit was $6.1 million (2016: $12.3 million). After impairment losses and write-downs of $3.1 million (2016: $9.2 million), the net loss before tax was $1.7 million (2016: $12.0 million) and the net loss after tax was $14.6 million (2016: $14.9 million). Net cash inflows from operations were $15.7 million (2016: $27.4 million inflow).

4. DIVIDENDS

The Directors of the Company do not recommend the paying of a dividend for the financial year.

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

5. REVIEW OF OPERATIONS

The Review of Operations for the year ended 31 December 2017 is set out on pages 1 to 7 and forms part of this Directors Report.

6. CHANGES IN STATE OF AFFAIRS

No significant change in the state of affairs of the Consolidated Entity occurred during the period other than already referred to elsewhere in this report.

7. SUBSEQUENT EVENTS

Since the end of the financial year, 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.

8. FUTURE DEVELOPMENTS

The Consolidated Entity's likely developments in its operations in future financial years and the expected results of those operations have been included generally in the Operation and Financial Review. Other than as disclosed elsewhere, disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Consolidated Entity. Accordingly, this information has not been disclosed.

9. ENVIRONMENTAL REGULATIONS

The Consolidated Entity is subject to significant environmental regulation in each jurisdiction in which it operates. In Australia, the environmental obligations are regulated under both State and Federal law. In Myanmar, the environmental obligations are regulated under national legislation with the aid of the Ministry of Environmental Conservation and Forestry (MOECAF).

The Board is not aware of any significant breaches during the period covered by this report.

10. SHARE RIGHTS

At the date of this report, the details of share performance rights issued are as follows:

Performance Rights		Retention Rights	
Number	Expiry date of rights	Number	Expiry date of rights
327,685	01-Jan-23	1,024,544	25-May-23
4,522,068	01-Jan-24	-	-
6,065,782	01-Jan-25	-	-
10,915,535		1,024,544	

All rights vest after three years, expire after seven years and have a nil exercise price.

For more details, please refer to section 15.6 of this report.

11. INDEMNIFICATION OF OFFICERS AND AUDITORS

The Company has agreed to indemnify all current Directors and officers of the Company and its controlled entities against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

During the year, the Company paid a premium in respect of a policy insuring the Directors of the Company, the Company's secretaries and all executive officers of the Company and any related body corporate against a liability incurred as such a Director, secretary or officer to the extent permitted by the Corporations Act 2001. The policy of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

12. NON-AUDIT SERVICES

During the period the Company's auditors did not perform any other services in addition to their statutory audit, and half year review.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note F10 to the financial statements.

13. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 27 of the financial report.

14. ROUNDING OFF

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.

15. REMUNERATION REPORT – AUDITED

This Remuneration Report is presented in the following sections:

15.1 Introduction
15.2 Governance
15.3 Existing Remuneration Arrangements for Directors and Executives
15.4 Elements of Remuneration related to Performance
15.5 KMP Remuneration related to Performance
15.6 Other Elements of Director and Executive Remuneration

15.1 Introduction

The Directors present their Remuneration Report for Tap Oil for the year ended 31 December 2017. This remuneration report outlines the remuneration strategy, policies and practices as it relates to the Directors and other Key Management Personnel (KMP), in accordance with the requirements of the Corporations Act 2001 and its Regulations. In accordance with section 308(3C) of the Corporations Act 2001, the Remuneration Report has been audited and forms part of the Directors' Report.

Key Management Personnel (KMP) includes all directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company and the Consolidated Entity.

Tap's Remuneration Policy is designed to ensure that the level and form of compensation achieves certain objectives, including:

(a) attraction and retention of employees and management to pursue the Company's strategy and goals;
(b) delivery of value-adding outcomes for the Company;
(c) fair and reasonable reward for past individual and Company performance; and
(d) incentive to deliver future individual and Company performance.

Remuneration consists of base salary, superannuation, short term incentives and long term incentives. Remuneration is determined by reference to market conditions and performance. Performance is evaluated at an individual level as well as the performance of the Company as a whole.

15.2 Governance

15.2.1 The Remuneration Committee

The Remuneration Committee's role is to review and recommend remuneration for KMP, review remuneration policies and practices, Company incentive schemes and superannuation arrangements in accordance with the Remuneration Committee Charter.

The Committee considers independent advice, where circumstances require, on the appropriateness of remuneration to ensure the Company attracts, motivates and retains high quality people.

The ASX Listing Rules and the Constitution require that the maximum aggregate amount of remuneration to be allocated among the Non-executive Directors be approved by shareholders in general meeting. In proposing the maximum amount for consideration by shareholders, and in determining the allocation, the Remuneration Committee takes account of the time demands made on Directors and such factors as fees paid to Non-executive Directors in comparable Australian companies.

Remuneration arrangements for Directors and Executives are reviewed by the Remuneration Committee and recommended to the Board for approval. The Remuneration Committee considers external data and information and may engage independent advisers where appropriate to establish market benchmarks.

Remuneration arrangements are determined in conjunction with the annual review of the performance of Directors, Executives and employees of the Company. These evaluations take into account criteria such as the achievement toward the Company's performance benchmarks and the achievement of individual performance objectives.

15.3 Existing Remuneration Arrangements for Directors and Executives

15.3.1 Overview of Executive Remuneration Structure

The remuneration arrangements for Directors and Executives of the Company for the year ended 31 December 2017 are summarised below.

The remuneration structure in place for 2017 applies to all employees, including the Executive Director and Executives of the Company. The Company's remuneration structure has five elements:

(a) FAR;
(b) STI;
(c) LTI;
(d) retention incentives which encourage new employees to remain in employment for at least three years; and
(e) special awards which reward individuals for meritorious achievements or retain individuals who are involved in a critical task that will extend more than one year.

Each of the STI, LTI, retention incentives and special awards are at risk. The elements are described below.

1. Base Salary or Fixed Annual Remuneration (FAR)

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits), as well as employer contributions to superannuation funds.

The Board resolved to not approve any salary increases during 2017.

When fixed compensation is reviewed, the Company compiles competitive salary information on companies of comparable size in the oil and gas industry from various sources. Information is obtained from surveys conducted by independent consultants and national and international publications. In the past, the Board has engaged independent advisers to review the remuneration levels paid to the Company's KMP. An adviser was not retained for the 2017 review.

FAR will be paid in cash and is not at risk other than by termination. Individual FAR is set each year based on job description, competitive salary information sourced by the Company and overall competence in fulfilling the requirements of the particular role.

2. Short Term Incentive Awards (STI)

An STI award is assessed by a performance-based factor multiplied by a benchmark award for the individual's level in the Company, multiplied by the individual's FAR. The STI award is usually made in cash and the amount of the payment is calculated by the following formula:

Performance Factor x STI Organisational Level Benchmark x Individual's FAR

An individual employee's performance factor is assessed against both the individual's performance and the Company's performance over the preceding year. A rating for individual performance is determined on a scale of 1 to 5 based on how well the individual performs against the individual's annual goals. The Company's performance is assessed against a set of corporate goals, which are in the form of KPIs, which are set by the Board for a given year.

In 2017, the KPIs included the achievement of key strategic objectives set for the year, financial management and targets including performance against budget and cashflow, asset management and stakeholder management. Each KPI is given a relative weighting and is assessed against threshold, good (target) and excellent benchmarks. The Board will vary KPIs each year to suit prevailing circumstances.

An individual's combined performance factor is determined from the assessment table below:

Performance Factors (%)

Annual Corporate KPI Performance	Individual Performance Ranking				
	5	4	3	2	1
< Threshold	0%	0%	0%	0%	0%
Threshold	0%	20%	50%	63%	75%
Good	0%	40%	100%	125%	150%
≥ Excellent	0%	60%	150%	188%	225%

Three STI organisational level benchmarks have been established as percentages of individual FARs. These three levels reflect the increased involvement at each level in the organisation's pursuit and achievement of the Company's goals. These benchmarks are set out below.

Organisational Level	Managing Director/CEO	Management	Professional, Technical & Support
STI Organisational Benchmarks	20%	15%	12.5%

Any award will be subject to the Company exceeding one or more fundamental performance hurdles determined by the Board on an annual basis. While a positive STI award might be assessed under a previously prescribed set of KPIs, circumstances within the year might see a reduction in the Company's ability or desire to pay such an award (for example due to an unexpected material reduction in the Company's cash flow or significantly poor share price performance). The Board, at its absolute discretion, reserves the right to withhold the making of any STI awards if it finds itself in such a position.

As at the date of this report, the Board has not completed a review of performance for the 2017 year, and no award has been made.

3. Long Term Incentive Awards (LTI)

The Company believes that encouraging its employees to become shareholders is the best way of aligning their interests with those of its shareholders.

LTI awards are made in the form of rights to shares which will have a vesting timeframe of three years. The number of rights that vest will be based on the Company's performance over the same three years.

An LTI award will be made by way of the grant of performance rights as soon as practicable after each year-end. Grants of performance rights will be made each year with effect from 1 January.

The number of performance rights to be granted annually to each employee is calculated by the following formula:

LTI Organisational Level Benchmark x Individual's FAR ÷ Share Price

The maximum LTI organisational benchmarks (Benchmark) have been established as percentages of individual FARs. These levels were reviewed and adopted by the Board in January 2017 to reflect the increased involvement of each level in pursuing and achieving the Company's goals. These benchmarks are set out in the following table.

Organisational Level	Managing Director/CEO	CFO	Management	Professional, Technical & Support
Benchmark	120%	80%	40%	20%

The total number of performance rights granted is subject to being reduced proportionately so that the total number of performance rights is within:

(a) the Board's determined cap on the total number of performance rights which are issued as LTI awards in a given year; and
(b) any discretionary cap on the total number of rights on issue at any given time.

The calculation will use the 30-day volume-weighted average share price (VWAP) of the Company's shares preceding the first day of each measurement period.

The Board has established an initial guideline that the total number of performance rights to be issued in a single year will be capped at 1.5% of the fully paid issued capital of the Company as at the end of the prior year. In the event that the potential total number of performance rights exceeds the cap then all awardees receive a pro-rata reduced number of performance rights. This cap is at the discretion of the Board and may be altered depending on the prevailing context.

In December 2017, the Board approved the issue of 6,389,513 performance rights for the 2017 LTI award. The rights were issued on 4 January 2018.

The Board has also set a discretionary cap on the total number of rights on issue at any given time. This cap is currently set at 6% of the number of issued fully paid shares in the Company.

In January 2017, the Board adopted a revised performance benchmark for vesting. Vesting of up to 100% of the performance rights depends upon the Company's relative total shareholder return (RTSR). The RTSR performance hurdles required to achieve increasing levels of vesting are set by the Board to apply from 1 January of the relevant year. For the 2017 grant of performance rights, the Board set the following RTSR performance hurdles:

Relative TSR	% of Rights which will vest after 3 years
< 50th percentile	0%
= 50th percentile	30%
> 50th percentile and < 90th percentile	Pro rata
> 90th percentile	100%

TSR is commonly used as a relative measure, where the number of shares that vest is dependent upon on the Company's TSR over a stated performance period relative to that of its peers. The calculations under this standard approach are transparent and straight forward, based on a simple ranking method to assess the level of outperformance.

Vesting characteristics of the performance rights are as follows:

(i) performance measurement period is three years, which is consistent with the typical time cycle for an exploration program;

(ii) performance is based on differences in RTSR as measured from the end of one preceding period to the end of the current (three years) assessment period. The RTSR uses the 30-day VWAP of the Company's shares up to and including the last day of each measurement period; and

(iii) RTSR will be assessed against a peer group of like companies determined by the Board before the start of each assessment period or as soon as practical thereafter. In January 2017, the Board determined a peer group of 14 petroleum industry companies which are listed on the ASX and whose market capitalisation ranged from approximately A$7 million to A$496 million (at 5 December 2017).

4. Retention Incentives

Retention rights are issued to employees pursuant to the terms of the share rights plan upon or as soon as practical after commencement of employment. Such rights vest if the employee remains employed by the Company for three years. The number of retention rights to be issued to a new employee is set at one of three levels reflecting the organisational level appropriate for the employee's initial job grade. These levels are outlined in the following table:

Organisational Level	Managing Director/CEO	Management	Professional, Technical & Support
Organisational Level Benchmarks (Retention)	Subject to employment contract negotiations	35%	15%

5. Special Awards

The Board has the discretion to make special awards each year. Special awards can be in the form of cash, and/or performance rights and/or retention rights. Special awards are granted to individual employees or Executives who are judged by the Board to have made an extraordinary contribution to the current or future performance of the Company or who are expected to play a critical role in one of the Company's activities that could take two to three years to complete, and where retention of the individual's services is seen as an important determinant of the success to that activity.

There were no special awards made for the 2017 year.

6. Accounting for Options and Rights Granted to Employees

The values of the rights and options are expensed to profit and loss over the vesting period. No options were granted in 2017 and there are none on issue.

Performance rights granted in 2017 are valued at the date of grant using a Monte Carlo Simulation model to determine the probability of the absolute return performance hurdles and the relative return performance hurdles being achieved. Retention rights granted in 2017 are valued using the Black Scholes model at the date of grant. No cash benefit is received by KMP of the Company until the sale of the resultant shares, which cannot be done unless and until the rights or options have vested and the shares issued.

7. Executive Director's Remuneration

As at 31 December 2017, James Menzies was the only Executive Director on the Board. Mr Menzies commenced as Executive Chairman on 15 December 2016 under an executive employment agreement. On 7 August the Company and Mr Menzies agreed to new employment arrangements effective from 1 July 2017 to focus on implementing the Company's strategy of developing a portfolio of oil and gas production and development assets that provide low risk step out exploration opportunities in the South East Asian region.

The key terms of Mr Menzies employment agreement are as follows:

(i) Employment arrangements effective from 1 July 2017;

(ii) There is no fixed term;

(iii) Mr Menzies will devote at least 75% of his time, attention and skill to the performance of his duties both during normal business hours and at other times as reasonably necessary;

(iv) FAR is A$300,000 per annum, inclusive of superannuation contributions. This amount is reviewable annually.

(v) Subject to obtaining shareholder approval pursuant to ASX Listing Rule 10.11, Mr Menzies is to receive 10,344,828 performance rights to acquire ordinary fully paid shares in Tap Oil Limited. Subject to achievement of prescribed relative TSR performance hurdles and Mr Menzies remaining employed as an executive with the Company for at least 3 years after the date of commencement of these new terms of employment, the performance rights will vest on the expiry of that 3-year period.

Unvested performance rights will lapse immediately after the expiry of the 3 year period from the effective date of 1 July 2017. If Mr Menzies ceases employment without cause before 3 years and the Board is satisfied there are adequate succession and transitional arrangements in place, accelerated vesting conditions will apply. Accelerated vesting will be assessed by reference to the extent to which certain strategic objectives relating to target 2P Reserves and Barrels of Oil per Day measures have been achieved prior to cessation of employment.

