Tap Oil Limited
ABN 89 068 572 341

Level 1, 47 Colin Street
West Perth WA 6005
Australia

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

www.tapoil.com.au

27 February 2015

The Company Announcements Platform
Australian Securities Exchange
Exchange Centre
20 Bond Street
SYDNEY NSW 2000

2014 FULL YEAR FINANCIAL RESULTS

Please find attached Tap Oil Limited's 2014 Full Year Financial Results including:

1 2014 Full Year Financial Results Summary;

2 2014 Preliminary Final Report (Appendix 4E); and

3 Financial report (including directors' report and independent audit report) for the year ended 31 December 2014.

Copies of these documents are available at the ASX and can be viewed on the Company's website www.tapoil.com.au under the heading "Investor Centre".

Investor Enquiries		***Media Enquiries***	
Troy Hayden	Managing Director/CEO	Rebecca Lawson	
Anna Sudlow	Commercial & Investor Relations Manager	Media & Capital Partners	
Telephone:	+61 8 9485 1000	Telephone	+61 433 216 269
Email:	info@tapoil.com.au		
Website:	www.tapoil.com.au		

Persons compiling information about hydrocarbons

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

TAP OIL LIMITED
2014 FULL-YEAR FINANCIAL RESULTS SUMMARY

Highlights 27 February 2015

- Production commenced at the Manora oil field offshore Thailand in November 2014
- Peak production of 15,000 bopd (gross) now achieved with Manora now 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 $78.9 million (previously $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)
- EBITDAX* of $6.5 million and net loss after tax of $42.7 million
- Change in presentation currency to US dollars

Financial Review

The audited annual financial report for the financial year ended 31 December 2014 accompanies this announcement and is available at the Tap Oil website at www.tapoil.com.au. Please refer to the audited financial statements for the IFRS financial information.

Where indicated, this announcement also contains some non-IFRS financial information, including in the Financial Summary table below. Such non-IFRS financial information is aggregate financial information that includes both continuing and discontinued operations. The non-IFRS information is presented in order to provide investors with further information and perspective on the overall financial performance and operations of the Company. Appendix 3 contains a reconciliation of non-IFRS financial information to audited IFRS financial information.

With the funding of Tap's main asset, the Manora oil field development, in US dollars (USD) and subsequent Manora pricing benchmarks and operating costs being denominated in USD, Tap Oil Limited has elected to change its presentation currency from Australian dollars to US dollars. The directors believe that changing the presentation currency to US dollars will provide greater transparency of the underlying performance of the Group and improve investors' ability to compare the Company's financial results with other publicly traded businesses in the international oil and gas industry.

	2014 $ million	**2013 $ million**	**% Change**
Oil and gas production (mmboe)	0.1	-	100%
Sales revenue	26.6	26.1	2%
Gross profit	14.3	14.5	-1%
- as a % of revenue	*54%*	*55%*	-2%
EBITDAX* (excl. Impairments)	**6.5**	**6.8**	-4%
Exploration and impairment**	(78.1)	(45.6)	71%
Net loss before tax	(74.6)	(38.3)	95%
Net loss after tax	**(42.7)**	**(38.1)**	12%

* EBITDAX = Earnings before interest, tax, depreciation, amortisation and exploration write downs and impairments. See Appendix 3 for reconciliations to the IFRS loss for the year.

** See Appendix 2 for details.

The commencement of production at the Manora Oil Development on 11 November 2014 marked a significant milestone for Tap Oil's Board and Management, returning the Company to a mid-tier producer following a two year hiatus.

Tap's revenue for 2014 was $26.8 million (2013: $28.9 million), of which $0.2 million (2013: $1.7 million) was interest revenue. Gross profit was $14.3 million (2013: $14.5 million). After impairment losses and write-downs of $78.1 million (2013: $47.1 million), the net loss before tax was $74.6 million (2013: $38.3 million); and the net loss after tax was $42.7 million (2013: $38.1 million). Net cash flows from operations were $5.7 million inflow (2013: $0.6 million inflow).

Revenues from the gas contracts were lower in 2014 due to an increase in deferred delivery under take-or-pay arrangements (banking) resulting in a lower than expected revenue being recorded.

Manora revenues consisted of one lifting on 25 December 2014 following commencement of production on 11 November 2014. The selling price was $58.9/bbl. There were significant oil inventories at 31 December 2014.

Forming part of the cost of sales is the depreciation charged on a unit of production basis. The depreciation of $0.938m (2013: nil) charged for the year ended 31 December 2014 relates to the Manora to the oil & gas asset which commenced production on 11 November 2014.

The exploration activities in 2014 are set out in the operational review below. Following an evaluation at the end of 2014 the exploration impairment losses and write-downs recorded as at 31 December 2014 were $57.2 million (2013: $45.6 million). The property, plant and equipment impairment loss of $20.9 million recognised in 2014 (2013: nil) relates to the Manora development asset ($15.1 million) and the Airlie development asset ($5.8 million).

Administration costs were steady for the year at $6.7 million (2013: $6.6 million). There were further staff reductions in 2015 and although employee costs were lower than 2013, the full benefit of staff reductions and other cost cutting initiatives will be seen in 2015.

2014 Operational Review

<u>Financing</u>

On 31 January 2015, Tap announced that it had fully drawn $68.5 million of its Borrowing Base Debt Facility of up to $90 million with BNP Paribas and Siam Commercial Bank. At that time the facility size had reduced to $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. Tap has today been advised that the outcome of these discussions includes the following modifications and waivers to the debt facility:

- the maximum available amount under the borrowing base debt facility has increased from $68.5 million to up to $82 million currently with a maximum draw down of $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 $62.75/bbl, (representing 495,000 barrels) to enhance the borrowing base and support Tap's cashflows. The current debt repayment schedule remains at 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 $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 $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.

Production and Sales

	2014 '000 boe	2014 $'000	2013 '000 boe	2013 $'000
Production (net to Tap):				
Oil - Manora	148		-	
Total liquids	148		-	
Total production	148		-	
Sales (net to Tap):				
Liquids	31	1,833	-	-
Third Party Gas Sales – 3,483 TJ (2013: 3,770 TJ)	514	24,717	556	26,118
Total sales	545	26,550	556	26,118
Average realised oil price		$58.9/bbl		N/A

Manora Field – G1/48 Thailand

The Manora field is located in the G1/48 concession. Mubadala Petroleum operates the concession and the field. Tap reached FID on the Manora Oil Development on 23 July 2012 and production commenced on 11 November 2014 with the first lifting on 25 December 2014.

The Manora oil development has three key components. The platform, the Floating Storage Offloading (FSO) Unit and the development wells. Manora is a single well head platform with a four-leg platform jacket substructure with the topsides containing the production process and well head equipment. A pipeline and risers connect the platform to a leased FSO Unit. The FSO is a site-specific crude oil FSO that is moored and linked to the platform and also serves as the accommodation hub.

Phase 1 of the offshore installation program was the loadout and subsequent installation of the Manora platform jacket, subsea lines and Pipeline End Manifold (PLEM), which was completed in the first quarter of 2014. Phase 2 of the offshore installation program, the loadout and installation of the topsides, was completed in July 2014.

In early September 2014, the Atwood Orca jackup drilling unit spudded the first development well in the drilling programme and production commenced on 11 November 2014 with two wells, MNA-01 and MNA-02, initially flowing at a combined rate of 2,200 barrels per day (gross). MNA-03 came onto production a day later and 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. MNA-08 started production on 21 February 2015.

Manora is now producing from six wells: MNA-01, MNA-02, MNA-03, MNA-05, MNA-07 and MNA-08. 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). Water injection to two wells started on 19 February 2015.
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 Manora Field.

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).

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 ½" section and has been sidetracked.*

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

The last of the 11 wells (7 producers and 4 injectors) to be drilled in the development drilling programme has commenced and is expected to be completed by the end of March 2015. Tap will review the reserves and contingent resources previously booked for Manora following the completion of development drilling and assessment of production performance.

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 $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 $328 million (gross). This proposal was unexpected and follows Tap's approval of the 2015 budget in December 2014 which was in line with the 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 $105 million (after repayment of the carry of Northern Gulf Petroleum Pte. Ltd). 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.

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. The first cargo lifting was completed on 25 December 2014, and six further liftings have been completed to date.

Third Party Gas

Tap has contracts with third parties where it buys gas from the John Brookes field owners and re-sells this gas to customers. Both the purchase and sale prices are CPI linked and fixed in AUD, thereby avoiding any exposure to changes in commodity prices. This gas is largely contracted and is expected to generate revenue of approximately A$30 million per annum through to at least the end of 2016.

Revenues from the gas contracts were lower in 2014 due to an increase in deferred delivery under take-or-pay arrangements (banking) resulting in a slightly lower than expected revenue being recorded.

Exploration and Appraisal

As the focus was on the Manora development, 2014 was a relatively quiet year of exploration for Tap. Tap did not participate in any wells during the year.

Permit/Concession	Activity during 2014 and to date
WA-351-P *Carnarvon Basin – Offshore Western Australia*	During the year approval was granted for variation of the Year 5 work program such that the Year 5 well has been replaced with 260 km^2 3D seismic reprocessing plus geological and geophysical studies. Year 5 of the first renewal of WA-351-P ends on 27 December 2015.
WA-290-P and WA-49-R *Carnarvon Basin – Offshore Western Australia*	Operator continues to work on plans for further appraisal and potential development.
WA-320-P and *WA-155-P (Part II)* *Carnarvon Basin – Offshore Western Australia*	In November 2014, approval was granted to suspend the Year 3 commitments (including the well) for a period of 24 months to 20 October 2016. During the year, approximately 310 km² of multiclient 3D seismic data from the TGS "Huzzas MC3D seismic survey" was licensed by the WA-320-P Joint Venture. Processing of the seismic data set is in progress, with an expected completion date in the second quarter of 2015. The new seismic data will be used in planning for the Palmerston-1 well.
TL/2 and TP/7 *Carnarvon Basin – Offshore Western Australia*	During the year approval was granted for the variation of the TP/7 Year 3-5 work program (July 2014 – July 2017) to substitute the 3D seismic acquisition and well commitment with geotechnical studies. Studies on the Taunton oil field are progressing ahead of assessment of development options for the field.
G1/48 *Offshore Thailand*	During the year, the Operator conducted an extensive review of the G1/48 permit area, specifically focused on delivering a balanced prospect portfolio for the Kra Basin, and integrating the results of the successful Malida-1 well and subsequent Malida sidetrack wells. Subject to further successful drilling to aggregate additional resource volumes, there may be potential to tie discoveries back to the Manora facility should sufficient volumes be proved. The preferred prospect for drilling in G1/48 in 2015 has been selected from the updated prospect portfolio. Given the low oil price environment, the Company is in discussions with the Operator on the timing of this well, with its preference to delay the drilling of the well until a later date.
G3/48 *Offshore Thailand*	Tap has withdrawn from the G3/48 joint venture in Thailand. Following the withdrawal, Tap will have no further exploration obligations with respect to G3/48. The G3/48 withdrawal will not have any impact on the Manora Oil Development or exploration in the G1/48 concession.
Block M-07 *Moattama Basin, Offshore Myanmar*	In March 2014, Tap was advised by the Myanmar Ministry of Energy (MOE) of the successful award of a Production Sharing Contract (PSC) for shallow water Block M-7 in the Moattama basin, offshore Myanmar. The PSC award is subject to finalisation of terms with the MOE. On agreement on terms and PSC award, Tap will hold a 35.625% interest with Roc Oil operating the license on behalf of its joint venture participants. The block award includes provisions for the joint venture to undertake an 18 month Environmental Impact Assessment and Study Period, following which it has an option to proceed into a three year exploration work programme.
Vic/P67 *Otway Basin, Offshore Victoria*	On 11 February 2015, Tap advised WHL that it had elected not to exercise its option to acquire 10% of the Vic/P67 permit. The final seismic cost amounts to $2.8 and remains payable on 31 March 2015. Upon payment, Tap will have no further obligation or liability in respect of exploration permit Vic/P67.

Outlook

The Company anticipates that 2015 will be a positive year following the commencement of production and cashflows from the Manora oil development in Thailand.

Tap is a diversified exploration and production company with ongoing revenues and cash flow from the Manora Oil Development, its third party gas business and a balanced exploration and appraisal portfolio. Tap's strategic intent is to create value for shareholders through discovering, developing, acquiring, producing and selling oil and gas.

Enquiries:	Troy Hayden	Managing Director/CEO
	Anna Sudlow	Commercial & Investor Relations Manager
	Telephone:	+61 8 9485 1000
	Email:	info@tapoil.com.au
	Website:	www.tapoil.com.au

Disclaimer

Certain statements contained in this announcement, including information as to the future financial or operating performance of Tap Oil Limited and its projects, are forward-looking statements. Such forward-looking statements:

- *are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Tap Oil Limited, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies;*
- *involve known and unknown risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements; and*
- *may include, among other things, statements regarding targets, estimates and assumptions in respect of production and prices, operating costs and results, capital expenditures, reserves and resources and anticipated flow rates, and are or may be based on assumptions and estimates related to future technical, economic, market, political, social and other conditions.*

Tap Oil Limited disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise.

The words "believe", "expect", "anticipate", "indicate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule", "potential", "opportunity" and similar expressions identify forward-looking statements.

All forward-looking statements made in this presentation are qualified by the foregoing cautionary statements. Investors are cautioned that forward-looking statements are not guarantees of future performance and accordingly investors are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein.

No representation or warranty is or will be made by any person (including Tap Oil and its officers, directors, employees, advisers and agents) in relation to the accuracy or completeness of all or part of this document, or any constituent or associated presentation, information or material (collectively, the Information), or the accuracy, likelihood of achievement or reasonableness of any projections, prospects or returns contained in, or implied by, the Information or any part of it. The Information includes information derived from third party sources that has not necessarily been independently verified.

Subject to any obligations under applicable laws, regulations or securities exchange listing rules, Tap Oil disclaims any obligation or undertaking to release any updates or revisions to the Information to reflect any change in expectations or assumptions.

Nothing contained in the Information constitutes investment, legal, tax or other advice. The Information does not take into account the investment objectives, financial situation or particular needs of any recipient. Before making an investment decision, each recipient of the Information should make its own assessment and take independent professional advice in relation to the Information and any action taken on the basis of the Information.

APPENDIX 1

KEY FINANCIAL INDICATORS

12 Months Ended		**Dec-14**	**Dec-13***
Profit & Loss ($ million)			
Sales Revenue	: Oil and Condensate	1.8	-
	: Gas	24.7	26.1
EBITDA**		(71.6)	(38.8)
Exploration expenditure impairment/writedowns		(57.2)	(45.6)
Income Tax Benefit		31.9	0.2
NPAT		(42.7)	(38.1)
EPS (cents)		(17.6)	(15.8)
Gross Profit Margin (%)		54%	55%
Balance Sheet ($ million)			
Cash		14.0	38.9
Capitalised Exploration Expenditure		21.1	81.0
Property, Plant & Equipment		134.4	91.2
Total Assets		224.7	228.8
Debt		64.2	-
Total Liabilities		116.9	77.8
Shareholder Equity		107.7	151.0
Cashflow ($ million)			
Operations		5.7	0.6
Investing		(91.1)	(46.0)
Financing		61.2	(1.9)
Production Volumes			
Oil & Condensate (mmbbls):	Manora	0.1	-
Total (mmboe)		0.1	-
Sales of third party gas (PJ):		3.5	3.8
Other			
Oil Price – US$ average realised/bbl		58.9	N/A
Shares on Issue		243.2	242.1
Share Price at period end ($)		0.34	0.45

* The financial numbers in this column have been translated from AUD to USD. For profit and loss items the rate is the average rate for 2013 and for balance sheet items the rate is the 31 December 2013 year end rate.

** These numbers are non-IFRS financial information. Please refer to the audited financial statements and Appendix 3 for the IFRS financial information.

APPENDIX 2

SCHEDULE OF EXPLORATION AND IMPAIRMENT ITEMS

Exploration and Impairment Expenses	**2014** **$ million**		**2013** **$ million**	
Exploration impairment/write downs				
WA-33-R	7.9		-	
TL2/TP7 (Taunton)	-		7.7	
Ghana	-		17.0	
WA-49-R	24.1		-	
WA8-L	2.0		(3.4)	
WA-34-R	2.7			
VIC/P67	2.8			
Thailand (G1/48)	14.1		24.0	
Others	3.6	57.2	0.2	45.6
Property, Plant and Equipment Impairment		-		-
Manora	15.1		-	
TL/2 and TP/7 (Airlie Island)	5.8	20.9	-	-
Total before tax		78.1		45.6
Tax effect		(37.2)		(2.6)
Total after tax		40.9		43.0

APPENDIX 3

RECONCILIATION OF NON-IFRS FINANCIAL INFORMATION TO AUDITED IFRS FINANCIAL INFORMATION

This Appendix 3 contains a reconciliation of non-IFRS financial information to audited IFRS financial information.

EBITDAX (earnings before interest, tax, depreciation, amortisation, depletion, exploration and impairment expenses), EBITDA (earnings before interest, tax, depreciation, amortisation and depletion) and EBIT (earnings before interest and tax) are non-IFRS measures.

The non-IFRS information is presented in order to provide investors with further information and perspective on the overall financial performance and operations of the Company.

The audited annual financial report for the financial year ended 31 December 2014 accompanies this announcement and is available at the Tap Oil website at www.tapoil.com.au. Please refer to the audited financial statements for the IFRS financial information.

	2014 $ million	2013 $ million
Revenue	26.6	26.1
Cash operating costs	(11.3)	(11.6)
Cash gross profit	15.3	14.5
Net Admin costs (excl. Dep)	(6.6)	(6.5)
New Ventures & Business Development	(1.7)	(2.4)
Other income*	0.1	3.5
Other expenses	(0.6)	(2.3)
EBITDAX (excl. impairments)	**6.5**	**6.8**
Impairment of development assets	(20.9)	-
EBITDAX (incl. impairments)	**(14.4)**	**6.8**
Exploration impairment/write down	(57.2)	(45.6)
EBITDA	**(71.6)**	**(38.8)**
Depreciation - cost of sales	(0.9)	(0.1)
Depreciation - admin	(0.1)	(0.1)
EBIT	**(72.6)**	**(39.0)**
Net interest	0.2	1.6
Finance costs	(2.2)	(1.0)
Net (loss) before tax	**(74.6)**	**(38.3)**
Tax	31.9	0.2
Net (loss) after tax	**(42.7)**	**(38.1)**

* Other Income includes foreign exchange gains of $0.1 million.

Tap Oil Limited
ABN 89 068 572 341

Appendix 4E
Preliminary Final Report
For the year ended 31 December 2014

This information should be read in conjunction with Tap Oil Limited's 2014 Financial Report which is attached.

Report for the year ended 31 December 2014
(comparative period is the year ended 31 December 2013)

Results for announcement to the market				US$ million
Revenue from continuing operations	Up	2%	to	26.6
Loss from continuing operations after tax	Up	12%	to	42.7
Loss from discontinued operations after tax	Up	100%	to	nil
Net loss for the period attributable to members	Up	23%	to	44.0

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.

NTA backing	31 December 2014	31 December 2013
Net tangible asset backing per ordinary security *(Net assets excluding deferred exploration expenditure per share)*	US$0.36	US$0.29

Refer to the attached Directors' report and financial report for the financial year ended 31 December 2014 for the Statement of profit or loss and other comprehensive income, Statement of financial position, Statement of cash flows, Statement of changes in equity, commentary on the results and all other significant information. The attached financial report is audited.

Tap Oil Limited

ABN 89 068 572 341

Financial Report for the financial year ended 31 December 2014

Financial Report
for the financial year ended
31 December 2014

	Page

Directors' Report

The Directors of Tap Oil Limited (Tap or the Consolidated Entity) submit herewith the annual financial report of the Company for the financial year ended 31 December 2014, in order to comply with the provisions of the Corporations Act 2001.

With the funding of Tap's main asset, the Manora oil field development, in USD and subsequent Manora pricing benchmarks and operating costs being denominated in USD, Tap Oil Limited has elected to change its presentation currency from Australian dollars to US dollars. The directors believe that changing the presentation currency to US dollars will provide greater transparency of the underlying performance of the Group and improve investors' ability to compare the Company's financial results with other publicly traded businesses in the international oil and gas industry.

1. Principal Activities

Tap's principal activities in the course of the financial year were oil and gas exploration, development and production and gas marketing. Tap re-commenced as an oil producer on 11 November 2014 when production commenced at the Manora Oil Development in Thailand.

2. Consolidated Results

Tap's revenue for 2014 was $26.8 million (2013: $28.9 million), of which $0.2 million (2013: $1.7 million) was interest revenue. Gross profit was $14.3 million (2013: $14.5 million). After impairment losses and write-downs of $78.1 million (2013: $47.1 million), the net loss from before tax was $74.6 million (2013: $38.3 million); and the net loss after tax was $42.7 million (2013: $38.1 million). Net cash flows from operations were $5.7 million inflow (2013: $0.6 million inflow).

3. Dividends

The Directors of the Company do not recommend the paying of a dividend for the financial year.

Since the end of the previous financial year, no dividend has been paid or declared.

