Tap Oil Limited
ABN 89 068 572 341

Appendix 4E

Preliminary Final Report
For the year ended 31 December 2018

This information should be read in conjunction with the notes and commentary contained in this report. This information has been prepared from accounts that are in the process of being audited.

Details of the reporting period and the previous corresponding period
Reporting period: 31 December 2018
Previous corresponding period: 31 December 2017

Results for announcement to the market				**US$ Million**
Revenue from continuing operations	Down	-1%	to	44.2
Profit/ (Loss) from continuing operations after tax	Up	191%	to	13.2
Net Profit/ (Loss) for the period attributable to members	Up	210%	to	15.3
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			
Brief explanation of any figures reported above necessary to enable the figures to be understood Refer to the attached Review of Operations in the Preliminary Final Financial Report				
NTA backing	**31-Dec-18**			**31-Dec-17**
Net tangible asset backing per ordinary security *(Net assets excluding deferred exploration expenditure per share)*	US$0.11			US$0.07
The attached Preliminary Final Financial Report is in the process of being audited. This information should be read in conjunction with the notes and commentary contained in the Financial Report				

Details of any dividend or distribution reinvestment plans in operation
There are no dividend or distribution reinvestment plans in operation in Tap Oil Limited.

Details of entities over which control has been gained or lost during the period
Refer to Section E1 of the Condensed notes to the financial statements.

Details of associates and joint venture entities
Refer to Section C3 of the Condensed notes to the financial statements.

PRELIMINARY FINAL FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

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Corporate Directory

Directors

Christopher Newton
Executive Chairman

David King
Non-executive Director

Govert van Ek
Non-executive Director

Zane Lewis
Non-executive Director

Kamarudin Baba
Non-executive Director

Company Secretary

Shannon Coates

Registered Office

Level 2, 190 St Georges Terrace
Perth WA 6000

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Share Registry

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152 St Georges Terrace
Perth WA 6000
Telephone: 1300 554 474

Auditors

Deloitte Touche Tohmatsu
Tower 2, Brookfield Place
123 St Georges Terrace
Perth WA 6000

Stock Exchange Listing

Australian Securities Exchange Limited
ASX Code – TAP

Bankers

BNP Paribas
#34-01 Ocean Financial Centre,
10 Collyer Quay Singapore 049315

Commonwealth Bank of Australia
Level 14A, 300 Murray St
Perth WA 6000

Solicitors

Corrs Chambers Westgarth
Level 6, Brookfield Place Tower 2, 123 St Georges Terrace
PERTH WA 6000

Principal Activities

Tap Oil Limited's principal activities during the period were oil and gas exploration and production. There were no significant changes in the nature of Tap Oil Limited's principal activities during the period.