Where the accelerated vesting event occurs during the period between 2 and 3 years from the issue date of the performance rights, vesting will also be assessed by reference to achievement of the prescribed relative TSR performance hurdles (weighted 70% towards achievement of the strategic objectives and 30% towards the achievement of TSR hurdles.)

Where accelerated vesting is based on the achievement of a strategic objective resulting from an acquisition, 50% of the performance rights that are to vest in accordance with the strategic objective criteria will vest at the time of achievement of the relevant objective, while the remaining 50% will vest 12 months after that date provided that the Board is satisfied that all material assumptions made at the time of resolving to proceed with the acquisition have been substantially achieved.

The Company's Board also has the discretion to allow accelerated vesting of the performance rights should a change of control event occur, notwithstanding that the relevant vesting conditions have not been satisfied. If such a change of control event occurs, it has been agreed that not less than 25% of the performance rights will vest immediately.

The 10,344,828 performance rights as outlined above to acquire ordinary fully paid shares in Tap Oil Limited, which were subject to shareholder approval pursuant to ASX Listing Rule 10.11, were not granted to Mr James Menzies and therefore not recognised as a Share Based Payment Expense prior to his resignation on 31 January 2018.

(vi) The Company or Mr Menzies may terminate the agreement at any time by giving 3 months written notice, except for the Company's right to terminate without notice in prescribed circumstances.

The Company has entered into a deed of indemnity, insurance and access with Mr Menzies whereby the Company will maintain an appropriate level of directors' and officers' indemnity insurance and provide access to Company records.

On 31 January 2018, Mr James Menzies resigned effective immediately.

8. Executives

Key terms and conditions of the service agreements with Executives are as follows:

Remuneration

All service agreements now standardise the Executive's entitlement to:

(i) FAR;
(ii) STI;
(iii) LTI; and
(iv) any other benefits that may be provided by the Company including special awards.

Termination

All service agreements may be terminated under the following circumstances:

(i) resignation on three months' notice by the Executive;
(ii) termination on three months' notice by the Company;
(iii) termination without notice by the Company for cause; or
(iv) termination by the Company because the Executive's position is redundant.

9. Non-executive Directors' Remuneration

In line with Corporate Governance principles, Non-executive Directors of the Company are remunerated solely by way of fees and statutory superannuation. The annual fee is set to reflect current market levels based on the time, responsibilities and commitments associated with the proper discharge of their duties as members of the Board. All Directors of the Company are encouraged to apply a proportion of their fees to purchase shares in the Company. The maximum total pool of available fees is set by shareholders in general meeting and is currently A$500,000.

The maximum total pool of available fees has not increased since 2010.

Other than statutory superannuation, Non-executive Directors of the Company are not entitled to any retirement benefits upon retirement from office.
The terms of engagement provide that the Company will maintain an appropriate level of directors' and officers' insurance and provide access to Company records in accordance with the terms of deeds of indemnity, insurance and access entered into between the Company and each of the Non-executive Directors.

The remuneration payable by the Company to Non-executive Directors is shown in the relevant tables.

15.4 Elements of Remuneration related to Performance

The Corporations Act requires disclosure of the Company's remuneration policy to contain a discussion of the Company's earnings and performance and the effect of the Company's performance on shareholder wealth in the reporting period and the four previous financial years. The table below provides a five year financial summary to 31 December 2017. Note all monetary figures are in USD.

12 months ended	Dec 17	Dec 16	Dec 15	Dec 14	Dec 13	Notes
Net Loss After Tax	(14.6)	(14.9)	(54.5)	(42.7)	(38.1)	2
EPS (loss) (cents) *Basic*	(3.4)	(4.1)	(22.3)	(17.6)	(15.8)	1, 2
EPS (loss) (cents) *Diluted*	(3.4)	(4.1)	(22.3)	(17.6)	(15.8)	1, 2
Share price (US$) - start of the year	0.07	0.14	0.34	0.45	0.64	
Share price (US$) - end of the year	0.04	0.07	0.14	0.34	0.45	3
Shares on Issue (million)	426.0	424.0	257.6	243.2	242.1	
Market Capitalisation (US$million)	18.3	27.4	35.7	83.8	108.3	3

1. *No dividends were paid during any of the financial years.*
2. *2013 was previously stated in AUD and have been translated here to USD at the average rate for the year.*
3. *2013 was previously stated in AUD and have been translated here to USD at the year end rate.*

Key Performance Indicators (KPI) Assessment for 2017

For the 2017 year, the Board determined a set of Company KPIs, reflecting the Company's strategies, business plan and budget. The 2017 KPIs and the performance set against them are set out below.

1. **Performance against key strategic objectives set for the year**
   This measure is concerned with the Company's strategic and qualitative objectives, which are subjective to measure. The emphasis here is on the effectiveness of the process rather than outcomes. Some key objectives include improved effectiveness in identifying production and development opportunities, developing strategies for core assets, divestments of non-core permits and effective joint venture and other key relationships.

2. **Performance against financial targets**
   Under this measure, the Board set specific financial management targets for the year which included further cost reductions throughout the organisation including minimising overall corporate G&A costs, full repayment of the BNP debt facility without breaching any bank covenants and ensuring appropriate funding is in place to enable the Company strategy to be delivered.

3. **Performance against asset management goals**
   Under this measure, the Board considers improvements in the management of Tap's portfolio of assets. The assessment of performance against this KPI was focused on achievement of efficient management of Tap's interest in Manora, including working closely with the Operator to maximise production and seek further growth through asset acquisitions.

15.5 KMP Remuneration related to Performance

FAR for all employees is based on comparisons to similar positions in peer companies and is reviewed annually. An individual's performance will have a strong influence on any annual increase, as will any changes in job responsibilities.

The elements of remuneration shown in the columns labelled "Bonus" and "Share-based payment equity settled" in the tables below are related to Company and individual performance. The elements of remuneration shown in the remaining columns are not performance related. The performance conditions used in the determination of performance-based remuneration for Executive Directors and Executives of the Company are explained in detail in the discussion on remuneration policy in this remuneration report. As at the date of this report, the Board has not completed a review of performance for the 2017 year, and no award has been made.

The value of options, shares and rights shown in the tables below are the accounting costs accrued in the financial year for grants in the financial year or in previous financial years. No cash benefit is received by KMP of the Company until the sale of the resultant shares, which cannot be done unless and until the rights or options have vested and the shares issued. No cash bonus awards were forfeited because the person did not meet the relevant service or performance conditions.

Mr Bath received an increase in his FAR of A$30,692 per annum, to A$300,000 effective 1 January 2017. He also received an additional amount of A$30,000 per annum on assuming additional responsibilities as General Manager and the senior member of the management team based in Perth. Current FAR is A$330,000.

15.6 Other Elements of Director and Executive Remuneration

Remuneration packages contain the following key elements:

(a) Short term employee benefits – salary/fees, bonuses and non-monetary benefits, such as car parking.
(b) Post-employment benefits – including superannuation, prescribed retirement benefits and retirement gifts.

The remuneration of the key management personnel of the Consolidated Entity and the Company is set out below:

Key Management Personnel - Compensation summary

Details of the nature and amount of each major element of remuneration of each director of the Company, and other key management personnel of the consolidated entity are:

	Short-term employee benefits				Post-employment	Share-based payment equity settled rights		
2017	Salary & fees $	Bonus $	Non-monetary $	Other (ii) $	Super-annuation $	(i) $	Total $	% Proportion of remuneration performance related
Non-executive Directors – current								
A Hall [1]	59,531	-	-	-	5,655	-	65,186	-
P J Mansell [2]	59,531	-	-	-	5,655	-	65,186	-
C B Newton [3]	32,593	-	-	-	-	-	32,593	-
T L Soulsby [4]	32,593	-	-	-	-	-	32,593	-
S Sreesangkom [5]	65,187	-	-	-	-	-	65,187	-
Executive Director								
J G Menzies [6]	210,898	-	-	57,518	-	122,704	391,120	31.4%
Executives – current								
C J Bath [7]	237,868	-	5,556	-	15,209	51,401	310,034	16.6%
R M Somerville	74,986	-	881	-	7,124	-	82,991	-
Executives – former								
T J Hayden [11]	1,876	-	-	-	178	-	2,054	-
	775,063	-	6,437	57,518	33,821	174,105	1,046,944	

(i) Under the rights column, performance rights have been valued using a Monte Carlo Simulation model and retention rights have been valued using the Black Scholes model. Negative amounts represent a reversal of amounts previously expensed. Further details of the share rights plan are contained in note F7 to the financial statements.

(ii) These amounts relate to payments due under contracts for accrued leave, in lieu of notice and contractual obligations.

2016	Short-term employee benefits: Salary & fees $	Bonus $	Non-monetary $	Other (ii) $	Post-employment: Super-annuation $	Share-based payment equity settled rights (i) $	Total $	% Proportion of remuneration performance related
Non-executive Directors – current								
A Hall (1)	12,000	-	-	-	1,140	-	13,140	-
P J Mansell (2)	34,444	-	-	-	3,272	-	37,716	-
C B Newton (3)	31,633	-	-	-	-	-	31,633	-
T L Soulsby (4)	31,633	-	-	-	-	-	31,633	-
S Sreesangkom (5)	37,716	-	-	-	-	-	37,716	-
Executive Director								
J G Menzies (6)	43,384	-	-	-	-	-	43,384	-
Executives – current								
C J Bath (7)	113,020	-	2,846	-	8,836	14,094	138,797	10.4%
R M Somerville	215,151	-	4,713	-	12,271	-	232,135	-
Non-executive Directors - former								
D W Bailey (8)	110,665	-	-	-	10,513	-	121,178	-
M J Sandy (9)	23,555	-	-	-	2,238	-	25,793	-
D A Schwebel (10)	23,555	-	-	-	2,238	-	25,793	-
Executives – former								
T J Hayden (11)	238,391	-	4,327	422,819	14,485	258	680,279	-
D J Rich (12)	162,490	-	2,344	321,530	7,540	(21,968)	471,935	-
M T Ryan (13)	97,759	-	2,344	114,907	7,256	(11,380)	210,886	-
A C Sudlow (14)	246,621	-	4,327	295,271	13,269	12,592	572,080	2.2%
	1,422,016	-	20,900	1,154,528	83,057	(6,404)	2,674,096	

(i) Under the rights column, performance rights have been valued using a Monte Carlo Simulation model and retention rights have been valued using the Black Scholes model. Negative amounts represent a reversal of amounts previously expensed. Further details of the share rights plan are contained in note F7 to the financial statements.

(ii) These amounts relate to payments due under contracts for accrued leave, in lieu of notice and contractual redundancy obligations.

1. *A Hall appointed 18 October 2016 (resigned 31 January 2018).*
2. *P J Mansell appointed 27 May 2016 (resigned 31 January 2018).*
3. *C B Newton appointed 1 January 2016.*
4. *T L Soulsby appointed 1 January 2016 (resigned 31 January 2018)*
5. *S Sreesangkom appointed 27 May 2016. (resigned 6 February 2018).*
6. *J G Menzies appointed as a non executive Director on 27 May 2016 and subsequently appointed Executive Chairman on 15 December 2016 (resigned 31 January 2018).*
7. *C Bath appointed 25 May 2016.*
8. *D W Bailey resigned 15 December 2016.*
9. *M J Sandy resigned 27 May 2016.*
10. *D A Schwebel resigned 27 May 2016.*
11. *T J Hayden resigned as Managing Director 27 May 2016 and as part time CEO 1 December 2016.*
12. *D J Rich resigned 1 July 2016.*
13. *M Ryan resigned 1 July 2016.*
14. *A C Sudlow resigned 1 December 2016.*

Rights over Equity Instruments Granted

Details on rights over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period are set out below. Note that non executive directors are not able to participate in the current Tap Oil Limited Share Rights Plan and have not been issued any rights over ordinary shares and are therefore excluded from the table:

2017	Number of performance rights granted during 2017	Number of retention rights granted during 2017	Grant date (performance rights)	Grant date (retention rights)	Fair value per performance right at grant date A$	Fair value per retention right at grant date	Value of rights granted during the year A$	Financial year in which rights vest
Executive Director								
J G Menzies	1,000,000	-	29-May-17	-	0.08	-	80,000	2017
Executives – current								
C J Bath[(1)]	2,962,615	-	01-Jan-17	-	0.04	-	118,505	2020
R M Somerville	-	-	-	-	-	-	-	-

[(1)] *In October 2017, the Board resolved to approve the vesting of all performance rights in the event C Bath's employment was terminated, other than for cause, before 18 April 2018.*

2016	Number of performance rights granted during 2016	Number of retention rights granted during 2016	Grant date (performance rights)	Grant date (retention rights)	Fair value per performance right at grant date A$	Fair value per retention right at grant date	Value of rights granted during the year A$	Financial year in which rights vest
Executive Director								
J G Menzies	-	-	-	-	-	-	-	-
Executives – current								
C J Bath	-	1,024,544	-	25-May-16	-	0.09	18,936	2019
R M Somerville	-	-	-	-	-	-	-	-
Executives – former								
T J Hayden	-	-	-	-	-	-	-	-
D J Rich	985,876	-	01-Jan-16	-	0.04	-	39,362	2019
M T Ryan	290,955	-	01-Jan-16	-	0.04	-	11,617	2019
A C Sudlow	914,022	-	01-Jan-16	-	0.04	-	36,493	2019

The Tap Oil Limited Share Rights Plan was last approved by Shareholders on 27 May 2016. All rights to shares have a vesting period of three years. Each right granted entitles the holder to one share in the Company upon vesting, have no exercise price, are exercisable from the date of vesting and the details of vesting periods are set out in note F7 to the financial statements. All rights expire on the earlier of their expiry date or termination of the individual's employment. There were 1,000,000 performance rights granted to KMP which vested during the reporting period (2016: nil) and none of the performance rights granted to KMP lapsed in 2017 (2016: 11,168,281). There were no retention rights granted to KMP nor vested during the reporting period (2016: 505,891 granted) and no retention rights lapsed during the reporting period (2016: 272,981).

No cash benefit is received by KMP of the Company until the sale of the resultant shares, which cannot be done unless and until the rights have vested and the shares issued.

Value of Rights that have vested or lapsed

The following table summarises the number and value of rights that have vested or lapsed during the financial year. Note that non-executive directors are not able to participate in the current Tap Oil Limited Share Rights Plan and have not been issued any rights over ordinary shares and are therefore excluded from the table:

2017	Number of rights vested	Number of rights lapsed	Number of ordinary shares issued as a result of vesting	Amount paid	Amount unpaid
Executive Director					
J G Menzies	1,000,000	-	1,000,000	-	-
	1,000,000	-	1,000,000	-	-

2016	Number of rights vested	Number of rights lapsed	Number of ordinary shares issued as a result of vesting	Amount paid	Amount unpaid
Executives - former					
T J Hayden	-	5,814,538	-	-	-
D J Rich	152,326	2,689,538	152,326	-	-
M T Ryan	-	563,936	-	-	-
A C Sudlow	353,565	2,373,250	353,565	-	-
	505,891	11,441,262	505,891	-	-

Value of Rights – Basis of Calculation

The value of performance rights at the grant date is calculated as the fair value of the rights at grant date, using the Monte Carlo Simulation model, multiplied by the number of rights granted.