4. Review of Operations

4.1 Strategic Overview

Tap is a diversified exploration and production company, with ongoing revenues and cash flow from the Manora Oil Development in the Gulf of Thailand, its third party gas business and a balanced exploration and appraisal portfolio. Tap's strategic intent is to create value for shareholders through discovering, developing, acquiring, producing and selling oil and gas.

The commencement of production at the Manora Oil Development on 11 November 2014 marked a significant milestone for Tap Oil's Board and Management and returned the Company to a mid-tier producer following a two year hiatus.

4.1.1 Production and Sales

	2014 '000 boe	2014 $'000	2013 '000 boe	2013 $'000
Production (net to Tap):				
Oil - Manora	148		-	
Total liquids	148		-	
Total production	148		-	
Sales (net to Tap):				
Liquids	31	1,833	-	-
Third Party Gas Sales – 3,483 TJ (2013: 3,770 TJ)	514	24,717	556	26,118
Total sales	545	26,550	556	26,118
Average realised oil price		$58.9/bbl		N/A

<u>Manora Oil Field – G1/48 Thailand</u>

The Manora oil field is located in the G1/48 concession. Mubadala Petroleum operates the concession and the field. Tap reached FID on the Manora Oil Development on 23 July 2012 and production commenced on 11 November 2014 with the first lifting on 25 December 2014.

The Manora oil development has three key components. The platform, the Floating Storage Offloading (FSO) Unit and the development wells. Manora is a single well head platform with a four-leg platform jacket substructure with the topsides containing the production process and well head equipment. A pipeline and risers connect the platform to a leased FSO Unit. The FSO is a site-specific crude oil FSO that is moored and linked to the platform and also serves as the accommodation hub.

Phase 1 of the offshore installation program was the loadout and subsequent installation of the Manora platform jacket, subsea lines and Pipeline End Manifold (PLEM), which was completed in the first quarter of 2014. Phase 2 of the offshore installation program, the loadout and installation of the topsides, was completed in July 2014.

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).). The last of the 11 wells to be drilled in this sequence (7 producers and 4 injectors) has commenced.

In early September 2014, the Atwood Orca jackup drilling unit spudded the first development well in the drilling programme and production commenced on 11 November 2014 with two wells, MNA-01 and MNA-02, initially flowing at a combined rate of 2,200 barrels per day (gross). 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. MNA-08 started production on 21 February 2015.Manora development drilling is ongoing and is expected to be completed by March 2015. 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.

Tap will review its booked reserves and contingent resources following the completion of development drilling and production performance.

The Operator (Mubadala Petroleum) has confirmed that peak production of 15,000 barrels per day (gross) has now been achieved. As at 14 February 2015, Manora had produced 1 million stock tank barrels (gross) (based on FSO official rate and corrected for shrinkage). Water injection to two wells started on 19 February 2015. The first cargo lifting was completed on 25 December 2014, and six further liftings have been completed to date.

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.

Third Party Gas

Tap has contracts with third parties where it buys gas from the John Brookes field and re-sells this gas to customers. Both the purchase and sale prices are CPI linked and fixed in AUD, thereby avoiding any exposure to changes in commodity prices. This gas is largely contracted and is expected to generate revenue of approximately A$30 million per annum through to at least the end of 2016.

Revenues from the gas contracts were lower in 2014 due to an increase in deferred delivery under take-or-pay arrangements (banking) resulting in a lower than expected revenue being recorded.

4.1.2 Exploration and Appraisal

As the focus was on the Manora development, 2014 was a relatively quiet year of exploration for Tap. Tap did not participate in any wells during the year.

Carnarvon Basin – Offshore Western Australia

WA-351-P

WA-351-P is an exploration permit in the offshore Carnarvon Basin, Western Australia. The permit contains the Tallaganda gas discovery drilled during the second quarter of 2012. The Tallaganda-1 well was a new field gas discovery in the Triassic Mungaroo Formation. The Tallaganda structure straddles both WA-351-P and WA-335-P to the south. The structure is well defined by modern 3D seismic data. Tap has booked 49 PJ as a 2C contingent resource (ASX release 29 January 2013).

The discovery of hydrocarbons at Tallaganda-1 is considered significant for the future exploration potential of the permit as it confirms an active petroleum system within the acreage and proves the Mungaroo play on block, for which a number of undrilled prospects are identified. Current efforts are directed at geological and geophysical studies aimed at high grading further Triassic Mungaroo prospects for further drilling. During the year approval was granted for variation of the Year 5 work program such that the Year 5 well has been replaced with 260 km^2 3D seismic reprocessing plus geological and geophysical studies. Year 5 of the first renewal of WA-351-P ends on 27 December 2015.

WA-290-P and WA-49-R

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

The Greater Zola Structure comprises several fault blocks along the Alpha Arch, south of the giant Gorgon gas field. A single fault block was tested by Zola-1 (the Zola fault block). Within the Greater Zola Structure, the Bianchi-1 discovery well was drilled in 2013 on an independent Triassic prospect some 6.4 kilometres north-northeast of the Zola-1 gas discovery and 20.8 kilometres south-southwest of the Gorgon-1 gas discovery.

Tap has booked a total of 64 PJ of net 2C contingent resource for the gas discoveries made in WA-49-R to date (includes the Zola, Bianchi and Antiope discoveries) (ASX release 26 February 2014).

WA-320-P and WA-155-P (Part II)

WA-320-P and WA-155-P (Part II) are exploration permits in the offshore Carnarvon Basin, Western Australia. The Palmerston prospect straddles both WA-320-P and WA-155-P (Part II).

In 2013, Tap farmed out a portion of its interest in both permits to JX Nippon Oil and Gas Exploration (Australia) Pty Ltd in exchange for a 5% carry on the Palmerston-1 well (up to a total well cost of $70 million). Post farmout, Tap retains a 9.778% equity in WA-320-P and 6.555% equity in WA-155-P (Part II).

Palmerston is a Triassic fault block with structural similarity to the Zola structure. The Palmerston-1 well will target sandstones in the proven Mungaroo Formation play.

In November 2014, approval was granted to suspend the Year 3 commitments (including the well) for a period of 24 months to 20 October 2016.

During the year, approximately 310 km^2 of multiclient 3D seismic data from the TGS "Huzzas MC3D seismic survey" was licensed by the WA-320-P Joint Venture. Processing of the seismic data set is in progress, with an expected completion date in the second quarter of 2015. The new seismic data will be used in planning for the Palmerston well.

TL/2 and TP/7

The TL/2 production licence and TP/7 exploration permit are located in shallow water in the offshore Carnarvon Basin approximately 40 kilometres north-northeast of Onslow, Western Australia.

The Taunton oil field was discovered in 1991 and straddles the TL/2 and TP/7 permit boundaries. It was subsequently appraised by three additional wells which encountered oil in the Birdrong Sandstone. Tap has previously recognised a net 2C Contingent Resource of 0.9 MMstb for the Taunton field which is primarily in the Birdrong Sandstone reservoir (2012 Tap Annual Report).

During the year approval was granted for the variation of the TP/7 Year 3-5 work program (July 2014 – July 2017) to substitute the 3D seismic acquisition and well commitment with geotechnical studies. Studies on the Taunton oil field are progressing ahead of assessment of development options for the field.

Offshore Thailand

In 2014, Tap held a 30% direct interest in both the G1/48 and G3/48 concessions in the northern Gulf of Thailand. These concessions are operated by Mubadala Petroleum. The Manora discovery in late 2009 opened up a new oil play in the northern Gulf of Thailand.

During the year, the Operator conducted an extensive review of the G1/48 permit area, specifically focused on delivering a balanced prospect portfolio for the Kra Basin, and integrating the results of the successful Malida-1 well and subsequent Malida sidetrack wells. Subject to further successful drilling to aggregate additional resource volumes, there may be potential to tie discoveries back to the Manora facility should sufficient volumes be proved.

The preferred prospect for drilling in G1/48 in 2015 has been selected from the updated prospect portfolio. Given the low oil price environment, the Company is in discussions with the Operator on the timing of this well, with its preference to delay the drilling of the well until a later date.

Tap has also decided not to pursue some of its less prospective exploration areas. 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 $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.

Other Exploration

Block M-07 Moattama Basin, Offshore Myanmar

The 13,000 km^2 block is located in the gas and condensate prone Moattama basin, offshore Myanmar. The Block is 160 kilometres east of the 6.5 Tcf Yadana gas field, and 110 kilometres northeast of the 1.5 Tcf Zawtika gas field. The Moattama basin is Myanmar's most prolific offshore hydrocarbon province, with existing production from two offshore fields and a third field close to production commencement. Production is typically from stacked Miocene clastic reservoirs.

In March 2014, Tap was advised by the Myanmar Ministry of Energy (MOE) of the successful award of a Production Sharing Contract (PSC) for shallow water Block M-7 in the Moattama basin, offshore Myanmar. The PSC award is subject to finalisation of terms with the MOE. On agreement on terms and PSC award, Tap will hold a 35.625% interest with Roc Oil operating the license on behalf of its joint venture participants. The block award includes provisions for the joint venture to undertake an 18 month Environmental Impact Assessment and Study Period, following which it has an option to proceed into a three year exploration work programme.

Accra Contract Area, Offshore Ghana

The Offshore Accra Contract Area covers an area of 2,000 km^2 and is located to the southeast of Accra, the capital of the Republic of Ghana, in water depths ranging from less than 50 metres to greater than 2,500 metres.

3D seismic data over the block was acquired in 2011 and interpretation of the data identified a number of significant leads and prospects, of which the Starfish prospect was selected and matured for drilling as the commitment well for the Initial Exploration Period. The Starfish-1 wildcat well was drilled in 2013.

Following an evaluation of the on-block data and remaining prospectivity, Tap decided to withdraw from the Offshore Accra Contract Area and not proceed to the First Extension Period. The assignment of Tap's interest to the continuing parties was approved by the Ghanaian government on 13 November 2014.

Vic/P67- Otway Basin, Offshore Victoria

On 18 September 2013, Tap executed an agreement with WHL Energy for an option to acquire an initial 10% interest in exploration permit Vic/P67 in the offshore Otway Basin. The consideration payable for this option is up to a maximum of $2.95 million of the Year Two commitment seismic costs in the permit. The payment was deferred until 31 March 2015.

On 11 February 2015, Tap advised WHL that it had elected not to exercise its option to acquire 10% of the Vic/P67 permit. The final seismic cost amounts to $2,778,887 and remains payable on 31 March 2015. Upon payment, Tap will have no further obligation or liability in respect of exploration permit Vic/P67.

SPA 5 AO and SPA 6 AO – Carnarvon Basin, Onshore Western Australia

On 24 April 2012, Tap entered into an agreement with Rusa Resources Pty Ltd (Rusa) to participate in the initial exploration of a large acreage position in the onshore Carnarvon Basin, Western Australia via a negotiated acreage option. The exploration focus is primarily on unconventional plays, with the main targets being Permian shale gas and Devonian shale oil. There is also conventional oil and gas potential.

Tap's exposure was limited to assisting Rusa financially to secure two special prospecting authorities (SPAs) and on award to fund a reconnaissance surface geochemical survey. Each SPA carried an option to convert a percentage of the SPA area into exploration permits. Tap has earned the right to take a 20% interest in the resulting exploration permits on election, with an option to earn an additional 15% in each permit once granted. On 23 February 2015, Tap advised Rusa of its withdrawal from the project. Tap will have no further obligation or liability under the agreement or in respect of the project, and Tap has forfeited any right to earn any working interest in SPA 5 AO and SPA 6 AO (or any resultant exploration permit).

4.2 Financial Summary

Tap's revenue for 2014 was $26.8 million (2013: $28.9 million), of which $0.2 million (2013: $1.7 million) was interest revenue. Gross profit was $14.3 million (2013: $14.5 million). After impairment losses and write-downs of $78.1 million (2013: $47.1 million), the net loss from before tax was $74.6 million (2013: $38.3 million); and the net loss after tax was $42.7 million (2013: $38.1 million). Net cash flows from operations were $5.7 million inflow (2013: $0.6 million inflow).

Revenues from the gas contracts were lower in 2014 due to an increase in deferred delivery under take-or-pay arrangements (banking) resulting in a lower than expected revenue being recorded.

Manora revenues consisted of just the one lifting on 25 December 2014 following commencement of production on 11 November 2014. The selling price was $58.9/bbl. There were significant oil inventories at 31 December 2014.

Forming part of the cost of sales is the depreciation charged on a unit of production basis. The depreciation of $0.938m (2013: nil) charged for the year ended 31 December 2014 relates to the Manora to the oil & gas asset which commenced production on 11 November 2014.

The exploration activities in 2014 are set out in the Strategic Overview in item 4.1 above. Following an evaluation at the end of 2014 the exploration impairment losses and write-downs recorded as at 31 December 2014 were $57.2 million (2013: $45.6million). The property, plant and equipment impairment loss of $20.9 million recognised in 2014 (2013: nil) relates to the Manora development asset ($15.1 million) and the Airlie development asset ($5.8 million).

Administration costs were steady for the year at $6.731 million (2013: 6.566 million). There were further staff reductions in 2015 and although employee costs were lower than 2013, the full benefit of staff reductions and other cost cutting initiatives will be seen in 2015.

5. Directors

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Name	Committee Memberships	Experience
D W Bailey *B.Bus (Acc), CPA, ACIS* Non-executive Director and Chairman Appointed 11 November 2009	Nominations Committee (Chair) Audit Committee Remuneration Committee Reserves Committee	Douglas Bailey is an accountant with over 30 years experience in the resources industry. He is a former CEO and Managing Director of Ashton Mining Limited and a former CFO of Woodside Petroleum Limited. Douglas is experienced in all commercial aspects of resource company financing, project development, acquisitions and administration. Douglas is presently also a Non-Executive Director of St Barbara Limited.
T J Hayden *B.Econ, M.Fin* Managing Director/CEO Appointed 1 December 2010	Nominations Committee	Troy Hayden joined Tap in December 2010 after a 12 year career at Woodside Petroleum, where he held a number of key positions, including Acting CFO, Vice President of the USA Business Unit and Vice President of the Pluto Business Unit. Since leaving Woodside in 2008, Troy has undertaken a number of financial and commercial consulting projects working with First Quantum Minerals and QR National.
M J Sandy *B.Sc Hons (Geology)* Non-executive Director Appointed 22 June 2006	Audit Committee (Chair) Reserves Committee (Chair) Nominations Committee Remuneration Committee	Michael Sandy is a geologist with over 35 years experience in the resources industry with the past 30 years focused on oil and gas. Michael has worked for various oil and gas companies, including Oil Search and Novus Petroleum, during the last 25 years. Michael brings a wide mix of commercial and technical skills and experience which complement the skills of the other Board members of Tap.
D A Schwebel *PhD B.Sc (Hons) Geology* Non-executive Director Appointed 16 February 2012	Remuneration Committee (Chair) Audit Committee Nominations Committee Reserves Committee	Douglas Schwebel has over 30 years experience in the resources sector, having held various senior executive positions with ExxonMobil, including Exploration Director for its Australian upstream subsidiaries. His 26-year career with Exxon Mobil included exploration and resource commercialisation and strategy roles in Australia, the USA and Asia. Between 2008 and 2011, he was Chief Executive Officer of the privately owned Pexco NV and its Australian subsidiary Benaris International Pty Ltd. Dr Schwebel has also served as a Non-Executive Director on the Boards of Roc Oil Limited and Great Artesian Oil & Gas Limited, and is currently a Non-Executive Director of Beach Energy Limited.

Directorships of other Listed Companies

Directorships of other listed companies held by Directors of the Company in the three years immediately before the end of the financial year are as follows:

Name	Company	Position	Commenced	Ceased
D W Bailey	St Barbara Limited	Director	January 2006	-
M J Sandy	Equus Mining Limited (*formerly Caspian Oil and Gas Limited*)	Director	September 2005	February 2013
	Burleson Energy Limited	Chairman/ Director	May 2006	-
	Hot Rock Limited	Director	June 2007	September 2014
D A Schwebel	Beach Energy Limited	Director	November 2012	

T J Hayden has not held any other listed company directorships in the last three years.

Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of committees of the Board of Directors of Tap Oil Limited) held during the financial year and which each Director of the Company was eligible to attend and the number of meetings attended by each Director of the Company.

	Board of Directors		Audit and Risk Committee		Remuneration Committee		Reserves Committee		Nominations Committee	
Directors	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
D W Bailey	12	12	4	4	2	2	3	3	1	1
T J Hayden	12	12	-	4(i)	-	2(i)	-	3(i)	1	1
M J Sandy	12	12	4	4	2	2	3	3	1	1
D A Schwebel	12	12	4	4	2	2	3	3	1	1

(i) Not a member of the committee but attended via invitation to all or part of meeting.

There were no changes made to the composition of the Board and the various Board committees during the year.

Directors' Shareholdings

The following table sets out each Director's relevant interest in shares and rights of the Company or a related body corporate as at the date of this report:

Directors	Fully paid ordinary shares	Rights
D W Bailey	377,934	-
T J Hayden	2,186,970	5,875,992*
M J Sandy	169,000	-
D A Schwebel	150,000	-

* The vesting conditions have been satisfied in respect of 61,454 of the rights held by T J Hayden. 61,454 shares will be issued to T J Hayden in due course following the release of Tap's 2014 Financial Statements, in accordance with the Tap Oil Limited Share Rights Plan.

No Non-executive Directors of the Company have share rights.

Company Secretary

Melanie Williams LLB, Grad Cert Corp Mgt – appointed 10 February 2011. Ms Williams also acts as the Company's General Counsel. She is admitted to practice as a barrister and solicitor in the Supreme Court of Western Australia. Prior to joining Tap, she was counsel with an international law firm, based in Singapore, specialising in oil and gas transactions, particularly in the Asian region.

6. Changes in State of Affairs

During the financial year, there was no significant change in the state of affairs of the Consolidated Entity other than as referred to in the financial statements or notes thereto.

7. Subsequent Events

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 the following:

Manora

a) Manora is now producing from six wells: MNA-01, MNA-02, MNA-03, MNA-05, MNA-07 and MNA-08.

   Following the end of the year, 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. MNA-08 started production on 21 February 2015.

b) The Operator (Mubadala Petroleum) has confirmed that peak production of 15,000 barrels per day (gross) has now been achieved. As at 14 February 2015, Manora had produced 1 million stock tank barrels (gross) (based on FSO official rate and corrected for shrinkage). Water injection to two wells started on 19 February 2015.

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

d) Tap has a received a proposal from the Operator to approve a capital expenditure increase for the facilities on the Manora Oil Development by effectively $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 $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 $105 million (after repayment of the carry of Northern Gulf Petroleum Pte. Ltd). These costs have not yet been approved and are not considered commitments. Tap has reserved its position on Manora cost overruns until further clarity is provided by the Operator.

Vic/P67

On 11 February 2015, Tap advised WHL that it had elected not to exercise its option to acquire 10% of the Vic/P67 permit. The final seismic cost amounts to $2,778,887 and remains payable on 31 March 2015. Upon payment, Tap will have no further obligation or liability in respect of exploration permit Vic/P67;

G3/48

Tap has withdrawn from its 30% participating interest in G3/48,Thailand. The joint venture has agreed that Tap will have no further exploration drilling obligations (including drilling) with respect to G3/48. This will result in a cost saving of $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.

Financing

On 31 January 2015, Tap announced that it had fully drawn $68.5 million of its Borrowing Base Debt Facility of up to $90 million with BNP Paribas and Siam Commercial Bank. At that time the facility size had reduced to $68.5 million due to the fall in oil price and consequent decreases in forecast net cash flows from Manora. 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:

- Tap has the ability to draw down $78.9 million (previously $68.5m) under the borrowing base;
- 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

- the 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.

The current debt repayment schedule remains 3 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 $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.

Assuming the facility is fully drawn as above, Tap's liability for repayments in 2015 will total $27 million. All these repayments are scheduled for on or after 31 July 2015.

Hedging

Tap has hedged 40% of forecast 1P Manora production over April to December 2015 at an average swap price of $62.75/bbl, (representing 495,000 barrels) to enhance the borrowing base and support Tap's cashflows.

Section 203D Notice

On 27 February 2015 the Directors of Tap Oil Limited received a notice from Mr Chatchai Yenbamroong under section 203D of the Corporations Act 2001 (Cth) of his intention to move resolutions at a meeting of Tap shareholders convened under section 249F of the Corporations Act to:

(a) remove as directors of Tap each of Messrs Douglas Bailey, Troy Hayden, Michael Sandy and any other director of Tap appointed on and from the date of receipt of the section 203D notice until the end of the general meeting of Tap shareholders at which these resolutions are considered (other than Messrs David Whitby, Alan Stein, David Johnson, James Menzies and any other person that may be nominated by Mr Yenbamroong as a director of Tap at that general meeting of Tap); and

(b) appoint each of Messrs David Whitby, Alan Stein, David Johnson and James Menzies as directors of Tap.

Mr Yenbamroong, who is the executive director and controller of Northern Gulf Petroleum Holdings Ltd (NGPH), currently has voting power to approximately 19.98% of Tap, having recently increased its shareholding in Tap from approximately 6% to 19.98% of Tap's total issued capital through various on-market trades. Please refer to the ASX announcement dated 27 February 2015 for further information.