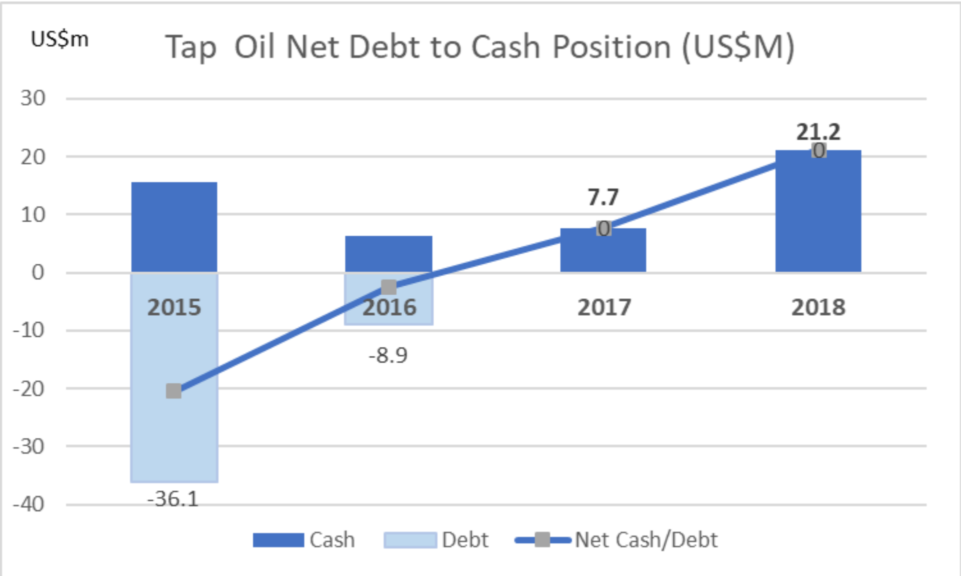
Review of Operations and Results

The year saw Tap set a course to implement a clear and simple strategy of reinvesting around the company's key asset, a 30% interest in the Manora Field located within the G1/48 concession in Thailand, exiting residual exploration positions, monetising the Australian contingent resource portfolio, and reducing general and administration (G&A) costs. The results of this approach are now measurable in top and bottom-line metrics.

A successful 2018 Manora exploration and development drilling program has added production, reserves and revenue while the Australian portfolio rationalisation and monetisation process continued to add to cashflow and the bottom line.

All of these activities have delivered outstanding financial results with Tap recording a NPAT of US$13.2 million. This is the first profit since 2009 and the largest since 2005.

At the same time Tap's cash at hand increased by US$13.5 million over the year from US$7.7 million at 31 December 2017 to US$21.2 million at 31 December 2018. Cost management and balance sheet discipline has delivered a much stronger Tap balance sheet at the end of 2018. Total Assets for Tap Oil have increased from $68.5 million to $75.2million.



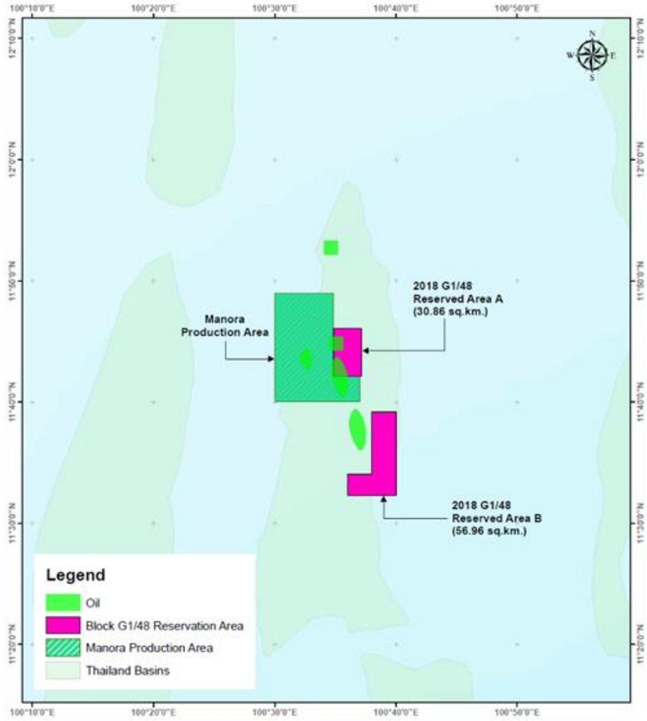
Tap remains debt free and continues to build a strong cash position from free cash flows at Manora, and the rationalisation of the Australian portfolio. Strong historical operating margin and cost efficiencies have resulted in strong cash flow generation.

With the debt facility repaid, Tap continues to focus on keeping costs low including board, corporate and operating costs. The cash position as at 31 December 2018 was US$21.2M (Equivalent to A$30.0m or ~80% cash-backing of Tap's current market capitalisation).

The cash build is expected to continue based on strong cash flow generation and Tap is well positioned to exploit further incremental development and exploration investment opportunities in and around Manora in 2019.