The value of retention rights at the grant date is calculated as the fair value of the rights at grant date, using the Black Scholes model, multiplied by the number of rights granted.

The value of rights included in remuneration for the year is calculated in accordance with Australian Accounting Standards. This requires the value of rights to be determined at grant date and thereafter included in remuneration for the year based proportionately on the vesting period. Where the rights vest fully in the year of grant, the full value of the rights is recognised in remuneration for that year.

No adjustment is made to the value included in remuneration or the financial results where the right ultimately has a lesser or greater value than as at the date of grant. The inputs into the fair value calculation of the rights granted are set out in note F7 to the financial statements.

Key Management Personnel Equity Holdings

The following table summarises the fully paid ordinary shares of Tap Oil Limited held by key management personnel:

2017	Balance at 1/1/17 No.	Received on issue of shares / vesting of rights No.	Net other change No.	Balance held directly & indirectly at 31/12/17 No.	Balance held nominally (indirectly) No.
Non-executive Directors					
A Hall	-	-	-	-	-
P J Mansell	1,000,000	-	-	1,000,000	1,000,000
C B Newton	-	-	-	-	-
T L Soulsby	-	-	-	-	-
S Sreesangkom	-	-	-	-	-
Executive Director					
J G Menzies	1,000,000	2,000,000	1,000,000	4,000,000	-
Executives - current					
C J Bath	-	-	-	-	-
R M Somerville	-	-	-	-	-
	2,000,000	2,000,000	1,000,000	5,000,000	1,000,000

2016	Balance at 1/1/16 No.	Received on vesting of rights No.	Net other change No.	Balance held directly & indirectly at 31/12/16 No.	Balance held nominally (indirectly) No.
Non-executive Directors					
A Hall	-	-	-	-	-
P J Mansell	-	-	1,000,000	1,000,000	1,000,000
C B Newton	-	-	-	-	-
T L Soulsby	-	-	-	-	-
S Sreesangkom	-	-	-	-	-
Executive Director					
J G Menzies	-	-	1,000,000	1,000,000	-
Executives - current					
C J Bath	-	-	-	-	-
R M Somerville	-	-	-	-	-
Non-executive Directors - former					
D W Bailey	377,934	-	1,166,761	1,544,695	200,000
M J Sandy	209,472	-	(209,472)	-	-
D A Schwebel	150,000	-	-	150,000	150,000
Executives - former					
T J Hayden	2,347,653	-	1,408,592	3,756,245	2,045,842
D J Rich	-	152,326	(152,326)	-	-
M T Ryan	-	-	-	-	-
A C Sudlow	181,964	353,565	350,000	885,529	642,568
	3,267,023	505,891	4,563,555	8,336,469	4,038,410

Key Management Personnel – movement in rights

The following table summarises the movement in rights in ordinary shares of Tap Oil Limited. Note that non executive directors are not able to participate in the current Tap Oil Limited Share Rights Plan and have not been issued any rights over ordinary shares and are therefore excluded from the table:

2017	Balance at 1/1/17 No.	Granted as remuneration No.	Vested during the year No.	Lapsed during the year No.	Balance at 31/12/17 No.
Executive Director					
J G Menzies	-	1,000,000	(1,000,000)	-	-
Executives – current					
C J Bath	1,024,544	2,962,615	-	-	3,987,159
R M Somerville	-	-	-	-	-
	1,024,544	3,962,615	(1,000,000)	-	3,987,159

2016	Balance at 1/1/16 No.	Granted as remuneration No.	Vested during the year No.	Lapsed during the year No.	Balance at 31/12/16 No.
Executive Director					
J G Menzies	-	-	-	-	-
Executives – current					
C J Bath	-	1,024,544			1,024,544
R M Somerville	-	-	-	-	-
Executives – former					
T J Hayden	5,814,538	-	-	(5,814,538)	-
D J Rich	1,855,987	985,876	(152,326)	(2,689,538)	-
M T Ryan	272,981	290,955	-	(563,936)	-
A C Sudlow	1,812,792	914,022	(353,565)	(2,373,250)	-
	9,756,298	3,215,397	(505,891)	(11,441,262)	1,024,544

Equity Instruments Granted

Details on ordinary shares in the Company that were granted as compensation to each key management person during the reporting period are set out below:

2017	Number of share issued during 2017	Grant date	Fair value per share at grant date A$	Value of shares grant during the year A$
Executive Director				
J G Menzies	1,000,000	29-May-2017	0.08	80,000

No shares were issued as compensation to key management personnel in 2016.

Other transactions with Key Management Personnel

There were no other transactions with key management personnel during the year.

Discretionary Cap on Total Number of Rights

The Board maintains a discretionary cap on the total number of all performance and retention rights on issue to employees and Executives. Currently the Board has set this cap at 6% of the number of issued fully paid shares in the Company. This cap provides a margin to cover the issue of rights above the 4.5% maximum level of rights that may be issued over the three year vesting period of such rights at the guideline maximum rate of 1.5% per annum. The Board will inform shareholders of exceptions or changes to these guidelines should they occur.

The Board is of the view that such a cap significantly reduces the potential for material dilutionary effects of issues of rights at low share prices.

A total of 6,359,513 performance rights were issued during the year, effective 1 January 2017, being the award of LTI performance rights for the year ended 31 December 2016 and 1,000,000 performance rights (shareholder approved) were issued to Mr James Menzies as per his executive employment agreement.

The total number of performance and retention rights on issue at 31 December 2017 was 6,529,425, which is 1.5% of shares on issue at 31 December 2017 and under the policy guideline cap of 6%. On 1 January 2018, 211,497 performance rights lapsed.

In December 2017, the Board approved the issue of 6,389,513 performance rights for the 2017 LTI award. The rights took effect from 1 January 2018.

The total number of rights on issue at the time of this report is 11,940,079 which equals 2.8% of the shares on issue at the time of this report, well under the 6% discretionary cap.

Signed in accordance with a resolution of the Directors:

Chris Newton
Chairman

Perth, Western Australia
28 February 2018

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Tap Oil Limited
Level 2, 190 St Georges Terrace
PERTH WA 6000

28 February 2018

Dear Board Members

Auditor’s Independence Declaration to 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 audit of the financial statements of Tap Oil Limited for the financial year ended 31 December 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 audit; and

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Leanne Karamfiles
Partner
Chartered Accountants

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Tap Oil Limited (the "Entity") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the director's declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 directors as at the time of this auditor's report.

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

Deloitte.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter

Carrying value of the Manora Project
 	
As at 31 December 2017, development expenditures relating to the Manora project of $40.6 million (2015: $54.7 million) are disclosed in note C1.
 	
The evaluation of the recoverable amount of the asset requires significant judgement in determining the key assumptions supporting the expected future cash flows of the Manora project.
 	
The Group's net assets exceeded its market capitalisation which represents an impairment trigger under AASB 136 *Impairment of Assets* requiring an assessment of the assets' recoverable amount.
	Our procedures included, but were not limited to:
	
	• Engaging our valuation experts to assist with:
	   o challenging the assumptions and methodologies used by management;
	   o assessing the discount rate and projected oil prices used in the cash flow model by comparing to consensus forecasts; and
	   o challenging the forecast production profile, with reference to historic levels and project reserve estimates which underpin the life of field model.
	
	• comparing the project forecasts to the Board approved budgets and operator forecasts;
	
	• applying sensitivities to the forecast cash flows to quantify the impact of reasonable changes in commodity prices, discount rate and production forecasts, being the factors with the most significant impact on recoverable value; and
	
	• testing management's model for mathematical accuracy.
	
	We also assessed the appropriateness of the related disclosures included in note C1 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Deloitte.

Directors' Responsibilities for the Financial Report

The directors of the Entity are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

Deloitte.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report of Tap Oil Limited included in pages 12 to 26 of the Directors' report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of the Entity, for the year ended 31 December 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Entity are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Leanne Karamfiles
Partner
Chartered Accountants
Perth, 28 February 2018

Directors' Declaration

1. In the opinion of the directors of Tap Oil Limited (the Company):

   (a) the consolidated financial statements and notes that are set out on pages 33 to 92 and the Remuneration report in section 15 in the Directors report, are in accordance with the Corporations Act 2001, including:

      i. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and of its performance for the financial year ended on that date; and

      ii. complying with Australian Accounting Standards 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.

   (c) the financial statements and notes are in accordance with International Financial Reporting Standards, as stated in Note A to the financial statements; and

   (d) the Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors:

Chris Newton
Chairman

Perth, Western Australia
28 February 2018

Consolidated statement of profit or loss and other comprehensive income

for the financial year ended 31 December 2017

	Note	2017 US$'000	2016 US$'000
Continuing operations			
Revenue	B1(a)	44,772	63,682
Cost of sales	B1(b)	(38,719)	(51,432)
Gross profit		**6,053**	**12,250**
Other revenue	B1(a)	190	508
Administration expenses	B1(c)	(3,415)	(6,982)
Finance costs	B1(d)	(1,150)	(3,045)
Exploration expenses	B1(e)	-	(1,322)
Impairment losses and write-downs	B1(e)	(3,079)	(7,873)
Other expenses	B1(f)	(303)	(5,503)
Loss before tax		**(1,704)**	**(11,967)**
Income tax (expense)/benefit	B3(a)	(12,887)	(2,965)
Loss for the year		**(14,591)**	**(14,932)**
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Unrealised loss on cash flow hedge		(513)	(1,729)
Foreign currency translation differences - foreign operations		1,213	21
Total comprehensive loss for the year		**(13,891)**	**(16,640)**
Earnings per share from continuing operations:			
Basic (cents per share)	F3	(3.4)	(4.1)
Diluted (cents per share)	F3	(3.4)	(4.1)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements.

Consolidated statement of financial position

as at 31 December 2017

	Note	2017 US$'000	2016 US$'000
Current assets			
Cash and cash equivalents	F6(a)	7,753	6,396
Trade and other receivables	C5	6,567	7,650
Inventories	C6	6,255	5,847
Current tax assets	B3(b)	61	90
Held for sale assets	C10	472	-
Other current assets	C9	343	1,786
Total current assets		21,451	21,769
Non-current assets			
Property, plant and equipment	C1	40,837	54,724
Exploration and evaluation assets	C7	143	919
Deferred tax assets	B3(c)	6,056	16,545
Other non-current assets	C9	-	-
Total non-current assets		47,036	72,188
Total assets		**68,487**	**93,957**
Current liabilities			
Trade and other payables	C4	8,000	12,351
Current tax liability	B3(b)	-	-
Other financial liabilities	C8	2,593	1,742
Liabilities relating to held for sale assets	C10	211	-
Provisions	C2	1,001	984
Loans and borrowings	D1	-	8,874
Total current liabilities		11,805	23,951
Non-current liabilities			
Provisions	C2	24,602	24,244
Loans and borrowings	D1	-	-
Total non-current liabilities		24,602	24,244
Total liabilities		**36,407**	**48,195**
Net assets		**32,080**	**45,762**
Equity			
Issued capital	D2	141,624	141,524
Share options reserve		3,526	3,526
Share rights reserve	F2	3,289	3,180
Foreign currency translation reserve	F2	56,885	55,672
Cash flow hedge reserve	F2	(2,242)	(1,729)
Profit reserve	F2	72,940	72,940
Retained earnings	F2	(243,942)	(229,351)
Total equity		**32,080**	**45,762**

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

Consolidated statement of changes in equity

for the financial year ended 31 December 2017

	Note	Issued capital US$'000	Share options reserve (i) US$'000	Share rights reserve (i) US$'000	Cash flow hedge reserve US$'000	Foreign currency translation reserve US$'000	Profit re-serve(i) US$'000	Retained earnings US$'000	Total US$'000
Balance at 1 January 2016		**135,174**	**3,526**	**3,168**	**-**	**55,651**	**72,940**	**(214,419)**	**56,040**
Loss for the year		-	-	-	-	-	-	(14,932)	(14,932)
Other comprehensive income for the year		-	-	-	(1,729)	21	-	-	(1,708)
Total comprehensive income/(loss) for the year		-	-	-	(1,729)	21	-	-	(1,708)
Issue of shares		6,200	-	-	-	-	-	-	6,200
Redemption of vested share rights		150	-	(150)	-	-	-	-	-
Recognition of share-based payments		-	-	162	-	-	-	-	162
Balance at 31 December 2016		**141,524**	**3,526**	**3,180**	**(1,729)**	**55,672**	**72,940**	**(229,351)**	**45,762**
Loss for the year		-	-	-	-	-	-	(14,591)	(14,591)
Other comprehensive income for the year		-	-	-	(513)	1,213	-	-	700
Total comprehensive income/(loss) for the year		-	-	-	(513)	1,213	-	-	700
Issue of shares		-	-	-	-	-	-	-	-
Redemption of vested share rights		100	-	(100)	-	-	-	-	-
Recognition of share-based payments		-	-	209	-	-	-	-	209
Balance at 31 December 2017		**141,624**	**3,526**	**3,289**	**(2,242)**	**56,885**	**72,940**	**(243,942)**	**32,080**

(i) For a description of the nature and purpose of Reserves refer to note F2.

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Consolidated statement of cash flows

for the financial year ended 31 December 2017

	Note	2017 US$'000	2016 US$'000
Cash flows from operating activities			
Receipts from customers		38,486	71,033
Payments to suppliers and employees		(22,999)	(44,567)
Interest received		51	98
Income taxes received/(paid)		128	798
Net cash provided by operating activities	F6(b)	15,666	27,362
Cash flows from investing activities			
Payments for property, plant and equipment		(2,730)	(6,403)
Payments for exploration assets		(2,479)	(2,428)
Payments for restoration expenditure		(1,232)	(2,394)
Net cash used in investing activities		(6,441)	(11,225)
Cash flows from financing activities			
Proceeds from issue of shares		-	6,689
Payment for share issue costs		-	(490)
Repayment of borrowings		(8,874)	(27,226)
Payment of interest and transaction costs related to loans and borrowings		(403)	(2,317)
Net cash used in financing activities		(9,277)	(23,344)
Net (decrease)/increase in cash and cash equivalents		(52)	(7,207)
Cash and cash equivalents at the beginning of the financial year		6,396	15,581
Effects of exchange rate changes on the balance of cash held in foreign currencies		1,409	(1,978)
Cash and cash equivalents at the end of the financial year	F6(a)	**7,753**	**6,396**

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements.

REPORTING ENTITY

Tap Oil Limited (the Company) is a for profit company domiciled in Australia.

The Company's registered office is Level 2, 190 St Georges Terrace, Perth WA 6000. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the Group). The Group is primarily involved in oil and gas exploration and production in the Gulf of Thailand and Carnarvon Basin in the northwest of Western Australia.

A. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board and the Corporations Act 2001.

The consolidated financial statements comply with Australian Accounting Standards (AASB) and International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the Board of Directors on 28 February 2018.

(b) Functional and presentation currency

These consolidated financial statements are presented in United States Dollars, which is the Company's functional currency, unless otherwise noted.

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments and the valuation of share based payments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Consolidated Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 'Inventories' or value in use in AASB 136 'Impairment of Assets'.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

A. BASIS OF PREPARATION (CONT'D)

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Apart from changes in accounting policies noted below, the accounting policies adopted are consistent with those disclosed in the Annual Financial Report for the year ended 31 December 2016. When the presentation or classification of items in the financial report is amended, comparative amounts are reclassified unless the reclassification is impracticable.

Going concern

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Consolidated Entity has incurred a net loss before tax of $1.7 million (2016: loss before tax of $12.0 million) and had net working capital of $9.6 million for the year ended 31 December 2017 (2016: working capital deficiency of $2.2 million).

The Directors have reviewed the Consolidated Entity's overall position and outlook in respect of the matters identified above and are of the opinion that the use of the going concern basis remains appropriate. The consolidated entity is expected to generate sufficient cash flows from its operations to meet its commitments over the next 12 months.

(d) Use of estimates and judgements

In the application of the Consolidated Entity's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

- The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods; and

- Judgments made by management, in the application of the Consolidated Entity's accounting policies, that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

B1. LOSS FOR THE YEAR FROM OPERATIONS

	Consolidated	
	2017 US$'000	2016 US$'000
(a) Revenue		
Liquid sales[i]	39,191	42,398
Gas sales	5,581	21,284
	44,772	63,682
Other revenue:		
Royalties received	148	43
Interest received	42	465
	190	508
	44,962	64,190

[i] Includes commodity hedge loss of $2.4 million (2016: $3.7 million loss)

	2017 US$'000	2016 US$'000
(b) Cost of sales		
Production costs – Manora	17,359	15,165
Depreciation of capitalised development costs	16,151	24,919
Government royalties	3,143	3,805
Other production costs - Manora[i]	(109)	(624)
	36,544	43,265
Production costs – Third party gas	2,089	7,954
Operating costs – Third party gas	50	136
Marketing and sales costs	36	77
	2,175	8,167
	38,719	51,432

[i] In 2016, under the terms of the Settlement Agreement with Northern Gulf Petroleum Holdings Ltd and related entities (collectively NGP), a payable of $677,000 representing earn out payments was reversed in 2016 and offsets Manora production costs.

B1. LOSS FOR THE YEAR FROM OPERATIONS (CONT'D)

		Consolidated 2017 US$'000	Consolidated 2016 US$'000
(c) Administration expenses			
Loss before income tax has been arrived at after charging the following:			
Employee benefit expenses:			
Post employment benefits:			
Superannuation contributions		118	313
Share-based payments:			
Equity settled share-based payments		209	165
Other		993	3,585
		1,320	4,063
Depreciation of office fixed assets		11	20
Operating lease rental payments		473	582
Other expenses, net of recoveries (i)		1,611	2,317
		3,415	6,982

(i) The other expenses are shown net of recoveries. The recoveries represent costs, including time spent by the Consolidated Entity's employees on exploration and production interests, which get capitalised to the applicable exploration and production interests.

		2017 US$'000	2016 US$'000
(d) Finance costs			
Notional interest from unwinding discount on restoration provisions		747	774
Borrowing costs		403	2,271
		1,150	3,045
(e) Impairment losses and write-downs			
Exploration impairment losses (i)	C7	3,079	7,873
Exploration expenditure write-downs (ii)		-	1,322
		3,079	9,195
Property, plant and equipment impairment losses	C1		-
Prepaid gas impairment losses		-	-
		3,079	9,195

(i) Exploration impairment losses and exploration expenditure write-downs are recognised when the carrying amount of the exploration and evaluation assets exceeds the recoverable amount.

(ii) In 2016, $1.3 million relates to a reversal pertaining to the G3/48 Exploration asset that was written off as a result of the Settlement Agreement between the Company and Mr Chatchai Yenbamroong and Northern Gulf Petroleum Holdings Ltd and related entities (collectively NGP).

The exploration impairment losses/write-downs are included in the oil & gas exploration segment.

B1. LOSS FOR THE YEAR FROM OPERATIONS (CONT'D)

	Consolidated	
	2017 US$'000	2016 US$'000
(f) Other expenses		
New venture and Business development expenditure	207	52
Foreign exchange differences	(233)	1,996
Rehabilitation/restoration expenses	248	1,191
Reversal of provisions	-	(107)
Woollybutt and Airlie operating costs	81	332
NGP settlement(i)	-	2,000
Other	-	39
	303	5,503

(i) Under the terms of the Settlement Agreement between the Company and Mr Chatchai Yenbamroong and Northern Gulf Petroleum Holdings Ltd and related entities (collectively NGP), the Company paid $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 (refer to Note C4) that is payable on or before 31 March 2018, however the payment becomes due if the Company undertakes an equity raising.

(g) Depreciation

Depreciation charges are included above in cost of sales (b) and administration expenses (c). Total depreciation for the Consolidated Entity is $16.2 million (2016: $24.9 million).

Accounting policy

Revenue recognition

Sale of goods

Revenue from the sale of goods is recognised when the Consolidated Entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

Dividend and interest revenue

Dividend revenue is recognised on a receivable basis. Interest revenue from a financial asset is recognised when it is probable that the economic benefits will flow to the Consolidated Entity and the amount can be measured reliably.

B2. SEGMENT INFORMATION

The Consolidated Entity derives its revenue from the sale of oil & gas.

Information reported to the Consolidated Entity's chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on the separate divisions managed by each individual member of senior management. Based on this, the Consolidated Entity's reportable segments under AASB 8 are as follows:

- Oil & gas production and development;
- Oil & gas exploration; and
- Third party gas.

The oil & gas production and development segment includes the assets moved from the exploration phase to the development phase. This segment also includes producing assets. The Manora (G1/48) development asset is included here as it commenced production during November 2014.

The oil & gas exploration segment includes all the areas of interest still in their exploration phase. This segment primarily incurs the exploration expenditure in the Consolidated Entity.

The third party gas segment includes the purchases and sale of gas. The gas purchases are based on contracted quantities and sales are done via agreements with customers or in certain instances via market sales. The segment is managed by the Commercial Manager/Commercial Analyst.

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

	Revenue		Segment result	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Oil & gas production and development	39,191	42,398	1,799	(8,923)
Oil & gas exploration	-	-	(3,770)	(9,528)
Third party gas	5,581	21,284	3,405	12,858
	44,772	63,682	1,434	(5,593)
Other income			16	282
Central administration costs			(3,181)	(5,864)
Foreign exchange gain/(loss)			233	-
Other expenses			(206)	(792)
Loss before tax			(1,704)	(11,967)
Income tax benefit/(expense)			(12,887)	(2,965)
Loss for the year from continuing operations			(14,591)	(14,932)

B2. SEGMENT INFORMATION (CONT'D)

Segment revenues and results

Segment profit/(loss) 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 losses and income tax benefits.

The revenue represents oil & gas sales to external customers with no intersegment sales during the period. $41.6 million (2016: $46.0 million) oil revenue were sold to two customers under contract with $25.2 million (2016: nil) sold to the one customer in the year. Included in revenues arising from direct sales of third party gas of $5.6 million (2016: $21.3 million) are revenues of $5.6 million (2016: $21.1 million) which arose from sales to one third party gas customer.

Segment assets and liabilities

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

	Assets		Liabilities	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Oil & gas production and development	62,005	82,722	19,394	26,400
Oil & gas exploration	5,404	5,998	16,016	15,440
Third party gas	35	4,295	-	5,897
Total segment assets and liabilities	67,444	93,015	35,410	47,737
Unallocated assets and liabilities	1,043	942	997	458
Consolidated total assets and liabilities	68,487	93,957	36,407	48,195

For the purpose of measuring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible, intangible and financial assets attributable to each segment. All assets and liabilities are allocated to reportable segments except for cash and cash equivalents and tax-related assets and liabilities.

B2. SEGMENT INFORMATION (CONT'D)

Other segment information

	Depreciation and amortisation		Impairment losses and write-downs		Additions to non-current assets	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Oil & gas production and development	16,151	24,919	-	-	2,249	6,404
Oil & gas exploration	-	-	3,079	7,873	2,680	2,601
Third party gas	-	-	-	-	-	-
Other	11	20	-	-	24	-
	16,162	24,939	3,079	7,873	4,953	9,005

In addition to the depreciation and amortisation expense reported above, exploration expenditure write-downs/impairment losses of $3.1 million (2016: $7.9 million) were recognised in respect of exploration and evaluation assets. No impairment losses were recognised in respect of property, plant and equipment (2016: nil). Both the exploration and evaluation assets and property, plant and equipment write-downs/ impairment losses were attributable to oil & gas exploration and oil & gas production and development. There were no other material non-cash expenses attributable to individual segments.

Geographical information

The Consolidated Entity operates in two principal geographical areas – Australia and Asia.

	Revenue from external customers		Non-current assets	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Australia	5,581	21,284	4,276	4,433
Asia	39,191	42,398	42,760	67,755
	44,772	63,682	47,036	72,188

B3. INCOME TAXES

	Consolidated 2017 US$'000	Consolidated 2016 US$'000
(a) Income tax recognised in profit or loss		
Tax (benefit)/expense comprises:		
Current tax (benefit)/expense	205	757
PRRT refund received	(216)	(128)
Adjustments recognised in the current year in relation to the current tax of prior years		
– Under/(over) provision for previous year	(229)	(357)
– Income tax refund received following amendment to prior year estimates	-	(1,759)
Deferred income tax relating to the origination and reversal of temporary differences	13,455	5,104
Foreign exchange impact on tax expense	(1)	(63)
Deferred PRRT tax (credit)/expense	(327)	(589)
Total income tax expense/(benefit) from continuing operations	12,887	2,965
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:		
Loss before tax	(1,704)	(11,967)
Income tax benefit calculated at 30%	(511)	(3,590)
Expenses not deductible for tax purposes	102	367
Unused tax losses, tax offsets and temporary differences not recognised as deferred tax assets	17,415	10,135
Other assessable income	65	-
Foreign exchange impact on deferred tax expense	(2,639)	(1,028)
Effect of higher foreign tax rate	704	(34)
Foreign exchange impact on tax expense	(1,371)	(440)
PRRT related tax credit	(543)	(717)
Other	2	(5)
	13,224	4,688
Adjustments recognised in the current year in relation to the current tax of prior years - Australia		
– Under/(over) provision for previous years – permanent differences	(337)	36
– Income tax refund received following amendment to prior year estimates	-	(1,759)
Income tax expense/(benefit)	12,887	2,965

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

B3. INCOME TAXES (CONT'D)

	Consolidated 2017 US$'000	Consolidated 2016 US$'000
(b) Current tax assets and liabilities		
Current tax liabilities:		
Tax receivable/(payable)	61	90
(c) Deferred tax asset/(liability) balances		
Deferred tax assets comprise:		
Temporary differences – refer below	6,056	16,545

	Opening balance US$'000	Recognised in profit or loss US$'000	Recognised in other comprehensive income US$'000	Recognised directly in equity US$'000	Exchange differences US$'000	Closing balance US$'000
2017						
Temporary differences:						
Income tax losses carried forward	580	1,762	-	-	-	2,342
Property, plant & equipment	3	(3)	-	-	-	-
Deferred exploration	-	(42)	-	-	(1)	(43)
Development	29,950	851	-	-	2,889	33,690
Liquids inventory	(321)	561	-	-	(15)	225
Restoration provisions	13,197	(287)	-	-	1,024	13,934
Borrowing costs	906	(960)	-	-	54	-
Others	851	(1,084)	-	462	56	285
	45,166	798	-	462	4,007	50,433
Unrecognised temporary differences:						
Income tax losses carried forward	(580)	(1762)	-	-	-	(2,342)
Property, plant & equipment	(3)	3	-	-	-	-
Deferred exploration	-	42	-	-	1	43
Development	(16,574)	(14,764)	-	-	(510)	(31,848)
Liquids inventory	-	(221)	-	-	(4)	(225)
Restoration provisions	(9,709)	733	-	-	(744)	(9,720)
Borrowing costs	(906)	960	-	-	(54)	-
Others	(849)	1083	-	(462)	(57)	(285)
	(28,621)	(13,926)	-	(462)	(1,368)	(44,377)
	16,545	(13,128)	-	-	2,639	6,056

B3. INCOME TAXES (CONT'D)

	Opening balance US$'000	Recognised in profit or loss US$'000	Recognised in other comprehensive income US$'000	Recognised directly in equity US$'000	Exchange differences US$'000	Closing balance US$'000
2016						
Temporary differences:						
Income tax losses carried forward	-	580	-	-	-	580
Property, plant & equipment	506	(513)	-	-	10	3
Deferred exploration	(284)	289	-	-	(5)	-
Development	25,331	5,290	-	-	(671)	29,950
Liquids inventory	479	(818)	-	-	18	(321)
Restoration provisions	12,731	605	-	-	(139)	13,197
Borrowing costs	394	530	-	-	(18)	906
Others	270	68	-	519	(6)	851
	39,427	6,031	-	519	(811)	45,166
Unrecognised temporary differences:						
Income tax losses carried forward	-	(580)	-	-	-	(580)
Property, plant & equipment	(506)	498	-	-	5	(3)
Deferred exploration	284	(281)	-	-	(3)	-
Development	(6,647)	(9,588)	-	-	(339)	(16,574)
Restoration provisions	(9,786)	(16)	-	-	93	(9,709)
Borrowing costs	(394)	(516)	-	-	4	(906)
Others	(270)	(63)	-	(519)	3	(849)
	(17,319)	(10,546)	-	(519)	(237)	(28,621)
	22,108	(4,515)	-	-	(1,048)	16,545

	Consolidated 2017 US$'000	Consolidated 2016 US$'000
Unrecognised deferred tax balances		
The following deferred tax assets, have not been brought to account as assets:		
Tax losses – revenue [(i)]	9,616	7,561
Temporary differences	42,035	28,041
	51,651	35,602

(i) Tax losses relate both to Australia, New Zealand and Thailand, which do not expire and can be carried forward indefinitely.

	Consolidated 2017 AU$'000	Consolidated 2016 AU$'000
(d) Franking account balance		
On a tax paid basis	69,638	69,705

B3. INCOME TAXES (CONT'D)

Tax consolidation

Relevance of tax consolidation to the Consolidated Entity

The Company and its wholly-owned Australian resident entities formed a tax-consolidated group with effect from 1 January 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Tap Oil Limited. The members of the tax-consolidated group are identified at note E1.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding and tax sharing arrangement with the head entity. Under the terms of the tax funding agreement, each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

Accounting policies

Petroleum Resources Rent Tax
PRRT is recognised as an income tax expense on an accruals basis when the corresponding sales are recognised and an amount calculated in accordance with government legislative requirements will be payable on those sales.

