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COMPANY UPDATE

- **Peak production of 15,000 bopd (gross) now achieved with Manora producing from six wells**
- **Seven oil liftings from Manora to date**
- **Successfully renegotiated the Manora Borrowing Base Debt Facility with BNP Paribas and Siam Commercial Bank with an ability to draw down US\$78.9 million (previously US\$68.5m) under the borrowing base, ensuring that all forecast commitments can be fully funded at this time**
- **Moderate oil hedging programme executed to support the amount available under the Borrowing Base Debt Facility and to provide revenue certainty during 2015**
- **Cost reductions now in place (including revised Manora development drilling programme with four of the remaining wells deferred or cancelled, and withdrawal from G3/48 in Thailand)**

Tap Oil Limited (ASX: TAP) is pleased to provide a Company-wide update, including an update on the Manora Oil Development in the Northern Gulf of Thailand (TAP 30% interest).

Financing

On 31 January 2015, Tap announced that it had fully drawn US\$68.5 million of its Borrowing Base Debt Facility of up to US\$90 million with BNP Paribas and Siam Commercial Bank. At that time the facility size had reduced to US\$68.5 million due to the fall in oil price and consequent decreases in forecast net cash flows from Manora. As disclosed previously (ASX: Quarterly Report 31 January 2015), Tap has been in discussions with BNP Paribas and Siam Commercial Bank regarding a review of its existing borrowing base debt facility. On 27 February 2015, Tap, BNP Paribas and Siam Commercial Bank have agreed the following modifications and waivers to the debt facility:

- the maximum available amount under the borrowing base debt facility has increased from US\$68.5 million to up to US\$82 million, currently with a maximum draw down of US\$78.9 million;
- the following waivers are in place until 31 July 2015, at which stage Tap believes it will no longer require them:
 - the banks have waived their minimum liquidity requirements during the waiver period;
 - financial cover ratio requirements have been temporarily reduced;
- a waiver fee is payable, and a higher interest rate margin applicable to the debt, during the waiver period; and
- deferral of repayments during the waiver period.

As the size of the borrowing base debt facility is linked to Manora reserves and revenues (as well as Third Party Gas revenues), the maximum amount available under the facility fluctuates with changes in the oil price. Tap has hedged 40% of forecast 1P Manora production from April to December 2015 at an average swap price of US\$62.75/bbl, (representing 495,000 barrels) to enhance the borrowing base and support Tap's cashflows. The current debt repayment schedule remains three years. Tap intends to fully draw the remaining amount of the facility during March 2015. This amount will be used towards Tap's share of the remaining approved Manora capital expenditure of US\$1 million, and for general corporate and exploration costs. The increased borrowing amount ensures that all forecast commitments can be fully funded at this time.

Meanwhile, the Company has pro-actively commenced a review of its growth strategy in order to determine the best way to maximise value for shareholders. In addition, a number of measures to improve liquidity have commenced (including corporate and exploration cost savings, deferral of expenditure and asset sales). This includes the Company's withdrawal from its 30% participating interest in G3/48, Thailand. The joint venture has agreed that Tap will have no further exploration obligations (including drilling) with respect to G3/48. This will result in a cost saving of US\$2.7 million to Tap in 2015. The G3/48 withdrawal will not have any impact on the Manora Oil Development or exploration in the G1/48 concession. In relation to G1/48 exploration, Tap has budgeted for an exploration well in 2015. However, given the low oil price environment, Tap is in discussions with the Operator on the timing of this exploration well. It is Tap's preference to delay the drilling of this well until a later date.

Manora Drilling and Production Update

Following a review of the results from the development drilling programme to date, the Manora joint venture has agreed that two wells (one producer and one injector) are no longer required and also to defer two producer wells. The development plan had previously forecast up to 15 development wells (10 producers and 5 injectors). The Operator (Mubadala Petroleum) has confirmed that peak production of 15,000 barrels per day (gross) has now been achieved and can be maintained with only 7 producer wells (instead of the original 10 producer wells). As at 14 February 2015, Manora had produced 1 million stock tank barrels (gross) (based on FSO official rate and corrected for shrinkage).

