Tap Oil Limited

ABN 89 068 572 341

Appendix 4E

Preliminary Final Report

For the year ended 31 December 2019

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 2019

Previous corresponding period: 31 December 2018

Results for announcement to the market				**US$ Million**
Revenue from continuing operations	Down	5%	to	42.0
Profit from continuing operations after tax	Up	169%	to	35.7
Net Profit for the period attributable to members	Up	169%	to	35.7
Dividends per share	A dividend of AU$0.025 per share was paid in December 2019.			
Record date for determining entitlements to the dividend	13 December 2019.			
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-19**			**31-Dec-18**
Net tangible asset backing per ordinary security *(Net assets excluding deferred exploration expenditure per share)*	US$0.11			US$0.11
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 2019

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Corporate Directory

Directors

Christopher Newton
Executive Chairman

David King
Non-executive Director

Zane Lewis
Non-executive Director

Kamarudin Baba
Non-executive Director

Company Secretary

Shannon Coates

Registered Office

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Perth WA 6000

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Share Registry

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Telephone: 1300 554 474

Auditors

Ernst & Young
11 Mounts Bay Road
Perth WA 6000
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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

Norton Rose Fulbright Australia
Level 30, 108 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

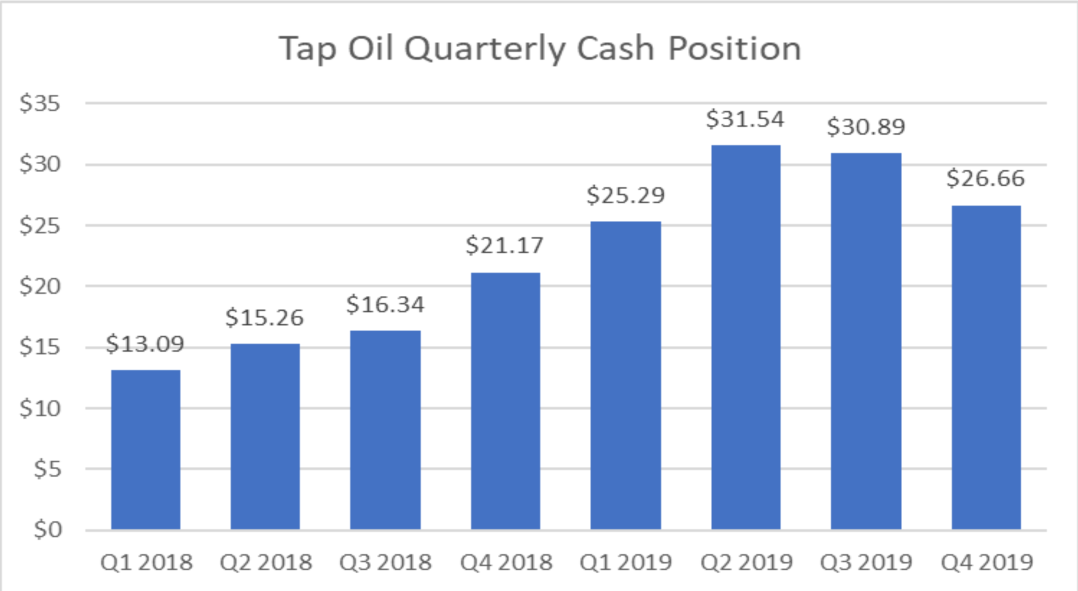
Overview
The 2019 financial year saw Tap deliver on its "Resources to Value Strategy" through a 105.7 % Total Shareholder Return over the year, including a maiden and fully franked dividend of A$0.025 / share.

During 2019, Tap generated US$22.7 million of operating cash flow from production of 1,603 bopd (net to Tap). The end of 2019 cash balance was US$26.7 million after paying US$7.45 million in dividends to Tap shareholders.

Tap also recorded US$35.7 million in Net Profit after Tax. This profit result in part was due to the completion of the Australia/NZ portfolio asset sale that monetised residual assets and transferred residual obligations resulting in a gain of US$30.6 million, however of this gain US$27.85 million is non-cash that relates to the cumulative recycling of foreign currency translation reserve related to the disposed of subsidiaries.

Subject to oil prices, the cash build is expected to continue based on strong cash flow generation from Tap's Manora asset. The chart below shows Tap's quarterly cash position from 2018 to 2019. Despite the dividend payment (US$7.4 million) and continued Manora capital reinvestment (US$3.8 million) Tap's cash balance continued to increase by US$5.5 million over the year from US$21.2 million at 31 December 2018 to US$26.7 million at 31 December 2019.

