ASX ANNOUNCEMENT

Tap Oil Limited
ABN 89 068 572 341

Level 2,190 St George's Terrace
Perth WA 6000
Australia

T: +61 8 9485 1000
F: +61 8 9485 1060
E: info@tapoil.com.au

www.tapoil.com.au

24 April 2020

ASX:TAP

TAP OIL RESPONSE TO COVID-19 & OIL PRICE DECLINE

Tap Oil Limited (ASX:TAP) (**Tap** or the **Company**) advises that, with the outbreak of COVID-19, the Company has taken proactive precautionary measures to prioritise and protect the health and safety of our staff, contractors, local communities and to protect the continuity of our business.

The demand side economic shock resulting from the COVID-19 pandemic and the supply side shock of an oil price war has seen Brent oil prices decline to 25 year lows, while US prices, such as the benchmark West Texas Intermediate (WTI) are at record lows. While the oil price war may have ceased, the global crude stock overhang, and storage constraints, is likely to impact crude oil markets for the rest of 2020. This will continue to have an adverse impact on Tap's earnings and cashflow. 1H 2020 oil sales were partly protected by hedging however these hedges have now rolled off and there is no protection for future sales.

Hedging will be revisited once a 2H 2020 offtake profile has been finalized. The lack of a firm 2H 2020 offtake schedule impacts the ability to effectively hedge and may impact production. However, the Manora FSO has some 600,000 bbls of gross storage capacity and this will be useful in optimising offtake in the face of difficult demand conditions.

In this period of uncertainty, all costs and discretionary capital investments are being reviewed.

Prioritising people and continuous operations

As COVID-19 continues to spread globally, Tap has and continues to take actions to protect the health and safety of our people and communities by reducing the transmission of the virus. All Australian based staff and contractors have been working remotely from home, effective from 18 March 2020. This is working well and ensuring the continuity of Tap's day to day business.

Tap's business partner and the Operator of the Manora Oil Field in Thailand, Mubadala Petroleum has also adopted and put in place various protocols to reduce the risk of the virus spreading. Similar to Tap, all Mubadala Petroleum corporate staff in Bangkok are now working remotely from home. At the Manora platform in the Gulf of Thailand, Mubadala Petroleum has implemented a number of detailed plans/procedures to respond to the current pandemic crisis. This includes plans for business continuity, infection control, pandemic response, infectious disease outbreak managements, logistics and aviation. Additionally, the rotating crew changes onto the Manora offshore facilities have been extended by 2 weeks to ensure the crew is able to undertake a period of 14 days quarantine before going offshore.

Mitigating financial impacts

The oil price decline, if maintained, is expected to have a significant impact on Tap's revenue in the near term. The scale and duration of the COVID-19 pandemic, associated oil demand destruction and OPEC+ oil supply cuts remain uncertain however are also expected to have an impact on Tap's earnings, cash flow and financial metrics.

However, Tap has a strong balance sheet and is well placed to counter any negative financial impacts. As at 31 March 2020, Tap had:

- Cash at Bank of US$28.945M;
- No Debt outstanding; and

- 37% hedged for the April 2020 lifting (25,000 bbls hedged of the 67,500 bbls lifted net to Tap) at US$64.2/bbl Dubai.
- Q1 2020, Manora cash operating costs are circa US$26.6/bbl and US$31.6/bbl including royalty, insurance and marketing costs.
- Cash receipts from two liftings received during the quarter of US$10.08 million at an average price of US$65.78/bbl

To optimise cashflow, Tap and Mubadala Petroleum have reviewed the 2020 work program and budget for Manora and have either cancelled or deferred noncritical expenditure originally planned for 2020, while at the same time implementing production optimisation opportunities.

Initiatives include:

- Exploration well cancelled US$3.9M (Gross) US$1.2M (net saving to Tap);
- Opex costs reduced and workover plan cancelled US$7.3M (Gross) US$2.2M (net saving to Tap); and
- Capex costs (brownfields) deferred until 2021 US$2.8M (Gross) US$0.8M (net saving to Tap).

The 2020 Manora work program and budget in total has been reduced by US$14M (Gross); US$4.2M (net saving to Tap). Further initiatives are underway to optimise cashflow.

Production to end of March 2020 has averaged 5,536 bopd gross (1,661 bopd net to Tap) and this is at least 5.0% above the Operator's and Tap's base 2020 plan.

Review of planned Manora three well development program

Tap has undertaken extensive technical analysis and engaged with the Operator's technical team on the planned three well 2020 development drilling and workover program at Manora. Both the Operator and Tap are well aligned technically on the choice of wells, drilling locations, volumes and risks.

The Joint Venture partners are now considering economics, along with cost & production optimisation plus risk mitigation opportunities before making a final investment decision in the near future.

Tap will provide updates to shareholders as required.

Authorised by:

Board of Tap Oil Limited

Investor enquiries

Chris Newton
Executive Chairman
Phone: +618 9485 1000

Derrick Wan
Commercial Manager
Phone: +618 9485 1000