The drilling results from the development drilling programme to date have:

- confirmed good reservoir continuity and pressure connectivity in the major reservoir units;
- demonstrated good oil production rates;
- confirmed the ability to achieve the desired water injection rates in the injection wells; and
- suggested deeper structure particularly on the flank of the Manora oil field.

Manora is now producing from six wells: MNA-01, MNA-02, MNA-03, MNA-05, MNA-07 and MNA-08. MNA-01 and MNA-02 came onto production on 11 November 2014, with MNA-03 following a day later. MNA-05 started production on 23 November 2014. All of these wells have been completed with ESP pumps, exhibited high productivity as expected, and are producing free of water and sand. At 31 December 2014, production was from the central fault block 600 sand reservoirs.

Following the end of the quarter MNA-07, the first well to be produced from the east fault block, was put on production with a tested rate of 1,332 barrels per day (gross) with 40% watercut, and has increased to 62% watercut at present. Water injection to two wells started on 19 February 2015. MNA-08 started production on 21 February 2015.

In summary, the status of the Manora Oil Development drilling programme is as follows:

Well**	Objective	Status
MNA-01	Producer (single)	Completed (on production)
MNA-02	Producer (single)	Completed (on production)
MNA-03	Producer (smart)	Completed (on production)
MNA-04	Injector (single)	Completed (on injection at 4100 bwpd)
MNA-05	Producer (smart)	Completed (on production)
MNA-06	Producer (single)	Deferred
MNA-07	Producer (smart)	Producing
MNA-08	Producer (Smart)	Completed and on production at 2471 Bopd (gross), 0% watercut

Well	Objective	Status
MNA-09/ST1*	Injector (Single)	Completed (on injection at 7200 bwpd)
MNA-10	Injector (Smart)	Completed and waiting injection startup
MNA-11	Producer (single)	Surface casing set
MNA-12	Producer (single)	Cancelled
MNA-13	Injector (Smart)	Drilling intermediate 12-1/4" hole
MNA-14	Producer (single)	Deferred
MNA-15	Injector (single)	Cancelled

*MNA-09 injector well encountered technical problems while drilling 8 1/2" section and has been sidetracked.

**Please refer to Appendix 1 for location map of wells in the Manora oil field

In December 2014, Tap executed a six month contract to sell its share of Manora crude domestically in Thailand, at a small discount to the Dubai US\$ crude oil price (Platts). These sales proceeds are received in Thai Baht (THB). Tap executes foreign exchange hedging to manage the USD/THB sales revenue exposure.

Manora Cost Estimates

The Operator has advised that the revised Manora Oil Development drilling programme (described above) reduces the development drilling budget by approximately US\$5 million (gross) allowing for well cost overruns to date and the modified forward drilling programme.

Tap has also received a proposal from the Operator to approve a capital expenditure increase for the facilities on the Manora Oil Development by effectively US\$28 million (gross) – a 15% increase since the 2015 budget was signed in December 2014. This would bring the total estimated cost at completion to US\$328 million (gross). This proposal was unexpected and follows Tap's approval of the 2015 budget in December 2014 which was in line with Operator's previous capital expenditure estimates.

Tap understands that the increase relates to increased facilities costs claimed by the platform contractor, and the increased duration of hook up and commissioning work. Extensive work is being undertaken by Tap to validate these unexpected cost overruns, and further discussions are being held with the Operator. If these costs are approved by the joint venture, Tap's total estimated capital expenditure for the project will be approximately US\$105 million (after repayment of the carry of Northern Gulf Petroleum Pte. Ltd – see below for further detail). These costs have not yet been approved and are not considered commitments. Tap has reserved its position on these potential cost overruns until further clarity is provided by the Operator.