Tap Oil Quarterly Cash Position 2018 -2019 (US$ Million)



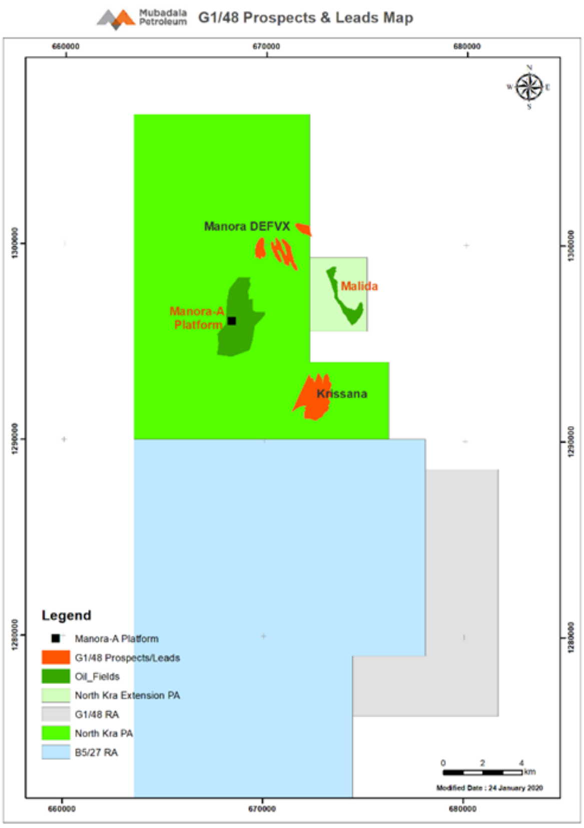
With no debt, Tap maintains a cost discipline to keep overhead costs low and has rigorous investment processes to maintain investment decision quality. Investments prioritised in 2020 include workovers, development drilling and exploration drilling. All these activities are designed to add to, production, cash flow and extend the economic life of the Manora Oil Field.

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.



Location Map of Manora Production Licence and G1/48 Reservation Areas

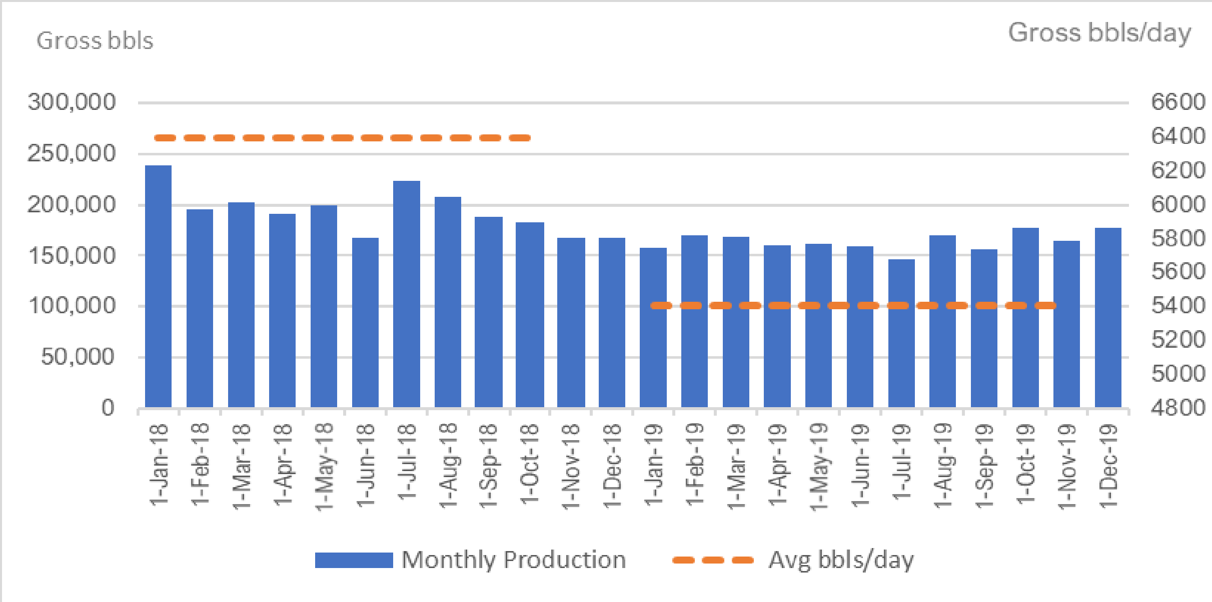
Manora Production

2019 Manora gross production averaged 5,342 bopd (1,603 bopd net), a 16.5% decrease on 2018 production of 6,397 bopd (1,919 bopd net).

Gross production during 2019 was 1,949,958 barrels being 584,987 barrels net to Tap.

Cumulative field production to 31 December 2019 was 16.31 MMSTB gross (Tap share 4.89 MMSTB).

Historical Manora Monthly Production 2018-2019



Manora Operations

During 2019, two horizontal development wells (MNA-23 and MNA-24) were drilled, completed and brought into production during the year. These were the first horizontal wells drilled in the Manora field and the first-time production was established from the 300 series sands. It should be noted that the wells in production during the year did not increase due to MNA 7 and MNA 8 wells not producing in 2019.

	2015	2016	2017	2018	2019
Producer wells completed	3	3	2	2	2
Injector wells completed	4				
Producers converted to injectors				1	
Wells in production during year	7	10	12	14	14
Injectors operating during year	4	4	4	4	5
Workovers during year	3	3	7	4	5
Gross Oil (bopd)	13,628	10,787	7,173	6,397	5,342
Gross BSW (Water Cut%)	14.4%	46.9%	72.0%	77.5%	80.30%
Average Facilities Uptime	92.10%	94.90%	96.50%	92.40%	94.40%

ESP failures experienced on a number of wells had a significant effect on well availability in 2019.