Asset Review

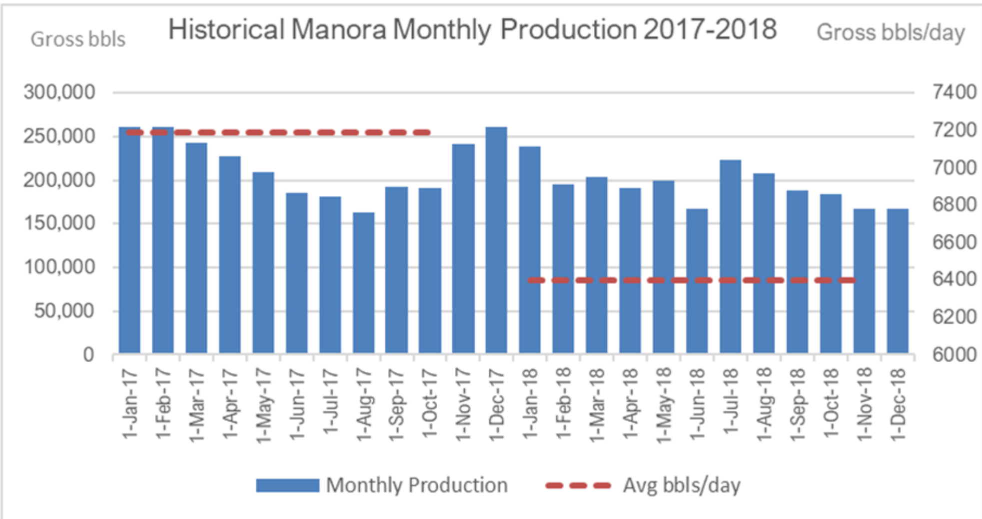
Manora Oil Field – G1/48 Thailand (30% interest)



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.

Manora Production



- Gross production for the year was 2.335 MMSTB (Tap share 0.700 MMSTB). This was about 10.8% lower compared to 2017.
- Average gross production rate for 2018 was 6,397 bopd (Tap share 1,919 bopd).
- Successful development drilling campaign (MNA-20 and MNA-21) saw production recover to average 7200 bopd (2160 bopd net to Tap) in July 2018 before declining to 5422 bopd (1627 bopd net to Tap) in December 2018.
- Cumulative field production to 31 December 2018 was 14.36 MMSTB gross (Tap share 4.31 MMSTB).

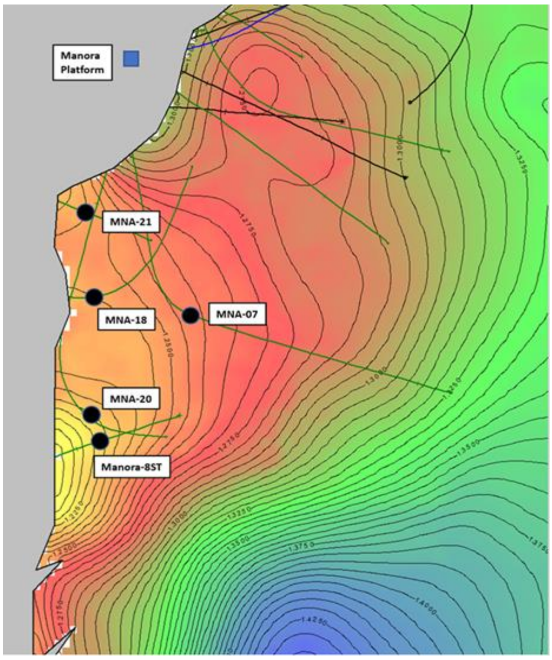
Manora Sales Marketing

- 9 cargoes lifted during 2018 that were mainly sold to buyers in China and Malaysia. Total volumes lifted net to Tap was 689k BOE.
- Revenue sales from Manora totalled $44.8M at an average realised price (after hedging) of $65.07/bbl.
- In December 2018, the Joint Venture partners executed a new offtake agreement for the sale of crude from the Manora oil field to PTT Pte Ltd. The new offtake agreement is for all of 2019 production and is priced at an improved premium to Dubai.

Production and Sales

	2018 ‘000 boe	2018 $’000	2017 ’000 boe	2017 $’000
Production (net to Tap):				
Oil – Manora	700		786	
Sales (net to Tap):				
Oil – Manora	689	49,036	762	41,555
Commodity hedge gain/(loss)		(4,200)		(2,364)
Oil revenue		44,836		39,191
Third Party Gas Sales – 921 TJ (2016: 3,281TJ)		-		5,581
Total sales		44,836	1,673	44,772
Average realised oil price		$65.07/bbl		$51.40/bbl

Manora Development



Manora Oil Field well locations on time map at 490-60 level

- On 20 May 2018, the Operator began a four well exploration, appraisal and development drilling campaign.
- On 20 June 2018, Tap Oil 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.
- Manora-8ST1, MNA-20 and MNA-21 were all successful in appraising their primary objectives.
- The MNA-20 and MNA-21 wells had an initial combined test rate of 2,926 bopd gross. At year end the wells had cumulative gross production of 208 MSTB and 48 MSTB respectively.

