

# Quarterly Report

For the Quarter Ended 30 June 2018



## Highlights

- **Successful drilling campaign at Manora with a total net oil pay of ~636 feet, including new oil discoveries in the 300 and 500 series sands**
- **Tap booked additional Reserves and Contingent Resources and subsequent to the end of the quarter, commenced production from MNA-20 and MNA-21, increasing total production by a combined initial rate of ~2,500 bopd gross, representing a significant increase in field production**
- **Tap is continuing to build cash from production at Manora, with the cash position at 30 June 2018 growing to \$15.3 million (including Tap's share of cash held in joint ventures)**
- **Continued rationalisation of the Australian portfolio with completion of the sale of TP/7, TL/2 and associated abandonment liabilities**
- **Appointment of Mr Damon Neaves as independent Chairman**

## Summary

Reported revenue for the quarter was ~\$4.2m. Revenue was lower compared to the prior quarter due to the lower number of liftings at the Manora Oil Field (**Manora**), as the scheduled lifting for end of June moved to 4 July 2018. Based on provisional pricing, Tap's share of revenue for this lifting was ~\$6.1m.

Production at Manora averaged 6,146 bopd (Tap's share 1,844 bopd) for the quarter, down 13% from the previous quarter due to the natural well decline. Subsequent to the end of the quarter, commencement of production from MNA-20 and MNA-21 increased total production by a combined initial rate of ~2,500 bopd gross.

During the quarter, the operator of Manora began a four well exploration, appraisal and development drilling campaign. Following completion of the final well in the drilling campaign, Tap announced a total net pay of ~636 feet penetrated from both known and new sands. Manora-8ST1, MNA-20 and MNA-21 were all successful in appraising their primary objectives in the east fault block. New discoveries were also made by the Manora-8ST1 appraisal well in the 300 and 500 series sands, which was further developed by the MNA-20 development well.

On 2 May 2018, Risco Energy Investments (SEA) Limited (**Risco**) launched an on-market takeover offer, proposing to acquire all of the ordinary fully paid shares in Tap that it does not already own for \$0.070 cash per share (**Offer**). Risco subsequently extended the Offer on 16 May 2018, 22 June 2018 and 11 July 2018, with the Offer now scheduled to close at the end of ASX trading on 16 August 2018 unless it is further extended or withdrawn.

On 15 May 2018, the Non-Affiliated Directors of Tap (**Non-Affiliated Directors**) issued a target's statement (**Target's Statement**) to Tap shareholders in relation to the Offer, and lodged its supplementary target's statement including the Independent Expert's Report on 11 July 2018 (**Supplementary Target's Statement**).

The Non-Affiliated Directors unanimously recommended that shareholders **REJECT** the Offer in the absence of a superior proposal by **DOING NOTHING** and **TAKING NO ACTION** with respect to their Tap Shares.

The Independent Expert, BDO Corporate Finance (WA) Pty Ltd (**BDO**), concluded that the Offer is **NEITHER FAIR NOR REASONABLE** and falls below the bottom end of BDO's assessed valuation range for Tap Shares. Tap Shareholders are encouraged to read the Target's Statement and Supplementary Target's Statement in full.

On 29 May 2018, Mr Damon Neaves was appointed as Chairman of Tap.

*Unless otherwise noted, this Quarterly Report is presented in US dollars.*

## Revenue & Production

Revenue (after accounting for realised hedge losses) for the June quarter was ~\$4.2 million. Revenue was lower compared to the prior quarter due to the lower number of liftings (1 lifting in the June quarter compared to 3 liftings in the March quarter). The lifting scheduled for the month of June moved to 4 July 2018 and this revenue will be recognised in the September quarter. Revenue from the July 2018 lifting, based on provisional pricing is ~\$6.1m. The average realised oil price was \$59/bbl, similar to the previous quarter.

SALES REVENUE* (Tap's Share)	Mar Qtr \$'000	Jun Qtr \$'000	Qtly % Change	Comment
Manora Crude Revenue – net	13,391	4,214	-68.5%	Decrease primarily due to 1 lifting being completed in the June quarter compared to 3 liftings in March quarter. Scheduled lifting for the month of June moved into July (lifting date 4 July 2018).
<b>Total Oil Revenue</b>	<b>13,391</b>	<b>4,214</b>		
<b>Average realised oil price (US\$/bbl*)</b>	<b>59</b>	<b>59</b>	-	Average price for the quarter.