Registry Changes

Since January 2015, Northern Gulf Petroleum Holdings Ltd (NGPH) and its controlled entities (Mr Chatchai Yenbamroong) have increased their shareholding in Tap from approximately 6% to 19.98% of Tap's total issued capital through various on-market trades.

Northern Gulf Petroleum Pte. Ltd (NGP), a subsidiary of NGPH, holds a 10% interest in the G1/48 Concession and the Manora Oil Development. Due to the structure of the acquisition in October 2010, Tap initially held its interest in G1/48 indirectly through a 75% shareholding in NGP. Tap now holds its interest in G1/48 directly, and does not hold any interest in NGP, nor any other controlled entities of NGPH.

Manora Acquisition Payments

As previously disclosed, at the time of Tap's acquisition of its 30% interest in the G1/48 concession a number of staged acquisition payments were agreed with Northern Gulf Petroleum Holdings Limited (**NGPH**) and its subsidiary, Northern Gulf Petroleum Pte. Ltd. (**NGP**). The following table sets out the forecast payments by Tap and NGP during the course of 2015.

Payment	Assumptions/Notes	Estimated Timing for Payment(s) in 2015
Repayment of NGP Carry: Payment by NGP to Tap	The repayment of US\$10 million by NGP to Tap out of NGP's share of production. This is an ongoing repayment as proceeds are received from each lifting.	Approx. US\$0.83 million has been repaid to date, and the carry is expected to be repaid in full in 2015.
2P Reserves Deferred Payment: Payment by Tap to NGPH <i>See below for further detail</i>	Based on Manora 2P reserves at each year-end for four years after first production, up to US\$29.85 million. Conditional on the Manora 2P Reserves (plus recovered oil) remaining > 10 mmbbls).	Following the finalisation of the year end (31 December 2014) 2P reserves for Manora, or reserves certification by an independent expert. 31 December 2014 2P Reserves estimate has not yet been finalised.
Earn-out (2% of Tap's Manora revenue): Payment by Tap to NGPH	No Earn-out is payable if the average daily closing spot price for Brent crude is below US\$50/bbl per barrel for the 14 days immediately prior to the date of any lifting,	This is an ongoing payment, made monthly in arrears, and follows the receipt of lifting proceeds.

2P Reserves Deferred Payment

As part of the consideration for acquiring the G1/48 permit in 2010, Tap is liable to make a 2P Reserves Deferred Payment, to NGPH. The payment is calculated pro-rata based on 2P reserves between 10 mmbbls and 35 mmbbls.

Tap paid an initial 2P Reserves Deferred Payment of US\$7.65 million in August 2012, based on the Operator's Manora 2P gross reserves estimate of 20.2 mmbbls at the time of the Manora Final Investment Decision (**FID**). Further payments (up to a maximum of US\$29.85 million) will be calculated on the Operator's 2P reserves estimate at year end, and are payable up to four years after first production (conditional on the Manora 2P Reserves (plus recovered oil) remaining greater than 10 mmbbls).

Tap expects to make a payment this year to NGPH based on the Operator's 2P reserves estimates as at 31 December 2014. The Operator is currently finalising its 2P reserve estimates as at 31 December 2014 for review by the joint venture. Accordingly Tap is unable to provide an estimate on the exact size of this year's Reserves Deferred Payment. However, if the 2P reserves estimate for 31 December 2014 remains the same as the 2P reserves estimates as at FID (20.2 mmbbls gross), Tap will be liable to make a further payment of US\$7.65 million. If the 31 December 2014 2P reserves estimate increases beyond 20.2 mmbbls, this payment will increase by US\$1.50/additional barrel (*capped as described above*).

The payment will be due within 30 days following the finalisation of the year-end 2P reserves estimates for Manora – either through the joint venture process, or through a further reserves certification by an independent expert if required by either Tap or NGPH.