PRRT is calculated at the rate of 40% of sales revenues less certain permitted deductions and is tax deductible for income tax purposes.

Goods and services tax
Revenues, expenses and assets are recognised net of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Current tax
Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

B3. INCOME TAXES (CONT'D)

Deferred tax
Deferred tax is accounted for using the balance sheet liability method and is measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to the asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Consolidated Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Consolidated Entity intends to settle its current tax assets and liabilities on a net basis.

Tax consolidation
The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Tap Oil Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note B3 to the financial statements. Where the tax contribution amount is recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

C1. PROPERTY, PLANT AND EQUIPMENT

Development expenditures

		Consolidated	
		2017 US$'000	2016 US$'000
Gross carrying amount – at cost:			
Opening balance		253,451	248,319
Additions		2,249	6,404
Adjustment in respect of carry(i)		-	(1,272)
Foreign exchange differences		-	-
Transfer from exploration expenditure		-	-
Closing balance		255,700	253,451
Accumulated depreciation:			
Opening balance		198,751	173,832
Provision for impairment losses	B1(e)	-	-
Foreign exchange differences		-	-
Depreciation		16,151	24,919
Closing balance		214,902	198,751
Net book value		40,798	54,700

Office improvements, furniture & equipment

	2017 US$'000	2016 US$'000
Gross carrying amount – at cost:		
Opening balance	668	2,399
Additions	24	-
Foreign exchange differences	52	(23)
Asset write-offs	-	(1,680)
Asset disposal	-	(28)
Closing balance	744	668
Accumulated depreciation:		
Opening balance	644	2,327
Asset write-offs	-	(1,655)
Foreign exchange differences	50	(22)
Depreciation	11	20
Asset disposal	-	(26)
Closing balance	705	644
Net book value	39	24
Total – net book value	40,837	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 as a result of the Settlement Agreement between the Company and Mr Chatchai Yenbamroong and NGP.

C1. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Impairment of development expenditures

At 31 December 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 $47.2 million (2016: $61.4 million) has been determined based on a value in use model and did not result in an impairment at 31 December 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 3 years, thereafter fixed. The average Brent price assumptions range from US$58.10/bbl to US $63.10/bbl for the years 2018, 2019 and 2020. Sensitivities analysis on the base case key assumptions indicate an oil price decrease of up to approximately 7% - 8% would not result in an impairment. Likewise, a decrease in production rates of up to approximately 8% - 9% would not result in an impairment. The discount rate used in the recoverable amount assessment is 11.3% (2016: 11.8%).

Critical accounting estimates and assumptions

Impairment of oil & gas assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows. For oil and gas assets, expected future cash flow estimation is based on reserves, future production profiles, commodity prices and costs. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of the oil & gas assets.

Reserves estimates

Estimates of recoverable quantities of proven and probable reserves include assumptions regarding commodity prices, exchange rates, discount rates and production and transportation costs for future cash flows. It also requires interpretation of geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact asset carrying values, the provision for restoration and the recognition of deferred tax assets, due to changes in expected future cash flows. Reserves are integral to the amount of depreciation, depletion and amortisation charged to the income statement and the calculation of inventory.

Accounting policies

Property, plant and equipment

Plant and equipment, leasehold improvements and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item, cost of replacing part of the property, plant and equipment and borrowing cost capitalised.

In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is calculated on property, plant and equipment, other than capitalised development costs and leasehold improvement costs, on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

• Office improvements, furniture & equipment	3 – 12 years
• Development expenditure	Unit of production
• Oil & gas facilities	Unit of production

C1. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Capitalised development costs are amortised from the commencement of production on a unit of production basis over recoverable reserves. Recoverable reserves are subject to review annually. The recoverable reserves are estimates calculated from available production and reservoir data and are subject to change. A significant change in estimate could give rise to a material adjustment to the carrying amounts of assets and liabilities in the next annual reporting period.

Impairment of assets

At each reporting date, the Consolidated Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

C2. PROVISIONS

	Consolidated 2017 US$'000	Consolidated 2016 US$'000
Current		
Employee benefits	122	86
Restoration costs	879	898
	1,001	984
Non-current		
Employee benefits	30	16
Restoration costs	24,572	24,228
	24,602	24,244
Restoration costs provision		
Reconciliation of movement:		
Opening balance	25,126	25,680
Additional provisions raised	-	-
Increase/(decrease) resulting from re-measurement	(457)	1,191
Unwinding of discount	747	774
Restoration costs incurred	(1,232)	(2,394)
Foreign exchange movement	1,267	(125)
Closing balance	25,451	25,126

The provision for restoration costs primarily comprise amounts related to Manora $10.7 million and Woollybutt $14.5 million.

The provision for restoration costs represents the present value of the Directors' best estimate of the future sacrifice of economic benefits that will be required to remove plant and equipment and abandon producing and suspended wells. The unexpired terms used in the present value calculations are various periods up to the year 2024 and relate to the Manora, Woollybutt and Airlie restoration costs.

The Company has PRRT credits available to offset against Woollybutt abandonment costs which are not included in the provision for restoration and have been recognised as a deferred tax asset as per note B3.

Critical accounting estimates and assumptions

Decommissioning costs

Decommissioning costs will be incurred by the Consolidated Entity at the end of the operating life of some of the Consolidated Entity's facilities and properties. The Consolidated Entity assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure can also change. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future decommissioning costs required.

C2. PROVISIONS (CONT'D)

Accounting policies

Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Consolidated Entity in respect of services provided by employees up to reporting date.

Contributions to superannuation plans are expensed when incurred.

Provisions

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of past event, it is probable that the Consolidated Entity will be required to settle the obligation and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

A restoration provision is recognised and updated at different stages of the development and construction of a facility and then reviewed on a six monthly basis. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related exploration and evaluation assets or development asset.

Where a restoration obligation is assumed as part of the acquisition of an asset or obligation, the liability is initially measured at the present value of the future cash flows to settle the present obligation as at the acquisition date. The unwinding of the discount implicit in the present value calculations is included in finance costs.

C3. INTERESTS IN JOINT OPERATIONS

The Consolidated Entity has interests in numerous joint operations in Australia and Asia. The principal activity of the joint operations is oil & gas exploration and production.

Refer to the table below for a full list of the licences and permits held by the Consolidated Entity.

	Working interest (%)	
	2017	2016
Exploration permits		
Western Australia		
TP/7 (i)	12.47	12.47
WA-8-L (ii)	20.00	20.00
WA-33-R	22.47	22.47
WA-34-R	12.00	12.00
WA-49-R (iii)	10.00	10.00
WA-290-P	10.00	10.00
WA-320-P (iv)	-	9.78
WA-155-P (v)	-	6.57
WA-72-R	20.00	20.00
WA-515-P	100.00	100.00
WA-516-P	100.00	100.00
Myanmar		
M-7	95.00	95.00
Thailand		
G1/48	30.00	30.00
Production & Pipeline Licences		
Western Australia		
TL/2 (i)	10.00	10.00
WA-22-L	15.00	15.00
WA-25-L	15.00	15.00
PL/14	10.00	10.00
TPL/3	10.00	10.00
TPL/4	10.00	10.00
TPL/7	10.00	10.00

(i) During the year, Tap entered into a sale and purchase agreement for the sale of Tap's interest in TL/2 and TP/7. Refer to Note C10.
(ii) During the year, Tap entered into a sale and purchase agreement for WA-8-L. Refer to Note C10.
(iii) Tap withdrew from the WA-49-R Retention Lease and assigned its working interest to the remaining Joint Venture partners on 5 December 2017 pending NOPTA approval.
(iv) WA-320-P permit expired on 20 October 2017
(v) In July 2017, the Part II Venturers gave notice to the Part I Venturers of their intention to surrender their interests, with the Part I Venturers agree to accept the surrender and assignment of the Part II Venturers, effective 9 November 2017.

The Consolidated Entity has a material joint operation, the G1/48 concession, which includes the Manora Oil Field. The Consolidated Entity has a 30% share in the G1/48 concession located in the northern gulf of Thailand. The Consolidated Entity is entitled to a proportionate share of oil revenue and bears a proportionate share of the joint operation's expenses.

C3. INTERESTS IN JOINT OPERATIONS (CONT'D)

Joint Operations' net assets

The Consolidated Entity's share of assets and liabilities in joint operations is detailed below. The amounts are included in the consolidated financial statements in their respective categories:

	Consolidated	
	2017 US$'000	2016 US$'000
Current assets		
Cash	4,820	1,559
Receivables	1,372	1,303
Inventories	6,255	5,847
Held for sale assets	472	-
Total current assets	12,919	8,709
Non-current assets		
Property, plant and equipment	40,798	54,700
Exploration and evaluation assets	143	919
Total non-current assets	40,941	55,619
Total assets	53,860	64,328
Current liabilities		
Trade and other payables	5,740	3,362
Provision for restoration	879	551
Liabilities relating to held for sale assets	211	-
Total current liabilities	6,830	3,913
Non-current liabilities		
Provision for restoration	24,572	24,228
Total non-current liabilities	24,572	24,228
Total liabilities	31,402	28,141
Net assets	22,458	36,187
Revenues	41,703	46,100
Cost of sales	(36,625)	(43,597)
Other (expenses)/income	(46)	(285)
Profit before income tax	5,032	2,218

Capital commitments and contingent liabilities

The capital commitments arising from the Consolidated Entity's interests in joint operations are disclosed in note F4. No contingent liabilities have been identified beyond those set out in note F11.

C4. TRADE AND OTHER PAYABLES

	Consolidated 2017 US$'000	Consolidated 2016 US$'000
Trade payables [(i)]	2,198	2,787
Share of joint operations' payables	5,740	3,362
Goods and services tax (GST) payable	-	201
Other payables	62	1,106
Income received in advance	-	4,895
	8,000	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. Under the terms of the Settlement Agreement between the Company and Mr Chatchai Yenbamroong, the Company has 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.

C5. TRADE AND OTHER RECEIVABLES

	Consolidated 2017 US$'000	Consolidated 2016 US$'000
Trade receivables [(i)]	5,136	6,231
Joint operations' debtors	1,372	1,303
Other receivables [(ii)]	59	116
	6,567	7,650

[(i)] Trade receivables relate to oil sales from Manora and TPG gas sales. Gas sales are on terms that result in payment within 30 days from invoice while oil sales are on terms that result in payment 30 days from bill of lading.

C6. INVENTORIES

	Consolidated 2017 US$'000	Consolidated 2016 US$'000
Oil in storage – at net realisable value	2,667	2,563
Materials and consumables – at cost	3,588	3,284
	6,255	5,847

The cost of inventories recognised as an expense in cost of sales in respect of write downs of oil inventory to net realisable value was nil for the year (2016: $681,000).

Accounting policy

Inventories are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

C7. EXPLORATION AND EVALUATION ASSETS

	Note	Consolidated 2017 US$'000	Consolidated 2016 US$'000
Exploration and/or evaluation phase			
At cost		118,253	111,586
Less: impairment		(118,110)	(110,667)
Net carrying value		143	919
Reconciliation of movement:			
Opening balance		919	3,178
Current year exploration expenditure		2,266	2,601
Exploration impairment losses/write-downs	B1(e)	(3,079)	(7,873)
Foreign exchange movement		37	-
Carry adjustment (i)		-	3,013
Closing balance		143	919
Movement in the impairment provision:			
Balance at the beginning of the year		(110,667)	(103,389)
Impairment provision (increase)		(3,079)	(4,861)
Carry adjustment (i)		-	(3,013)
Foreign exchange movement		(4,364)	596
Balance at the end of the year		(118,110)	(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 as a result of the Settlement Agreement between the Company and Mr Chatchai Yenbamroong and NGP.

C7. EXPLORATION AND EVALUATION ASSETS (CONT'D)

Ultimate recoupment of this expenditure is dependent upon the continuance of the Consolidated Entity's right to tenure of the areas of interest and the discovery of commercially viable oil and gas reserves, their successful development and exploitation, or, alternatively, sale of the respective areas of interest at an amount at least equal to book value.

Critical accounting estimates and assumptions

The application of the Consolidated Entity's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in the period when the information becomes available.

Accounting policies

Petroleum exploration and evaluation expenditure

Exploration and evaluation expenditure is brought to account at cost and is classified as tangible assets. Ongoing costs of acquisition, exploration and evaluation are capitalised in relation to each separate area of interest in which rights to tenure of the area of interest are current and in respect of which:

- such costs are expected to be recouped through successful development and exploitation of the area or alternatively by their sale; or
- exploration and evaluation activities in the area have not yet reached the stage which permits a reasonable assessment of the existence of economically recoverable reserves, and active and significant operations are continuing.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

All exploration permits are treated as separate areas of interest, with certain areas of interest recognised at the field level.

The Consolidated Entity does not record any expenditure made by a farmee on the Consolidated Entity's account in respect of farm-outs. The Consolidated Entity also does not recognise any gain or loss on its exploration and evaluation farm-out arrangement but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

Once an area of interest enters a development phase, all capitalised acquisition, exploration and evaluation expenditure is transferred to development costs within property, plant and equipment.

C7. EXPLORATION AND EVALUATION ASSETS (CONT'D)

Impairment of assets

At each reporting date, the Consolidated Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

C8. OTHER FINANCIAL LIABILITIES

	Consolidated	
	2017 US$'000	2016 US$'000
Foreign exchange hedge	-	13
Commodity hedge	2,593	1,729
	2,593	1,742

Accounting policy

(a) Financial assets

Recognition and subsequent measurement
A financial asset shall be recognised when the Consolidated Entity becomes a party to the contractual provisions of the financial instrument. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification
Financial assets are classified and subsequently measured at amortised cost , fair value through other comprehensive income or fair value through profit or loss, (except for financial assets that are irrevocably designated to be measured at fair value through profit or loss on initial recognition), on the basis of both:

– the entity's business model for managing the financial assets; and
– the contractual cash flow characteristics of the financial asset.

C8. OTHER FINANCIAL LIABILITIES (CONT'D)

Financial assets at amortised cost
A financial asset is measured at amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Loans to related parties are recorded at the amortised cost amount, with no fixed due date, nor is interest charged on the outstanding balance.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost.

Loans and receivables are recorded at the amortised cost amount using the effective interest rate method less impairment.

Financial assets at fair value through other comprehensive income
A financial asset is measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss
A financial asset may be designated as at fair value through profit or loss if:
(a) it is held for trading; or
(b) upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on a different basis.

A financial asset is held for trading if:
(a) it has been acquired principally for the purpose of selling it in the near term; or
(b) on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
(c) it is a derivative that is not designated and effective as a hedging instrument.