8. Future Developments

The Consolidated Entity will continue to operate as an upstream oil and gas company involved in a number of projects ranging from exploration and appraisal through to development and production as well as gas marketing. The key focus as at the date of this report is the successful completion of the development drilling programme.

In accordance with its objectives, the Consolidated Entity will consider growing its exploration effort and production base by farm-in, permit application and/or acquisition within its existing operational focus areas and in other suitable countries or regions.

Disclosure of specific information regarding likely developments in the operations of the Consolidated Entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Consolidated Entity. Accordingly, such information has not been disclosed in this report.

9. Environmental Regulations

The Consolidated Entity's policy is to comply with, or exceed, its environmental obligations in each jurisdiction in which it operates. In Australia, the environmental obligations are regulated under both State and Federal law. No known environmental breaches have occurred in relation to the Consolidated Entity's operations.

The National Greenhouse and Energy Reporting Act 2007 requires certain companies to report their annual greenhouse gas emissions and energy use. As at the date of this report, the Company is not required to submit a report in relation to this matter.

10. Share Options and Rights

10.1 Share Rights

Details of issued share rights as at the date of this report are as follows.

All rights noted below vest after three years and expire after seven years, except:

- 288,197 performance rights were issued to the Managing Director as a special award on 16 January 2013 (expiring on 1 January 2020). These rights had a two year performance period with average annual performance targets as per the current performance rights benchmarks over a two year period (50% against Absolute Total Shareholder Return and 50% against Relative Total Shareholder Return). The vesting conditions have been satisfied in respect of 61,454 performance rights and 61,454 shares will be issued to the Managing Director in due course following the release of the Company's 2014 Financial Statements, in accordance with the Tap Oil Limited Share Rights Plan. Further reference can be made to section 12.7 of this report.
- a total of 850,362 retention rights were issued as a special award to certain key employees on 5 February 2015 (expiring 1 January 2022) for their performance in 2014 and for retention purposes. These rights vest on 1 July 2016 provided the person remains employed with the Company.
- a total of 958,298 retention rights were issued to employees in lieu of a cash payment for the 2014 STI award on 5 February 2015 (expiring 1 January 2022). These rights vest on 1 January 2016 (unless the employee is made redundant, in which case the rights will vest on the date the employee is made redundant). For more details, please refer to section 12.5 of this report.
- 40,241 retention rights were issued to a contractor as part of the remuneration package for services rendered to Tap. The vesting conditions have been satisfied in respect of all of these rights and 40,241 shares will be issued to the contractor in due course following the release of the Company's 2014 Financial Statements, in accordance with the Tap Oil Limited Share Rights Plan.

Number	Expiry date of rights
Performance Rights	
61,454*	01-Jan-20
2,107,204	01-Jan-20
5,000,000	24-May-20
2,426,827	01-Jan-21
3,383,211	01-Jan-22
Retention Rights	
25,353	17-Sep-19
31,289	04-Feb-20
36,564	15-Jul-20
30,840	29-Jul-20
19,877	19-Aug-20
22,830	01-Sep-20
14,715	02-Sep-20
50,000	14-Oct-20
40,241*	12-Feb-21
1,808,660	01-Jan-22
61,287	12-Jan-22

*Vesting conditions satisfied but shares not yet issued. Refer above for further detail.

11. Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a policy insuring the Directors of the Company (as named above), the Company's secretaries and all executive officers of the Company and any related body corporate against a liability incurred as such a Director, secretary or officer to the extent permitted by the Corporations Act 2001. The policy of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

During the financial year, the Company entered into a deed of indemnity, insurance and access with Ms Anna Sudlow. All other directors and current executives as listed below have previously entered onto a deed of indemnity, insurance and access with the Company. The Company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

12. Remuneration Report – Audited

This report is presented in the following sections:

12.1 Introduction

12.2 Key terms

12.3 Governance

12.4 Existing Remuneration Arrangements for Directors and Executives

12.5 Elements of Remuneration related to Performance

12.6 KMP Remuneration related to Performance

12.7 Other Elements of Director and Executive Remuneration

12.1 Introduction

The Directors of the Company have prepared this remuneration report to outline the overall remuneration strategy, policies and practices, which were adopted by the Company in 2014. An integral part of the company's remuneration strategy involves the Share Rights Plan initially approved by shareholders in 2010 and approved again in May 2013. The report has been prepared in accordance with Section 300A of the Corporations Act 2001 and its regulations.

Tap's Remuneration Policy is designed to ensure that the level and form of compensation achieves certain objectives, including:

(a) attraction and retention of employees and management to pursue the Company's strategy and goals;

(b) delivery of value-adding outcomes for the Company;

(c) fair and reasonable reward for past individual and Company performance; and

(d) incentive to deliver future individual and Company performance.

Remuneration consists of base salary, superannuation, short term incentives and long term incentives. Remuneration is determined by reference to market conditions and performance. Performance is evaluated at an individual level as well as the performance of the Company as a whole.

The remuneration policies and structure in 2014 were generally the same as for 2013.

12.2 Key Terms

Throughout this remuneration report, the following terms have the meaning indicated below:

Directors means the Managing Director/CEO and the Non-executive Directors.

Executives means the Managing Director/CEO and managers (including the Company Secretary) who report to the Managing Director/CEO.

Executive Directors means any Directors who are also executives. For this report, the only Executive Director was the Managing Director/CEO.

FAR means fixed annual remuneration or base salary (including superannuation).

Key Management Personnel or **KMP** is defined by AASB 124 Related Party Disclosures as all directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company and the Consolidated Entity.

KPI means key performance indicators determined by the Board.

LTI means long term incentive award which provides an incentive to deliver future Company performance.

STI means short term incentive award which provides a reward for performance in the past year.

12.3 Governance

12.3.1 The Remuneration Committee

The Remuneration Committee's role is to review and recommend remuneration for KMP, review remuneration policies and practices, Company incentive schemes and superannuation arrangements in accordance with the Remuneration Committee Charter.

The Committee considers independent advice, where circumstances require, on the appropriateness of remuneration to ensure the Company attracts, motivates and retains high quality people.

The ASX Listing Rules and the Constitution require that the maximum aggregate amount of remuneration to be allocated among the Non-executive Directors be approved by shareholders in general meeting. In proposing the maximum amount for consideration by shareholders, and in determining the allocation, the Remuneration Committee takes account of the time demands made on Directors and such factors as fees paid to Non-executive Directors in comparable Australian companies.

The Remuneration Committee comprises a Non-executive Chairman and two Non-executive Directors. The Committee meets formally at least twice a year and also has numerous workshop sessions during the year. Executive Directors attend meetings as appropriate.

Remuneration arrangements for Directors and Executives are reviewed by the Remuneration Committee and recommended to the Board for approval. The Remuneration Committee considers external data and information and may engage independent advisers where appropriate to establish market benchmarks.

Remuneration arrangements are determined in conjunction with the annual review of the performance of Directors, Executives and employees of the Company. Performance of the Directors of the Company including the Managing Director/CEO, are evaluated by the Board assisted by the Remuneration Committee. The Managing Director/CEO reviews the performance of Executives with the Remuneration Committee. These evaluations take into account criteria such as the achievement toward the Company's performance benchmarks and the achievement of individual performance objectives.

12.3.2 Individuals covered by the Remuneration Report

The detailed disclosures of the remuneration report relate to the KMP of the Company as defined in section 12.2 and listed below:

Non-executive Directors

- D W Bailey (Chairman)
- M J Sandy
- D A Schwebel

Executives - current

- T J Hayden (Managing Director/CEO)
- D J Rich (Chief Financial Officer)
- M J Williams (General Counsel/Company Secretary)
- A C Sudlow (Investor Relations and Commercial Manager)

Executives - former

- B M Ulmer (Engineering and Development Manager) – resigned 18 June 2014
- T M Schmedje (Exploration/New Ventures Manager) – resigned 4 July 2014

12.4 Existing Remuneration Arrangements for Directors and Executives

12.4.1 Overview of Executive Remuneration Structure

The remuneration arrangements for Directors and Executives of the Company for the year ended 31 December 2014 are summarised below.

The remuneration structure in place for 2014 applies to all employees including the Executive Director and Executives of the Company. The Company's remuneration structure has five elements:

(a) FAR;

(b) STI;

(c) LTI;

(d) retention incentives which encourage new employees to remain in employment for at least three years; and

(e) special awards which reward individuals for meritorious achievements or retain individuals who are involved in a critical task that will extend more than one year.

Each of the STI, LTI, retention incentives and special awards are at risk. The elements are described below.

(a) Base Salary or Fixed Annual Remuneration (FAR)

The first step to attracting and retaining talented, qualified and effective employees is paying base salaries which are competitive in the markets in which the Company operates. The Company compiles competitive salary information on companies of comparable size in the oil and gas industry from various sources. Information is obtained from surveys conducted by independent consultants and national and international publications. In the past the Board has engaged independent advisors to review the remuneration levels paid to the Company's KMP. An advisor was not retained for the 2014 review.

FAR will be paid in cash and is not at risk other than by termination. Individual FAR is set each year based on job description, competitive salary information sourced by the Company and overall competence in fulfilling the requirements of the particular role.

(b) Short Term Incentive Awards (STI)

An STI award is assessed by a performance-based factor multiplied by a benchmark award for the individual's level in the Company multiplied by the individual's FAR. The STI award is usually made in cash and the amount of the payment is calculated by the following formula:

Performance Factor x **STI Organisational Level Benchmark** x **Individual's FAR**

An individual employee's performance factor is assessed against both the individual's performance and the Company's performance over the preceding year. A rating for individual performance is determined on a scale of 1 to 5 based on how well the individual performs against the individual's annual goals. The Company's performance is assessed against a set of corporate goals, which are in the form of KPIs, which are set by the Board for a given year. In 2014, the KPIs included the achievement of key strategic objectives set for the year, performance against budgeted earnings before interest, tax, depreciation, amortisation and exploration expenses (EBITDAX), asset management and 12 month relative total shareholder return against a peer group of companies. Each KPI is given a relative weighting and is assessed against threshold, good (target) and excellent benchmarks. The Board will vary KPIs each year to suit prevailing circumstances.

An individual's combined performance factor is determined from the assessment table below:

Performance Factors (%)

Annual Corporate KPI Performance	***Individual Performance Ranking***				
	5	4	3	2	1
< Threshold	0%	0%	0%	0%	0%
Threshold	0%	20%	50%	63%	75%
Good	0%	40%	100%	125%	150%
≥ Excellent	0%	60%	150%	188%	225%

Three STI organisational level benchmarks have been established as percentages of individual FARs. These three levels reflect the increased involvement at each level in the organisation's pursuit and achievement of the Company's goals. These benchmarks are set out below.

Organisational Level	Managing Director/CEO*	Management	Professional, Technical & Support
STI Organisational Benchmarks	20%	15%	12.5%

* Note that the Managing Director/CEO agreed to a variation of his employment contract where he is not entitled to STI awards until after 1 July 2016. Refer to paragraph 12.4.1(g) for more information.

Any award will be subject to the Company exceeding one or more fundamental performance hurdles determined by the Board on an annual basis. While a positive STI award might be assessed under a previously prescribed set of KPIs, circumstances within the year might see a reduction in the Company's ability or desire to pay such an award (for example due to an unexpected material reduction in the Company's cash flow or significantly poor share price performance). The Board, at its absolute discretion, reserves the right to withhold the making of any STI awards if it finds itself in such a position.

In light of the Company's cash flow position, the Board exercised its discretion and determined that the STI awards for 2014 would be paid in the form of retention rights rather than in cash. The retention rights issued in lieu of cash will vest on 1 January 2016 (unless the employee is made redundant, in which case the rights will vest on the date the employee is made redundant).

(c) Long Term Incentive Awards (LTI)

The Company believes that encouraging its employees to become shareholders is the best way of aligning their interests with those of its shareholders.

LTI awards are made in the form of rights to shares which will have a vesting timeframe of three years. The number of rights that vest will be based on the Company's performance over the same three years.

An LTI award will be made by way of the grant of performance rights as soon as practicable after each year-end. Grants of performance rights will be made each year with effect from 1 January.

The number of performance rights to be granted annually to each employee is calculated by the following formula:

LTI Organisational Level Benchmark x **Individual's FAR ÷ Share Price**

Three maximum LTI organisational benchmarks have been established as percentages of individual FARs. These three levels reflect the increased involvement of each level in pursuing and achieving the Company's goals. These benchmarks are set out in the following table.

Organisational Level	Managing Director/CEO*	Management	Professional, Technical & Support
LTI Organisational Level Benchmarks	120%	70%	30%

* Note that the Managing Director/CEO agreed to a variation of his employment contract where he is not entitled to LTI awards until after 22 May 2016. Refer to paragraph 12.4.1(g) for more information.

The total number of performance rights granted is subject to being reduced proportionately so that the total number of performance rights is within:

(a) the Board's determined cap on the total number of performance rights which are issued as LTI awards in a given year; and

(b) any discretionary cap on the total number of rights on issue at any given time.

The calculation will use the 30-day volume-weighted average share price (VWAP) of the Company's shares preceding the first day of each measurement period.

The Board has established an initial guideline that the total number of performance rights to be issued in a single year will be capped at 1.5% of the fully paid issued capital of the Company as at the end of the prior year. In the event that the potential total number of performance rights exceeds the cap then all awardees receive a pro-rata reduced number of performance rights. This cap is at the discretion of the Board and may be altered depending on the prevailing context.

The Board has also set a discretionary cap on the total number of rights on issue at any given time. This cap is currently set at 6% of the number of issued fully paid shares in the Company.

Vesting of up to 50% of the performance rights depends upon the Company's absolute total shareholder return (ATSR) over three years and up to 50% depends upon relative total shareholder return (RTSR). The ATSR and RTSR performance hurdles required to achieve increasing levels of vesting are set by the Board to apply from 1 January of the relevant year. For the 2014 grant of performance rights, the Board set the following ATSR and RTSR performance hurdles:

Assess 50% of Rights Against ATSR		Assess 50% of Rights Against RTSR	
Average Annual ATSR over 3 years	**% of Rights which will vest after 3 years**	**Relative TSR (Relative Percentile Ranking of TSR against peers over 3 years)**	**% of Rights which will vest after 3 years**
<5%	0%	<P50%	0%
=5%	12.5%	=P50%	12.5%
=15%	25%	=P62.5%	25%
≥25%	50%	≥P75%	50%

Note: For actual results between above benchmarks, the vesting of performance rights will be on a pro-rata basis.

The combination of ATSR and RSTR measures have been chosen to cover a range of outcomes which can deserve reward but may show up better under one measure but not under the other. The reward for strong absolute return is moderated in the event that there is a poorer relative return and the award for strong relative return is moderated in the event the absolute return is poorer. ATSR is used rather than earnings per share (EPS), as in the Board's view, EPS would shift the key focus away from the Company's long-term business which includes exploration. However, the Company has and does use an earnings measure as one of its short-term KPIs to ensure attention is paid to meeting forecast annual production and cost management targets.

Vesting characteristics of the performance rights are as follows:

(i) performance measurement period is three years, which is consistent with the typical time cycle for an exploration program and the Company's strategic emphasis on exploration;

(ii) performance is based on differences in ATSR and RTSR as measured from the end of one preceding period to the end of the current (three years) assessment period. The ATSR and RTSR use the 30-day VWAP of the Company's shares up to and including the last day of each measurement period; and

(iii) RTSR will be assessed against a peer group of like companies determined by the Board before the start of each assessment period or as soon as practical thereafter. In 2014, the Company used a group of approximately 30 petroleum industry companies which are listed on the ASX and whose market capitalisation ranged from approximately $12 million to $850 million (at 31 December 2013).

(d) Retention Incentives

Retention rights are issued to employees pursuant to the terms of the share rights plan upon or as soon as practicable after commencement of employment. Such rights vest if the employee remains employed by the Company for three years. The number of retention rights to be issued to a new employee is set at one of three levels reflecting the organisational level appropriate for the employee's initial job grade. These levels are outlined in the following table.

Organisational Level	Managing Director/CEO	Management	Professional, Technical & Support
Organisational Level Benchmarks (Retention)	Subject to employment contract negotiations	35%	15%

(e) Special Awards

The Board has the discretion to make special awards each year. Special awards can be in the form of cash, and/or performance rights and/or retention rights. Special awards are granted to individual employees or Executives who are judged by the Board to have made an extraordinary contribution to the current or future performance of the Company or who are expected to play a critical role in one of the Company's activities that could take two to three years to complete, and where retention of the individual's services is seen as an important determinant of the success to that activity.

No special awards were made to any KMP in 2014. Following the Board's review of the 2014 year, the Company issued 850,363 retention rights in 2015 as a special award to certain key employees for their performance in 2014 and for retention purposes. The retention rights have an 18 month vesting period.

(f) Accounting for Options and Rights Granted to Employees

The values of the rights and options are expensed in the profit and loss account over the vesting period. No options were granted in 2014 and there are none on issue.

Performance rights granted in 2014 are valued at the date of grant using a Monte Carlo Simulation model to determine the probability of the absolute return performance hurdles and the relative return performance hurdles being achieved. Retention rights granted in 2014 are valued using the Black Scholes model at the date of grant. No cash benefit is received by KMP of the Company until the sale of the resultant shares, which cannot be done unless and until the rights or options have vested and the shares issued.

(g) Executive Director's Remuneration

As at 31 December 2014, T J Hayden was the only Executive Director on the Board. Mr Hayden commenced as Managing Director/CEO on 1 December 2010 under an executive employment agreement. On 18 April 2013, Tap announced that it had agreed to a variation of Mr Hayden's employment agreement, including the renewal of his contract beyond December 2013 and a revised remuneration package.

As part of the revision Mr Hayden agreed to a reduction in the cash component of his remuneration to take a greater exposure to the Tap share price to July 2016 via performance rights. The key terms of Mr Hayden's employment agreement are as follows:

(i) There is no fixed term.

(ii) Mr Hayden's FAR decreased by 23% from $650,000 to $500,000 per annum, inclusive of superannuation contributions from 22 May 2013. This amount is reviewable annually. There was no increase in FAR following the review at 31 December 2013 or 2014 (effective 1 January 2015).

(iii) Mr Hayden has waived his entitlement to receive payments under the Company's STI plan until 1 July 2016.

(iv) Mr Hayden has waived his entitlement to participate in any future LTI plans until 22 May 2016.

(v) On 24 May 2013 following receipt of shareholder approval at the 2013 annual general meeting, Mr Hayden was granted a special award of 5 million performance rights, which are 100% "at risk". Each performance right that vests entitles Mr Hayden to receive one fully paid ordinary share in Tap for nil consideration. The performance rights issued to Mr Hayden have a vesting date of 1 July 2016. The number of rights that will vest is dependent on the 30 day volume weighted average price (**VWAP**) of Tap's shares preceding 1 July 2016 as set out in the table below:

Target share price (30 day VWAP preceding 1 July 2016)	% of rights that vest	Number of rights that vest
< $1.00	0%	0
$1.00	25%	1.25 million
$1.33	50%	2.5 million
$1.67	100%	5 million

If the 30 day VWAP of the Company's shares preceding 1 July 2016 falls between any of the above target share prices, the percentage of rights that will vest will be determined on a pro-rata basis. The maximum number of rights that can vest is 5 million.

(vi) Mr Hayden may terminate his executive employment agreement by giving six months' written notice. Except for the Company's right to terminate without notice in prescribed circumstances, the Company may terminate Mr Hayden's employment as follows:

- by giving Mr Hayden 6 months' written notice; or
- by providing either 1 month's written notice, if by reason of any illness, injury or incapacity, Mr Hayden is unable to perform his duties for a total of 3 months in any period of 12 months.

A range of other terms and conditions apply to both Mr Hayden and the Company.

The Company has entered into a deed of indemnity, insurance and access with Mr Hayden whereby the Company will maintain an appropriate level of directors' and officers' indemnity insurance and provide access to Company records.

(h) Executives

A summary of the key terms and conditions of the service agreements with Executives (other than the CEO) are as follows:

Remuneration

All service agreements now standardise the Executive's entitlement to:

(i) FAR (refer section 12.4.1(a) of this report);

(ii) STI (refer to section 12.4.1(b) of this report);

(iii) LTI (refer to section 12.4.1(c) of this report); and

(iv) any other benefits that may be provided by the Company including special awards (refer section 12.4.1(e) of this report).

Termination

All service agreements may be terminated under the following circumstances:

(i) resignation on three months' notice by the Executive;

(ii) termination on three months' notice by the Company;

(iii) termination without notice by the Company for cause;

(iv) termination by the Company because the Executive's position is redundant; or

(v) termination on three months' notice by the Executive at any time within 12 months of a material diminution in his or her position, remuneration package, responsibilities, reporting lines and/or primary place of work.

In circumstances where the Executive's employment is terminated under (iv) or (v), the Executive is entitled (to the extent permitted by the Corporations Act and the ASX Listing Rules and without obliging the Company to seek shareholder approval) to a severance payment equal to 12 months base salary plus superannuation.

The Company has entered into deeds of indemnity, insurance and access with D Rich, M Williams and A Sudlow whereby the Company will maintain an appropriate level of directors' and officers' indemnity insurance and provide access to Company records.