Manora Exploration

- The Manora 8 exploration well was drilled in May 2018.
- The 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.
- The secondary objectives included shallower reservoirs also productive in Manora and deeper objectives where oil shows were encountered in the MNA-17 well.
- The Manora-8 exploration well reached final total depth of 2,518 metres MDRT and encountered less than 3 metres oil pay. This was booked as a Contingent Resource.

Manora Appraisal

- The Manora-8ST1 appraisal well commenced drilling on 28 May 2018 reaching final total depth of 2458 meters measured depth.
- New discoveries were made by the Manora-8ST1 appraisal well 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 were considered to be new Reserves and the 300 sands new Contingent Resources in the Manora Oil Field.
- A three well development drilling program has been budgeted for 2019 to developed Reserves and Contingent Resources discovered in the successful 2018 and 2017 drilling campaigns with concomitant movement in Contingent Resources to Reserves.

Myanmar (95% interest)

Block M-07 Moattama Basin, Offshore Myanmar

- Tap has met with its exit obligations and is awaiting confirmation from the government authority Myanmar Oil and Gas Enterprise (MOGE).

WA-72-R (20% interest)

- No activities were recorded for WA-72-R during the 2018 year.

WA-33-R (22.474% interest)

- Tap sold its 22.474% interest in WA-33-R to Santos (BOL) Pty Ltd and Santos WA Pty Ltd (previously Quadrant Oil Pty Ltd) at the end of November 2018.

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

- 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 with the approval of the National Offshore Petroleum Titles Administrator (NOPTA) granted on the 9th May 2018..

- Tap has also withdrawn from the WA-290-P permit with the approval of the National Offshore Petroleum Titles Administrator (NOPTA) granted on the 20th November 2018.

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

- Tap completed the sale of its interest in TP/7 and TL/2 and associated pipeline licences effective 18 June 2018. Tap recognised a gain on sale of these interests of approximately $60,000 as at 31st December 2018.

WA-8-L (20% interest)

- Tap entered into a sale and purchase agreement for WA-8-L. Tap has recognised a gain of sale for A$680,000 as at 31st December 2018 A further A$100,000 payable upon a Final Investment Decision being made for a development upon the Licence. Final completion of the sale is expected to occur during 2019.

WA-34-R (12% interest)

- There have been no significant activities undertaken during the year.

Decommissioning Activities

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 between 2019 to 2021 period. Further decommissioning activities may be required in relation to the subsea facilities, although the scope and timing are yet to be determined.

Corporate Review

Financial

Tap's revenue for 2018 was $44.2 million (2017: $44.8 million). Gross profit was $10.0 million (2017: $6.1 million). After exploration impairment losses and write-downs of $1.6 million (2017: $3.1 million), the net profit before tax was $10.3 million (2017: net loss $1.7 million); and the net profit after tax was $13.2 million (2017: net loss $14.6 million).

Net cash inflows from operations were $17.7 million (2017: $15.7 million inflow).

Manora oil sales were slightly lower because of a decrease in production volumes however the realised average sales price increased during 2018. Manora production volumes were approximately 11% lower compared to 2017, with a corresponding 11% reduction in liftings during the year. The average selling price for 2018 was $65.07/bbl (2017: $51.40/bbl).

Revenues from third party gas contracts were nil in 2018, as the gas contracts came to the end of the supply period in March 2017.

Total cost of sales was $34.2 million (2017: $38.7 million) of which $34.2 million (2017: $36.5 million) relates to the Manora asset. Included in cost of sales was depreciation of $14.0 million (2017: $16.1 million), all of which relates to the Manora asset.

Exploration impairment losses and write-downs recorded as at 31 December 2018 were $1.6 million (2017: $3.1 million). The impairment loss primarily relates to the write off of Manora exploration expenditure of $0.9 million, with the remaining $0.7 million relating to other Australian exploration permits which were relinquished during the year.