On a more positive side, production from the 300 series sands started during mid-2019 and pressure build up analysis confirmed high sand permeability with a strong water drive. 2019 Manora production outperformed Tap's forecast 2P production profile by 13.3%.

Manora Sales and Marketing

Eight cargoes were lifted during 2019 that were mainly sold to buyers in China, Thailand and Malaysia. Total volumes lifted net to Tap was 630k barrels.

Revenue sales from Manora totalled $41.9 million at an average realised price (after hedging) of US$66.90/bbl.

In late 2019 Tap and Mubadala formulated a new oil marketing strategy involving co-lifting and spot cargos to sell to ultimate end users of Manora crude. This strategy to date is proving successful with even larger premium to Dubai being achieved.

Production and Sales

	2019 '000 bbls	2019 $'000	2018 '000 bbls	2018 $'000
Production (net to Tap):				
Oil – Manora	585		700	
Sales (net to Tap):				
Oil – Manora	630	41,905	679	48,384
Commodity hedge gain/(loss)		81		(4,200)
Total sales		41,986		44,183
Average realised oil price		$66.90/bbl		$65.07/bbl

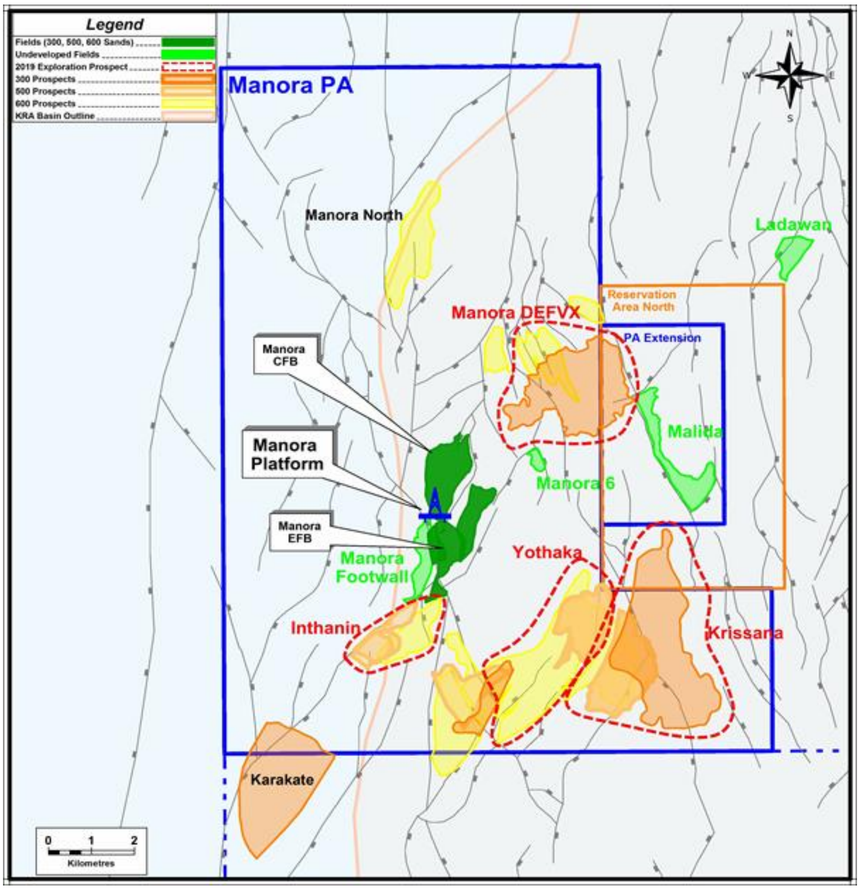
Note: Average realised oil price shown above is calculated on cash basis rather than an accrual basis.

Manora Development
During 2019, the 300 series reservoirs discovered in 2018, were successfully developed and put into production with horizontal wells drilled in the Manora field (MNA 23 and MNA 24 wells). The wells were drilled, completed and put on production at a gross cost of US$5.7 million (US$1.7M net to Tap).

The Manora 22 (MNA-22) development well in the 490-60 reservoir encountered over 56m of net oil pay. Unfortunately, a good cement bond was not achieved for the casing string and as a result, the MNA-22 well was suspended. Discussions to date between the joint venture parties suggest that a re-drill in 2020 might be the best approach to bring these reserves into production.

Manora Exploration
In late 2019, Tap and the Manora Oil Field operator, Mubadala Petroleum, commenced a 3 well Manora near field exploration program targeting the 400, 500 and 600 series sands productive at Manora. The planned drilling sequence was:

1. Inthanin
2. Yothaka East A
3. Krissana
4. Yothaka East B (contingent)



An exploration drilling program in G1/48 commenced with the drilling of the Inthanin 1 well. The well spudded on 20 November 2019 targeting 400-600 series sands that are productive in the Manora Field 3km to the northeast and reached a total depth of 2528m on 24 November 2019.

Target objectives in the well were intersected within 15m of pre-drill prognosed depths however no significant shows were encountered while drilling and evaluation of log data indicated no zones of interest in the well. It was noted that the prognosed sandstone reservoir targets in the deeper “600” section were very poorly developed.