(i) Non-executive Directors' Remuneration

In line with Corporate Governance principles, Non-executive Directors of the Company are remunerated solely by way of fees and statutory superannuation. The annual fee is set to reflect current market levels based on the time, responsibilities and commitments associated with the proper discharge of their duties as members of the Board. All Directors of the Company are encouraged to apply a proportion of their fees to purchase shares in the Company. The maximum total pool of available fees is set by shareholders in general meeting and is currently $500,000.

The fees paid to individual Non-executive Directors have not increased since 2008 and in that time the number of Non-executive Directors has reduced from four to three. The maximum total pool of available fees has not increased since 2010.

Other than statutory superannuation, Non-executive Directors of the Company are not entitled to any retirement benefits upon retirement from office.

The Company has entered into terms of engagement with each of D W Bailey, M J Sandy and D A Schwebel whereby those persons are appointed as Non-executive Directors of the Company. The term of the appointment is determined in accordance with the Company's Constitution and is subject to the provisions of the Constitution dealing with retirement, re-election and removal of Directors of the Company (in this regard, the Constitution provides that all Directors of the Company, other than the Managing Director/CEO, are subject to re-election by shareholders by rotation every three years during the term of their appointment).

The terms of engagement provide that the Company will maintain an appropriate level of directors' and officers' insurance and provide access to Company records in accordance with the terms of deeds of indemnity, insurance and access entered into between the Company and each of the Non-executive Directors.

The remuneration payable by the Company to Non-executive Directors is shown in the relevant tables.

12.5 Elements of Remuneration related to Performance

The Corporations Act requires disclosure of the Company's remuneration policy to contain a discussion of the Company's earnings and performance and the effect of the Company's performance on shareholder wealth in the reporting period and the four previous financial years. The table below provides a five year financial summary to 31 December 2014. Note all monetary figures are USD.

12 months ended	Dec 14	Dec 13	Dec 12	Dec 11	Dec 10	Notes
NPAT ($million)	(36.6)	(38.1)	(3.7)	(29.8)	(56.5)	2
EPS (cents) *Basic*	(15.1)	(15.8)	(1.5)	(12.3)	(33.0)	1, 2
EPS (cents) *Diluted*	(15.1)	(15.8)	(1.5)	(12.3)	(33.0)	1, 2
Year end share price ($)	0.34	0.45	0.64	0.61	0.84	3, 4
Shares on Issue (million)	243.2	242.1	241.3	241.0	241.0	
Market Capitalisation ($million)	83.78	108.32	155.35	146.86	203.29	3

1. *No dividends were paid during any of the financial years.*
2. *2010 to 2013 inclusive were previously stated in AUD and have been translated here to USD at the average rate for the year.*
3. *2010 to 2013 inclusive were previously stated in AUD and have been translated here to USD at the year end rate.*
4. *The opening share price for 2010 was $1.05 (as at 31 December 2009).*

Key Performance Indicators (KPI) Assessment for 2014

For the 2014 year, the Board determined a set of Company KPIs, reflecting the Company's strategies, business plan and budget. The 2014 KPIs and the performance set against them are set out below.

1. **Performance against key strategic objectives set for the year**

   This measure is concerned with the Company's strategic and qualitative objectives, which are subjective to measure. The emphasis here is on the effectiveness of the process rather than outcomes. Some key objectives include improved effectiveness in identifying exploration opportunities, developing strategies for core assets and effective joint venture and other key relationships.

2. **Performance against budgeted earnings before interest, tax, depreciation or exploration (EBITDAX)**

   The Company failed to meet its budget EBITDAX target. This outcome was largely a result of the delay in production at the Manora Oil Development until 11 November 2014.

3. **Performance against asset management goals**

   Under this measure, the Board considers improvements in the management of Tap's portfolio of assets. The assessment of performance against this KPI was focused on achievement of first production at the Manora Oil Development, management of the Company's liquidity, award of Myanmar PSC and the successful management of the FVSN contractor disputes.

4. **Performance against 12 month relative total shareholder return (RTSR) against a peer group of companies**

   Although Tap's share price drifted down over the year, so did many of Tap's peer group. Tap finished the year with a ranking of 11 out of 32 peer companies used to assess Tap's RTSR.

The Board assigned an overall performance rating against the above criteria of 93.72%. This was largely influenced by the commencement of production at Manora. The Board's assessment of the Company's performance for the 2014 year resulted in a STI award. In light of the Company's cash flow position, the Board exercised its discretion and determined that the STI awards for 2014 would be paid in the form of retention rights rather than in cash. The retention rights issued in lieu of cash will vest on 1 January 2016 (unless the employee is made redundant, in which case the rights will vest on the date the employee is made redundant).

12.6 KMP Remuneration related to Performance

FAR for all employees is based on comparisons to similar positions in peer companies and is reviewed annually. An individual's performance will have a strong influence on any annual increase, as will any changes in job responsibilities.

The elements of remuneration shown in the columns labelled "Bonus" and "Share-based payment equity settled" in the tables below are related to Company and individual performance. The elements of remuneration shown in the remaining columns are not performance related. The performance conditions used in the determination of performance-based remuneration for Executive Directors and Executives of the Company are explained in detail in the discussion on remuneration policy in this remuneration report. As noted above, the 2014 STI award was paid in the form of retention rights and not cash. The value of options, shares and rights shown in the tables below are the accounting costs accrued in the financial year for grants in the financial year or in previous financial years. No cash benefit is received by KMP of the Company until the sale of the resultant shares, which cannot be done unless and until the rights or options have vested and the shares issued. No cash bonus awards were forfeited because the person did not meet the relevant service or performance conditions. Non-executive Directors of the Company received fixed remuneration only.

Following the Board's review of the 2014 year, the Company issued 485,922 retention rights in February 2015 as a special award to certain KMP for their performance in 2014 and for retention purposes. The retention rights have an 18 month vesting period.

KMP did not receive any FAR increase effective 1 January 2015.

Managing Director/CEO

The Company entered into an executive employment agreement with Mr Hayden as set out in section 12.4(g) of this report. Under that agreement, Mr Hayden's FAR, with effect from 22 May 2013, was reduced to $500,000 per annum (inclusive of superannuation) in return for taking a greater exposure to the Tap share price over the next three years to 1 July 2016 via the issue of 5 million performance rights. As part of this, Mr Hayden waived his entitlement to receive payments or grants under the Company's LTI plan until 22 May 2016 and under the Company's STI plan until 1 July 2016. As with the KMP remuneration above, Mr Hayden did not receive any increase in FAR effective 1 January 2015.

Mr Hayden did not hold any share rights with a vesting date in 2014. Mr Hayden held a total of 1,195,979 performance rights with a vesting date of 1 January 2015. The vesting conditions have been satisfied in respect of 61,454 of these rights and the remaining 1,134,525 rights lapsed. 61,454 shares will be issued to Mr Hayden in due course following the release of the Company's 2014 Financial Statements, in accordance with the Tap Oil Limited Share Rights Plan.

12.7 Other Elements of Director and Executive Remuneration

Remuneration packages contain the following key elements:

(a) Short term employee benefits – salary/fees, bonuses and non-monetary benefits, such as car parking.

(b) Post-employment benefits – including superannuation, prescribed retirement benefits and retirement gifts.

The remuneration of the key management personnel of the Consolidated Entity and the Company is set out below:

2014	Short-term employee benefits				Post-employment	Other long-term employee benefits	Share-based payment equity settled	Total
	Salary & fees	Bonus (viii)	Non-monetary	Other (ii)	Super-annuation		Rights (i)	
Non-executive Directors								
D W Bailey	131,308	-	-	-	22,185	-	-	153,493
M J Sandy	70,167	-	-	-	6,578	-	-	76,745
D A Schwebel	59,935	-	-	-	16,811	-	-	76,746
Executives - current								
T J Hayden	428,422	-	5,714	-	23,028	-	140,779	597,943
D J Rich	385,907	49,660	5,714	-	16,504	-	105,481	563,266
M J Williams	329,024	67,718	5,714	-	16,504	-	54,746	473,706
A C Sudlow	295,449	-	5,714	-	23,005	-	42,113	366,281
Executives - former								
B M Ulmer (vi)	372,235	-	2,896	376,196	13,167	-	9,580	774,074
T M Schmedje (vii)	174,235	-	2,646	219,432	12,264	-	11,942	420,519
	2,246,682	117,378	28,398	595,628	150,046	-	364,641	3,502,773

2013	Short-term employee benefits				Post-employment	Other long-term employee benefits	Share-based payment equity settled	Total
	Salary & fees	Bonus	Non-monetary	Other (ii)	Super-annuation		Rights (i)	
Non-executive Directors								
D W Bailey	150,784	-	-	-	13,759	-	-	164,543
M J Sandy	75,392	-	-	-	6,879	-	-	82,271
D A Schwebel	69,907	-	-	-	12,365	-	-	82,272
Executives - current								
T J Hayden	515,406	-	5,479	-	24,829	-	148,490	694,204
B M Ulmer	475,408	-	5,479	-	24,197	-	25,890	530,974
D J Rich	414,364	-	5,479	-	24,824	-	96,287	540,954
M J Williams (iii)	147,393	-	2,687	-	11,842	-	52,656	214,578
T M Schmedje	393,820	-	5,479	-	23,566	-	185,991	608,856
A C Sudlow	238,307	-	4,383	-	24,800	-	42,853	310,343
Executives - former								
A N Patterson (iv)	83,529	-	1,306	112,440	3,985	-	63,893	265,153
S F Blenkinsop (v)	313,019	-	3,197	-	-	-	-	316,216
	2,877,329	-	33,489	112,440	171,046	-	616,060	3,810,364

(i) Under the rights column, performance rights have been valued using a Monte Carlo Simulation model and retention rights have been valued using the Black Scholes model. Further details of the share rights plan is contained in note 22 to the financial statements.

(ii) These amounts relate to payments due under contracts for accrued leave, past services, in lieu of notice and ex-gratia payments.

(iii) Melanie Williams was on parental leave from 1 February 2013 to 5 August 2013.

(iv) Andrew Patterson resigned from Tap Oil effective 29 March 2013.

(v) Scott Blenkinsop was acting General Counsel/Company Secretary from 29 January 2013 to 30 August 2013.

(vi) Blaine Ulmer resigned from Tap Oil effective 18 June 2014.

(vii) Milton Schmedje resigned from Tap Oil effective 4 July 2014.

(viii) Cash bonuses paid in May 2014 in relation to specific outcomes achieved by the executive.

Rights over Equity Instruments Granted

Tap currently has the Tap Share Rights Plan as its share based payment scheme. This plan was first approved by shareholders on 30 April 2010 and again on 22 May 2013. All rights to shares have a vesting period of three years. The following share rights over ordinary shares were granted to KMP during the reporting period. These were granted as remuneration unless otherwise noted. The rights granted have no exercise price, are exercisable from the date of vesting and the details of vesting periods are set out in note 22 to the financial statements. All rights expire on the earlier of their expiry date or termination of the individual's employment. None of the performance rights granted to KMP vested during the reporting period (2013: 113,265) and 3,604,947 performance rights lapsed (2013: 1,925,525). A total of 732,582 of the retention rights granted to KMP vested during the reporting period (2013: 762,238) and none lapsed (2012: 194,445).

The vesting conditions (as set out in note 22 to the financial statements) have been satisfied in respect of 61,454 performance rights (with a vesting date of 1 January 2015) held by Mr Hayden. 61,454 shares will be issued to Mr Hayden in due course following the release of the Company's 2014 Financial Statements, in accordance with the Tap Oil Limited Share Rights Plan

No cash benefit is received by KMP of the Company until the sale of the resultant shares, which cannot be done unless and until the rights have vested and the shares issued.

2014	Number of performance rights granted during 2014 (i)	Number of retention rights granted during 2014 (i)	Grant date (performance rights)	Grant date (retention rights)	Fair value per performance right at grant date $	Fair value per retention right at grant date	Value of rights granted during the year $	Financial year in which rights vest	Expiry date	Number of rights vested during 2014 (ii)
Non-executive Directors										
D W Bailey	-	-	-	-	-	-	-	-	-	-
M J Sandy	-	-	-	-	-	-	-	-	-	-
D A Schwebel	-	-	-	-	-	-	-	-	-	-
Executives - current										
D J Rich	623,641	-	01-Jan-14	-	0.15	-	95,417	2017	01-Jan-21	-
M J Williams	217,110	-	01-Jan-14	-	0.15	-	33,218	2017	01-Jan-17	-
M J Williams	45,476	-	01-Jan-14	-	0.15	-	6,958	2017	01-Jan-17	-
A C Sudlow	346,217	-	01-Jan-14	-	0.15	-	52,971	2017	01-Jan-21	-
A C Sudlow	186,424	-	01-Jan-14	-	0.15	-	28,523	2017	01-Jan-21	-
A C Sudlow (iii)	111,501	-	01-Jan-13	-	0.13	-	14,952	2016	01-Jan-20	-

2013	Number of performance rights granted during 2013 (i)	Number of retention rights granted during 2013 (i)	Grant date (performance rights)	Grant date (retention rights)	Fair value per performance right at grant date $	Fair value per retention right at grant date	Value of rights granted during the year $	Financial year in which rights vest	Expiry date	Number of rights vested during 2013 (ii)
Non-executive Directors										
D W Bailey	-	-	-	-	-	-	-	-	-	-
M J Sandy	-	-	-	-	-	-	-	-	-	-
D A Schwebel	-	-	-	-	-	-	-	-	-	-
Executives - current										
T J Hayden	288,197	-	16-Jan-13	-	0.11	-	31,413	2015	01-Jan-20	-
T J Hayden	814,538	-	16-Jan-13	-	0.12	-	101,410	2016	01-Jan-20	-
T J Hayden	5,000,000	-	24-May-13	-	0.00	-	1,000	2016	24-May-20	-
B M Ulmer	389,127	-	16-Jan-13	-	0.12	-	48,446	2016	01-Jan-20	-
D J Rich	321,640	-	16-Jan-13	-	0.12	-	40,044	2016	01-Jan-20	-
M J Williams	279,625	-	16-Jan-13	-	0.12	-	34,813	2016	01-Jan-20	-
T M Schmedje	315,973	-	16-Jan-13	-	0.12	-	39,339	2016	01-Jan-20	-
T M Schmedje	-	158,983	-	16-Jan-13	-	0.63	100,159	2013	13-Dec-19	158,983
A C Sudlow	167,252	-	16-Jan-13	-	0.12	-	20,823	2016	01-Jan-20	-
Executives - former										
A P Patterson	-	-	-	-	-	-	-	-	-	-
S F Blenkinsop	-	-	-	-	-	-	-	-	-	-

(i) Each right entitles the holder to one share in the Company upon vesting.
(ii) Relates only to rights granted during the current reporting period.
(iii) These rights were issued in 2014 however they relate to the 2013 LTI award of performance.

The following table summarises the value of rights that have vested or lapsed during the financial year:

2014	Number of rights vested	Value of rights vested at vesting date A$	Number of rights lapsed	Value of rights lapsed at the date of lapse A$	Number of ordinary shares issued as a result of vesting	Amount paid	Amount unpaid
Non-executive Directors							
D W Bailey	-	-	-	-	-	-	-
M J Sandy	-	-	-	-	-	-	-
D A Schwebel	-	-	-	-	-	-	-
Executives - current							
T J Hayden	-	-	-	-	-	-	-
D J Rich	121,693	99,995	293,136	56,531	121,693	-	-
M J Williams	142,027	112,001	-	-	142,027	-	-
A C Sudlow	106,566	111,894	-	-	106,566	-	-
Executives - former							
B M Ulmer	-	-	1,937,801	295,892	-	-	-
T M Schmedje	203,313	198,314	1,374,010	216,595	203,313	-	-
	573,599	522,204	3,604,947	569,018	573,599	-	-

2013	Number of rights vested	Value of rights vested at vesting date A$	Number of rights lapsed	Value of rights lapsed at the date of lapse A$	Number of ordinary shares issued as a result of vesting	Amount paid	Amount unpaid
Non-executive Directors							
D W Bailey	-	-	-	-	-	-	-
M J Sandy	-	-	-	-	-	-	-
D A Schwebel	-	-	-	-	-	-	-
Executives - current							
T J Hayden	496,625	263,211	792,858	420,215	496,625	-	-
B M Ulmer	30,000	18,600	344,757	212,162	30,000	-	-
D J Rich	152,500	94,550	272,645	167,453	152,500	-	-
M J Williams	-	-	79,366	47,619	-	-	-
T M Schmedje	196,378	102,676	79,366	47,619	196,378	-	-
A C Sudlow	-	-	79,366	47,619	-	-	-
Executives - former							
A N Patterson	-	-	471,614	287,685	-	-	-
S F Blenkinsop	-	-	-	-	-	-	-
	875,503	479,037	2,119,972	1,230,372	875,503	-	-

Value of Rights – Basis of Calculation

The value of performance rights at the grant date is calculated as the fair value of the rights at grant date, using the Monte Carlo Simulation model, multiplied by the number of rights granted.

The value of retention rights at the grant date is calculated as the fair value of the rights at grant date, using the Black Scholes model, multiplied by the number of rights granted.

The value of rights included in remuneration for the year is calculated in accordance with Australian Accounting Standards. This requires the value of rights to be determined at grant date and thereafter included in remuneration for the year based proportionately on the vesting period. Where the rights vest fully in the year of grant, the full value of the rights is recognised in remuneration for that year.

No adjustment is made to the value included in remuneration or the financial results where the right ultimately has a lesser or greater value than as at the date of grant. The inputs into the fair value calculation of the rights granted are set out in note 22 to the financial statements.

The following table summarises the proportion of remuneration comprised of share-based payment expenses for the 2014 financial year:

	% of remuneration for the year consisting of rights
Non-executive Directors	
D W Bailey	-
M J Sandy	-
D A Schwebel	-
Executives - current	
T J Hayden	23.5%
D J Rich	18.7%
M J Williams	11.6%
A C Sudlow	11.5%
Executives - former	
B M Ulmer	1.2%
T M Schmedje	2.8%

Discretionary Cap on Total Number of Rights

The Board maintains a discretionary guideline cap on the total number of all performance and retention rights on issue to employees and Executives. Currently the Board has set this cap at 6% of the number of issued fully paid shares in the Company. This cap provides a margin to cover the issue of rights above the 4.5% maximum level of rights that may be issued over the three year vesting period of such rights at the guideline maximum rate of 1.5% per annum. The Board will inform shareholders of exceptions or changes to these guidelines should they occur.

The Board is of the view that such a cap significantly reduces the potential for material dilutionary effects of issues of rights at low share prices.

A total of 3,753,834 performance rights were issued during the year, effective 1 January 2014, being the award of LTI performance rights for the year ended 31 December 2013. A further 111,501 performance rights were issued to a KMP, effective 1 January 2013, due to a miscalculation in the grant of the 2013 LTI awards. 40,241 retention rights were also issued during the year.

The total number of performance and retention rights on issue at 31 December 2014 was 12,128,057. Excluding the 5 million rights granted to the Managing Director (as approved by shareholders at the 2013 annual general meeting), this number equalled 7,128,057 which is 2.93% of shares on issue at 31 December 2014 and under the policy guideline cap of 6%.

On 1 January 2015, 2,260,863 performance rights lapsed. In February 2015, the Company issued the 2014 LTI award of 3,383,211 performance rights, the 2014 STI award of 958,299 retention rights and the 2014 special awards of 850,363 retention rights. All awards took effect from 1 January 2015. The 2014 LTI award was under the policy guideline cap of 1.5% of the shares on issue.

On 27 January 2015, the Company issued 61,287 retention rights to a new employee.

The total number of rights on issue at the time of this report is 15,120,354 (including the 5 million granted to the Managing Director) which equals 6.22% of shares on issue at the time of this report.