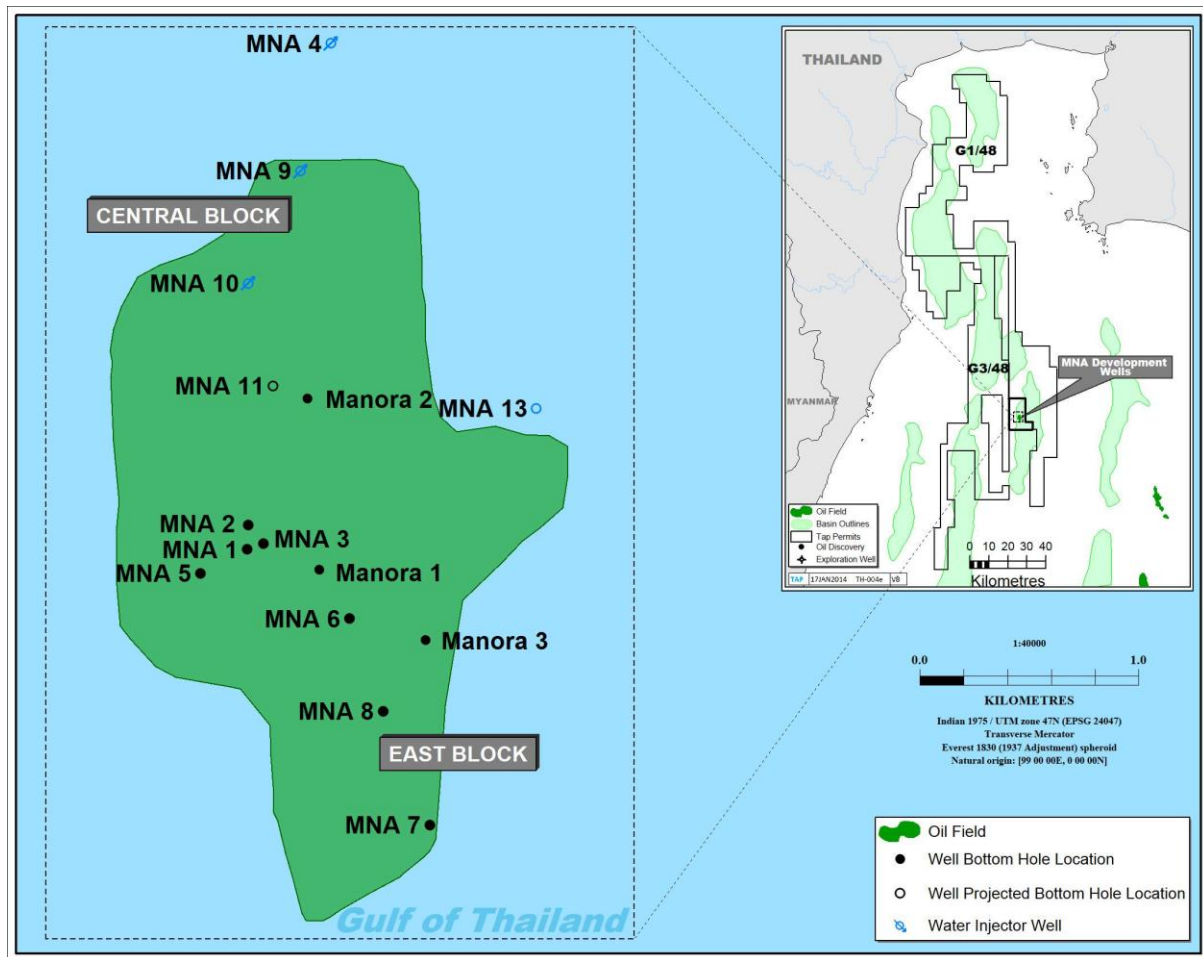
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Appendix 1: Location of wells in the Manora Oil Field



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