Impairment of financial assets
Financial assets, other than those at fair value through profit and loss, are assessed for indications of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Derecognition of financial assets
The Consolidated Entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

C8. OTHER FINANCIAL LIABILITIES (CONT'D)

(b) Financial liabilities and equity instruments

Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Consolidated Entity are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities
All financial liabilities are subsequently measured at fair value through profit and loss (FVTPL) or amortised cost using the effective interest method.

(i) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:
- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Consolidated Entity manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Consolidated Entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and the entire combined contract is designated as at FVTPL in accordance with AASB 9.

Financial liabilities at FVTPL are stated at fair value. Any gains or losses arising on remeasurement of financial liabilities held-for-trading are recognised in profit or loss. The net gains or losses recognised in profit or loss incorporate any interest paid on the financial liabilities and are included in the 'other gains and losses' line item in the consolidated Statement of Comprehensive Income. Fair value is determined in the manner described in note D3.

For financial liabilities not held-for-trading that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss.

C8. OTHER FINANCIAL LIABILITIES (CONT'D)

(ii) Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the 'finance costs' line item.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(iii) Derecognition of financial liabilities

The Consolidated Entity derecognises financial liabilities when, and only when, the Consolidated Entity's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(c) Derivative financial instruments

The Consolidated Entity enters into derivative financial instruments to manage its exposure to foreign exchange rate risk and commodity price risk.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(i) Hedge accounting

The Consolidated Entity designates certain hedging instruments as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Consolidated Entity documents the relationship between the hedging instrument and the hedged item, along with the risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Consolidated Entity documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

(ii) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the Consolidated Entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

C8. OTHER FINANCIAL LIABILITIES (CONT'D)

(iii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

Hedge accounting is discontinued when the Consolidated Entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

C9. OTHER ASSETS

	Consolidated	
	2017 US$'000	2016 US$'000
Prepayments	343	376
Prepaid gas	-	1,410
	343	1,786
Current	343	1,786
Non-current	-	-
	343	1,786

C10. HELD FOR SALE ASSETS AND LIABILITIES

	Consolidated	
	2017 US$'000	2016 US$'000
Held for sale assets		
Cash held in joint operations	463	-
Share of joint operations' debtors	1	-
Share of joint operations' inventory	8	-
	472	-
Liabilities relating to held for sale assets		
Share of joint operations' payables	211	-
	211	-

C10. HELD FOR SALE ASSETS AND LIABILITIES (CONT'D)

Held for sale assets and liabilities

During the year, Tap entered into a sale and purchase agreement for WA-8-L. The terms of the sale are a cash payment of A$700,000 and a further A$100,000 payable upon a Final Investment Decision being made for a development upon the Licence. The sale is conditional on: a) NOPTA approving the transfer of the Asset to the Purchaser; and b) the Purchaser complying with any requirement of the Operating Agreement, and any other regulatory requirement, in respect of the transfer of the Asset to the Purchaser. Completion of the sale has been delayed and is now expected to occur during Q1 2018.

Also during the year, Tap entered into a sale and purchase agreement for the sale of Tap's interest in TL/2 and TP/7 for A$100,000, effective post the completion of the removal of the Chervil platform. The sale is conditional on: a) DMIRS approving the transfer of the Asset to the Purchaser b) removal of the Chervil platform and c) the Purchaser complying with any requirement of the Operating Agreement, and any other regulatory requirement, in respect of the transfer of the Asset to the Purchaser.

The disposal group formed part of the exploration and evaluation operating segment.

D1. LOANS AND BORROWINGS

	Consolidated	
	2017 US$'000	2016 US$'000
Secured bank loans – at amortised cost		
Amount drawn	-	8,874
Transaction costs	-	-
		8,874
Current	-	8,874
Non-current	-	-
	-	8,874

During the year, debt repayments of $8.9 million were made to fully repay the amount due under the facility, with the final debt payment made in Q3 2017. The original BNP Facility of US$90 million was secured in April 2014 to fund the Manora Oil Development.

D2. ISSUED CAPITAL

	Consolidated 2017 US$'000	Consolidated 2016 US$'000
425,967,534 fully paid ordinary shares (2016: 423,967,534)	141,624	141,524

	2017 No. '000	2017 US$'000	2016 No. '000	2016 US$'000
Fully paid ordinary shares				
Balance at beginning of financial year	423,968	141,524	257,584	135,174
Issue of shares under share-based payment schemes (note F7)	2,000	100	1,358	150
Shares issued	-	-	165,026	6,689
Share issue costs	-	-	-	(489)
Balance at end of financial year	425,968	141,624	423,968	141,524

During the year 2,000,000 shares were issued following shareholder approval to Mr James Menzies under his executive employment agreement dated 15 December 2016 being 1,000,000 ordinary fully paid shares and the vesting of 1,000,000 performance rights which vested at a rate of 166,667 rights for each month of completed service.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Share performance and retention rights

- In accordance with the provisions of the share-based payment schemes, employees had 6,529,425 (2016: 2,328,101) outstanding performance and retention rights over ordinary shares at 31 December 2017.
- A total of 1,000,000 performance and retention rights vested during the year ended 31 December 2017 (2016: 1,358,338).
- A total of 1,972,101 (2016: 8,047,186) performance and retention rights were forfeited during the 2017 financial year. A total of 186,088 performance rights lapsed during the year ended 31 December 2017 (2016: 6,785,156).
- The performance and retention rights carry no rights to dividends and no voting rights. Further details of the share-based payment schemes are contained in note F7 to the financial statements.

D3. FINANCIAL INSTRUMENTS

(a) Capital risk management

The Consolidated Entity manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Consolidated Entity consists of net debt (borrowings as detailed in note D1 offset by cash and bank balances) and equity attributable to equity holders, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

The Consolidated Entity's Board of Directors reviews the capital structure on an ongoing basis to ensure there are sufficient capital facilities in place to meet funding requirements for at least the next 12 months. As a part of this review the Board of Directors considers the cost of capital and the risks associated with each class of capital. The debt portfolio is managed by monitoring forecast liquidity against the debt portfolio, to ensure a minimum equity buffer is accessible at all times.

D3. FINANCIAL INSTRUMENTS (CONT'D)

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note C8 to the financial statements.

(c) Categories of financial instruments

	Consolidated	
	2017 US$'000	2016 US$'000
Financial assets		
Cash and cash equivalents (at amortised cost)	7,753	6,396
Trade and other receivables (at amortised cost)	6,567	7,650
Held for sale assets	464	-
Financial liabilities (at amortised cost)		
Trade and other payables	8,000	12,351
Loans and Borrowings	-	8,874
Liabilities relating to held for sale assets	211	
Foreign exchange contracts (at fair value through profit or loss)	-	13

(d) Financial risk management objectives

The Consolidated Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Consolidated Entity's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives.

The Consolidated Entity's operations expose it primarily to the financial risks of changes in crude oil prices and foreign currency exchange rates. The Consolidated Entity may enter into a variety of derivative financial instruments to manage its exposure to crude oil price and foreign currency risk, including:

- forward oil price contracts; and
- forward foreign exchange contracts.

D3. FINANCIAL INSTRUMENTS (CONT'D)

(e) Oil price risk management

The Consolidated Entity's revenue is exposed to oil price fluctuations. Exposure to oil price risk is measured by monitoring and stress testing the Consolidated Entity's forecast financial position against sustained periods of low oil prices. This analysis is regularly performed on the Consolidated Entity's portfolio and, as required, for discrete projects and acquisitions.

Commodity hedging may be undertaken where the Board of Directors determines that a hedging strategy is appropriate to mitigate potential periods of adverse movements in commodity price. This will be balanced against the desire to expose shareholders to oil price upside. Commodity hedging may also be undertaken when there is a hedging requirement under a lending facility.

During the year, the Consolidated Entity executed commodity hedges to hedge a total of 262,500 barrels (bbls) (37,500 bbl per month) of crude oil production over the seven month period from October 2017 to April 2018, using Dubai benchmark as the reference price at a fixed price of US$52.25 /bbl and a further hedge program was executed for a total of 112,500 bbls (37,500 bbl per month) of crude oil production over the three month period from June 2018 to August 2018, using Dubai benchmark as the reference price at a fixed price of US$57.90/bbl. This hedged volume represents approximately 50% of Tap's net share of forecast production from the Manora oil field. In 2016, the Consolidated Entity also had commodity hedges in place which covered the period of January 2017 and February 2017 for 50% of forecast 1P Manora production at an average swap price of US$42.15/bbl.

A portion of the commodity hedge is outstanding at 31 Dec 2017 and is valued at $2.6 million (2016: $1.7 million). The hedge losses (on derivatives entered into and expired during the financial year) of $2.4 million (2016: $3.7 million loss) are included in revenue.

(f) Oil price sensitivity

The following table details the impact on revenue (excluding commodity hedges) to a 10% and 20% increase and decrease in the oil price. Sensitivities to such possible movements are used when reporting oil price risk internally to key management personnel to represent management's near term assessment of the possible change in oil prices. The sensitivity analysis below includes current year sales levels varied by a 10% and 20% increase in the Consolidated Entity's average oil price. A positive number indicates an increase in profit and equity where the oil price increases. For a 10% and 20% decrease in the US oil price, there would be a comparable impact on the profit and equity, and the balances below would be negative.

	Consolidated Oil Price Impact	
	2017 US$'000	2016 US$'000
Profit or loss: 10%	4,155	4,606
Profit or loss: 20%	8,311	9,211

(g) Foreign currency risk management

Except for the forward exchange contracts, there were no other foreign currency exposures arising from financial instruments as at 31 Dec 2017 and 31 Dec 2016. The Consolidated Entity's exposure shown below represent the USD value of foreign denominated balances (compared to the presentation currency of USD) at year end:

	Consolidated			
	Assets		Liabilities	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Australian Dollars	1,275	4,863	2,526	7,411
Thai Baht	28	2,973	423	276

D3. FINANCIAL INSTRUMENTS (CONT'D)

(h) Foreign currency sensitivity

The Consolidated Entity is mainly exposed to Australian dollars (AUD) and Thai Baht (THB).
The following table details the Consolidated Entity's sensitivity to a 10% and 20% increase and decrease in the Australian dollar and Thai Baht against the US dollar. Management considers foreign exchange sensitivity when reporting foreign currency risk internally to key management personnel. Management continually monitors exchange rate forecasts and assesses the impact of possible changes in foreign exchange rates. The sensitivity analysis is based on 31 December 2017 year end foreign currency denominated monetary items and adjusts their translation at the period end for a 10% and 20% strengthening in foreign currency rates. For a 10% and 20% decrease in foreign currency rates, there would be a comparable impact on the profit and equity, and the balances below would be positive.

	Consolidated US Dollar Impact	
	2017 $'000	2016 $'000
Australian Dollars:		
Profit or loss: 10%	(125)	(255)
Profit or loss: 20%	(250)	(510)
Thai Baht:		
Profit or loss: 10%	(40)	270
Profit or loss: 20%	(79)	539

(i) Foreign exchange contracts

In the current year, the Consolidated Entity had no short term foreign exchange contracts (settles in less than three months). For the prior year comparative 2016 included in other expenses is a foreign exchange loss of $153,800 incurred on foreign exchange contracts during the year.

The following foreign exchange contracts are outstanding at the end of the year:

	Average exchange rate		Foreign currency		Notional value		Fair value	
	2017	2016	2017 THB'000	2016 THB'000	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Buy USD:								
Less than 3 months	-	35.98	-	106,000	-	2,946	-	13

(j) Interest rate risk management

Interest rate risk is the risk that the Consolidated Entity's financial position will fluctuate due to changes in market interest rates. The Consolidated Entity's exposure to the risk of changes in market interest rates relates primarily to long term debt obligations, cash and short term deposits.

The Consolidated Entity's exposure to interest rate risk is measured by monitoring the interest rate ratio within the current and forecast debt portfolio to determine the current and forecast fixed rate debt to total debt interest rate ratio. In general, the forecast fixed rate debt to total debt interest rate ratio is managed through the appropriate choice of funding instrument, but when this cannot be prudently achieved, the Board of Directors may authorise the implementation of interest rate hedge transactions. There were no interest rate hedges undertaken during the year.

D3. FINANCIAL INSTRUMENTS (CONT'D)

(k) Interest rate sensitivity

The sensitivity analysis below has been determined based on exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the year. Varying sensitivities are used when reporting interest rate risk internally to key management personnel that represent management's assessment of the possible change in interest rates.

At the reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Consolidated Entity's profit or loss and equity for the year will be impacted as follows:

	Consolidated Interest Rate Impact	
	2017 US$'000	2016 US$'000
Profit or loss: 50 basis points increase	3	(40)
Profit or loss: 50 basis points decrease	(3)	40

(l) Credit risk management

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument, resulting in a financial loss to the Consolidated Entity. Credit risk arises from the financial assets of the Consolidated Entity, which comprise trade and other receivables and deposits with banks and financial instruments.

The Consolidated Entity has adopted a policy of only dealing with creditworthy customers and counterparties. Receivable balances are monitored on an ongoing basis with the result that the Consolidate Entity's exposure to bad debts is not significant.

The Consolidated Entity may at times have a high credit risk exposure to a single customer in relation to oil liftings or gas sales. The above-mentioned credit risk management procedures are followed in these instances. Of the total trade receivables balance of $6.567 million in the Consolidated Entity at 31 December 2017 (2016: $6.231 million), $5.102 million (2016: $6.231 million) relate to the largest customer (2016: two customers).

The credit risk on liquid funds and derivative financial instruments is limited as the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Consolidated Entity's maximum exposure to credit risk.

(m) Liquidity risk management

Liquidity risk is the risk that the Consolidated Entity will not have sufficient funds available to meet its financial commitments as and when they fall due. Liquidity is monitored and managed on an ongoing, forward-looking basis with day-to-day liquidity requirements met by drawing on internally generated cash flows, existing cash balances and existing debt facilities. Refer also to Note A Going Concern and Note D1 Borrowings.

D3. FINANCIAL INSTRUMENTS (CONT'D)

(n) Maturity profile of financial instruments

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date the Consolidated Entity can be required to pay. The following table details the Consolidated Entity's exposure to liquidity risk:

	Consolidated					
	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1–5 years	Total
	%	US$'000	US$'000	US$'000	US$'000	US$'000
2017						
Financial Assets						
Non-interest bearing		13,696	-	-	-	13,696
Variable interest rate	1.47%	409	-	-	-	409
Fixed interest Rate	3.90%	-	23	188	-	211
		14,105	23	188	-	14,316
Financial Liabilities						
Non-interest bearing		8,000	-	-	-	8,000
Variable interest rate		-	-	-	-	-
		8,000	-	-	-	8,000
2016						
Financial Assets						
Non-interest bearing		13,205	-	-	-	13,205
Variable interest rate	3.76%	819	-	-	-	819
Fixed interest Rate	2.59%	-	-	22	-	22
		14,024	-	22	-	14,046
Financial Liabilities						
Non-interest bearing		12,351	-	-	-	12,351
Variable interest rate	7.50%	-	-	8,874	-	8,874
		12,351		8,874		21,225

D3. FINANCIAL INSTRUMENTS (CONT'D)

(o) Fair value of financial instruments

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

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		Fair value	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Financial assets				
Cash and cash equivalents	7,753	6,396	7,753	6,396
Trade and other receivables	6,567	7,650	6,567	7,650
Held for sale assets	464	-	464	-
	14,784	14,046	14,784	14,046
Financial liabilities				
Trade and other payables	8,000	12,351	8,000	12,351
Liabilities relating to held for sale assets	211	-	211	
Loans and borrowings	-	8,874	-	8,874
	8,211	21,225	8,211	21,225

Financial assets and financial liabilities fair values are determined based on Level 1 inputs as set out in the Basis of preparation in note A. There are no fair values based on Level 2 and Level 3 inputs.