Key management personnel equity holdings

The following table summarises the fully paid ordinary shares of Tap Oil Limited held by key management personnel:

2014	Balance at 1/1/14	Received on vesting of rights	Net other change (i)	Balance held directly & indirectly at 31/12/14	Balance held nominally (indirectly) (ii)
	No.	No.	No.	No.	No.
Non-executive Directors					
D W Bailey	145,650	-	232,284	377,934	200,000
M J Sandy	98,472	-	111,000	209,472	-
D A Schwebel	100,000	-	50,000	150,000	-
Executives - current					
T J Hayden	568,900	-	1,717,299	2,286,199	650,900
M J Williams	35,398	142,027	-	177,425	-
A C Sudlow	75,398	106,566	-	181,964	-
D J Rich	152,969	121,693	(274,662)	-	-
Executives - former					
B M Ulmer	34,654	-	-	34,654	-
T M Schmedje	158,983	203,313	(362,296)-	-	-
	1,370,424	573,599	1,473,625	3,417,648	850,900

2013	Balance at 1/1/13	Received on vesting of rights	Net other change (i)	Balance held directly & indirectly at 31/12/13	Balance held nominally (indirectly) (ii)
	No.	No.	No.	No.	No.
Non-executive Directors					
D W Bailey	145,650	-	-	145,650	-
M J Sandy	98,472	-	-	98,472	-
D A Schwebel	100,000	-	-	100,000	-
Executives					
T J Hayden	72,275	496,625	-	568,900	568,900
M J Williams	35,398	-	-	35,398	-
B M Ulmer	34,654	30,000	(30,000)	34,654	-
T M Schmedje	-	196,378	(37,395)	158,983	-
A C Sudlow	35,398	-	40,000	75,398	-
D J Rich	91,469	152,500	(91,000)	152,969	-
A N Patterson	-	-	-	-	-
S F Blenkinsop	-	-	-	-	-
	613,316	875,503	(118,395)	1,370,424	568,900

The following table summarises the rights in ordinary shares of Tap Oil Limited:

2014	Balance at 1/1/14	Granted as remuneration	Vested during the year	Lapsed during the year	Balance at 31/12/14
	No.	No.	No.	No.	No.
Non-executive Directors					
D W Bailey	-	-	-	-	-
M J Sandy	-	-	-	-	-
D A Schwebel	-	-	-	-	-
Executives - current					
T J Hayden	7,010,517	-	-	-	7,010,517
M J Williams	689,410	262,586	(142,027)	-	809,969
A C Sudlow	394,383	644,142	(106,566)	-	931,959
D J Rich	1,088,935	623,641	(121,693)	(293,136)	1,297,747
Executives - former					
B M Ulmer	1,214,834	-	-	(1,214,834)	-
T M Schmedje	973,281	-	(203,313)	(769,968)	-
	11,371,360	1,530,369	(573,599)	(2,277,938)	10,050,192

2013	Balance at 1/1/13	Granted as remuneration	Vested during the year	Lapsed during the year	Balance at 31/12/13
	No.	No.	No.	No.	No.
Non-executive Directors					
D W Bailey	-	-	-	-	-
M J Sandy	-	-	-	-	-
D A Schwebel	-	-	-	-	-
Executives					
T J Hayden	2,197,265	6,102,735	(496,625)	(792,858)	7,010,517
M J Williams	489,151	279,625	-	(79,366)	689,410
B M Ulmer	1,200,464	389,127	(30,000)	(344,757)	1,214,834
T M Schmedje	774,069	474,956	(196,378)	(79,366)	973,281
A C Sudlow	306,497	167,252	-	(79,366)	394,383
D J Rich	1,192,440	321,640	(152,500)	(272,645)	1,088,935
S F Blenkinsop	-	-	-	-	-
A N Patterson	194,445	277,169	-	(471,614)	-
	6,354,331	8,012,504	(875,503)	(2,119,972)	11,371,360

Other transactions with key management personnel
There were no other transactions with key management personnel during the year.

13. Non-Audit Services

The Directors of the Company are satisfied that the provision of non-audit services during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 24 to the financial statements.

14. Auditor's Independence Declaration

The auditor's independence declaration is included on page 26 of the financial report.

15. Rounding off of Amounts

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in the Directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Directors of the Company made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the Directors of the Company

D W Bailey
Chairman

West Perth, Western Australia
27 February 2015

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 (0) 8 9365 7000
Fax: +61 (0) 8 9365 7001
www.deloitte.com.au

Board of Directors
Tap Oil Limited
Level 1, 47 Colin Street
WEST PERTH WA 6005

27 February 2015

Dear Board Members

Auditor's Independence Declaration to Tap Oil Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Tap Oil Limited.

As lead audit partner for the audit of the financial statements of Tap Oil Limited for the financial year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ross Jerrard
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 (0) 8 9365 7000
Fax: +61 (0) 8 9365 7001
www.deloitte.com.au

Independent Auditor's Report to the Members of Tap Oil Limited

Report on the Financial Report

We have audited the accompanying financial report of Tap Oil Limited, which comprises the statement of financial position as at 31 December 2014, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 29 to 83.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Deloitte.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Tap Oil Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Tap Oil Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 24 of the directors' report for the year ended 31 December 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Tap Oil Limited for the year ended 31 December 2014, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ross Jerrard
Partner
Chartered Accountants
Perth, 27 February 2015

Directors’ Declaration

The Directors of the Company declare that:

(a) in the Directors’ opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the Directors’ opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated Entity;

(c) in the Directors’ opinion, the attached financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 1 to the financial statements; and

(d) the Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors of the Company

D W Bailey
Chairman

West Perth, Western Australia
27 February 2015

Consolidated statement of profit or loss and other comprehensive income for the financial year ended 31 December 2014

	Note	2014 US$'000	Restated[(1)] 2013 US$'000
Continuing operations			
Revenue	2(a)	26,550	26,118
Cost of sales	2(b)	(12,201)	(11,651)
Gross profit		14,349	14,467
Other revenue	2(a)	239	1,908
Other income	2(c)	81	3,271
Administration expenses	2(d)	(6,731)	(6,566)
Finance costs	2(e)	(2,221)	(998)
Impairment losses and write-downs	2(f)	(78,065)	(45,634)
Other expenses	2(g)	(2,242)	(4,743)
Loss before tax		**(74,590)**	**(38,295)**
Income tax and PRRT benefit/(expense)	3(a)	31,885	167
Loss for the year		**(42,705)**	**(38,128)**
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Foreign currency translation differences - foreign operations		(1,286)	2,224
Total comprehensive loss for the year		**(43,991)**	**(35,904)**
Earnings per share from continuing operations:			
Basic (cents per share)	14	(17.6)	(15.8)
Diluted (cents per share)	14	(17.6)	(15.8)

(1) Tap Oil Limited has elected to change its presentation currency from Australian dollars to US dollars. Refer to Note 1 for further details.

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

Consolidated statement of financial position as at 31 December 2014

	Note	2014 US$'000	Restated 2013 US$'000	Restated[1] 1 January 2013 US$'000
Current assets				
Cash and cash equivalents	20(a)	14,034	38,936	100,079
Trade and other receivables	4	20,785	10,530	7,295
Inventories	5	10,679	2,950	853
Other current assets	6	3,332	4,147	6,162
Total current assets		48,830	56,563	114,389
Non-current assets				
Property, plant and equipment	7	134,387	91,248	59,336
Exploration and evaluation assets	8	21,083	80,967	90,587
Deferred tax assets	3(c)	20,352	-	-
Total non-current assets		175,822	172,215	149,923
Total assets		**224,652**	**228,778**	**264,312**
Current liabilities				
Trade and other payables	10	27,087	48,189	20,799
Current tax liability	3(b)	-	-	5,228
Provisions	11	2,520	3,168	3,597
Loans and borrowings	9	12,850	-	-
Total current liabilities		42,457	51,357	29,624
Non-current liabilities				
Deferred tax liabilities	3(c)	-	10,768	12,671
Provisions	11	23,049	12,690	14,941
Loans and borrowings	9	51,405	-	-
Other non-current liabilities		-	2,950	-
Total non-current liabilities		74,454	26,408	27,612
Total liabilities		**116,911**	**77,765**	**57,236**
Net assets		**107,741**	**151,013**	**207,076**
Equity				
Issued capital	12	133,175	133,175	133,175
Share options reserve		3,526	3,526	3,526
Share rights reserve		2,800	2,081	1,373
Foreign currency translation reserve		55,258	56,544	75,187
Current year profit reserve		69,821	30,968	-
Retained earnings		(156,839)	(75,281)	(6,185)
Total equity		**107,741**	**151,013**	**207,076**

(1) Tap Oil Limited has elected to change its presentation currency from Australian dollars to US dollars. As such, in accordance with AASB 101.39, a third consolidated statement of financial position and notes to the restated amounts have been presented.

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

Consolidated statement of changes in equity for the financial year ended 31 December 2014

	Note	Issued capital US$'000	Share options reserve (i) US$'000	Share rights reserve (i) US$'000	Foreign currency translation reserve US$'000	Current year profit reserve(i) US$'000	Retained earnings US$'000	Total US$'000
Balance at 1 January 2013 (Restated)(ii)		**133,175**	**3,526**	**1,373**	**75,187**	**-**	**(6,185)**	**207,076**
Loss for the year		-	-	-	-	-	(38,128)	(38,128)
Other comprehensive income for the year		-	-	-	2,224	-	-	2,224
Total comprehensive income for the year		-	-	-	2,224	-	(38,128)	(35,904)
Appropriation to current year profit reserve		-	-	-	-	30,968	(30,968)	-
Restatement of reserves as a result of change in presentation currency		-	-	-	(20,867)	-	-	(20,867)
Redemption of vested share rights		-	-	(214)	-	-	-	(214)
Recognition of share-based payments	2(d)	-	-	922	-	-	-	922
Balance at 31 December 2013 (Restated)		**133,175**	**3,526**	**2,081**	**56,544**	**30,968**	**(75,281)**	**151,013**
Loss for the year		-	-	-	-	-	(42,705)	(42,705)
Other comprehensive income for the year		-	-	-	(1,286)	-	-	(1,286)
Total comprehensive income for the year		-	-	-	(1,286)	-	(42,705)	(43,991)
Appropriation to current year profit reserve		-	-	-	-	38,853	(38,853)	-
Redemption of vested share rights		-	-	-	-	-	-	-
Recognition of share-based payments	2(d)	-	-	719	-	-	-	719
Balance at 31 December 2014		**133,175**	**3,526**	**2,800**	**55,258**	**69,821**	**(156,839)**	**107,741**

(i) For a description of the nature and purpose of Reserves refer to note 13.
(ii) Tap Oil Limited has elected to change its presentation currency from Australian dollars to US dollars. Refer to Note 1 for further details.

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

Consolidated statement of cash flows for the financial year ended 31 December 2014

	Note	2014 US$'000	Restated 2013 US$'000
Cash flows from operating activities			
Receipts from customers		28,952	29,807
Payments to suppliers and employees		(23,453)	(24,645)
Interest received		212	2,409
Income taxes paid		-	(6,963)
Net cash provided by operating activities	20(b)	5,711	608
Cash flows from investing activities			
Payments for property, plant and equipment		(86,881)	(3,667)
Payments for exploration assets		(3,852)	(43,361)
Payments for restoration expenditure		(368)	(320)
Proceeds from the farm-out of permit interests		-	1,328
Net cash used in investing activities		(91,101)	(46,020)
Cash flows from financing activities			
Draw down of borrowings		65,400	-
Purchase of shares under share-based payment arrangements		-	(110)
Payments for financing costs		(4,185)	(1,781)
Net cash provided/(used in) by financing activities		61,215	(1,891)
Net (decrease)/increase in cash and cash equivalents		(24,175)	(47,303)
Cash and cash equivalents at the beginning of the financial year		38,936	100,079
Effects of exchange rate changes on the balance of cash held in foreign currencies		(727)	(13,840)
Cash and cash equivalents at the end of the financial year	20(a)	**14,034**	**38,936**

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

Notes to the financial statements for the financial year ended 31 December 2014

1. Summary of accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report comprises the consolidated financial statements of the Consolidated Entity. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the directors on 27 February 2015.

Basis of preparation

The financial report is presented in US Dollars, unless otherwise noted, and on the basis of historical cost, except for the revaluation of financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Consolidated Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded to the nearest thousand dollars, unless otherwise indicated.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Apart from changes in accounting policies noted below, the accounting policies adopted are consistent with those disclosed in the Annual Financial Report for the year ended 31 December 2013. Certain comparative information has been reclassified to be presented on a consistent basis with current year's presentation.

1. Summary of accounting policies

Changes in accounting policy and disclosures

Change in presentation currency

With the funding of Tap's main asset, the Manora oil field development, in USD and subsequent Manora pricing benchmarks and operating costs being denominated in USD, Tap Oil Limited has elected to change its presentation currency from Australian dollars to US dollars. The directors believe that changing the presentation currency to US dollars will provide greater transparency of the underlying performance of the Group and improve investors' ability to compare the Company's financial results with other publicly traded businesses in the international oil and gas industry. The change in presentation currency represents a voluntary change in accounting policy, which has been applied retrospectively.
As a result of the change in presentation currency, the Consolidated Entity is required to restate all comparative amounts to US dollars by translating the assets and liabilities using the current rate method. Under this method the assets and liabilities are translated into US dollars at the exchange rate in effect at the end of each prior reporting period, the statement of profit or loss and other comprehensive income is translated using the average rate for the year and shareholder's equity is translated at historic rates. All resulting exchange differences are reported as a separate component of shareholder's equity titled Foreign Currency Translation Reserve ("FCTR").

In order to arrive US dollar comparatives, the following rates were applied at the reporting date:

	Currency	2014	2013	2012
Average rate (1 January to 31 December)	AUD to US$1	0.9029	0.9679	-
Closing rate (31 December)	AUD to US$1	0.8202	0.8948	1.0384

The above procedures resulted in a FCTR of US$75.2m on 1 January 2013. Earnings per share for 2013 has also been restated in US dollars to reflect the change in presentation currency (refer to Note 14).

New and revised Standards and Interpretations affecting amounts reported and/or disclosures in the financial statement

In the current year the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and mandatorily effective for an accounting period that begins on or after 1 January 2014. The following Standards and Interpretations were adopted:

- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'
- INT 21 – Levies
- AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'
- AASB 1031 'Materiality' (2013)
- AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'

The adoption of these standards did not result in changes in accounting policies or adjustments to the amounts recognised in the financial statements. The standards only affected disclosures in the notes to the financial statements.

1. Summary of accounting policies

Impact of the application of AASB 2012-3

The Consolidated Entity has applied the amendments to AASB 132 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to AASB 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right to set-off’ and ‘simultaneous realisation and settlement’.

The amendments have been applied retrospectively. As the Consolidated Entity does not have any financial assets and liabilities that qualify for offset, the application has no impact on the disclosures or on the amounts recognised in the Consolidated financial statements.

Impact of the application of AASB 2013-3

The Consolidated Entity has applied AASB 136 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to AASB 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less cost of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques which are in line with the disclosure required by AASB 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the consolidated financial statements.

Impact of the application of AASB 2013-4

The Consolidated entity has applied the amendments to AASB 139 Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to AASB 139 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Consolidated Entity does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the consolidated financial statements.

Impact of the application of INT 21

The Consolidated Entity has applied INT 21 Levies for the first time in the current year. INT 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be trigged by operating in a future period.

Interpretation 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

Impact of AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements

This standard removes the individual key management personnel disclosure requirements in AASB 124 Related Party Disclosures. As a result the Consolidated Entity only discloses the key management personnel compensation in total and for each of the categories required in AASB 124.

In the current year the individual key management personnel disclosure previously required by AASB

1. Summary of accounting policies

124 (note 23 (a) and 23(c) in the 31 December 2013 financial report) is now disclosed in the remuneration report due to an amendment to Corporation Regulations 2001 issued in June 2013.

The Consolidated Entity has not elected to early adopt any new standards or amendments.

Adoption of new and revised Accounting Standards

At the date of authorisation of the financial report, a number of Standards and Interpretations were on issue but not yet effective:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 ‘Financial Instruments’ and the relevant amending standards	1 January 2018	31 December 2018
AASB 1055 “Budgetary Reporting’ and AASB 2013-1 ‘Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements’	1 January 2015	31 December 2015
AASB 2014-1 ‘Amendments to Australian Accounting Standards’ – • Part A: ‘Annual Improvements 2010-2012 and 2011-2013 Cycles’ • Part B: ‘Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)’ • Part C: ‘Materiality’	1 January 2015	31 December 2015
AASB 2014-3 ‘Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	31 December 2016
AASB 2014-4 ‘Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	31 December 2016
AASB 15 ‘Revenue from Contracts with Customers’ and AASB 2014-5 ‘Amendments to Australian Accounting Standards arising from AASB 15’	1 January 2017	31 December 2017
AASB 2014-9 ‘Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	1 January 2016	31 December 2016
AASB 2014-10 ‘Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016	31 December 2016
AASB 2015-1 ‘Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	1 January 2016	31 December 2016
AASB 2015-2 ‘Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101’	1 January 2016	31 December 2016
AASB 2015-3 ‘Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality’	1 January 2016	31 December 2016
AASB 2015-4 ‘Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent’	1 January 2016	31 December 2016

1. Summary of accounting policies

AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2016	31 December 2016

At the date of authorisation of the financial report, there were no Standards and Interpretations issued by the IASB/IFRIC where an equivalent Australian Standard or Interpretation has not been made by the AASB, in issue but not yet effective.

The Directors note that the impact of the initial application of the Standards and Interpretations is not yet known or is not reasonably estimable. These Standards and Interpretations will be first applied in the financial report of the Consolidated Entity that relates to the annual reporting period beginning on or after the effective date of each pronouncement.

Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks, demand deposits, the Consolidated Entity's share of joint operations bank balances and investments in money market instruments. Cash equivalents are short-term, and highly liquid investments.

Any bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(b) Comparative amounts

When the presentation or classification of items in the financial report is amended, comparative amounts are reclassified unless the reclassification is impracticable.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company (the parent entity) and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances incidate that there are changes to one or more of the three elements of control listed above.

A list of subsidiaries is included in note 19 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the Consolidated Entity are eliminated in full.

1. Summary of accounting policies

(d) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Consolidated Entity in respect of services provided by employees up to reporting date.

Contributions to superannuation plans are expensed when incurred.

(e) Financial assets

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements.

Other financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’, ‘held-to-maturity’ investments, ‘available-for-sale’ financial assets, and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans to related parties are recorded at the amortised cost amount, with no fixed due date, nor is interest charged on the outstanding balance.

Trade Receivables and Loans

Loans and receivables are recorded at the amortised cost amount using the effective interest rate method less impairment.

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss, are assessed for indications of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Derecognition of financial assets

The Consolidated Entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

(f) Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Consolidated Entity are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company’s own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit and loss ‘FVTPL’ or “other financial liabilities’.

1. Summary of accounting policies

(i) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Consolidated Entity manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Consolidated Entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 21.

(ii) Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Included in other payables is income received in advance. This represents gas sales for which payment has been received, but the gas has not yet been delivered. The gas revenue will be recognised in the profit/loss when the gas is delivered to the customers in future periods.

(iii) Derecognition of financial liabilities

The Consolidated Entity derecognises financial liabilities when, and only when, the Consolidated Entity's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(g) Inventories

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.

1. Summary of accounting policies

(h) Foreign currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect on the dates of the transactions.

At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date.

Exchange differences are recognised in profit or loss in the period in which they arise.

The individual financial statements of each group entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates. For the purposes of the consolidated financial statements, the results and financial position of each entity are expressed in US dollars, which is the presentation currency for the consolidated financial statements.

The functional currency of all the entities in the Consolidated Entity is Australian dollars except for Tap Energy Thailand Pty Ltd which has a functional currency of United States dollars. The financial statements of subsidiaries whose functional currency is in a currency other than United States dollar have been converted into the presentation currency as follows:

(i) assets and liabilities are translated to the presentation currency at exchange rates at the reporting date. Income and expenses are translated to the presentation currency at exchange rates at the dates of the transactions;

(ii) foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

(i) Impairment of assets

At each reporting date, the Consolidated Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(j) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties

1. Summary of accounting policies

sharing control.

Interests in joint operations are reported in the financial statements by including the Consolidated Entity's share of assets employed in the joint operations, the share of liabilities incurred in relation to the joint operations and the share of any expenses incurred in relation to the joint operation in their respective classification categories. The Consolidated Entity accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the AASBs applicable to the particular assets, liabilities, revenues and expenses.

When a subsidiary transacts with a joint operation in which it is a joint operator (such as a sale or contribution of assets), the Consolidated Entity is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Consolidated Entity's financial statements only to the extent of other parties' interests in the joint operation.

When a subsidiary transacts with a joint operation in which it is a joint operator (such as a purchase of assets), the Consolidated Entity does not recognise its share of the gains and losses until it resells those assets to a third party.

(k) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

(l) Petroleum exploration and evaluation expenditure

Exploration and evaluation expenditure is brought to account at cost and is classified as tangible assets.

Ongoing costs of acquisition, exploration and evaluation are capitalised in relation to each separate area of interest in which rights to tenure of the area of interest are current and in respect of which:

(i) such costs are expected to be recouped through successful development and exploitation of the area or alternatively by their sale; or

(ii) exploration and evaluation activities in the area have not yet reached the stage which permits a reasonable assessment of the existence of economically recoverable reserves, and active and significant operations are continuing

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

All exploration permits are treated as separate areas of interest, with certain areas of interest recognised at the field level.

The Consolidated Entity does not record any expenditure made by a farmee on the Consolidated Entity's account in respect of farm-outs. The Consolidated Entity also does not recognise any gain or loss on its exploration and evaluation farm-out arrangement, but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitlalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

Once an area of interest enters a development phase, all capitalised acquisition, exploration and evaluation expenditure is transferred to development costs within property, plant and equipment.

1. Summary of accounting policies

(m) Petroleum Resources Rent Tax

PRRT is recognised as an income tax expense on an accruals basis when the corresponding sales are recognised and an amount calculated in accordance with government legislative requirements will be payable on those sales.

PRRT is calculated at the rate of 40% of sales revenues less certain permitted deductions and is tax deductible for income tax purposes.

(n) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item, cost of replacing part of the property, plant and equipment and borrowing cost capitalised.

In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on property, plant and equipment, other than capitalised development costs and leasehold improvement costs, on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

• Office improvements, furniture & equipment	3 – 12 years
• Development expenditure	Unit of production
• Oil & gas facilities	Unit of production

Capitalised development costs are amortised from the commencement of production on a unit of production basis over recoverable reserves. Recoverable reserves are subject to review annually. The recoverable reserves are estimates calculated from available production and reservoir data and are subject to change. A significant change in estimate could give rise to a material adjustment to the carrying amounts of assets and liabilities in the next annual reporting period.