The next well in the program, Yothaka East-1, spudded on 28 November 2019 and reached a total measured depth of 3,367m on 3 December 2019. Target objectives in the well were intersected within 17m of pre-drill prognosed depths. No significant shows were encountered while drilling the well-developed 400 and 500 series fluvial sands. The 600 series lacustrine sands were thinner than anticipated with 2 to 3m of net oil pay identified on logs and in cuttings while drilling. The pay section correlates with the 620 series sands that are a major producer in the Manora Field 3.2 km to the northwest. Pressure data indicates the 620 series lacustrine sands at Yothaka East are in pressure communication with Manora via the aquifer.

After drilling Inthanin and Yothaka East, the joint venture partners made a decision not to drill Krissana and instead drill a down dip appraisal well to test the 600 series oil accumulation found in Yothaka East -1. This would involve a sidetrack from the Yothaka East-1 well bore to a location approximately 1km to the north to help delineate the extent of the oil accumulation and determine if thicker, oil bearing sands were located in a downdip location. The Yothaka East-2 appraisal well commenced on 5 December 2019 and the well reached a total measured depth of 3,881m on 11 December 2019.

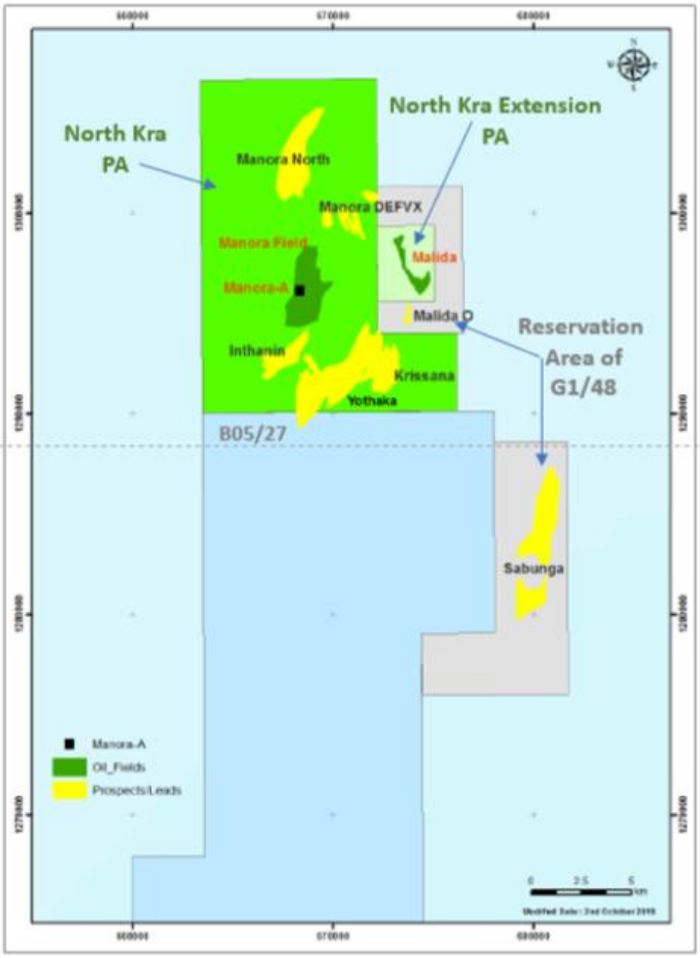
The primary objective 600 series sands, were intersected within 4m of pre-drill prognosed depths and approximately 60m down dip of the discovery well, Yothaka-East-1. Weak shows were encountered while drilling and logs indicated while the main target sands was slightly better developed, they were water bearing in the Yothaka-East-2 location. Logs indicated approximately 4m of net (water bearing) sand in the equivalent interval to the main pay sand in Yothaka East-1. Some inconclusive pressure data was acquired, and the well was subsequently plugged and abandoned.

In summary, the two wells and a side track were commercially unsuccessful with only sub-commercial quantities of oil discovered in the 600 series sands at Yothaka-East-1. The lack of hydrocarbons in the shallow 400 and 500 sands was particularly disappointing, however the Joint Venture now has a much better understanding of the oil migration into these shallower reservoirs that enables a de-risking and reranking of the remaining nearfield exploration portfolio.
The three wells were drilled at a net cost to Tap of US$1.74 million, or US$0.87 million after tax. Detail AFE costings for each well are shown in the table below.

2019 Manora Satellite Exploration Program					
	AFE	**Final Cost**	**Variance**		**Tap Share of final cost**
	US$M	US$M	US$M	**%**	
Inthanin-1	$2.43	$2.02	-$0.41	-17%	$0.61
Yothaka East-1	$2.25	$2.22	-$0.03	-1%	$0.67
Yothaka East-2	$1.56	$1.56	$0.00	0%	$0.47
Krissana-1					
Total	**$6.24**	**$5.80**	**-$0.44**	**-7%**	**$1.75**
Post Tax Cost					**$0.87**

Manora G1/48 Reservation Area
During 2019, The Thailand State Petroleum Committee agreed to extend the North Kra (Manora) Production area by 10.75Km2 to incorporate the Malida oil discovery for possible future development. Total Production area is therefore now 171.75 Km2.