\*Includes Realised Hedge Losses

PRODUCTION VOLUMES (Tap's Share)	Mar Qtr	Jun Qtr	Qtly % Change	Comment
Manora Crude (bbls)	191,339	167,776	-12.3%	Production down due to natural decline.
Manora Daily Average (bopd)	2,126	1,844	-13.3%	
Manora inventory (bbls)	36,336	131,410	261.7%	As at quarter end.

## Manora Oil Field

(Tap 30%)

Tap holds a 30% direct interest in the G1/48 concession in the northern Gulf of Thailand. This concession is operated by MP G1 (Thailand) Limited (**Mubadala**).

The G1/48 concession comprises the Manora Oil Field under production license and the Reservation Area within the concession.

Gross production for the quarter was 559 MSTB (Tap's share 168 MSTB). The average quarterly gross production rate was 6,146 bopd (Tap's share 1,844 bopd). Cumulative field production to 30 June 2018 was 13.2 MMSTB gross (Tap's share 4 MMSTB). Production for the quarter decreased primarily due to natural well decline.

On 20 May 2018, the operator of Manora began a four well exploration, appraisal and development drilling campaign. On 20 June 2018, Tap announced the completion of the final well in the drilling campaign with a total net pay of ~636 feet penetrated from both known and new sands.

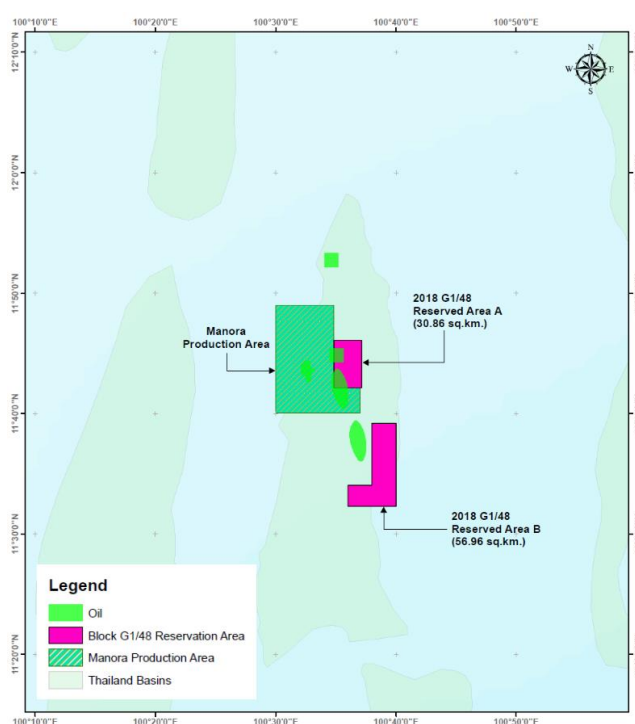


Figure 1: Location map of the Manora Oil Field



Manora-8ST1, MNA-20 and MNA-21 were all successful in appraising their primary objectives in the east fault block, with the Manora-8 exploration well in the footwall block requiring further analysis to understand the implications of the findings. New discoveries were made by the Manora-8ST1 appraisal well in the 300 and 500 series sands, which was further developed by the MNA-20 development well.

The Manora-8ST1 appraisal well commenced drilling on 28 May 2018 and reached final total depth of 2,458 metres Measured Depth Rotary Table (**MDRT**) on 30 May 2018. Multiple oil bearing zones were encountered with total net pay of 307 feet. The main objective 490-60 sand was well developed with 86 feet pay, similar to the MNA-18 well. Other 400 sands encountered 7 feet pay.

The new oil discoveries from the Manora-8ST1 well were made in the 300 and 500 series sands, which encountered 106 feet pay and 108 feet pay respectively. Good porosity, pressure and permeability were encountered in the new sands. The 500 sands are considered to be new reserves and the 300 sands new contingent resources in Manora .

Subsequent to the end of the Quarter, Tap booked additional gross 2P Reserves of 0.9 MMSTB (0.3 MMSTB net) and gross 2C Contingent Resources of 1.5 MMSTB (0.5 MMSTB net).

Following completion of the Manora-8ST1, the rig moved to the Manora platform to commence the MNA-20 and MNA-21 development wells. The MNA-20 and MNA-21 wells commenced production in early July at a combined initial rate of ~2,500 bopd gross.

There was one cargo lifting during the quarter. The next lifting was completed on 4 July 2018. Tap expects 3 liftings to be completed in the September 2018 quarter.