Administration costs were lower for the year at $2.2 million (2017: $3.4 million), following efforts during 2018 to reduce the Company's cost base.

Hedging

At the start of 2018, Tap had entered into a commodity hedging program with BP Singapore Pte Limited to hedge a total of 307,500 barrels (bbls) of crude oil production over a eleven month period from January 2018 to November 2018, using Dubai benchmark as the reference price at a fixed price of US$52.25 /bbl from January 2018 to May 2018, US$57.90/bbl from June 2018 to August 2018 and US$58.40/bbl from September 2018 to November 2018. This hedged volume represents approximately 44% of Tap's net share of actual production from the Manora oil field in 2018.

Risco Takeover

On the 2 May 2018, Risco Energy Investments (SEA) Limited launched an on-market takeover offer, proposing to acquire all of the ordinary fully paid shares in Tap that it did not already own for $0.07 cash per share. Risco subsequently extended the offer on 16 May 2018, 22 June 2018 and 11 July 2018. On the 9th August 2018, Risco increased the offer price to A$0.091 cash per fully paid ordinary share and extended the share offer period to 27 August 2018. The Independent Board Committee established by the Company concluded that the varied offer from Risco of A$0.091 cash per Tap share was in the best interests of Tap shareholders and unanimously recommended that Tap shareholders accept the varied offer, noting that the increased offer price of A$0.091 was equal to the preferred valuation adopted by the Independent Expert in assessing the value of Tap, The Risco offer officially closed on 31 August 2018 with Risco's shareholding in Tap at the end of this period being 44.11%.

Audited accounts

Appendix 4E has been prepared from accounts that are currently in the process of being audited.

Consolidated statement of profit or loss and other comprehensive income for the financial year ended 31 December 2018

	Note	2018 US$'000	2017 US$'000
Continuing operations			
Revenue	B1(a)	44,184	44,772
Cost of sales	B1(b)	(34,210)	(38,719)
Gross profit		9,974	6,053
Other revenue	B1(a)	3,063	190
Administration expenses	B1(c)	(2,169)	(3,415)
Finance costs	B1(d)	(866)	(1,150)
Impairment losses and write-downs	B1(e)	(1,601)	(3,079)
Restoration provision (increase)/decrease		2,515	(249)
Other expenses	B1(f)	(661)	(54)
Profit/ (Loss) before tax		**10,255**	**(1,704)**
Income tax benefit/ (expense)		2,992	(12,887)
Profit/ (Loss) for the year		**13,247**	**(14,591)**
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Unrealised loss on cash flow hedge		2,242	(513)
Foreign currency translation differences - foreign operations		(237)	1,213
Total comprehensive income/ (loss) for the year		**15,252**	**(13,891)**
Earnings per share from continuing operations:			
Basic (cents per share)		3.1	(3.4)
Diluted (cents per share)		3.1	(3.4)

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

Consolidated statement of financial position as at 31 December 2018

	Note	2018 US$'000	2017 US$'000
Current assets			
Cash and cash equivalents	E1	21,186	7,753
Trade and other receivables	C5	5,689	6,567
Inventories	C6	7,856	6,255
Current tax assets		-	61
Held for sale assets		-	472
Other current assets		252	343
Total current assets		34,983	21,451
Non-current assets			
Property, plant and equipment	C1	30,466	40,837
Exploration and evaluation assets		281	143
Deferred tax assets		9,449	6,056
Total non-current assets		40,196	47,036
Total assets		**75,179**	**68,487**
Current liabilities			
Trade and other payables	C4	5,129	8,000
Current tax liability		15	-
Other financial liabilities	C8	-	2,593
Liabilities relating to held for sale assets		-	211
Provisions	C2	1,345	1,001
Total current liabilities		6,489	11,805
Non-current liabilities			
Provisions	C2	21,275	24,602
Total non-current liabilities		21,275	24,602
Total liabilities		**27,764**	**36,407**
Net assets		**47,414**	**32,080**
Equity			
Issued capital	D1	141,624	141,624
Share options reserve		3,526	3,526
Share rights reserve		3,371	3,289
Foreign currency translation reserve		56,648	56,885
Cash flow hedge reserve		-	(2,242)
Profit reserve		72,940	72,940
Retained losses		(230,695)	(243,942)
Total equity		**47,414**	**32,080**