Fair value of the Consolidated Entity's financial assets and liabilities that are measured at fair value on a recurring basis.

The fair values of forward foreign exchange contracts included in Trade and other payables (Note: C4) are calculated using discounted cash flow analysis based on observable forward exchange rates at the end of the reporting period and contract forward rates discounted at a rate that reflects the credit risk of the various counterparties. The instruments are classified in the fair value hierarchy at level 2.

The fair values of oil derivative contracts are calculated using discounted cash flow analysis based on observable oil market prices at the end of the reporting period discounted at an appropriate rate that reflects the credit risk of the various counterparties. The instruments are classified in the fair value hierarchy at level 2.

E1. SUBSIDIARIES

Name of entity	Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
Parent entity			
Tap Oil Limited (i)	Australia		
Subsidiaries (ii)			
Tap West Pty Ltd	Australia	100	100
Tap (Shelfal) Pty Ltd	Australia	100	100
Tap (New Zealand) Pty Ltd	Australia	100	100
Tap Oil (Philippines) Pty Ltd	Australia	100	100
Tap (Ghana) Pty Ltd #	Australia	100	100
Tap Energy (Rangkas) Pty Ltd #	Australia	100	100
Tap Bass Pty Ltd (iii) #	Australia	100	100
Tap Energy (Thailand) Pty Ltd	Australia	100	100
Tap (Zola) Pty Ltd (iv)	Australia	100	100
Tap (WA Gas) Pty Ltd	Australia	100	100
Tap Energy (Finance) Pty Ltd #	Australia	100	
Tap Kendrew Pty Ltd (v) #	Australia	100	100
Tap (Shale) Pty Ltd #	Australia	100	100
Tap (Maitland) Pty Ltd (vi) #	Australia	100	100
Tap (SCB) Pty Ltd (vii)	Australia	100	100
Tap (NCB) Pty Ltd (viii)	Australia	100	100
Tap (Alpha) Pty Ltd (ix) #	Australia	100	100
Tap (Bonaparte) Pty Ltd (x)	Australia	100	100
Tap Energy (Australia) Pty Ltd	Australia	100	100
Tap Energy (SE Asia) Pte Ltd	Singapore	100	100
Tap Energy (M-7) Pte Ltd (xi)	Singapore	100	100

(i) Tap Oil Limited is the head entity of the tax-consolidated group.
(ii) All subsidiaries incorporated in Australia are members of the tax-consolidated group.
(iii) Tap Bass Pty Ltd is a wholly owned subsidiary of Tap Energy (Australia) Pty Ltd.
(iv) Tap (Zola) Pty Ltd is a wholly owned subsidiary of Tap Energy (Australia) Pty Ltd.
(v) Tap Kendrew Pty Ltd is a wholly owned subsidiary of Tap Energy (Australia) Pty Ltd.
(vi) Tap (Maitland) Pty Ltd is a wholly owned subsidiary of Tap Energy (Australia) Pty Ltd.
(vii) Tap (SCB) Pty Ltd is a wholly owned subsidiary of Tap Energy (Australia) Pty Ltd.
(viii) Tap (NCB) Pty Ltd is a wholly owned subsidiary of Tap Energy (Australia) Pty Ltd.
(ix) Tap (Alpha) Pty Ltd is a wholly owned subsidiary of Tap Energy (Australia) Pty Ltd.
(x) Tap (Bonaparte) Pty Ltd is a wholly owned subsidiary of Tap Energy (Australia) Pty Ltd.
(xi) Tap Energy (M-7) Pte Ltd is a wholly owned subsidiary of Tap Energy (SE Asia) Pte Ltd.
# Indicates the subsidiary company is dormant.

The principal activity of all the subsidiaries is oil and gas exploration and production, except for Tap (WA Gas) Pty Ltd where the principal activity was the purchase and sale of gas.

E2. PARENT ENTITY DISCLOSURES

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note F1 for a summary of the significant accounting policies relating to the Consolidated Entity.

	Parent Entity	
	2017 US$'000	2016 US$'000
Financial Position of parent entity at year end		
Assets		
Current assets	987	1,560
Non-current assets	31,601	43,870
Total assets	32,588	45,430
Liabilities		
Current liabilities	967	465
Non-current liabilities	30	362
Total liabilities	997	827
Net assets	31,591	44,603
Total equity of the parent entity comprising of:		
Issued capital	141,624	141,524
Retained earnings	(58,733)	(74,833)
Share option reserve	3,526	3,526
Share rights reserve	3,289	3,180
Foreign Currency Translation Reserve	(128,230)	(98,909)
Profit reserve	70,115	70,115
Total equity	31,591	44,603
Results of the parent entity		
(Loss)/profit for the year	(16,100)	(7,676)
Total comprehensive income	(16,100)	(7,676)

E2. PARENT ENTITY DISCLOSURES (CONT'D)

Guarantees entered into by the parent entity

Parent company guarantees are extended on a case by case basis. Tap Oil Ltd has provided a number of performance guarantees for subsidiaries under the terms of joint operations operating agreements and agreements with Governments pertaining to oil & gas exploration.

Tap Oil Limited has parent company guarantees in place which guarantee the obligations of Tap Energy (Thailand) Pty Ltd under the Petroleum Concessions for the G1/48 Permit Area, Thailand.

Tap Oil Limited has parent company guarantees in place which guarantee the obligations of Tap (WA Gas) Pty Ltd under gas sale agreements.

Tap Oil Limited has parent company guarantees in place which guarantee the obligations of Tap Energy (M-7) Pte Ltd under the Production Sharing Contract for the Block M-07 offshore Myanmar.

Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2017 other than those disclosed in note F11.

Lease commitments of the Parent entity

Operating leases

Leasing arrangements

The Parent Entity has non-cancellable operating leases for office premises (the premises lease expires on 16 January 2020) and office equipment.

	Parent Entity	
	2017 US$'000	2016 US$'000
Non-cancellable operating lease commitments		
Not longer than 1 year	98	409
Longer than 1 year and not longer than 5 years	90	33
	188	442

F1. OTHER ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company (the parent entity) and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

A list of subsidiaries is included in note E1 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the Consolidated Entity are eliminated in full.

(b) Foreign currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect on the dates of the transactions.

At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

The individual financial statements of each group entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates. For the purposes of the consolidated financial statements, the results and financial position of each entity are expressed in US dollars, which is the presentation currency for the consolidated financial statements.

The functional currency of all the entities in the Consolidated Entity is Australian dollars except for Tap Energy Thailand Pty Ltd which has a functional currency of United States dollars. The financial statements of subsidiaries whose functional currency is in a currency other than United States dollar have been converted into the presentation currency as follows:

(i) assets and liabilities are translated to the presentation currency at exchange rates at the reporting date. Income and expenses are translated to the presentation currency at exchange rates at the dates of the transactions;
(ii) foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

F1. OTHER ACCOUNTING POLICIES (CONT'D)

(c) Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

New and revised Standards and Interpretations affecting amounts reported and/or disclosures in the financial statement

In the current year the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and mandatorily effective for an accounting period that begins on or after 1 January 2017.

F1. OTHER ACCOUNTING POLICIES (CONT'D)

Adoption of new and revised Accounting Standards

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

Standard/Interpretation	Note	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
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	1 January 2018	31 December 2018
AASB 16 Leases	2	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
AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15		1 January 2018	31 December 2018
AASB 2017-3 Amendments to Australian Accounting Standards – Clarifications to AASB 4		1 January 2018	31 December 2018
AASB Interpretation 22 Foreign Currency Translation and Advance Consideration		1 January 2018	31 December 2018
AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments		1 January 2019	31 December 2019
Long-term Interests in Associates and Joint Ventures Amendments to IAS 28 and Illustrative Example—Long-term Interests in Associates and Joint Ventures		1 January 2019	31 December 2019
Prepayment Features with Negative Compensation Amendments to IFRS 9		1 January 2019	31 December 2019

1. AASB15 "Revenue from Contracts with Customers" - the core principle of this accounting standard is that an entity recognises revenue related to the transfer of promised goods or services when control of the goods or services passes to customers. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled in exchange for those goods or services.

   An entity recognises revenue in accordance with that core principle by applying the following steps:
   Step 1: Identify the contract(s) with a customer
   Step 2: Identify the performance obligations in the contract
   Step 3: Determine the transaction price
   Step 4: Allocate the transaction price to the performance obligations in the contract
   Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

   The Consolidated Entity has undertaken an assessment of the new requirements based on existing revenue contracts and determined that no material changes in the timing or measurement of revenue would be required under the new standard.

2. AASB 16 'Leases' - In February 2016, the Australian Accounting Standards Board issued AASB 16 'Leases', which replaces the current guidance in AASB 117 'Leases', Interpretation 4 'Determining whether an Arrangement contains a Lease', Interpretation 115 'Operating Leases - Incentives' and Interpretation 127 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

   The new standard will apply to the Consolidated Entity from 1 July 2019. Early adoption is permitted, but only in conjunction with AASB 15: 'Revenue from Contracts with Customers'. The new standard requires the lessee to recognise its leases in the statement of financial position as an asset (the right to use the leased item) and a liability reflecting future lease payments. Depreciation of the leased asset and interest on lease liability will be recognised over the lease term. The lessee can utilise the exceptions related to short-term and low-value leases, however, assets subject to subleases do not qualify for the low-value exception.

   The Consolidated Entity has one significant long-term non-cancellable lease for the Floating Storage Offtake Vessel (FSO) at the Manora Oil Field (G1/48) which the Consolidated Entity has a 30% working interest and to a lesser extent the office building lease, which are expected to have a material impact when recognised in the statement of financial position. We are currently assessing the impact of the new leasing standard on our financial results. This includes identifying changes to our accounting policies, internal and external reporting requirements, IT systems, business processes and controls. Our adoption approach and application of the transition provisions under the new standard will depend on the outcome of this assessment, which is yet to be finalised.

At the date of authorisation of the financial report, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

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.

F2. RESERVES

Nature and purpose of reserves

Share options and rights reserve

The share options reserve and the share rights reserve reflect the cost of share related share-based payments – refer note F7 explaining the grant date fair value of options and rights issued to employees but not exercised.

The reserve comprises the credit to equity for equity-settled share-based payment arrangements under AASB 2 – Share-based payments. The standard requires that the expense be charged to the profit and loss component of the statement of comprehensive income, while a credit needs to be raised against equity over the vesting period.

For further information on the share-based payment schemes refer note F7.

	Consolidated	
Share rights reserve	2017 US$'000	2016 US$'000
Balance at beginning of year	3,180	3,168
Recognition of share based payment	109	12
Balance at end of year	3,289	3,180

Foreign currency translation reserve

Used to record foreign exchange differences arising from the translation of the financial statements of foreign entities from their functional currency to the Consolidated Entity's presentation currency. The reserve is recognised in the Statement of Comprehensive Income when the net investment is disposed.

	Consolidated	
	2017 US$'000	2016 US$'000
Balance at beginning of year	55,672	55,651
Exchange differences arising on translating foreign operations	1,213	21
Balance at end of year	56,885	55,672

Profit reserve

A profit reserve has been created in selected entities within the tax consolidated group (refer note E1). The balance represents an appropriation of amounts from retained earnings for the payment of future dividends.

	Consolidated	
	2017 US$'000	2016 US$'000
Balance at beginning of year	72,940	72,940
Transfer to profit reserve	-	-
Balance at end of year	72,940	72,940

	Consolidated	
Retained earnings	2017 US$'000	2016 US$'000
Balance at beginning of year	(229,351)	(214,419)
Loss for the year	(14,591)	(14,932)
Transfer to profit reserve	-	-
Balance at end of year	(243,942)	(229,351)

F3. EARNINGS PER SHARE

	Consolidated 2017 Cents per share	Consolidated 2016 Cents per share
Basic and diluted earnings per share	(3.4)	(4.1)

Basic earnings per share:

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:	2017 US$'000	2016 US$'000
Earnings used in the calculation of basic earnings per share from continuing operations	(14,591)	(14,932)
	2017 No.'000	**2016 No.'000**
Weighted average number of ordinary shares for the purposes of basic earnings per share	425,164	368,038

Diluted earnings per share:

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:	Consolidated 2017 US$'000	Consolidated 2016 US$'000
Earnings used in the calculation of diluted earnings per share from continuing operations	(14,591)	(14,932)
	2017 No.'000	**2016 No.'000**
Weighted average number of ordinary shares for the purposes of diluted earnings per share (a)	425,164	368,038

(a) The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:	2017 No.'000	2016 No.'000
Weighted average number of ordinary shares used in the calculation of diluted EPS	425,164	368,038

There are 6,529,425 (2016: 2,328,101) rights on issue at year end that could further dilute the basic earnings per share and diluted earnings per share in future.

F4. COMMITMENTS FOR EXPENDITURE

	Consolidated 2017 US$'000	Consolidated 2016 US$'000
(a) Capital expenditure commitments		
Committed expenditures that have not been provided for in the financial statements:		
Property, plant and equipment		
Not longer than 1 year	3,299	3,497
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	3,299	3,497
Exploration expenditure		
Not longer than 1 year	1,246	2,303
Longer than 1 year and not longer than 5 years	-	341
Longer than 5 years	-	-
	1,246	2,644
FSO lease at Manora		
Not longer than 1 year	5,439	5,424
Longer than 1 year and not longer than 5 years	14,053	19,436
Longer than 5 years	-	-
	19,492	24,860

These commitments represent Tap's share of joint operations' commitments. The commitments for exploration expenditure include the minimum expenditure requirements of various government regulatory bodies and joint operations that the Consolidated Entity is required to meet in order to retain its present permit interests. These obligations may be subject to renegotiation, may be farmed out or may be relinquished.

The property, plant and equipment commitments represent Tap's share of the G1/48 Joint operation commitments in respect of the Manora Development.

Under the terms of a Good Standing Agreement (GSA) entered into with NOPTA (on behalf of the Joint Authority) in relation to T/47P on 1 October 2013, Tap is required to spend A$5.8 million on qualifying permits in order to maintain its good standing with the Joint Authority. Any expenditure to be credited against this GSA obligation must be expended on field activities within the primary terms of agreed qualifying permits in Australian waters. Qualifying Permits include both prime gazetted areas acreage and re-release gazetted areas and must be obtained by the completion of the 2015 Acreage Release.