## Exploration

### Gulf of Thailand

#### Offshore Thailand

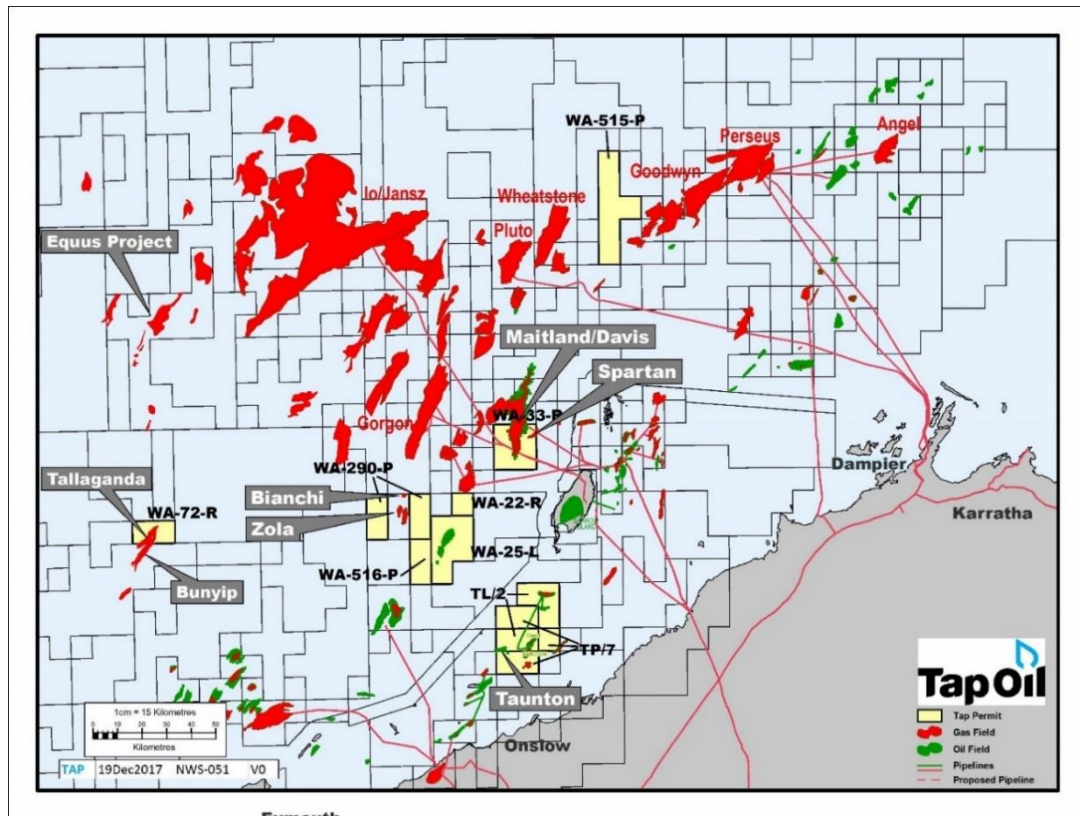
(Tap 30%)

The G1/48 Joint Venture has a reservation area of 87.82 km<sup>2</sup> under a five year Reservation Area Agreement with the Thailand Department of Minerals and Fuels.

During the quarter the Operator drilled the Manora-8 exploration well. The Manora-8 well is located in the G1/48 concession within the Manora Production Area approximately 2.2 kilometres southwest of the Manora platform. The primary objective of the well was to explore for hydrocarbons in the 600 series sands, that are the primary producing sands in Manora. The well targeted a 3-way dip closure of the Manora Footwall A prospect, in the upthrown (footwall) side west of the Manora Central block. Secondary objectives included shallower reservoirs also productive in Manora and deeper objectives where oil shows were encountered in the MNA-17 well.

The well reached final total depth of 2,518 metres MDRT on 25 May 2018. One metre oil pay was interpreted from logs in the deeper target which penetrated older Oligocene sands at a level similar to where oil shows were found in the MNA-17 well. Formation wireline testing recovered oil samples from the sand. Further analysis is needed to understand the relevance of this finding.

## Australia, Carnarvon Basin



### WA-290-P & WA-49-R

Tap 10%, [Quadrant Energy Operator](#)

WA-290-P is an exploration permit in the offshore Carnarvon Basin, Western Australia. In early 2011, the Joint Venture drilled the Zola discovery and in August 2012, a Retention Lease, WA-49-R, was granted over the Zola and Antiope discoveries for a period of five years.