The Exploration reservation area stood at 77.07 Km2 after the extension to the Production area. At the end of 2019 the G1/48 Joint Venture partners agreed to relinquish the exploration reservation area around the North Kra Extension area (Malida) thereby reducing the Reservation area to 56.96 Km2. This area will expire in December 2020 unless commerciality can be demonstrated.



Myanmar (95% interest)
Block M-7 is located in the gas and condensate prone Moattama basin, offshore Myanmar. Tap has met its exit obligations and is proceeding to close down the corporate subsidiaries that held Tap's interests in Myanmar.

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 km2.
The joint surrender of WA-34-R by all joint venture parties was confirmed by the National Offshore Petroleum Titles Administrator (NOPTA) at the end of December 2019.

CORPORATE REVIEW

Australia and NZ Portfolio Asset Sale

On the 13 September 2019, Tap completed the sale and purchase agreement (SPA) with Kensington Energy Pty Ltd (Kensington Energy), a privately-owned Australian oil and gas investment company, to sell its residual Australian and New Zealand portfolio. The transaction involved Tap selling the following assets through a sale of wholly owned subsidiaries:

- A 20% participating interest in the BHP operated WA-72-R, which contains the Tallaganda gas discovery.
- A 15% participating interest in the ENI operated WA-25-L including the shut-in Woollybutt Oil Field where abandonment activities are tentatively scheduled between 2020 & 2021.
- A 5% oil, gas and condensate overriding royalty interest (ORRI) over 66.67% of NZ PMP 38748 that includes the producing Sidewinder oil and gas field.

The effective date of the sale was 31 March 2019 (Effective Date), with the economic benefit and obligations passing as of that date.

The SPA includes terms and conditions normal for a transaction of this type, with the purchase price and post Effective Date adjustments resulting in a cash payment of US$3.21 million. As a result of the sale, Tap has passed on any field abandonment costs associated with Woollybutt. The final profit on sale for the transaction was US$30.6 million, of which US$27.85 million is a non-cash gain that relates to the cumulative recycling of foreign currency translation reserve related to the disposed of subsidiaries.

Financial
Tap's revenue for 2019 was US$41.9 million (2018: US$44.2 million). Gross profit was US$9.0 million (2018: US$10.0 million). There was a gain on disposal of subsidies of US$30.6 million, of which US$27.85 million is a non-cash gain that relates to the cumulative recycling of foreign currency translation reserve related to the disposed of subsidiaries. After exploration impairment losses and write-downs of US$2.7 million (2018: US$1.6 million), the net profit before tax was US$34.8 million (2018: US$10.3 million); and the net profit after tax was US$35.7 million (2018: net profit US$13.2 million).

Net cash inflows from operations were US$22.7 million (2018: US$17.7 million).

Manora oil sales were lower because of a decrease in production volumes however the realised average sales price slightly increased during 2019. Manora production volumes were approximately 16.4% lower compared to 2018, with a corresponding 7.2% reduction in liftings during the year. The average selling price for 2019 was US$66.90 / bbl (2018: US$65.07 / bbl).

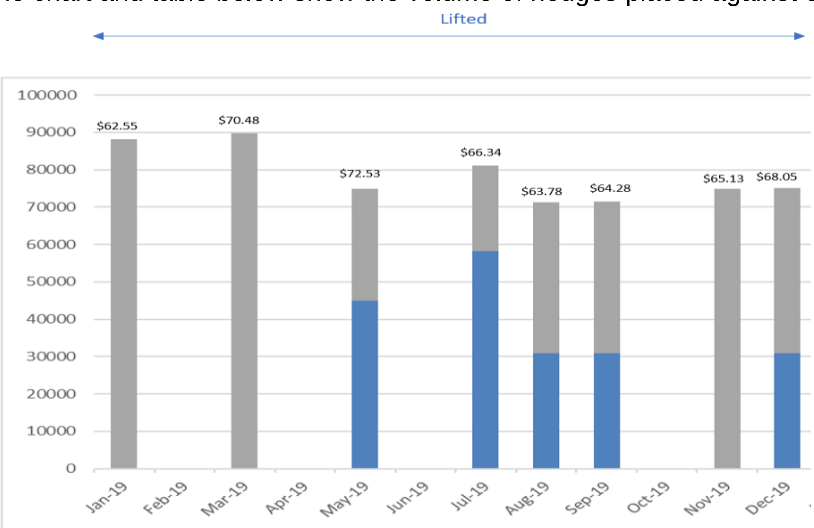
Total cost of sales was US$33.0 million (2018: US $34.2 million) relates to the Manora asset. Included in cost of sales was depreciation of US$10.4 million (2018: US$14.0 million), all of which relates to the Manora asset.

Exploration impairment losses and write-downs recorded as at 31 December 2019 were US$2.7 million (2018: US$1.6 million). The impairment loss relates to the write off of Manora exploration expenditure of US $2.7 million.

Administration costs were lower for the year at US$2.0 million (2018: US$2.2 million), following efforts during 2019 to reduce the Company's cost base.

Hedging
Tap executed strategic hedges in Q2 2019 when spot Brent first exceeded US$70 / bbl and forward market prices looked attractive. The hedging strategy was designed to protect cashflow and Manora field reinvestment capacity while retaining oil price upside for equity investors.