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

Consolidated statement of changes in equity for the financial year ended 31 December 2018

	Note	Issued capital US$'000	Share options reserve US$'000	Share rights reserve US$'000	Cash flow hedge reserve US$'000	Foreign currency translation reserve US$'000	Profit reserve US$'000	Retained losses US$'000	Total US$'000
Balance at 1 January 2017		**141,524**	**3,526**	**3,180**	**(1,729)**	**55,672**	**72,940**	**(229,351)**	**45,762**
Loss for the year		-	-	-	-	-	-	(14,951)	(14,951)
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**
Loss for the year		-	-	-	-	-	-	13,247	13,247
Other comprehensive income for the year		-	-	-	2,242	(237)	-	-	2,005
Total comprehensive income/(loss) for the year		-	-	-	2,242	(237)	-	13,247	15,252
Recognition of share-based payments		-	-	82	-	-	-	-	82
Balance at 31 December 2018		**141,624**	**3,526**	**3,371**	**-**	**56,648**	**72,940**	**(230,695)**	**47,414**

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

Consolidated statement of cash flows for the financial year ended 31 December 2018

	Note	2018 US$'000	2017 US$'000
Cash flows from operating activities			
Receipts from customers		49,188	38,486
Payments to suppliers and employees		(30,795)	(22,999)
Interest received		14	51
Income taxes received/(paid)		(750)	128
Net cash provided by operating activities	E1	17,657	15,666
Cash flows from investing activities			
Proceeds from sale of permits		643	-
Payments for property, plant and equipment		(3,635)	(2,730)
Payments for exploration assets		(1,751)	(2,479)
Payments for restoration expenditure		(422)	(1,232)
Net cash used in investing activities		(5,808)	(6,441)
Cash flows from financing activities			
Repayment of borrowings		-	(8,874)
Payment of interest and transaction costs related to loans and borrowings		-	(403)
Net cash used in financing activities		-	(9,277)
Net decrease in cash and cash equivalents		11,849	(52)
Cash and cash equivalents at the beginning of the financial year		7,753	6,396
Effects of exchange rate changes on the balance of cash held in foreign currencies		1,584	1,409
Cash and cash equivalents at the end of the financial year		**21,186**	**7,753**

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

A1. Basis of Preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

A2. Events occurring after reporting date

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.

A3. Audit Status

This report is based on accounts that are in the process of being audited.

	Consolidated	
	2018 US$'000	2017 US$'000
B1. Profit/ (Loss) for the year from operations		
(a) Revenue		
Liquid sales(i)	44,184	39,191
Gas sales	-	5,581
	44,184	44,772
Other revenue:		
Royalties received	131	148
Interest received	46	42
Settlement with third party contractor(ii)	1,419	-
Profit on sale of projects	757	-
Foreign Exchange gain	710	-
	3,063	190
	47,247	44,962

(i) Includes commodity hedge loss of $4.2 million (2017: $2.4 million loss)
(ii) During the year the operator for the Woollybutt Joint Venture settled an outstanding legal dispute between the JV and a third-party contactor of which the JV was the claimant.

B1. *Profit/ (Loss) for the year from operations* *(cont'd)*

	Note	Consolidated 2018 US$'000	Consolidated 2017 US$'000
(b) Cost of sales			
Production costs – Manora		16,859	17,359
Depreciation of capitalised development costs		13,966	16,151
Government royalties		3,637	3,143
Other production costs - Manora(i)		(252)	(109)
		34,210	36,544
Production costs – Third party gas		-	2,089
Operating costs – Third party gas		-	50
Marketing and sales costs		-	36
		-	2,175
		34,210	38,719

(c) Administration expenses
Loss before income tax has been arrived at after charging the following:

		2018 US$'000	2017 US$'000
Employee benefit expenses:			
Post employment benefits:			
Superannuation contributions		105	118
Share-based payments:			
Equity settled share-based payments		(14)	209
Other		1,021	993
		1,112	1,320
Depreciation of office fixed assets		19	11
Operating lease rental payments		124	473
Other expenses, net of recoveries (i)		914	1,611
		2,169	3,415

(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.