1. Summary of accounting policies

(o) Provisions

Provisions are recognised when the Consolidated Entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

A restoration provision is recognised and updated at different stages of the development and construction of a facility and then reviewed on a six monthly basis. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related exploration and evaluation assets or development asset.

Where a restoration obligation is assumed as part of the acquisition of an asset or obligation, the liability is initially measured at the present value of the future cash flows to settle the present obligation as at the acquisition date. The unwinding of the discount implicit in the present value calculations is included in finance costs.

(p) Revenue recognition

Sale of goods

Revenue from the sale of goods is recognised when the Consolidated Entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

Dividend and interest revenue

Dividend revenue is recognised on a receivable basis. Interest revenue from a financial asset is recognised when it is probable that the economic benefits will flow to the Consolidated Entity and the amount can be measured reliably.

(q) Taxation

Goods and services tax

Revenues, expenses and assets are recognised net of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Current tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method and is measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised,

1. Summary of accounting policies

based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to the asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Consolidated Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Consolidated Entity intends to settle its current tax assets and liabilities on a net basis.

Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Tap Oil Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the ‘separate taxpayer within group’ approach.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 3 to the financial statements. Where the tax contribution amount is recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(r) Share-based payments

Equity-settled share-based payments are measured at fair value at the grant date. Fair value is measured under the Black Scholes model for options and retention rights and the Monte Carlo Simulation Model for performance rights in circumstances where the value cannot be determined based on the service being delivered. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Consolidated Entity’s estimate of the number of options and shares that will eventually vest. At the end of each reporting period, the Consolidated Entity revises its estimate of the number equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share rights reserve.

(s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the

1. Summary of accounting policies

assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(t) Non-current assets classified as held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

- When the Consolidated Entity is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Consolidated Entity will retain a non-controlling interest in its former subsidiary after the sale.

- Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

- In the statement of profit or loss and other comprehensive income, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Consolidated Entity retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

- Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

(u) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Consolidated Entity's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

- The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

- Judgments made by management, in the application of the Consolidated Entity's accounting policies, that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

(v) Critical accounting estimates and assumptions

(i) Exploration and evaluation expenditures

The application of the Consolidated Entity's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes

1. Summary of accounting policies

available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in the period when the information becomes available.

(ii) Impairment of oil & gas assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows. For oil and gas assets, expected future cash flow estimation is based on reserves, future production profiles, commodity prices and costs. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of the oil & gas assets.

(iii) Reserves estimates

Estimates of recoverable quantities of proven and probable reserves include assumptions regarding commodity prices, exchange rates, discount rates and production and transportation costs for future cash flows. It also requires interpretation of geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact asset carrying values, the provision for restoration and the recognition of deferred tax assets, due to changes in expected future cash flows. Reserves are integral to the amount of depreciation, depletion and amortisation charged to the income statement and the calculation of inventory.

(iv) Decommissioning costs

Decommissioning costs will be incurred by the Consolidated Entity at the end of the operating life of some of the Consolidated Entity's facilities and properties. The Consolidated Entity assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure can also change. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future decommissioning costs required.

(v) Contingencies

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the future outcome of events.

(vi) Classification of joint arrangements

Exploration, appraisal, development and production activities of the Consolidated Entity are conducted primarily through arrangements with other parties. Each arrangement has a contractual agreement which provides the participating parties rights to the assets and obligations for the liabilities of the arrangement. Under certain agreements, more than one combination of participants can make decisions about the relevant activities and therefore joint control does not exist. Where the arrangement has the same legal form as a joint operation but is not subject to joint control, the Consolidated Entity accounts for its interest in accordance with the contractual agreement by recognising its share of jointly held assets, liabilities, revenues and expenses of the arrangement.

The Consolidated Entity's interest in joint arrangements is disclosed in note 18. The Consolidated Entity does not currently have any interest in other arrangements with the same legal form as a joint operation but that are not subject to joint control.

2. Loss for the year from operations

	Consolidated 2014 US$'000	Consolidated Restated 2013 US$'000
(a) Revenue		
Liquid sales	1,833	-
Gas sales	24,717	26,118
	26,550	26,118
Other revenue:		
Royalties received	54	239
Interest received	185	1,669
	239	1,908
	26,789	28,026
(b) Cost of sales		
Depreciation of capitalised development costs	938	70
Production costs – Manora	640	-
Production costs – Third party gas	10,270	11,009
Other production costs	353	572
	12,201	11,651
(c) Other Income		
Foreign exchange gain	81	3,271
	81	3,271
(d) Administration expenses		
Loss before income tax has been arrived at after charging the following:		
Employee benefit expenses:		
Post employment benefits:		
Superannuation contributions	365	470
Share-based payments:		
Equity settled share-based payments	719	836
Other	4,739	6,879
	5,823	8,185
Depreciation of office fixed assets	72	113
Operating lease rental payments	705	761
Other expenses, net of recoveries (i)	131	(2,493)
	6,731	6,566

(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 recharged to the applicable exploration and production interests.

2. Loss for the year from operations
(cont'd)

	Note	Consolidated 2014 US$'000	Consolidated Restated 2013 US$'000
(e) Finance costs			
Notional interest from unwinding discount on restoration provisions		375	533
Borrowing costs		1,846	465
		2,221	998
(f) Impairment losses and write-downs			
Exploration impairment losses (i)	8	54,425	37,701
Exploration expenditure write-downs (i)	8	2,754	7,934
		57,179	45,635
Property, plant and equipment impairment losses (ii)	7	20,886	-
		78,065	45,634

(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. Estimates of recoverable amount are based on fair value less costs of disposal (level 3 fair value hierarchy as defined in Note 1). The impairment losses and write-downs noted in the table below represent the Directors best estimate of recoverable value using a fair value less costs of disposal approach with the key assumptions supporting this estimate including the relinquishment of permits, the lower oil price environment and in some cases a consequential reduction in future capital expenditure that diminishes or removes the path to commercialisation.

Permit	Country/ Company	2014 US$'000	Description
WA33R	Australia	7,902	The current low oil price environment has caused the estimates of recoverable value to fall significantly.
WA49R	Australia	24,068	
WA34R	Australia	2,735	
WA8L	Australia	2,020	
G1/48	Thailand	14,101	
Other	Various	3,574	
VIC/P67	Australia	2,779	Impaired to nil due to election not to exercise option.
		57,179	

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

(ii) Property, plant and equipment impairment losses relates to Manora impairment of $15.1 million and Airlie impairment of $5.8 million.

The property, plant and equipment impairment losses are included in the oil & gas production and development segment.

	Consolidated 2014 US$'000	Consolidated Restated 2013 US$'000
(g) Other expenses		
New venture and Business Development expenditure	1,651	2,451
Provision for doubtful debts	-	1,706
Rehabilitation/restoration expenses	-	135
Loss on disposal of property, plant and equipment	9	-
Other	582	451
	2,242	4,743

(h) Depreciation

Depreciation charges are included above in cost of sales (b) and administration expenses (d). Total depreciation for the Consolidated Entity is $0.938 million (2013: $0.189 million).

3. Income taxes

(a) Income tax recognised in profit or loss

	Consolidated 2014 US$'000	Consolidated Restated 2013 US$'000
Tax (benefit)/expense comprises:		
Current tax (benefit)/expense	1,253	(2,807)
PRRT refund received	(129)	(107)
Adjustments recognised in the current year in relation to the current tax of prior years	(39)	104
Deferred income tax relating to the origination and reversal of temporary differences	(31,287)	4,008
Foreign exchange impact on tax expense	1,533	(11)
Deferred PRRT tax (credit)/expense	(3,216)	(1,354)
Total income tax (benefit)/expense from continuing operations	(31,885)	(167)
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:		
Loss before tax	(74,590)	(38,295)
Income tax benefit calculated at 30%	(22,377)	(10,801)
Expenses not deductible for tax purposes	396	268
Unused tax losses, tax offsets and temporary differences not recognised as deferred tax assets	1,321	18,310
Prior year temporary differences now recognised	(1,367)	-
Foreign tax rate adjustment on unrecognised deferred tax assets	(5,822)	(5,854)
Foreign exchange impact on tax expense	(708)	761
PRRT related tax (credit)/expense	(3,344)	(1,462)
Other	50	(777)
	(31,851)	(242)
Adjustments recognised in the current year in relation to the current tax of prior years	(34)	75
Income tax (benefit)/expense	(31,885)	(167)

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

(b) Current tax assets and liabilities

	Consolidated 2014 US$'000	Consolidated Restated 2013 US$'000	Consolidated Restated 1 January 2013 US$'000
Current tax liabilities:			
Tax payable	-	-	5,228

3. Income taxes (cont'd)

(c) Deferred tax asset/(liability) balances

	Consolidated 2014 US$'000	Restated 2013 US$'000	Restated 1 January 2013 US$'000
Deferred tax liabilities comprise:			
Temporary differences – refer below	20,352	(10,768)	(12,671)

	Opening balance US$'000	Recognised in profit or loss US$'000	Recognised in other comprehensive income US$'000	Recognised directly in equity US$'000	Exchange differences US$'000	Closing balance US$'000
Consolidated						
2014						
Income tax losses carried forward	2,782	(1,214)	-	-	(121)	1,447
Property, plant & equipment	(1,023)	1,503	-	-	(52)	428
Deferred exploration	(22,256)	16,336	-	-	359	(5,561)
Development	-	11,414	-	-	(1,045)	10,370
Restoration provisions	8,470	5,895	-	-	(1,264)	13,101
Others	1,259	(646)	-	-	(46)	567
	(10,768)	33,289	-	-	(2,169)	20,352
2013 (Restated)						
Income tax losses carried forward	-	3,009	-	-	(227)	2,782
Property, plant & equipment	(1,223)	34	-	-	167	(1,023)
Deferred exploration	(22,066)	(3,507)	-	-	3,316	(22,256)
Restoration provisions	9,925	(89)	-	-	(1,366)	8,470
Others	693	716	-	-	(150)	1,259
	(12,671)	163	-	-	1,740	(10,768)

	Consolidated 2014 US$'000	Restated 2013 US$'000
Unrecognised deferred tax balances		
The following deferred tax assets, relating to foreign operations, have not been brought to account as assets:		
Tax losses – revenue	16,414	-
Temporary differences	-	-
	16,414	-

	Consolidated 2014 AU$'000	2013 AU$'000
(d) Franking account balance		
On a tax paid basis	71,789	71,789

3. Income taxes (cont'd)

Tax consolidation

Relevance of tax consolidation to the Consolidated Entity

The Company and its wholly-owned Australian resident entities formed a tax-consolidated group with effect from 1 January 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Tap Oil Limited. The members of the tax-consolidated group are identified at note 19.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding and tax sharing arrangement with the head entity. Under the terms of the tax funding agreement, each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

4. Trade and other receivables

	Consolidated		
	2014 US$'000	Restated 2013 US$'000	Restated 1 January 2013 US$'000
Trade receivables (i)	5,590	6,167	2,440
Allowance for doubtful debts	(1,446)	(1,578)	-
	4,144	4,589	2,440
Joint operations' debtors	4,330	3,757	1,199
Other receivables (ii)	12,311	2,184	3,656
	20,785	10,530	7,295
<u>Movement in the allowance for doubtful debts</u>			
Balance at the beginning of the year	1,578	-	-
Doubtful debts charge for the year	-	1,706	-
Foreign exchange difference	(132)	(128)	-
Balance at the end of the year	1,446	1,578	-

(i) Trade receivables relate to gas sales on terms that result in payment within 30 days from invoice.

(ii) Included in other receivables is $10 million receivable from Northern Gulf Petroleum representing 50% of the carry paid by Tap since 2010 on behalf of Northern Gulf Petroleum.

At 31 December 2014 the amount receivable from Apex Gold Pty Ltd of US$1.4 million has been fully provided for as the company went into administration. There are no material amounts included in the Consolidated Entity's trade receivable balance (2013: nil) which are past due, but not considered impaired, at the reporting date. The Consolidated Entity does not hold any collateral over the accounts receivable balances.

		Consolidated		
		2014 US$'000	**Restated 2013 US$'000**	**Restated 1 January 2013 US$'000**
5. Inventories				
Oil in storage – at cost		5,033	-	-
Materials and consumables – at cost		5,646	2,950	853
		10,679	2,950	853
6. Other current assets				
Prepayments		377	496	608
Prepaid gas		2,955	3,651	5,554
		3,332	4,147	6,162
7. Property, plant and equipment				
Development expenditures				
Gross carrying amount – at cost:				
Opening balance		166,030	145,946	91,466
Additions		72,924	33,496	13,466
Adjustment in respect of carry (ii)		(5,166)	-	-
Foreign exchange differences		(6,642)	(14,039)	-
Transfer from exploration expenditure		221	627	41,014
Closing balance (i)		227,367	166,030	145,946
Accumulated depreciation:				
Opening balance		74,964	86,930	86,860
Provision for impairment losses	2(f)	20,886	-	-
Foreign exchange differences		(6,793)	(12,031)	-
Depreciation		4,049	65	70
Closing balance		93,106	74,964	86,930
Net book value		134,261	91,066	59,016
Office improvements, furniture & equipment				
Gross carrying amount – at cost:				
Opening balance		3,369	3,893	3,931
Additions		33	11	135
Foreign exchange differences		(281)	(535)	-
Asset write-offs		(428)	-	(173)
Closing balance		2,693	3,369	3,893
Accumulated depreciation:				
Opening balance		3,187	3,573	3,553
Asset write-offs		(462)	-	(168)
Foreign exchange differences		(230)	(491)	-
Depreciation		72	105	188
Closing balance		2,567	3,187	3,573
Net book value		126	182	320
Total – net book value		134,387	91,248	59,336

(i) The cost of development expenditures includes Manora abandonment asset of $10.4 million and Airlie abandonment asset of $0.806 million.

(ii) Relates to 50% of the development portion of the carry of $20 million paid by Tap since 2010 on behalf of Northern Gulf Petroleum that is now receivable, and has therefore been transferred to other debtors.

7. Property, plant and equipment (cont'd)

Impairment of development expenditures

At 31 December 2014, the Consolidated Entity has assessed each cash generating unit to determine whether an impairment indicator existed. Based on the current declining oil prices, the Airlie development asset may not be recoverable through development or sale and has therefore been fully impaired by $5.8 million at 31 December 2014.

The recoverable amount of the Manora development asset of $134.4 million (2013: $86.4 million) has been determined based on a fair value model using cash flow projections from financial budgets covering a eleven-year period. As a result of the current declining oil prices, recoverable amount of $134.4 million for Manora resulted in an impairment loss of $15.1 million being recognised for the year.

The following assumptions were used in the assessment of the recoverable amount:

- Discount rate – pre-tax discount rate of 12.5% (2013: 12.5%) has been applied to the cash flow projections;
- Inflation rate – Thailand inflation rate of 2% (2013: 1.5%) has been applied to the cash flow projections;
- Oil price – the oil price applied to the cash flow projections is based on the average of the Brent forward and economic consensus price at the date of assessment for 5 years then reverting to long term US$80/bbl.

Sensitivity analysis

It is estimated that changes in the key assumptions would have resulted in the following additional impairment at year end:

	2014 $'000
Discount rate: 1% increase	1,625
Inflation rate: 1% increase	925
Long term oil price reduction of US$5/bbl (real)	1,125

8. Exploration and evaluation assets

	Note	Consolidated 2014 US$'000	Restated 2013 US$'000	Restated 1 January 2013 US$'000
Exploration and/or evaluation phase				
At cost		109,010	141,964	119,511
Less: impairment		(87,927)	(60,997)	(28,924)
Net carrying value		21,083	80,967	90,587
Reconciliation of movement:				
Opening balance		80,967	90,587	146,605
Current year exploration expenditure		3,774	43,466	20,282
Exploration impairment losses/write-downs	2(f)	(57,179)	(45,635)	(8,989)
Transfer to development expenditure		(222)	(627)	(41,014)
Foreign exchange movement		(1,423)	(6,743)	-
Carry transferred to other debtors (iii)		(4,834)	-	-
Disposals		-	-	(21,981)
Farm-out of partial interest in WA320P and WA155P(i)		-	(81)	-
Farm-out of interest in Accra Joint Venture (ii)		-	-	(4,316)
Closing balance		21,083	80,967	90,587
Movement in the impairment provision:				
Balance at the beginning of the year		(60,997)	(28,924)	(19,935)
Impairment provision (increase)		(54,425)	(37,701)	(8,989)
Write offs against provision		25,656	-	-
Foreign exchange movement		1,839	5,628	-
Balance at the end of the year		(87,927)	(60,997)	(28,924)

(i) In 2013 Tap reduced its participating interest in WA-320-P from 19.78% to 9.78% and WA-155-P from 13.5% to 6.5%.

(ii) Tap reduced its participating interest in the Offshore Accra Contract Area from 40% to 17.5% in 2012.

(iii) Relates to the 50% of the exploration and evaluation portion of the carry of $20 million paid by Tap since 2010 on behalf of Northern Gulf Petroleum that is now receivable, and has therefore been transferred to other debtors.

Ultimate recoupment of this expenditure is dependent upon the continuance of the Consolidated Entity's right to tenure of the areas of interest and the discovery of commercially viable oil and gas reserves, their successful development and exploitation, or, alternatively, sale of the respective areas of interest at an amount at least equal to book value.

Impairment losses are provided when the carrying amount exceeds the recoverable amount.

Exploration expenditure is written off and any related impairment losses released when permits are relinquished or disposed.

9. Loans and Borrowings

	Consolidated		
	2014 US$'000	Restated 2013 US$'000	Restated 1 January 2013 US$'000
Secured bank loans – at amortised cost			
Amount drawn	65,400	-	-
Transaction costs	(1,145)	-	-
	64,255	-	-
Current	12,850	-	-
Non-current	51,405	-	-
	64,255	-	-

During the period the Consolidated entity entered into a combined borrowing base facility with BNP Paribas for up to $90 million. Effective 1 December 2014, BNP Paribas syndicated 33.3% of the facility to Siam Commercial Bank. The facility is secured over the Manora development assets (with a carrying value of $134.4 million at 31 December 2014) and the third party gas assets (these are forward contracts and do not have a book value). The effective interest rate is 5.98%. Final Maturity date of the facility is May 2018.

10. Trade and other payables

	Consolidated		
	2014 US$'000	Restated 2013 US$'000	Restated 1 January 2013 US$'000
Trade payables (i)	1,451	15,608	2,589
Share of joint operations' payables	15,085	25,268	8,088
Goods and services tax (GST) payable	338	121	296
Other payables	5,344	4,834	4,152
Income received in advance	4,869	2,358	5,674
	27,087	48,189	20,799

(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.

11. Provisions

	Consolidated		
	2014 US$'000	**Restated 2013 US$'000**	**Restated 1 January 2013 US$'000**
<u>Current</u>			
Employee benefits	387	539	738
Restoration costs	2,133	2,629	2,859
	2,520	3,168	3,597
<u>Non-current</u>			
Employee benefits	94	121	160
Restoration costs	22,955	12,569	14,781
	23,049	12,690	14,941
Restoration costs provision			
Reconciliation of movement:			
Opening balance	15,198	17,640	16,422
Increase resulting from re-measurement	11,240	30	2,565
Reductions resulting from re-measurement or settlement without cost	(57)	(206)	-
Unwinding of discount	375	533	549
Restoration costs incurred	(368)	(320)	(1,896)
Foreign exchange movement	(1,300)	(2,479)	-
Closing balance	25,088	15,198	17,640

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 2022.

12. Issued capital

	Consolidated		
	2014 US$'000	Restated 2013 US$'000	Restated 1 January 2013 US$'000
243,186,639 fully paid ordinary shares (2013: 242,115,528)	133,175	133,175	133,175

	2014		2013	
	No. '000	US$'000	No. '000	Restated US$'000
Fully paid ordinary shares				
Balance at beginning of financial year	242,116	133,175	241,295	133,175
Issue of shares under share-based payment schemes (note 22)	1,071	-	821	-
Balance at end of financial year	243,187	133,175	242,116	133,175

During the year, 1,071,111 shares (2013: 821,217) were issued as a result of employee retention share rights.

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 12,128,057 (2013: 13,146,676) outstanding performance and retention rights over ordinary shares at 31 December 2014. A total of 1,071,111 of the performance and retention rights vested during the year ended 31 December 2014 (2013: 1,031,664).

- A total of 2,833,220 (2013: 2,313,136) performance and retention rights were forfeited during the 2014 financial year. A total of 1,019,863 performance rights and retention rights lapsed during the 2014 financial year (2013: 2,833,220).

- 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 22 to the financial statements.

13. Reserves

Nature and purpose of reserves

Share options and rights reserve

The share options reserve and the share rights reserve reflect the cost of share related share-based payments – refer note 1(r) explaining the grant date fair value of options and rights issued to employees but not exercised.

The reserve comprises the credit to equity for equity-settled share-based payment arrangements under AASB 2 – Share-based payments. The standard requires that the expense be charged to the profit and loss component of the statement of comprehensive income, while a credit needs to be raised against equity over the vesting period.

For further information on the share-based payment schemes refer note 22.

Foreign currency translation reserve

Used to record foreign exchange differences arising from the translation of the financial statements of foreign entities from their functional currency to the Consolidated Entity's presentation currency. The reserve is recognised in the Statement of Comprehensive Income when the net investment is disposed.