In July 2013, the Joint Venture confirmed a gas discovery at Bianchi-1 with 112 metres of natural gas net pay in the Mungaroo Formation reservoir sandstones.

The Bianchi 3D Seismic survey acquired in 2016 being processed by DownUnder GeoSolutions (DUG), the processing was completed in Late May with the TAP datasets due for delivery in late July.

During the quarter Tap advised the joint venture participants of its intention to withdraw by issuing a notice of withdrawal in accordance with the terms of the Joint Venture Operating Agreement. The effective date of Tap's withdrawal will be the last day of the Permit Year 3, which is 21 August 2018.

NOPTA had approved Tap's withdrawal from WA-49-R in May 2018.

### WA-33-R

Tap 22.474%, [Quadrant Energy Operator](#)

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

No activities were undertaken during the quarter.

The Bianchi-Hockey 3D survey acquired by Quadrant over several permits which ingressed 124 km<sup>2</sup> into WA-33-R will be available to the WA-33-R JV by the end of July 2018.



## **WA-72-R Tallaganda Gas Field**

Tap 20%, BHP Billiton Operator

WA-72-R is a Retention Lease in the offshore Carnarvon Basin, Western Australia. The Retention Lease contains the Tallaganda gas discovery drilled during the second quarter of 2012. The Tallaganda-1 well was a new field gas discovery in the Triassic Mungaroo Formation. The Tallaganda-Bunyip structure straddles both WA-72-R and WA-73-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 for the WA-72-R portion of the Tallaganda-Bunyip structure (ASX Release 29 January 2013).

No activities were undertaken during the quarter.

## **TL/2 & TP/7**

Tap 10% (TL/2) and 12.474% (TP/7), Quadrant Energy Operator

The TL/2 Production License 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.

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).

As part of Tap's strategy to rationalise and monetise its Australian portfolio, Tap has completed the sale of its interest in TP/7 and TL/2 and associated pipeline licenses effective 18 June 2018. Effective from the settlement date, the purchaser assumes all environmental and remediation liabilities associated with these permits regardless of when the operations that gave rise to such liabilities may have occurred.

Tap no longer recognises the net 2C Contingent Resource of 0.9 MMSTB for the Taunton field.

## **WA-515-P & WA-516-P**

Tap 100%, Operator

WA-515-P and WA-516-P are located in the northern Carnarvon Basin in shallow water.

On 16 of February 2018 NOPTA approved a Suspension and Extension Application lodged by Tap, such that the Year 3 permit Term will now end on 5 September 2018.

The Seisnetics preprocessing of the Searcher Seismic Ultracube MC 3D seismic survey was delivered to Tap in early December. This work was completed on both the full and Ultrafar datasets and have proved very useful in providing high quality horizon interpretations for inputs to the Constrained Simultaneous Absolute Inversion workflow being conducted at Downunder.

The Rock Physics Study was completed late in February 2018 and that interpretation has been utilised in the Statistical rock physics models for the Constrained Simultaneous Absolute Inversion.

The lithology and fluid prediction volumes for the Simultaneous Absolute inversion were delivered in early May.

Tap has now substantially completed all of the work activities required to meet the minimum work commitment program.

## **Australia, Bonaparte Basin**

### **WA-34-R Prometheus /Rubicon Gas Fields**

Tap 12%, Eni Operator

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<sup>2</sup>. Tap estimates a 2C contingent resource net to Tap of 40.2 BCF (45 PJ) (ASX Release 22 April 2016).

No activities were undertaken during the quarter.





## Myanmar

### Block M-7 Moattama Basin, Offshore Myanmar

#### Tap 95% Operator

Block M-7 is located in the Moattama basin, offshore Myanmar.

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

## Exploration, Development, Operating & Other Expenditures

	Tap's Share		
	Mar Qtr \$'000	Jun Qtr \$'000	Comment
Exploration & Appraisal	596	730	Predominantly spend on activities related the Manora exploration well drilled in Q2.
Development, Plant & Equipment	151	2,429	Relates to the spend on the Manora-8ST1, MNA-20 and MNA-21 development wells which were all successful in appraising their primary objectives in the east fault block
<b>Total Capital Expenditure</b>	<b>747</b>	<b>3,159</b>	
Manora Production Costs *	6,453	1,121	
<b>Total Production Expenditure</b>	<b>6,453</b>	<b>4,280</b>	

\* Includes operating costs, royalties, marketing costs, insurance and inventory movements. Excludes depreciation and amortisation charges. Note inventory movement for the June Quarter was a credit of (\$4.2M) with Inventory on hand as at 30 June 2018 (Oil in Tank) was circa 131k bbls (Tap's share).