B1. Profit/ (Loss) for the year from operations (cont'd)

	Note	Consolidated 2018 US$'000	Consolidated 2017 US$'000
(d) Finance costs			
Notional interest from unwinding discount on restoration provisions		866	747
Borrowing costs		-	403
		866	1,150
(e) Impairment losses and write-downs			
Exploration impairment losses (i)	C7	1,601	3,079
Exploration expenditure write-downs (ii)		-	-
		1,601	3,079
Property, plant and equipment impairment losses	C1		
Prepaid gas impairment losses		-	-
		1,601	3,079

(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.

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

	Consolidated 2018 US$'000	Consolidated 2017 US$'000
(f) Other expenses		
New venture and Business development expenditure	-	207
Takeover/Defense expenditure	618	-
Foreign exchange differences	-	(234)
Woollybutt and Airlie operating costs	22	81
Other	20	-
	661	54

(g) Depreciation

Depreciation charges are included above in cost of sales (b) and administration expenses (c). Total depreciation for the Consolidated Entity is $14.0 million (2017: $16.2 million).

C1. Property, plant and equipment

Development expenditures	Consolidated	
	2018 US$'000	**2017 US$'000**
Gross carrying amount – at cost:		
Opening balance	255,700	253,451
Additions	3,589	2,249
	(2)	-
Closing balance	259,288	255,700
Accumulated depreciation:		
Opening balance	214,902	198,751
Depreciation	13,966	16,151
Closing balance	228,868	214,902
Net book value	30,420	40,798
Office improvements, furniture & equipment		
Gross carrying amount – at cost:		
Opening balance	744	668
Additions	46	24
Foreign exchange differences	(63)	52
Asset write-offs	(162)	-
Closing balance	564	744
Accumulated depreciation:		
Opening balance	705	644
Asset write-offs	(149)	-
Foreign exchange differences	(60)	50
Depreciation	23	11
Closing balance	518	705
Net book value	46	39
Total – net book value	30,466	40,837

Impairment of development expenditures

At 31 December 2018, 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 $38.2 million (2017: $47.2 million) has been determined based on a value in use model and did not result in an impairment at 31 December 2018 (2017: nil impairment). The oil price assumption used in the recoverable amount assessment is based on the average of analysts' Brent oil price at the date of assessment for 4 years. The average Brent price assumptions range from US$65.00/bbl to US $71.00/bbl for the years 2019 to 2023. Sensitivities analysis on the base case key assumptions indicate an oil price decrease of up to approximately 14% - 15% would not result in an impairment. Likewise, a decrease in production rates of up to approximately 14% - 15% would not result in an impairment. The discount rate used in the recoverable amount assessment is 11.5% (2017: 11.8%).

C2. Provisions

	Consolidated	
	2018 US$'000	2017 US$'000
Current		
Employee benefits	111	122
Restoration costs	1,234	879
	1,345	1,001
Non-current		
Employee benefits	2	30
Restoration costs	21,273	24,572
	21,275	24,602
Restoration costs provision		
Reconciliation of movement:		
Opening balance	25,451	25,126
Additional provisions raised	-	-
Increase/(decrease) resulting from re-measurement	(1,952)	(457)
Liability Extinguishment due to Sale of Permit	(186)	-
Unwinding of discount	866	747
Restoration costs incurred	(422)	(1,232)
Foreign exchange movement	(1,250)	1,267
Closing balance	22,507	25,451

The provision for restoration costs primarily comprise amounts related to Manora $11.7 million (2017: $10.7 million) and Woollybutt $10.8 million (2017: $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 and Woollybutt 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.

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.

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.