Current year profit reserve

A profit reserve has been created in selected entities within the tax consolidated group (refer note 19). The balance represents an appropriation of amounts from retained earnings for the payment of future dividends.

14. Earnings per share

	Consolidated	
	2014 Cents per share	Restated 2013 Cents per share
Basic and diluted earnings per share	(17.6)	(15.8)
Basic earnings per share:		
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:	**2014 US$'000**	**Restated 2013 US$'000**
Earnings used in the calculation of basic earnings per share from continuing operations	(42,705)	(38,128)
	2014 No.'000	**2013 No.'000**
Weighted average number of ordinary shares for the purposes of basic earnings per share	242,723	241,241

14. Earnings per share (cont'd)

Diluted earnings per share:

	Consolidated	
The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:	**2014 US$'000**	**Restated 2013 US$'000**
Earnings used in the calculation of diluted earnings per share from continuing operations	(42,705)	(38,128)
	2014 No.'000	**2013 No.'000**
Weighted average number of ordinary shares for the purposes of diluted earnings per share (a)	242,723	241,316

(a) The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2014 No.'000	**2013 No.'000**
Weighted average number of ordinary shares used in the calculation of diluted EPS	242,723	241,316

15. Commitments for expenditure

(a) Capital expenditure commitments

Committed expenditures that have not been provided for in the financial statements:

Property, plant and equipment		
Not longer than 1 year	9,032	65,268
Longer than 1 year and not longer than 5 years	-	4,900
Longer than 5 years	-	-
	9,032	70,168
Exploration expenditure		
Not longer than 1 year	8,694	14,796
Longer than 1 year and not longer than 5 years	2,122	5,899
Longer than 5 years	-	-
	10,816	20,695

These commitments represent Tap's share of joint operations' commitments. The commitments for exploration expenditure include the minimum expenditure requirements of various government regulatory bodies and joint operations that the Consolidated Entity is required to meet in order to retain its present permit interests. These obligations may be subject to renegotiation, may be farmed out or may be relinquished. No amounts have been included for permits where an application for renewal has been made to the designated authority and is pending.

The property, plant and equipment commitments represent Tap's share of the G1/48 Joint operation commitments in respect of the Manora Development.

15. Commitments for expenditure (cont'd)

Under the terms of the Good Standing Agreement entered into with the Joint Authority in relation to T/47P in October 2013, Tap is required to spend A$5.8 million in order to maintain its good standing with the Joint Authority. Any expenditure to be credited against this obligation must be expended on field activities within the primary terms of Qualifying Permits in Australian waters. This includes both prime acreage and re-release areas and must be obtained by the completion of the 2015 Acreage Release. This amount is not included in the commitments table above.

(b) Lease commitments

Non-cancellable operating lease commitments are disclosed in note 16 to the financial statements.

16. Leases

Operating leases

Leasing arrangements

The Consolidated Entity has non-cancellable operating leases for the following:

(i) Office premises – the premises lease expires on 31 January 2018

(ii) Office equipment – the copy management plan expires on 29 November 2015.

	Consolidated	
	2014 US$'000	**2013 US$'000**
Non-cancellable operating lease commitments		
Not longer than 1 year	514	536
Longer than 1 year and not longer than 5 years	1,129	1,792
Longer than 5 years	-	-
	1,643	2,328

17. Segment information

The Consolidated Entity derives its revenue from the sale of oil & gas.

Information reported to the Consolidated Entity's chief operating decision maker for the purposes of resource allocation and assessment of performance is focussed on the separate divisions managed by each individual member of senior management. Based on this, the Consolidated Entity's reportable segments under AASB 8 are as follows:

- Oil & gas production and development
- Oil & gas exploration
- Third party gas

The oil & gas production and development segment includes the assets moved from the exploration phase to the development phase. This segment also includes producing assets. The Manora (G1/48) development asset is included here as it commenced production during Nov 2014. There were no producing assets at 31 December 2013.

The oil & gas exploration segment includes all the areas of interest still in their exploration phase. This segment primarily incurs the exploration expenditure in the Consolidated Entity.

The Third party gas segment includes the purchases and sale of gas. The gas purchases are based on contracted quantities and sales are done via agreements with customers or in certain instances via market sales. The segment is managed by the Commercial Manager.

17. Segment information (cont'd)

The following is an analysis of the Consolidated Entity's revenue and results from continuing operations by reportable operating segment for the periods under review:

	Revenue		Segment result	
	2014 US$'000	Restated 2013 US$'000	2014 US$'000	Restated 2013 US$'000
Oil & gas production and development	1,833	-	(22,179)	(1,265)
Oil & gas exploration	-	-	(58,353)	(48,251)
Third party gas	24,717	26,118	14,188	12,430
	26,550	26,118	(66,344)	(37,086)
Interest revenue			185	1,669
Finance costs			(1,846)	(465)
Central administration costs			(4,650)	(3,118)
Foreign exchange gain/(loss)			81	3,271
Other expenses			(2,016)	(2,567)
Loss before tax			(74,590)	(38,296)
Income tax benefit/(expense)			31,885	167
Loss for the year from continuing operations			(42,705)	(38,129)

Segment revenues and results

Segment profit/(loss) represents the profit earned by each segment or loss made by each segment without the allocation of centralised administration expenses, recoveries of administration expenses recognised on a Consolidated Entity level, interest revenue, foreign exchange losses and income tax benefits.

The revenue represents oil and gas sales (2013: gas sales) to external customers with no intersegment sales during the period. All of the $1.887 million oil revenue was sold to one customer. Included in revenues arising from direct sales of third party gas of $24.7 million (2012: $27.0 million) are revenues of $22.7 million (2013: $14.1 million) which arose from sales to the Consolidated Entity's largest third party gas customer.

17. Segment information (cont'd)

Segment assets and liabilities

The following is an analysis of the Consolidated Entity's assets and liabilities by reportable operating segment for the periods under review:

	Assets		Liabilities	
	2014 US$'000	Restated 2013 US$'000	2014 US$'000	Restated 2013 US$'000
Oil & gas production and development	153,958	96,728	41,297	50,683
Oil & gas exploration	25,898	81,995	3,466	6,135
Third party gas	5,142	8,417	6,189	8,252
Total segment assets and liabilities	184,998	187,140	50,952	65,070
Unallocated assets and liabilities	39,654	41,638	65,959	12,695
Consolidated total assets and liabilities	224,652	228,778	116,911	77,765

For the purpose of measuring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible, intangible and financial assets attributable to each segment. All assets and liabilities are allocated to reportable segments except for cash and cash equivalents and tax-related assets and liabilities.

Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2014 US$'000	Restated 2013 US$'000	2014 US$'000	Restated 2013 US$'000
Oil & gas production and development	938	70	67,758	33,496
Oil & gas exploration	-	-	3,774	43,466
Other	72	113	33	11
	1,010	183	71,565	76,974

In addition to the depreciation and amortisation expense reported above, exploration expenditure write-downs/impairment losses of $57.2 million (2013: $47.1 million) were recognised in respect of exploration and evaluation assets. Impairment losses of $20.8 million (2013: nil) were also recognised in respect of property, plant and equipment. Both the exploration and evaluation assets and property, plant and equipment write-downs/impairment losses were attributable to oil & gas exploration and oil & gas production and development. There were no other material non-cash expenses attributable to individual segments.

<u>Geographical information</u>

The Consolidated Entity operates in two principal geographical areas – Australia and Asia .

	Revenue from external customers		Non-current assets	
	2014 US$'000	Restated2013 US$'000	2014 US$'000	Restated 2013 US$'000
Australia	24,717	26,118	34,513	69,778
Asia	1,833	-	141,309	102,437
	26,550	26,118	175,822	172,215

18. Interests in joint operations

The Consolidated Entity has interests in numerous joint operations in Australia and Thailand. The principal activity of the joint operations is oil & gas exploration and production.

Refer to the table below for a full list of the licences and permits held by the Consolidated Entity.

	Working interest (%)	
	2014	**2013**
Exploration permits		
Western Australia		
TP/7	12.47	12.47
WA-8-L	20.00	20.00
WA-33-R	22.47	22.47
WA-34-R	12.00	12.00
WA-49-R	10.00	10.00
WA-290-P	10.00	10.00
WA-320-P	9.78	9.78
WA-155-P	13.55	13.55
WA-351-P	20.00	20.00
Ghana		
Offshore Accra Contract Area[(i)]	-	17.50
Thailand		
G1/48	30.00	30.00
G3/48	30.00	30.00
Production & Pipeline Licences		
Western Australia		
TL/2	10.00	10.00
WA-22-L	15.00	15.00
WA-25-L	15.00	15.00
PL/14	10.00	10.00
TPL/3	10.00	10.00
TPL/4	10.00	10.00
TPL/7	10.00	10.00

(i) Tap withdrew from the Offshore Accra Contract Area on 23 April 2014. Final approval was obtained from the Ministry of Energy and Petroleum in November 2014.

The Consolidated Entity has a material joint operation, Manora Oil Development. The Consolidated Entity has a 30% share in the ownership of Manora 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.

18. Interests in joint operations (cont'd)

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	
	2014 US$'000	**Restated 2013 US$'000**
Current assets		
Cash	9,562	2,598
Receivables	4,330	3,757
Inventories	10,679	2,950
Total current assets	24,571	9,305
Non-current assets		
Property, plant and equipment	134,387	91,066
Exploration and evaluation assets	21,083	80,967
Total non-current assets	155,470	172,033
Total assets	180,041	181,338
Current liabilities		
Trade and other payables	15,085	25,268
Provision for restoration	2,133	2,629
Total current liabilities	17,218	27,897
Non-current liabilities		
Provision for restoration	22,955	12,569
Total non-current liabilities	22,955	12,569
Total liabilities	40,173	40,466
Net assets	139,868	140,872
Revenues	1,887	239
Cost of sales	(1,928)	(38)
Other (expenses)/income	(238)	945
(Loss)/profit before income tax	(279)	1,146

Capital commitments and contingent liabilities

The capital commitments arising from the Consolidated Entity's interests in joint operations are disclosed in note 15. No contingent liabilities have been identified beyond those set out in note 26.

19. Subsidiaries

Name of entity	Country of incorporation	Ownership interest 2014 %	2013 %
Parent entity			
Tap Oil Limited [(i)]	Australia		
Subsidiaries [(ii)]			
Tap West Pty Ltd	Australia	100	100
Tap (Shelfal) Pty Ltd	Australia	100	100
Tap (New Zealand) Pty Ltd	Australia	100	100
Tap Oil (Philippines) Pty Ltd	Australia	100	100
Tap (Ghana) Pty Ltd	Australia	100	100
Tap Oil (Ghana) Ltd [(iii)]	Ghana	100	100
Tap Energy (Rangkas) Pty Ltd	Australia	100	100
Tap Bass Pty Ltd [(iv)]	Australia	100	100
Tap Energy (Thailand) Pty Ltd	Australia	100	100
Tap (Zola) Pty Ltd [(v)]	Australia	100	100
Tap (WA Gas) Pty Ltd [(v)]	Australia	100	100
Tap Energy (Finance) Pty Ltd [(vi)]	Australia	100	100
Tap Energy (GOT) Limited [(vii)]	Thailand	-	100
Tap (Shale) Pty Ltd	Australia	100	100
Tap (Maitland) Pty Ltd [(viii)]	Australia	100	100
Tap (SCB) Pty Ltd [(ix)]	Australia	100	100
Tap (NCB) Pty Ltd [(x)]	Australia	100	100
Tap (Alpha) Pty Ltd [(xi)]	Australia	100	100
Tap (Bonaparte) Pty Ltd [(xii)]	Australia	100	100
Tap Energy (Australia) Pty Ltd [(xiii)]	Australia	100	100
Tap Energy (SE Asia) Pte Ltd [(xiv)]	Singapore	100	-
Tap Energy (M-7) Pte Ltd [(xv)]	Singapore	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 Oil (Ghana) Ltd is a wholly owned subsidiary of Tap (Ghana) Pty Ltd.

(iv) Tap Bass Pty Ltd is a wholly owned subsidiary of Tap Energy (Australia) Pty Ltd.

(v) Tap (Zola) Pty Ltd is a wholly owned subsidiary of Tap Energy (Australia) Pty Ltd.

(vi) Tap Energy (Vietnam) Pty Ltd changed its name to Tap Energy (Finance) Pty Ltd on 24 April 2014.

(vii) Tap Energy (GOT) Limited was a wholly owned subsidiary of Tap Energy (Thailand) Pty Ltd. Tap Energy (GOT) Limited was registered for dissolution on 2 July 2013 and completed liquidation on 13 June 2014.

(viii) Tap (Maitland) Pty Ltd is a wholly owned subsidiary of Tap Energy (Australia) Pty Ltd.

(ix) Tap (SCB) Pty Ltd is a wholly owned subsidiary of Tap Energy (Australia) Pty Ltd.

(x) Tap (NCB) Pty Ltd is a wholly owned subsidiary of Tap Energy (Australia) Pty Ltd.

(xi) Tap (Alpha) Pty Ltd is a wholly owned subsidiary of Tap Energy (Australia) Pty Ltd.

(xii) Tap (Bonaparte) Pty Ltd was incorporated on 24 April 2013 and is a wholly owned subsidiary of Tap Energy (Australia) Pty Ltd.

(xiii) Tap (Amulet) Pty Ltd was incorporated on 24 April 2013 and changed its name to Tap Energy (Australia) Pty Ltd.

(xiv) Tap Energy (SE Asia) Pte Ltd was incorporated on 26 September 2014.

(xv) Tap Energy (M-7) Pte Ltd was incorporated on 26 September 2014 and 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 is the purchase and subsequent sale of gas.

20. Notes to the cash flow statement

	Consolidated 2014 US$'000	Consolidated Restated 2013 US$'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	7,781	38,936
Restricted cash and cash equivalents[(i)]	6,253	-
	14,034	38,936

(i) Under the terms of the BNP borrowing base facility, as at 31 December 2014 these funds can only be used toward the assets secured under the facility (Manora and G1/48 commitments and the third party gas assets).

	2014 US$'000	Restated 2013 US$'000
(b) Reconciliation of loss for the period to net cash flows from operating activities		
Loss for the year – continuing operations	(42,705)	(38,128)
Depreciation and amortisation of non-current assets	1,010	183
Foreign exchange (gain)/loss	(81)	-
Equity settled share-based payments	719	836
Property, plant and equipment impairment	20,886	-
Exploration impairment losses/write-downs	57,179	45,634
Furniture and equipment write downs	(34)	-
Non-cash interest expense	375	532
Finance costs paid	1,007	430
Rehabilitation/restoration expense adjustments	(31)	(135)
Unrealised foreign exchange differences	-	(780)
(Decrease)/increase in current tax balances	-	(7,287)
Increase/(decrease) in deferred tax balances	(31,885)	2,631
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Current receivables	(163)	(2,485)
Current inventories	-	263
Other current assets	815	1,162
(Decrease)/increase in liabilities:		
Current payables	(3,714)	131
Employee provisions	(178)	(115)
Unearned revenue	2,511	(2,531)
Net cash (used in)/provided by operating activities	5,711	341

21. Financial instruments

(a) Capital risk management

The Consolidated Entity manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Consolidated Entity consists of net debt (borrowings as detailed in note 9 offset by cash and bank balances) and equity attributable to equity holders, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

The Consolidated Entity's Board of Directors reviews the capital structure on an ongoing basis to ensure there are sufficient capital facilities in place to meet funding requirements for at least the next 12 months. As a part of this review the Board of Directors considers the cost of capital and the risks associated with each class of capital. The debt portfolio is managed by monitoring forecast liquidity against the debt portfolio, to ensure a minimum equity buffer is accessible at all times.

As at December 2014, the Consolidated Entity has a borrowing base facility of up to $90 million of which $64 million had been drawn down (see note 9).

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(c) Categories of financial instruments

	Consolidated	
	2014 US$'000	**Restated 2013 US$'000**
Financial assets		
Cash and cash equivalents	14,034	38,936
Trade and other receivables	20,785	10,529
Financial liabilities		
Trade and other payables	27,087	48,189
Loans and Borrowings at amortised costs	64,255	-

(d) Financial risk management objectives

The Consolidated Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Consolidated Entity's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives.

The Consolidated Entity's operations expose it primarily to the financial risks of changes in crude oil prices and foreign currency exchange rates. The Consolidated Entity may enter into a variety of derivative financial instruments to manage its exposure to crude oil price and foreign currency risk, including:

- forward oil price contracts; and
- forward foreign exchange contracts.

21. Financial instruments (cont'd)

(e) Oil price risk management

The Consolidated Entity's revenue is exposed to oil price fluctuations. Exposure to oil price risk is measured by monitoring and stress testing the Consolidated Entity's forecast financial position to sustained periods of low oil prices. This analysis is regularly performed on the Consolidated Entity's portfolio and, as required, for discrete projects and acquisitions.

Commodity hedging may be undertaken where the Board of Directors determines that a hedging strategy is appropriate to mitigate potential periods of adverse movements in commodity price. This will be balanced against the desire to expose shareholders to oil price upside. Commodity hedging may also be undertaken when there is a hedging requirement under a lending facility. There were no commodity hedges undertaken during the year.

(f) Oil Price sensitivity

The following table details the Consolidated Entity's sensitivity to a 10% and 20% increase and decrease in the oil price. Sensitivities to such possible movements are used when reporting oil price risk internally to key management personnel to represent management's near term assessment of the possible change in oil prices. The sensitivity analysis below includes current year sales levels varied by a 10% and 20% increase in the Consolidated Entity's average oil price. A positive number indicates an increase in profit and equity where the oil price increases. For a 10% and 20% decrease in the Australian dollar oil price, there would be a comparable impact on the profit and equity, and the balances below would be negative.

	Consolidated	
	Oil Price Impact	
	2014 US$'000	2013 US$'000
Profit or loss: 10%	183	-
Profit or loss: 20%	367	-

(g) Foreign currency risk management

Foreign currency risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the functional currency in which they are measured.

For Tap Energy (Thailand) Pty Ltd which owns the interest in the Manora oil field, the functional currency is USD. Manora crude revenue, local taxes and some expenses are denominated in Thai Baht and hence are exposed to foreign currency risk.

For all group companies except for Tap Energy (Thailand) Pty Ltd, the functional currency is Australian dollars (AUD). Some items of capital expenditure relating to the Australian exploration portfolio can be denominated in USD such as drilling or seismic. Some corporate administration costs such as insurance may also be denominated in USD. As a result, such items are exposed to foreign currency risk.

Measuring the exposure to foreign exchange risk is achieved by regularly monitoring and stress testing the Consolidated Entity's forecast financial position to sustained periods of adverse foreign exchange rates.

A foreign exchange hedging strategy may be undertaken to mitigate the negative impacts of adverse exchange rates on the Consolidated Entity's forecast cash flows.

21. Financial instruments (cont'd)

The Consolidated Entity's exposure to foreign currency balances (compared to the presentation currency of USD) at year end is contained in the table below:

	Consolidated			
	Assets		Liabilities	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Australian Dollars	5,685	16,192	9,537	9,888
Thai Baht	1,957	-	-	-

(h) Foreign currency sensitivity

The Consolidated Entity is mainly exposed to Australian dollars (AUD) and Thai Baht (THB).

The following table details the Consolidated Entity's sensitivity to a 10% and 20% increase and decrease in the Australian dollar and Thai Baht against the US dollar. Management considers foreign exchange sensitivity when reporting foreign currency risk internally to key management personnel. Management continually monitors exchange rate forecasts and assesses the impact of possible changes in foreign exchange rates. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% and 20% strengthening in foreign currency rates.

	Consolidated	
	US Dollar Impact	
	2014 $'000	2013 $'000
Australian Dollars:		
Profit or loss: 10%	(385)	630
Profit or loss: 20%	(770)	1,261
Thai Baht:		
Profit or loss: 10%	196	-
Profit or loss: 20%	391	-

(i) Interest rate risk management

Interest rate risk is the risk that the Consolidated Entity's financial position will fluctuate due to changes in market interest rates. The Consolidated Entity's exposure to the risk of changes in market interest rates relates primarily to long term debt obligations, cash and short term deposits.

The Consolidated Entity's exposure to interest rate risk is measured by monitoring the interest rate ratio within the current and forecast debt portfolio to determine the current and forecast fixed rate debt to total debt interest rate ratio. In general, the forecast fixed rate debt to total debt interest rate ratio is managed through the appropriate choice of funding instrument, but when this cannot be prudently achieved, the Board of Directors may authorise the implementation of interest rate hedge transactions. There were no interest rate hedges undertaken during the year.

(j) Interest rate sensitivity

The sensitivity analysis below has been determined based on exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the year. Varying sensitivities are used when reporting interest rate risk internally to key management personnel that represent management's assessment of the possible change in interest rates.

21. Financial instruments (cont'd)

At the reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Consolidated Entity's profit or loss and equity for the year will be impacted as follows:

	Consolidated	
	Interest Rate Impact	
	2014 $'000	2013 $'000
Profit or loss: 50 basis points increase	(268)	182
Profit or loss: 50 basis points decrease	268	(182)

(k) Credit risk management

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument, resulting in a financial loss to the Consolidated Entity. Credit risk arises from the financial assets of the Consolidated Entity, which comprise trade and other receivables and deposits with banks and financial instruments.