Since the GSA was entered into, Tap has bid for acreage releases with total primary term commitments as bid for, being greater than A$5.8 million. Tap believes that there are no commitments or contingencies in relation to the GSA and hence no amount is included in the commitments table above for the GSA.

F5. LEASES

Operating leases

Leasing arrangements

The Consolidated Entity has non-cancellable operating leases for the following:
Office premises – the premises lease expires on 16 January 2020
Office equipment – the copy management plan expires on 13 November 2018.

	Consolidated	
	2017 US$'000	2016 US$'000
Non-cancellable operating lease commitments		
Not longer than 1 year	98	409
Longer than 1 year and not longer than 5 years	90	33
	188	442

Accounting policy

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

F6. NOTES TO THE CASH FLOW STATEMENT

	Consolidated	
	2017 US$'000	2016 US$'000
(a) Reconciliation of cash and cash equivalents		
For the purposes of the consolidated statement of cash flow, cash and cash equivalents includes cash on hand and in banks and cash held in joint ventures.		
Cash and cash equivalents	7,753	1,956
Restricted cash and cash equivalents(i)	-	4,440
	7,753	6,396

(i) Under the terms of the BNP borrowing base facility, as at 31 December 2016 these funds could only be used toward the assets secured under the facility (Manora and G1/48 commitments and the third party gas assets). This also includes a deposit for the office lease.

F6. NOTES TO THE CASH FLOW STATEMENT (CONT'D)

	Consolidated 2017 US$'000	Consolidated 2016 US$'000
(b) Reconciliation of loss for the period to net cash flows from operating activities		
Loss for the year – continuing operations	(14,591)	(14,932)
Depreciation and amortisation of non-current assets	16,168	24,939
Foreign exchange loss	856	2,003
Commodity hedge payable/(receivable)	337	13
Equity settled share-based payments	209	162
Exploration impairment losses/write-downs	3,079	9,195
Timewriting charged to exploration assets	(147)	(882)
Loss on sale of property, plant and equipment	-	25
Non-cash interest expense	-	(31)
Rehabilitation/restoration expense adjustments	913	1,843
(Decrease)/increase in current tax balances	10,489	(511)
Increase/(decrease) in deferred tax balances	29	5,563
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Current receivables	561	4,035
Other assets	(356)	(1,390)
(Decrease)/increase in liabilities:		
Current payables	3,014	(3,192)
Unearned revenue	(4,895)	522
Net cash provided by operating activities	15,666	27,362

Accounting policy

Cash and cash equivalents comprise cash on hand, cash in banks, demand deposits, the Consolidated Entity's share of joint operations bank balances and investments in money market instruments. Cash equivalents are short-term, and highly liquid investments.

Any bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

F7. SHARE-BASED PAYMENTS

Tap currently has the Tap Share Rights Plan as its share-based payment scheme. This plan was first approved by shareholders on 30 April 2010 and again on 22 May 2013.

Performance Rights

Long-term incentive awards are made in the form of rights to shares which will have a vesting timeframe of three years. The rights have a total legal life of seven years from the grant date. The number of rights that vest will be based on the Consolidated Entity's performance over the same three years. The long-term incentive awards are made by way of the grant of Performance Rights as soon as practicable after each year end. Grants of Performance Rights will be made each year with effect from 1 January.

In January 2017, the Board adopted a revised performance benchmark for vesting. Vesting of up to 100% of the performance rights depends upon the Company's relative total shareholder return (RTSR). The RTSR performance hurdles required to achieve increasing levels of vesting are set by the Board to apply from 1 January of the relevant year. For the 2017 grant of performance rights, the Board set the following RTSR performance hurdles:

Relative TSR	% of Rights which will vest after 3 years
< 50th percentile	0%
= 50th percentile	30%
> 50th percentile and < 90th percentile	Pro rata
> 90th percentile	100%

TSR is commonly used as a relative measure, where the number of shares that vest is dependent upon on the Company's TSR over a stated performance period relative to that of its peers. The calculations under this standard approach are transparent and straight forward, based on a simple ranking method to assess the level of outperformance.

Vesting characteristics of the performance rights are as follows:

(i) performance measurement period is three years, which is consistent with the typical time cycle for an exploration program;

(ii) performance is based on differences in RTSR as measured from the end of one preceding period to the end of the current (three years) assessment period. The RTSR uses the 30-day VWAP of the Company's shares up to and including the last day of each measurement period; and

(iii) RTSR will be assessed against a peer group of like companies determined by the Board before the start of each assessment period or as soon as practical thereafter. In January 2017, the Board determined a peer group of 14 petroleum industry companies which are listed on the ASX and whose market capitalisation ranged from approximately A$7 million to A$496 million (at 5 December 2017).

Retention Rights

Retention Rights are issued to staff pursuant to the terms of the Share Rights Plan upon or as soon as practicable after commencement of employment. Such rights would vest if the employee remains employed by the Consolidated Entity for three years. The rights have a total legal life of seven years from the grant date. Retention Rights are valued at 100% of the 30-day volume-weighted average share price (VWAP) of the Consolidated Entity's shares preceding the date of grant.

F7. SHARE-BASED PAYMENTS (CONT'D)

Executive Director Ordinary Shares and Performance Rights

As part of the executive employment contract entered between Tap Oil Limited and Mr James Menzies, Executive Chairman effective 15 December 2016, the Company was required to issue 1,000,000 ordinary fully paid shares in Tap and 1,000,000 performance rights to acquire ordinary fully paid shares in the Company, with the performance rights commencing vesting from 15 December 2016 at a rate of 166,667 for each month of completed service with the Company. The issue of these shares and performance rights were approved by shareholder on 26 May 2017. On 29 May 2017, 1,000,000 ordinary shares were issued, and 833,335 ordinary shares were issued on immediate vesting of the performance rights and on 15 June 2017, 166,665 ordinary shares were issued from the remaining rights vesting.

Special Awards

The Board retains the discretion to make Special Awards each year. Special Awards can be in the form of Performance Rights and/or Retention Rights. Special Awards are granted to individual staff or Group Executives who are judged by the Board to have made an extraordinary contribution to the current or future performance of the Consolidated Entity or who are expected to play a critical role in one of the Consolidated Entity's activities that could take 2-3 years to complete and where retention of the individual's services is seen as an important determinant of the success to that activity.

Grant date	Number	Vesting date	Exercise price AU$	Fair value at grant date AU$
2017				
Performance Rights				
01/01/2017	6,359,513	01/01/2020	-	0.04
29/5/2017	1,000,000	15/06/2017	-	0.08
Retention Rights				
	-	-	-	-
2016				
Performance Rights				
01/01/2016	3,863,746	01/01/2019	-	0.04
Retention Rights				
25/05/2016	1,024,544	25/05/2019	-	0.09
01/09/2016	124,140	01/09/2019	-	0.09

The volume weighted average fair value of the performance rights granted in 2017 is $0.05 (2016: $0.04). Performance rights issued are valued using a Monte Carlo Simulation model. The Monte Carlo Simulation model is a computer based technique where a large sample of iterations is performed, based on random numbers and their associated probabilities determined by a specified probability distribution function. The Monte Carlo Simulation model is used to determine the probability of the absolute return performance hurdles and the relative return performance hurdles being achieved.

The performance rights have no exercise price and vesting occurs after three years if the employee remains employed by the Consolidated Entity. Expected volatility for the ATSR performance hurdle is based on the volatility of historical 3-year performance period returns using 30-day VWAP share price data. Expected volatility for the RTSR performance hurdle is based on the volatility of historical 3-year performance period returns using 30-day VWAP share price data of Tap Oil Limited shares compared to its peer group.

F7. SHARE-BASED PAYMENTS (CONT'D)

The volume weighted average fair value of the retention rights granted in 2017 is nil as there were none granted in the year (2016: A$0.09). Retention rights are valued using the Black Scholes model with the life of the rights assumed to be three years, which is the same as the vesting period of the retention rights (based on employees remaining in the Consolidated Entity's employment for three years as the condition for rights vesting). The retention rights have no exercise price and no other performance conditions, except that the employees need to be in the Consolidated Entity's employment after a period of three years, resulting in the fair value of the retention rights being equal to the 30-day VWAP share price at the date of grant (the volatility and risk-free rate included as inputs to the Black Scholes model will be irrelevant). Expected volatility is based on the historical 30-day VWAP share price volatility over a 3-year performance period and the risk free interest rate based on the Reserve Bank of Australia's 3-year government bond rate, both as quoted on the date of grant of the retention rights.

	Inputs into the model						
Rights series (by vesting date)	Grant date share price AU$	Vesting probability	Exercise price AU$	Expected volatility	Vesting term of rights	Dividend yield	Risk-free interest rate
2017							
Performance Rights							
01/01/2017	0.09	N/A	$0.00	18%	3yr	-	1.98%
29/5/2017	0.08	N/A	$0.00	55%	< 1yr	-	1.87%
Retention Rights							
	-	-	-	-	-	-	-

	Inputs into the model						
Rights series (by vesting date)	Grant date share price AU$	Vesting probability	Exercise price AU$	Expected volatility	Vesting term of rights	Dividend yield	Risk-free interest rate
2016							
Performance Rights							
01/01/2019	$0.15	24%	$0.00	24%	3yr	-	N/A
Retention Rights							
25/05/2019	$0.09	N/A	$0.00	38%	3yr	-	1.63%
01/09/2019	$0.09	N/A	$0.00	38%	3yr	-	1.41%

F7. SHARE-BASED PAYMENTS (CONT'D)

The following reconciles the outstanding share rights granted at the beginning and end of the financial year:

	2017		2016	
	Number of rights	Weighted average exercise price AU$	Number of rights	Weighted average exercise price AU$
Balance at beginning of the financial year	2,328,101	-	13,392,065	-
Granted during the financial year	7,359,513	-	5,126,716	-
Forfeited during the financial year	(1,972,101)	-	(8,047,186)	-
Vested during the financial year (i)	(1,000,000)	-	(1,358,338)	-
Lapsed during the financial year	(186,088)	-	(6,785,156)	-
Balance at end of the financial year (ii)	6,529,425	-	2,328,101	-

(i) Vested during the financial year

1,000,000 performance rights vested during the 2017 financial year (2016: nil). No retention rights vested during the 2017 financial year (2016: 1,358,338).

(ii) Balance at end of the financial year

The performance rights and retention rights outstanding at the end of the financial year had no exercise prices and had a weighted average remaining contractual life of 2,113 days (2016: 2,153 days).

(iii) Exercised during the financial year

There were no options exercised during the 2017 financial year (2016: nil).

Accounting Policy

Equity-settled share-based payments are measured at fair value at the grant date. Fair value is measured under the Black Scholes model for options and retention rights and the Monte Carlo Simulation Model for performance rights in circumstances where the value cannot be determined based on the service being delivered. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Consolidated Entity's estimate of the number of options and shares that will eventually vest. At the end of each reporting period, the Consolidated Entity revises its estimate of the number equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share rights reserve.

F8. KEY MANAGEMENT PERSONNEL COMPENSATION

After consideration of the nature of each employee's role within the Consolidated Entity, in the opinion of the Board the Consolidated Entity had the following key management personnel during the financial year:

Non-Executive Directors - current

- A Hall (appointed 18 October 2016) (resigned 31 January 2018)
- P J Mansell (appointed 27 May 2016) (resigned 31 January 2018)
- C B Newton (appointed 1 Jan 2016)
- T L Soulsby (appointed 1 Jan 2016) (resigned 31 January 2018)
- S Sreesangkom (appointed 27 May 2016) (resigned 6 February 2018)
- P Panyaporn (appointed 14 March 2017) (resigned 6 February 2018)

Executive Director - current

- J G Menzies (appointed non-executive Director 27 May 2016 and subsequently appointed Executive Chairman on 15 December 2016) (resigned 31 January 2018)

Non-Executive Directors - former

- D W Bailey (Chairman resigned 15 Dec 2016)
- M J Sandy (retired 27 May 2016)
- D A Schwebel (retired 27 May 2016)

Senior Executives - current

- C J Bath (Chief Financial Officer appointed 25 May 2016)
- R M Somerville

Senior Executives - former

- T J Hayden (Managing Director resigned 27 May 2016 and resigned as CEO on 1 December 2016)
- D J Rich (Chief Financial Officer resigned 1 July 2016)
- M T Ryan (General Counsel/Company Secretary appointed 13 July 2015 and resigned 1 July 2016)
- A C Sudlow (Commercial Manager resigned 1 December 2016)

The aggregate compensation of the key management personnel of the Consolidated Entity is set out below:

	Consolidated	
	2017 US$000	2016 US$000
Short-term employee benefits	782	1,443
Post-employment benefits	34	83
Other long-term benefits	-	-
Termination benefits	57	1,155
Share-based payments	174	(6)
	1,047	2,675

F9. RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

Details of key management personnel compensation are disclosed in note F8 to the financial statements and in the remuneration report disclosed in the Directors report.

(b) Transactions with other related parties

Other related parties include the parent entity, joint operations in which the entity is a venturer and subsidiaries.

Amounts receivable from and payable to parties within the Tap Oil Limited Group eliminate on consolidation. All loans advanced to and payable to related parties are unsecured, have no fixed repayment dates and are interest-free. The outstanding balances related to joint operations are disclosed in note C3 to the financial statements.

On 22 December 2016 the Company entered into a consulting agreement with Risco Management Advisory Limited (Risco), a Company associated with T Soulsby and C Newton, Directors of Tap. Under the agreement Risco will assist with managing the Manora asset and provide financial advisory services. A fee of A$29,000 per month is payable. The agreement terminated on 30 June 2017.

During the second half of the year, Risco Management Advisory Limited (Risco) provided consulting services under an existing service agreement dated 14 December 2015, to assist in managing the Manora asset and provide financial advisory services (service period 1 July 2017 til 31 December 2017). The fee for services is a minimum one day per week a at day rate of US$1,250.

In 2017 a total amount of $165,940 (2016: $192,000) was paid to Risco for the services mentioned above.

There were no other fees paid during the year to Risco Energy Investments (SEA) Ltd, a Company associated with T Soulsby and C Newton (2016: $158,000).

F10. REMUNERATION OF AUDITORS

	Consolidated	
	2017 US$000	2016 US$000
Audit services		
Auditor of the parent entity – Deloitte Touche Tohmatsu		
– Audit and review of financial reports	80	108
Overseas Deloitte Touche Tohmatsu firms		
Audit of financial report	-	-
	80	108
Other auditors		
– Audit of financial report	42	27
	122	135
Other services		
Other auditors		
– Taxation services	53	357
	53	357

F11. CONTINGENCIES

As at 31 December 2017 the consolidated entity did not have any contingent liabilities.

F12. SUBSEQUENT EVENTS

There have been no matters or circumstances occurring subsequent to the financial 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.