## Financial & Corporate

### Cash Position

Tap's cash position at 30 June 2018 was \$15.3 million. Cash includes Tap's share of cash held in joint ventures, which at the end of the quarter was \$6.3 million.

Cash Position (US\$)	Jun'17 \$'000	Sep'17 \$'000	Dec'17 \$'000	Mar'18 \$'000	Jun'18 \$'000
Cash on hand *	7,325	7,959	7,753	13,087	15,264
Debt	(3,425)	-	-	-	-
<b>Net Cash/(Debt)</b>	<b>3,900</b>	<b>7,959</b>	<b>7,753</b>	<b>13,087</b>	<b>15,264</b>
* Cash on hand includes Tap's share of cash held in joint ventures.					

## Hedging

The Company has the following hedge positions as at the end of the quarter:

- 75,000 bbls (37,500 bbl per month) of crude oil production for July and August 2018 using Dubai benchmark as the reference price at a fixed price of \$57.90/bbl; and
- 45,000 bbls (22,500 bbl per month) of crude oil production for September and November 2018 using Dubai benchmark as the reference price at a fixed price of \$58.40/bbl.

## Other

### On-market takeover offer by Risco Energy Investments (SEA) Limited

On 2 May 2018, Tap announced that it had received an on-market takeover offer from Risco under which Risco proposes to acquire all of the Tap ordinary fully paid shares in Tap that it does not already own for \$0.070 cash per Tap share.

On 15 May 2018 Tap issued a target's statement (Target's Statement) which sets out the responses and recommendations of the Tap directors who are not affiliated with Risco (being Mr Damon Neaves, Dr Govert van Ek and Mr Kamarudin Baba, together the Non-Affiliated Directors) to Tap shareholders in relation to the Risco takeover offer. For the reasons set out in the Target's Statement, the Non-Affiliated Directors unanimously recommended that shareholders **REJECT** Risco's takeover offer in the absence of a superior proposal.

On 16 May 2018, 22 June 2018 and 11 July 2018 Risco announced an extension to the Offer Period. The Offer is now scheduled to close at the end of ASX trading on 16 August 2018

Tap appointed BDO to prepare an Independent Expert's Report opining on whether the Offer is fair and reasonable to Tap Shareholders.

BDO has now provided Tap with its Independent Expert's Report, which concludes that the Offer is **NEITHER FAIR NOR REASONABLE** and that the Offer of \$0.070 per share falls below the bottom end of BDO's assessed valuation range for Tap Shares. The Independent Expert has determined the value of a Tap Share on a controlling interest basis to be in the range of \$0.079 to \$0.120 per share, with a preferred value of \$0.091 per share.

Subsequent to the end of the quarter, Tap issued a Supplementary Target's Statement in which the Non-Affiliated Directors continued to unanimously recommend that shareholders **REJECT** the Offer by **DOING NOTHING and TAKING NO ACTION** with respect to their Tap Shares.

### Board changes

Mr Newton ceased to be a Director and the Chairman of Tap at the close of the AGM on 25 May 2018. On 29 May 2018, Tap announced that Independent Non-Executive Director, Mr Damon Neaves, had been appointed as Chairman of Tap.

On 16 April 2018, Mr Blaine Ulmer tendered his resignation as a Director, effective immediately.

**Investor Enquiries:**

Damon Neaves	Chris Bath
<b>Chairman</b>	<b>CFO &amp; General Manager</b>
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**Persons compiling information about hydrocarbons**

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

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

Abbreviations and Definitions	Investor Relations	Disclaimer
<p>Please refer to Tap Limited's Annual Report Glossary or Glossary and Definitions on Tap's website for explanations of any abbreviations used in this report.</p> <p>Unless otherwise noted, this Quarterly Report is presented in US dollars.</p>	<p>Information contained on Tap's website is regularly updated and includes recent ASX announcements and investor presentation. Tap encourages all interested stakeholders to visit <a href="http://www.tapoil.com.au">www.tapoil.com.au</a>.</p>	<p>This report contains some references to forward looking assumptions, estimates and outcomes. These are uncertain by the nature of the business and no assurance can be given by Tap that its expectations, estimates and forecast outcomes will be achieved.</p>