The chart and table below show the volume of hedges placed against each lifting during 2019.



Hedging Bbls	
May-19	45,000
Jul-19	58,125
Aug-19	30,938
Sep-19	30,938
Dec-19	30,938

In reviewing the hedge strategy in retrospect, the strategy worked well paying out when oil prices dipped below US$60 / bbl and not giving away upside when prices rose. The overall net settlement of hedges during 2019 resulted in a gain of US$80,000.

Dividend
On 6th December 2019, Tap Oil announced a maiden fully franked dividend of A$0.025 per share for a total payment of US$7.4 million (A$10.64 million) which was paid to shareholders on 31st December 2019.

Change of Auditors
On 12th December 2019, Tap Oil appointed Ernst & Young as the company's auditors after accepting the resignation of Deloitte Touche Tohmatsu. The Board's decision to change auditors was made following a consultative process. The Board chose Ernst & Young on the basis of their reputation and experience and to give efficiencies across the audits of the Company and its controlled entities.

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 2019

	Note	2019 US$'000	2018 US$'000
Continuing operations			
Revenue	B1(a)	41,986	44,184
Cost of sales	B1(b)	(32,948)	(34,210)
Gross profit		9,038	9,974
Other revenue	B1(a)	31,227	3,063
Administration expenses	B1(c)	(1,969)	(2,169)
Finance costs	B1(d)	(580)	(866)
Impairment losses and write-downs	B1(e)	(2,732)	(1,601)
Restoration provision (increase)/decrease		(10)	2,515
Other expenses	B1(f)	(179)	(661)
Profit before tax		**34,795**	**10,255**
Income tax benefit	B3(a)	906	2,992
Profit for the year		**35,701**	**13,247**
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Unrealised loss on cash flow hedge		-	2,242
Foreign currency translation differences - foreign operations		456	(237)
Foreign exchange differences reclassified to profit and loss on disposal of subsidiaries		(27,857)	-
Total comprehensive income for the year		**8,300**	**15,252**
Earnings per share from continuing operations:			
Basic (cents per share)	F3	1.8	3.1
Diluted (cents per share)	F3	1.8	3.1

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 2019

	Note	2019 US$'000	2018 US$'000
Current assets			
Cash and cash equivalents	E1	26,663	21,186
Trade and other receivables	C5	5,957	5,689
Inventories	C6	4,975	7,856
Current tax assets		66	-
Other current assets		368	251
Total current assets		38,029	34,982
Non-current assets			
Property, plant and equipment	C1	24,503	30,466
Exploration and evaluation assets		-	281
Deferred tax assets		5,905	9,449
Total non-current assets		30,408	40,196
Total assets		**68,437**	**75,178**
Current liabilities			
Trade and other payables	C4	7,483	5,129
Current tax liability		-	15
Provisions	C2	62	1,345
Total current liabilities		7,545	6,489
Non-current liabilities			
Provisions	C2	12,698	21,275
Total non-current liabilities		12,698	21,275
Total liabilities		**20,243**	**27,764**
Net assets		**48,194**	**47,414**
Equity			
Issued capital	D1	141,591	141,624
Share options reserve		3,526	3,526
Share rights reserve		3,390	3,371
Foreign currency translation reserve		29,247	56,648
Profit reserve		65,488	72,940
Retained losses		(195,048)	(230,695)
Total equity		**48,194**	**47,414**

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 2019

	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 2018		**141,624**	**3,526**	**3,289**	**(2,242)**	**56,885**	**72,940**	**(243,942)**	**32,080**
Profit for the year		-	-	-	-	-	-	13,247	13,247
Other comprehensive income/(loss) 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**
Profit for the year		-	-	-	-	-	-	35,701	35,701
Other comprehensive income for the year		-	-	-	-	(27,401)	-	-	(27,401)
Total comprehensive income for the year		-	-	-	-	(27,401)	-	35,701	8,300
Unmarketable parcel buy-back		(33)	-	-	-	-	-	-	(33)
Payment of dividend		-	-	-	-	-	(7,452)	-	(7,452)
Recognition of share-based payments		-	-	19	-	-	-	(54)	(35)
Balance at 31 December 2019		**141,591**	**3,526**	**3,390**	**-**	**29,247**	**65,488**	**(195,048)**	**48,194**

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 2019

	Note	2019 US$'000	2018 US$'000
Cash flows from operating activities			
Receipts from customers		41,330	49,188
Payments to suppliers and employees		(19,126)	(30,795)
Interest received		478	14
Income taxes received/(paid)		32	(750)
Net cash provided by operating activities	E1	22,714	17,657
Cash flows from investing activities			
Proceeds from sale of permits		68	643
Payments for property, plant and equipment		(3,839)	(3,635)
Payments for exploration assets		(2,519)	(1,751)
Payments for restoration expenditure		(181)	(422)
Payments for disposal of subsidiaries		(3,209)	-
Net cash used in investing activities		(9,680)	(5,165)
Cash flows from financing activities			
Payment of share buy-back		(33)	-
Payment of dividends		(7,452)	-
Net cash used in financing activities		(7,485)	-
Net increase in cash and cash equivalents		5,549	12,492
Cash and cash equivalents at the beginning of the financial year		21,186	7,753
Effects of exchange rate changes on the balance of cash held in foreign currencies		(72)	941
Cash and cash equivalents at the end of the financial year		**26,663**	**21,186**

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, except for:

On 4 February 2020, 1,515,606 shares were issued upon the vesting of performance Rights on issue and 139,892 performance rights lapsed as unvested.