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	
	2018 US$'000	**2017 US$'000**
Current assets		
Cash	4,042	4,820
Receivables	1,051	1,372
Inventories	7,856	6,255
Held for sale assets	-	472
Total current assets	12,949	12,919
Non-current assets		
Property, plant and equipment	30,420	40,798
Exploration and evaluation assets	281	143
Total non-current assets	30,702	40,941
Total assets	43,650	53,860
Current liabilities		
Trade and other payables	4,630	5,740
Provision for restoration	1,235	879
Liabilities relating to held for sale assets	-	211
Total current liabilities	5,865	6,830
Non-current liabilities		
Provision for restoration	21,275	24,572
Total non-current liabilities	21,275	24,572
Total liabilities	27,140	31,402
Net assets	16,510	22,458
Revenues	48,516	41,703
Cost of sales	(34,232)	(36,625)
Other (expenses)/income	73	(46)
Profit before income tax	14,357	5,032

Capital commitments and contingent liabilities
No contingent liabilities have been identified beyond those set out in note F1.

C4. Trade and other payables

	Consolidated 2018 US$'000	Consolidated 2017 US$'000
Trade payables [i]	496	2,198
Share of joint operations' payables	4,629	5,740
Other payables	3	62
	5,128	8,000

(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.

C5. Trade and other receivables

	Consolidated 2018 US$'000	Consolidated 2017 US$'000
Trade receivables [i]	4,450	5,136
Joint operations' debtors	1,051	1,372
Other receivables	188	59
	5,689	6,567

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

C6. Inventories

	Consolidated 2018 US$'000	Consolidated 2017 US$'000
Oil in storage – at net realisable value	3,012	2,667
Materials and consumables – at cost	4,844	3,588
	7,856	6,255

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 (2017: nil).

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.

C8. Other financial liabilities

	Consolidated	
	2018 US$'000	2017 US$'000
Commodity hedge	-	2,593
	-	2,593

At the start of 2018, Tap had entered into a commodity hedging program with BP Singapore Pte Limited to hedge a total of 307,500 barrels (bbls) of crude oil production over a eleven month period from January 2018 to November 2018, using Dubai benchmark as the reference price at a fixed price of US$52.25/bbl from January 2018 to May 2018, US$57.90/bbl from June 2018 to August 2018 and US$58.40/bbl from September 2018 to November 2018. At 31 December 2018 no commodity hedges were in place.

D1. Issued capital

	Consolidated	
	2018 US$'000	2017 US$'000
425,967,534 fully paid ordinary shares (2017: 425,967,534)	141,624	141,624

	2018		2017	
	No. '000	US$'000	No. '000	US$'000
Fully paid ordinary shares				
Balance at beginning of financial year	425,968	141,624	423,968	141,524
Issue of shares under share-based payment schemes (note F7)	-	-	2,000	100
Shares issued	-	-	-	-
Share issue costs	-	-	-	-
Balance at end of financial year	425,968	141,624	425,968	141,624

During the prior 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 3,659,324 (2017: 6,529,425) outstanding performance and retention rights over ordinary shares at 31 December 2018.
- A total of nil performance and retention rights vested during the year ended 31 December 2018 (2017: 1,000,000).
- A total of 7,899,432 (2017: 1,972,101) performance and retention rights were forfeited during the 2018 financial year. A total of 211,497 performance rights lapsed during the year ended 31 December 2018 (2017: 186,088).
- 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.

E1. Notes to the cash flow statement

	Consolidated	
	2018 US$'000	2017 US$'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	21,186	7,753
	21,186	7,753
(b) Reconciliation of loss for the period to net cash flows from operating activities		
Profit/ (Loss) for the year – continuing operations	13,247	(14,591)
Depreciation and amortisation of non-current assets	13,989	16,168
Foreign exchange loss	(1,959)	856
Commodity hedge payable/(receivable)	(351)	337
Equity settled share-based payments	81	209
Exploration impairment losses/write-downs	1,601	3,079
Timewriting charged to exploration assets	(49)	(147)
Loss on sale of property, plant and equipment	(922)	-
Rehabilitation/restoration expense adjustments	(1,080)	913
(Decrease)/increase in current tax balances	76	10,489
Increase/(decrease) in deferred tax balances	(3,393)	29
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Current receivables	864	561
Other assets	(1,587)	(356)
(Decrease)/increase in liabilities:		
Current payables	(2,860)	3,014
Unearned revenue	-	(4,895)
Net cash provided by operating activities	17,657	15,666

F1. Contingencies

As at 31 December 2018 the Consolidated Entity did not have any contingent liabilities.