The Consolidated Entity has adopted a policy of only dealing with creditworthy customers and counterparties. Receivable balances are monitored on an ongoing basis with the result that the Consolidate Entity's exposure to bad debts is not significant.

The Consolidated Entity may at times have a high credit risk exposure to a single customer in relation to oil liftings or gas sales. The above-mentioned credit risk management procedures are followed in these instances. Of the total trade receivables balance of $5.590 million in the Consolidated Entity at 31 December 2014 (2013: $6.167 million), $4.146 million (2013: $4.604 million) relate to the two (2013: two) largest customers. Included in the trade receivables balance at 31 December 2014 is an amount of $1.706 million from Apex Gold Pty Ltd which was provided for in 2013.

The credit risk on liquid funds and derivative financial instruments is limited as the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Consolidated Entity's maximum exposure to credit risk.

(l) Liquidity risk management

Liquidity risk is the risk that the Consolidated Entity will not have sufficient funds available to meet its financial commitments as and when they fall due. Liquidity is monitored and managed on an ongoing, forward-looking basis with day-to-day liquidity requirements met by drawing on internally generated cash flows, existing cash balances and existing debt facilities.

21. Financial instruments (cont'd)

(m) Maturity profile of financial instruments

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date the Consolidated Entity can be required to pay. The following table details the Consolidated Entity's exposure to liquidity risk:

	Consolidated					
	Weighted average effective interest rate %	Less than 1 month $'000	1-3 months $'000	3 months to 1 year $'000	1–5 years $'000	Total $'000
2014						
Financial Assets						
Non-interest bearing		28,163	-	-	-	28,163
Variable interest rate	1.27%	10,551	-	-	-	10,551
Fixed interest Rate	3.55%	-	-	-	183	183
		38,714	-	-	183	38,897
Financial Liabilities						
Non-interest bearing		27,087	-	-	-	27,087
Variable interest rate	5.98%	-	-	12,850	51,405	64,255
		27,087	-	12,850	51,405	91,342
2013						
Financial Assets						
Non-interest bearing		13,133	-	-	-	13,133
Variable interest rate	0.39%	33,448	-	-	-	33,448
Fixed interest Rate	3.55%	-	2,684	200	-	2,884
		46,581	2,684	200	-	49,465
Financial Liabilities						
Non-interest bearing		48,189	-	-	-	48,189
		48,189	-	-	-	48,189

(n) Fair value of financial instruments

Except as detailed in the following table, the directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The following table details the fair value of financial assets and financial liabilities, which represents a reasonable approximation of the carrying value of the financial assets and liabilities:

	Consolidated			
	Carrying amount		Fair value	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Financial assets				
Cash and cash equivalents	14,034	38,936	14,034	38,936
Trade and other receivables	20,785	10,530	20,785	10,530
	34,819	49,466	34,819	49,466
Financial liabilities				
Trade and other payables	27,087	48,189	27,087	48,189
Loans and borrowings	64,255	-	64,255	-
	91,342	48,189	91,342	48,189

Fair values are determined based on Level 1 inputs as set out in the Basis of preparation in note 1. There are no fair values based on Level 2 and 3 inputs.

22. Share-based payments

Tap currently has the Tap Share Rights Plan as its share-based payment scheme. This plan was first approved by shareholders on 30 April 2010 and again on 22 May 2013.

Performance Rights

Long-term incentive awards are made in the form of rights to shares which will have a vesting timeframe of three years. The rights have a total legal life of seven years from the grant date. The number of rights that vest will be based on the Consolidated Entity's performance over the same three years. The long-term incentive awards are made by way of the grant of Performance Rights as soon as practicable after each year end. Grants of Performance Rights will be made each year with effect from 1 January.

- Vesting of up to 50% of the Performance Rights depends upon the Consolidated Entity's Absolute Total Shareholder Return (ATSR) over three years and up to 50% depends upon Relative Total Shareholder Return (RTSR). The ATSR and RTSR performance hurdles required to achieve increasing levels of vesting will be set by the Board to apply from 1 January of the relevant year. For the Performance Rights granted in 2014 and 2013 as long-term incentive awards, the Board has set the following ATSR and RTSR performance hurdles:

Assess 50% of Rights Against ATSR	
Average Annual ATSR over 3 years	**% of Rights which will vest after 3 years**
<5%	0%
=5%	12.5%
=15%	25%
≥25%	50%

Assess 50% of Rights Against RTSR	
Relative TSR (Relative Percentile Ranking of TSR against peers over 3 years)	**% of Rights which will vest after 3 years**
<P50%	0%
=P50%	12.5%
=P62.5	25%
≥P75%	50%

Vesting characteristics of the Performance Rights are as follows:

1. Performance measurement period is three years, which is consistent with the typical time cycle for an exploration program and the Consolidated Entity's strategic emphasis on exploration.

2. Performance is based on differences in ATSR and RTSR as measured from the end of one preceding period to the end of the 3-year assessment period. The ATSR and RTSR use the 30-day VWAP of the Consolidated Entity's shares preceding and including the last day of each measurement period.

3. RTSR is assessed against a peer group of like companies determined by the Board before the start of each assessment period or as soon as practical thereafter. In 2014, the Consolidated Entity used a group of 31 (2013: 30) petroleum industry companies which are listed on the ASX and whose market capitalisation ranged from approximately $12 million to $850 million.

Retention Rights

Retention Rights are issued to staff pursuant to the terms of the Share Rights Plan upon or as soon as practicable after commencement of employment. Such rights would vest if the employee remains employed by the Consolidated Entity for three years. The rights have a total legal life of seven years from the grant date. Retention Rights are valued at 100% of the 30-day volume-weighted average share price (VWAP) of the Consolidated Entity's shares preceding the date of grant.

Special Awards

The Board retains the discretion to make Special Awards each year. Special Awards can be in the form of Performance Rights and/or Retention Rights. Special Awards are granted to individual staff or Group Executives who are judged by the Board to have made an extraordinary contribution to the current or future performance of the Consolidated Entity or who are expected to play a critical role in one of the Consolidated Entity's activities that could take 2-3 years to complete and where retention of the individual's services is seen as an important determinant of the success to that activity.

22. Share-based payments (cont'd)

Grant date	Number	Expiry date	Exercise price AU$	Fair value at grant date AU$
2014				
Performance Rights				
12/03/2014	3,865,335	1/01/2021	-	0.05
Retention Rights				
12/03/2014	40,241	12/02/2015	-	0.50
2013				
Performance Rights				
16/01/2013	3,619,430	1/01/2020	-	0.12
16/01/2013	288,197	1/01/2020	-	0.11
24/05/2013	5,000,000	24/05/2020	-	0.00
Retention Rights				
16/01/2013	198,729	13/12/2019	-	0.63
16/07/2013	31,289	4/02/2020	-	0.65
16/07/2013	36,564	15/07/2020	-	0.49
22/07/2013	446,959	27/06/2020	-	0.49
6/09/2013	30,840	29/07/2020	-	0.53
20/09/2013	19,877	19/08/2020	-	0.54
20/09/2013	22,830	1/09/2020	-	0.51
20/09/2013	14,715	2/09/2020	-	0.53
23/10/2013	50,000	14/10/2020	-	0.57

The volume weighted average fair value of the performance rights granted in 2014 is $0.05 (2013: $0.05). Performance rights issued are valued using a Monte Carlo Simulation model. The Monte Carlo Simulation model is a computer based technique where a large sample of iterations is performed, based on random numbers and their associated probabilities determined by a specified probability distribution function. The Monte Carlo Simulation model is used to determine the probability of the absolute return performance hurdles and the relative return performance hurdles being achieved.

The performance rights have no exercise price and vesting occurs after three years. Expected volatility for the ATSR performance hurdle is based on the volatility of historical 3-year performance period returns using 30-day VWAP share price data. Expected volatility for the RTSR performance hurdle is based on the volatility of historical 3-year performance period returns using 30-day VWAP share price data of Tap Oil Limited shares compared to its peer group.

The volume weighted average fair value of the retention rights granted in 2014 is $0.50 (2013: $0.05). Retention rights are valued using the Black Scholes model with the life of the rights assumed to be three years, which is the same as the vesting period of the retention rights (based on employees remaining in the Consolidated Entity's employment for three years as the condition for rights vesting). The retention rights have no exercise price and no other performance conditions, except that the employees need to be in the Consolidated Entity's employment after a period of three years, resulting in the fair value of the retention rights being equal to the 30-day VWAP share price at the date of grant (the volatility and risk-free rate included as inputs to the Black Scholes model will be irrelevant). Expected volatility is based on the historical 30-day VWAP share price volatility over a 3-year performance period and the risk free interest rate based on the Reserve Bank of Australia's 3-year government bond rate, both as quoted on the date of grant of the retention rights.

22. Share-based payments (cont'd)

	Inputs into the model						
Rights series (by expiry date)	**Grant date share price AU$**	**Vesting probability**	**Exercise price AU$**	**Expected volatility**	**Vesting term of rights**	**Dividend yield**	**Risk-free interest rate**
2014							
Performance Rights							
1/01/2021	$0.48	10%	$0.00	10%	3yr	-	N/A
Retention Rights							
12/02/2015	$0.48	N/A	$0.00	38%	1yr	-	2.70%

	Inputs into the model						
Rights series (by expiry date)	**Grant date share price AU$**	**Vesting probability**	**Exercise price AU$**	**Expected volatility**	**Vesting term of rights**	**Dividend yield**	**Risk-free interest rate**
2013							
Performance Rights							
1/01/2020	$0.66	19%	$0.00	9%	3yr	-	N/A
1/01/2020	$0.66	17%	$0.00	9%	2yr	-	N/A
24/05/2020	$0.53	19%	$0.00	10%	3yr	-	N/A
Retention Rights							
13/12/2019	$0.66	N/A	$0.00	38%	1yr	-	2.75%
4/02/2020	$0.53	N/A	$0.00	38%	3yr	-	2.69%
15/07/2020	$0.53	N/A	$0.00	38%	3yr	-	2.69%
27/06/2020	$0.54	N/A	$0.00	38%	1yr	-	2.54%
29/07/2020	$0.50	N/A	$0.00	38%	3yr	-	2.90%
19/08/2020	$0.54	N/A	$0.00	38%	3yr	-	2.90%
1/09/2020	$0.54	N/A	$0.00	38%	3yr	-	2.90%
2/09/2020	$0.54	N/A	$0.00	38%	3yr	-	2.90%
14/10/2020	$0.56	N/A	$0.00	38%	3yr	-	2.95%

The following reconciles the outstanding share rights granted at the beginning and end of the financial year:

	2014		2013	
	Number of rights	**Weighted average exercise price AU$**	**Number of rights**	**Weighted average exercise price AU$**
Balance at beginning of the financial year	13,146,675	-	8,857,048	-
Granted during the financial year	3,905,576	-	9,759,430	-
Forfeited during the financial year	(2,833,220)	-	(2,313,136)	-
Vested during the financial year (i)	(1,071,111)	-	(1,031,664)	-
Lapsed during the financial year	(1,019,863)	-	(2,125,003)	-
Balance at end of the financial year (ii)	12,128,057	-	13,146,675	-

22. Share-based payments (cont'd)

(i) Vested during the financial year

No performance rights vested during the 2014 financial year (2013: 113,265). A total of 1,071,111 retention rights vested during the 2014 financial year (2013: 918,399).

(ii) Balance at end of the financial year

The performance rights and retention rights outstanding at the end of the financial year had no exercise prices and had a weighted average remaining contractual life of 1,903 days (2013: 2,047 days).

(i) Exercised during the financial year

There were no options exercised during the 2014 financial year (2013: nil).

23. Key management personnel compensation

After consideration of the nature of each employee's role within the Consolidated Entity, in the opinion of the Board the Consolidated Entity had the following key management personnel during the financial year:

Non-Executive Directors

- D W Bailey (Chairman)
- M J Sandy
- D A Schwebel

Senior Executives

- T J Hayden (Managing Director/CEO)
- B M Ulmer (Engineering and Development Manager resigned 18 June 2014)
- D J Rich (Chief Financial Officer)
- M J Williams (General Counsel/Company Secretary)
- T M Schmedje (Exploration Manager resigned 4 July 2014)
- A C Sudlow (Commercial Manager)

The aggregate compensation of the key management personnel of the Consolidated Entity is set out below:

	Consolidated	
	2014 US$000	**Restated 2013 US$000**
Short-term employee benefits	2,392	3,023
Post-employment benefits	150	171
Other long-term benefits	-	-
Termination benefits	596	-
Share-based payments	365	616
	3,503	3,810

24. Related party transactions

(a) Key management personnel compensation

Details of key management personnel compensation are disclosed in note 23 to the financial statements and in the remuneration report disclosed in the Directors report.

(b) Transactions with other related parties

Other related parties include the parent entity, joint operations in which the entity is a venturer and subsidiaries.

Amounts receivable from and payable to parties within the Tap Oil Limited Group eliminate on consolidation. The outstanding balances related to joint operations are disclosed in note 18 to the financial statements. All loans advanced to and payable to related parties are unsecured, have no fixed repayment dates and are interest-free.

The Consolidated Entity has no other outstanding commitments at 31 December 2014 with related parties (2013: nil).

25. Remuneration of auditors

	Consolidated	
	2014 US$'000	**Restated 2013 US$'000**
Audit services		
Auditor of the parent entity – Deloitte Touche Tohmatsu		
- Audit and review of financial reports	105	107
Overseas Deloitte Touche Tohmatsu firms		
- Audit of financial report	-	33
	105	140
Other auditors		
- Audit of financial report	46	24
	151	164
Other services		
Auditor of the parent entity – Deloitte Touche Tohmatsu		
- Treasury services	24	-
Other auditors		
- Taxation services	14	8
	38	8

26. Contingencies

Success payments in respect of the Manora oil field development

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

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 10mmbbls).

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 (20.2mmbbls 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.

Contractual Disputes – Apache Northwest Pty Ltd

Tap (Shelfal) Pty Ltd has been served with proceedings in the Supreme Court of Western Australia, commenced by Apache Northwest Pty Ltd (Apache). The Apache claim is for US$4.154 million plus interest and costs.

The claim is for the repayment of a portion of the moneys paid to Tap by BHP Billiton Petroleum (North West Shelf) Pty Ltd under a Farmin Agreement entered into in June 2011 between Tap and BHP Billiton, under which Tap sold to BHP Billiton a 25% interest in the WA-351-P permit offshore Carnarvon Basin. The Farmin Agreement resulted from BHP Billiton's decision to pre-empt a transaction on the same terms and conditions between Tap and Japan Australia LNG (MIMI) Pty Ltd. BHP Billiton subsequently assigned to Apache a portion of its interest in WA-351-P.

Tap denies any liability in respect of the claim made by Apache and is defending the claim. Tap has filed its defence. Tap considers the probability of any material financial outflow from the Consolidated Entity is unlikely.

27. Subsequent Events

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 the following:

Manora

a) Manora is now producing from six wells: MNA-01, MNA-02, MNA-03, MNA-05, MNA-07 and MNA-08.

   Following the end of the year, 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. MNA-08 started production on 21 February 2015.

b) The Operator (Mubadala Petroleum) has confirmed that peak production of 15,000 barrels per day (gross) has now been achieved. As at 14 February 2015, Manora had produced 1 million stock tank barrels (gross) (based on FSO official rate and corrected for shrinkage). Water injection to two wells started on 19 February 2015.

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

d) Tap has a received a proposal from the Operator to approve a capital expenditure increase for the facilities on the Manora Oil Development by effectively $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 $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 $105 million (after repayment of the carry of Northern Gulf Petroleum Pte. Ltd). These costs have not yet been approved and are not considered commitments. Tap has reserved its position on Manora cost overruns until further clarity is provided by the Operator.

Vic/P67

On 11 February 2015, Tap advised WHL that it had elected not to exercise its option to acquire 10% of the Vic/P67 permit. The final seismic cost amounts to $2,778,887 and remains payable on 31 March 2015. Upon payment, Tap will have no further obligation or liability in respect of exploration permit Vic/P67.

G3/48

Tap has withdrawn from its 30% participating interest in G3/48,Thailand. The joint venture has agreed that Tap will have no further exploration drilling obligations (including drilling) with respect to G3/48. This will result in a cost saving of $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.

Financing

On 31 January 2015, Tap announced that it had fully drawn $68.5 million of its Borrowing Base Debt Facility of up to $90 million with BNP Paribas and Siam Commercial Bank. At that time the facility size had reduced to $68.5 million due to the fall in oil price and consequent decreases in forecast net cash flows from Manora. 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:

- Tap has the ability to draw down $78.9 million (previously $68.5m) under the borrowing base;
- 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
- the 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.

The current debt repayment schedule remains less than 3 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 $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.

Assuming the facility is fully drawn as above, Tap's liability for repayments in 2015 will total $27.4 million. All these repayments are scheduled for on or after 31 July 2015.

Hedging

Tap has hedged 40% of forecast 1P Manora production over April to December 2015 at an average swap price of $62.75/bbl, (representing 495,000 barrels) to enhance the borrowing base and support Tap's cashflows.

Section 203D Notice

On 27 February 2015 the Directors of Tap Oil Limited received a notice from Mr Chatchai Yenbamroong under section 203D of the Corporations Act 2001 (Cth) of his intention to move resolutions at a meeting of Tap shareholders convened under section 249F of the Corporations Act to:

(a) remove as directors of Tap each of Messrs Douglas Bailey, Troy Hayden, Michael Sandy and any other director of Tap appointed on and from the date of receipt of the section 203D notice until the end of the general meeting of Tap shareholders at which these resolutions are considered (other than Messrs David Whitby, Alan Stein, David Johnson, James Menzies and any other person that may be nominated by Mr Yenbamroong as a director of Tap at that general meeting of Tap); and

(b) appoint each of Messrs David Whitby, Alan Stein, David Johnson and James Menzies as directors of Tap.

Mr Yenbamroong, who is the executive director and controller of Northern Gulf Petroleum Holdings Ltd (NGPH), currently has voting power to approximately 19.98% of Tap, having recently increased its shareholding in Tap from approximately 6% to 19.98% of Tap's total issued capital through various on-market trades. Please refer to the ASX announcement dated 27 February 2015 for further information.

28. Parent entity disclosures

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 1 for a summary of the significant accounting policies relating to the Consolidated Entity.

	Parent Entity	
	2014 US$'000	**Restated 2013 US$'000**
Financial Position of parent entity at year end		
Assets		
Current assets	124,398	150,082
Non-current assets	1,628	27,986
Total assets	126,026	178,068
Liabilities		
Current liabilities	5,860	165
Non-current liabilities	3,044	138
Total liabilities	8,904	303
Net assets	117,122	177,765
Total equity of the parent entity comprising of:		
Issued capital	133,175	133,175
Retained earnings	(55,327)	16,015
Share option reserve	3,526	3,526
Share rights reserve	2,800	2,081
Foreign Currency Translation Reserve	(26,872)	(1,815)
Profit reserve	59,818	24,783
Total equity	117,122	177,765
Results of the parent entity		
(Loss)/profit for the year	(23,701)	24,783
Total comprehensive income	(23,701)	24,783

Guarantees entered into by the parent entity

Parent company guarantees are extended on a case by case basis. Tap Oil Ltd has provided a number of performance guarantees for subsidiaries under the terms of joint operations operating agreements and agreements with Governments pertaining to oil & gas exploration.

Tap Oil Limited has parent company guarantees in place which guarantees the obligations of Tap Energy (Thailand) Pty Ltd under the Petroleum Concessions for the G1/48 and G3/48 Permit Areas, Thailand.

Tap Oil Limited has parent company guarantees in place which guarantees the obligations of Tap (WA Gas) Pty Ltd under gas sale agreements.

Tap Oil Ltd guarantees to BNP Paribas the punctual performance by Tap Energy (Thailand) Pty Ltd of its obligations under an ISDA Master Agreement with BNP Paribas.

Each of Tap Oil Limited; Tap Energy (Thailand) Pty Ltd and Tap (WA Gas) Pty Ltd jointly and severally guarantee to BNP Paribas and Siam Commercial Bank the punctual performance by Tap Oil Ltd; Tap Energy (Thailand) Pty Ltd and Tap (WA Gas) Pty Ltd of its obligations under the Borrowing Base facility with BNP Paribas and Siam Commercial Bank and associated finance documents.

Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2014 other than those disclosed in note 26.

28. Parent entity disclosures

Lease commitments of the Parent entity

Operating leases

Leasing arrangements

The Parent Entity has non-cancellable operating leases for office premises (the premises lease expires on 31 January 2018) and Office equipment (the copy management plan expires on 29 November 2015).

	Parent Entity	
	2014 US$'000	**Restated 2013 US$'000**
Non-cancellable operating lease commitments		
Not longer than 1 year	514	536
Longer than 1 year and not longer than 5 years	1,129	1,792
Longer than 5 years	-	-
	1,643	2,328

29. General information

Tap Oil Limited is a listed public company, incorporated in Australia.

Tap Oil Limited's registered office and its principal place of business are as follows:

Registered office
Level 1, 47 Colin Street
West Perth WA 6005
Ph: +61 8 9485 1000

Principal place of business
Level 1, 47 Colin Street
West Perth WA 6005
Ph: +61 8 9485 1000