A3. Audit Status

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

	Consolidated	
	2019	**2018**
	US$'000	**US$'000**
B1. Profit for the year from operations		
(a) Revenue		
Liquid sales(i)	41,986	44,184
Other revenue:		
Royalties received	44	131
Interest received	519	46
Settlement with third party contractor(ii)	-	1,419
Profit on sale of projects	-	757
Profit on sale of subsidiaries(iii)	30,664	-
Foreign Exchange gain	-	710
	31,227	3,063
	73,213	47,247

(i) Includes commodity hedge gain of US$0.08 million (2018: US$4.2 million loss)
(ii) During the prior 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.
(iii) Profit on sale of subsidiaries includes a cumulative US$27.85 million recycled from foreign currency translation reserve.

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

(b) Cost of sales

	Note	Consolidated 2019 US$'000	Consolidated 2018 US$'000
Production costs – Manora		15,853	16,859
Depreciation of capitalised development costs		10,364	13,966
Government royalties		3,187	3,637
Other production costs - Manora(i)		3,544	(252)
		32,948	34,210

(c) Administration expenses

Profit before income tax has been arrived at after charging the following:

	Note	Consolidated 2019 US$'000	Consolidated 2018 US$'000
Employee benefit expenses:			
Post employment benefits:			
Superannuation contributions		82	105
Share-based payments:			
Equity settled share-based payments		193	(14)
Other		726	1,021
		1,001	1,112
Depreciation of office fixed assets		16	19
Operating lease rental payments		86	124
Other expenses, net of recoveries (i)		866	914
		1,969	2,169

(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 for the year from operations (cont'd)

	Note	Consolidated 2019 US$'000	Consolidated 2018 US$'000
(d) Finance costs			
Notional interest from unwinding discount on restoration provisions		580	866
(e) Impairment losses and write-downs			
Exploration impairment losses (i)	C7	2,732	1,601

(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 2019 US$'000	Consolidated 2018 US$'000
(f) Other expenses		
Takeover/Defense expenditure	-	618
Foreign exchange differences	179	1
Woollybutt and Airlie operating costs	-	22
Other	-	20
	179	661

(g) Depreciation

Depreciation charges are included above in cost of sales (b) and administration expenses (c). Total depreciation for the Consolidated Entity is US$10.4 million (2018: US$14.0 million).

C1. Property, plant and equipment

Development expenditures	Consolidated 2019 US$'000	Consolidated 2018 US$'000
Gross carrying amount – at cost:		
Opening balance	259,288	255,700
Additions	4,399	3,589
Foreign exchange	-	(1)
Closing balance	263,687	259,288
Accumulated depreciation:		
Opening balance	228,868	214,902
Depreciation	10,364	13,966
Closing balance	239,232	228,868
Net book value	24,455	30,420
Office improvements, furniture & equipment		
Gross carrying amount – at cost:		
Opening balance	564	744
Additions	23	46
Foreign exchange differences	(4)	(64)
Asset write-offs	(496)	(162)
Closing balance	87	564
Accumulated depreciation:		
Opening balance	518	705
Asset write-offs	(495)	(149)
Foreign exchange differences	(4)	(61)
Depreciation	20	23
Closing balance	39	518
Net book value	48	46
Total – net book value	24,503	30,466

Impairment of development expenditures

At 31 December 2019, the Consolidated Entity has assessed each cash generating unit to determine whether an impairment indicator existed.

A recoverable amount of the Manora development asset of US$26.7 million (2018: US$38.2 million) has been determined based on a value in use model and did not result in an impairment at 31 December 2019 (2018: 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 3.8 years. The average Brent price assumptions range from US$61.87 / bbl to US$64.37 / bbl for the years 2020 to 2023. 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 7-8% would not result in an impairment. The discount rate used in the recoverable amount assessment is 10.57% (2018: 11.5%).

C2. Provisions

	Consolidated	
	2019	2018
	US$'000	US$'000
Current		
Employee benefits	62	111
Restoration costs	-	1,234
	62	1,345
Non-current		
Employee benefits	4	2
Restoration costs	12,694	21,273
	12,698	21,275
Restoration costs provision		
Reconciliation of movement:		
Opening balance	22,507	25,451
Increase/(decrease) resulting from re-measurement	583	(1,952)
Liability Extinguishment due to Sale of Permit	(10,796)	(186)
Unwinding of discount	580	866
Restoration costs incurred	(181)	(422)
Foreign exchange movement	1	(1,250)
Closing balance	12,694	22,507

The provision for restoration costs primarily comprise amounts related to Manora US$12.7 million (2018: US$11.7 million) and Woollybutt US$nil million (2018: US$10.8 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 2023 and relate to the Manora restoration 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.

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	
	2019 US$'000	**2018 US$'000**
Current assets		
Cash	6,389	4,042
Receivables	564	1,051
Inventories	4,975	7,856
Total current assets	11,928	12,949
Non-current assets		
Property, plant and equipment	24,455	30,420
Exploration and evaluation assets	-	281
Total non-current assets	24,455	30,701
Total assets	36,383	43,650
Current liabilities		
Trade and other payables	6,816	4,630
Provision for restoration	-	1,235
Total current liabilities	6,816	5,865
Non-current liabilities		
Provision for restoration	12,695	21,275
Total non-current liabilities	12,695	21,275
Total liabilities	19,511	27,140
Net assets	16,872	16,510
Revenues	41,986	48,516
Cost of sales	(32,948)	(34,232)
Other income	1	73
Profit before income tax	9,039	14,357

Capital commitments and contingent liabilities
No contingent liabilities have been identified beyond those set out in note G1.

C4. Trade and other payables

	Consolidated	
	2019 US$'000	2018 US$'000
Trade payables (i)	667	496
Share of joint operations' payables	6,816	4,629
Other payables	-	4
	7,483	5,129

(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	
	2019 US$'000	2018 US$'000
Trade receivables (i)	5,312	4,450
Joint operations' debtors	564	1,051
Other receivables	81	188
	5,957	5,689

(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	
	2019 US$'000	2018 US$'000
Oil in storage – at net realisable value	2,437	3,012
Materials and consumables – at cost	2,538	4,844
	4,975	7,856

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 US$0.9 million for the year (2018: 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.

D1. Issued capital

	Consolidated 2019 US$'000	Consolidated 2018 US$'000
425,471,620 fully paid ordinary shares (2018: 425,967,534)	141,591	141,624

	2019 No. '000	2019 US$'000	2018 No. '000	2018 US$'000
Fully paid ordinary shares				
Balance at beginning of financial year	425,968	141,624	425,968	141,624
Issue of shares under share-based payment schemes (note F7)	-	-	-	-
Share buy back	(496)	(33)	-	-
Share issue costs	-	-	-	-
Balance at end of financial year	425,472	141,591	425,968	141,624

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 7,037,011 (2018: 3,659,324) outstanding performance and retention rights over ordinary shares at 31 December 2019.
- A total of 717,027 performance and nil retention rights vested during the year ended 31 December 2019 (2018: nil).
- A total of 2,643,416 (2018: 7,899,432) performance and retention rights were forfeited during the 2019 financial year. A total of 327,685 performance rights lapsed during the year ended 31 December 2019 (2018: 211,497).
- The performance and retention rights carry no rights to dividends and no voting rights.

E1. Subsidiaries

Name of entity	Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
Parent entity			
Tap Oil Limited (i)	Australia		
Subsidiaries (ii)			
Tap West Pty Ltd	Australia	-	100
Tap (Shelfal) Pty Ltd	Australia	-	100
Tap (New Zealand) Pty Ltd	Australia	-	100
Tap Oil (Philippines) Pty Ltd	Australia	-	100
Tap (Ghana) Pty Ltd	Australia	-	100
Tap Energy (Rangkas) Pty Ltd	Australia	-	100
Tap Bass Pty Ltd (iii)	Australia	-	100
Tap Energy (Thailand) Pty Ltd	Australia	100	100
Tap (Zola) Pty Ltd (iv)	Australia	-	100
Tap (WA Gas) Pty Ltd	Australia	100	100
Tap Energy (Finance) Pty Ltd	Australia	-	100
Tap Kendrew Pty Ltd (v)	Australia	-	100
Tap (Shale) Pty Ltd	Australia	-	100
Tap (Maitland) Pty Ltd (vi)	Australia	-	100
Tap (SCB) Pty Ltd (vii)	Australia	-	100
Tap (NCB) Pty Ltd (viii)	Australia	-	100
Tap (Alpha) Pty Ltd (ix)	Australia	-	100
Tap (Bonaparte) Pty Ltd (x)	Australia	-	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.

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.

F1. Notes to the cash flow statement

	Consolidated 2019 US$'000	Consolidated 2018 US$'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	26,630	21,153
Restricted cash and cash equivalents[(i)]	33	33
	26,663	21,186

(i) This relates to a deposit for the office lease.

	Consolidated 2019 US$'000	Consolidated 2018 US$'000
(b) Reconciliation of profit for the year to net cash flows from operating activities		
Profit for the year – continuing operations	35,701	13,247
Depreciation and amortisation of non-current assets	10,384	13,989
Foreign exchange gain/(loss)	472	(1,959)
Commodity hedge payable/(receivable)	-	(351)
Equity settled share-based payments	19	81
Exploration impairment losses	2,732	1,601
Timewriting charged to exploration assets	-	(49)
Loss on sale of property, plant and equipment	-	(922)
Gain on disposal of subsidiaries	(30,664)	-
Rehabilitation/restoration expense adjustments	580	(1,080)
(Increase)/decrease in current tax balances	(81)	76
Decrease/(increase) in deferred tax balances	(749)	(3,393)
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Current receivables	(1,273)	864
Other assets	3,356	(1,587)
Increase/(decrease) in liabilities:		
Current payables	2,237	(2,860)
Net cash provided by operating activities	22,714	17,657

G1. Contingencies

As at 31 December 2019 the Consolidated Entity did not have any contingent liabilities.