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The Company Announcements Platform
Australian Securities Exchange
Exchange Centre
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COMPANY UPDATE AND RIGHTS ISSUE

- **Tap to undertake significant reorganisation to reflect the current lower oil price environment**
- **BNP debt facility to be restructured to provide additional liquidity**
- **Three for Five renounceable rights issue to raise A$7.75 million in new equity to ensure sufficient liquidity to meet the minimum required under the restructure of the BNP facility**
- **Significant support received from Tap's major shareholders Risco and Northern Gulf whereby:**
    - **Both parties have committed to take up their Rights entitlement equating to circa A$3.0m of the Rights Issue**
    - **Each will also underwrite a further circa $A1.5m of the Rights Issue**
- **Patersons Securities Limited to underwrite the balance of the Rights Issue**
- **Risco entitled to a second Board seat if their shareholding reaches 25%**
- **NGP entitled to a Board seat if their shareholding reaches 25% and the various outstanding commercial and corporate disputes are satisfactorily resolved**
- **Cost reduction program to reduce annual overheads by $A1.7m, with a reduction in full time equivalent staff from 18 to 7**
- **Mr Troy Hayden to step down as CEO/Managing Director effective 1 June 2016 but to remain part-time until a replacement is found**
- **Mr Mike Sandy to retire from the Board with effect from the upcoming AGM to be held in May 2016, with a replacement independent non-executive director being sought**
- **Share purchase plan cancelled and funds returned to shareholders who will have the ability to participate in the Rights Issue**

Tap Oil Limited (ASX:TAP) provides the following update.

Company update

On 26 February 2016 Tap announced that it had been in discussions with BNP Paribas and Siam Commercial Bank regarding a review of its existing borrowing base debt facility (**BNP Facility**).

The prolonged period of lower oil prices has significantly impacted the Company's revenue generated from its interest in the Manora oil field, as well as reducing the Company's borrowing capacity under the BNP Facility.

The reduction in the borrowing capacity under the BNP Facility has resulted in several accelerated debt repayment obligations arising under that facility. This has in turn impacted upon the Company's free cash flow and consequently the Company's ability to remain in compliance with the minimum liquidity requirement of US$10 million under the BNP Facility whilst servicing these accelerated debt repayment obligations. This has placed significant strain on the Company's financial position.

The outstanding debt balance under the BNP Facility has been significantly reduced to approximately US$36 million, with approximately US$43 million having been repaid since 30 June 2015. A further repayment of US$11 million is expected at the end of March 2016, which will further reduce the debt balance to approximately US$25 million. A further US$14.7 million in debt repayments are expected to be made during 2016, with the BNP Facility expected to be completely repaid by late 2017.

The Company has been in discussions with BNP Paribas and Siam Commercial Bank regarding a modification to the terms of the BNP Facility so as to reduce amounts required to be held by the Company by way of restricted funds. Whilst the Company held US$20 million in cash as at 28 February 2016, access to US$18 million of that amount is restricted and is held in BNP Facility accounts. Reducing the amounts required to be held as restricted funds will provide the Company with additional liquidity with which to service its ongoing working capital requirements.

To this end, the lead debt arranger BNP Paribas has advised that they have in-principle credit approval for reducing the minimum liquidity amount that needs to be held by the Company from US$10 million to US$3 million and for softening the debt sizing ratio requirements. These modifications are conditional on:

- Tap hedging 50% of forecast 1P Manora production for between 6 and 12 months;
- Tap raising a minimum of US$5 million in additional capital;
- Credit approval being received from Siam Commercial Bank for these proposed modifications to the BNP Facility, this approval is expected to be forthcoming in the coming weeks; and
- Formal legal documentation being entered into to give effect to these changes to the BNP Facility.

In consideration for these modifications, Tap has agreed to pay its debt financiers an arrangement fee and to increase the margin payable (over Libor) on amounts outstanding under the BNP Facility.

The modifications proposed to be made to the BNP Facility are expected to significantly strengthen the Company's financial position and improve its ability to withstand further prolonged periods of low oil prices until the market improves.

Cost reduction initiatives and Board changes

As previously announced, to ensure that the Company is able to continue to comply with the covenants in the BNP Facility, the Company has implemented a range of strategies including internal cost cutting, deferment of non-core activities and supporting the Operator's focus on the reduction of Manora operating costs. As part of these cost cutting initiatives the Company has decided to seek to divest its Australian exploration portfolio that has material outstanding commitments, and to farmout, defer or materially reduce the Company's expenditure in Myanmar. The Company has also significantly reduced its business development activities.

With the significantly reduced activities of the Company, the Company's staffing requirements have changed.

Mr Troy Hayden will step down as the CEO/Managing Director of the Company effective from 1 June 2016, but will remain in a part-time role as Managing Director/CEO, paid at a pro rata rate of his current annual salary, until a suitable replacement is found. Termination benefits paid to Mr Hayden will be made in accordance with his 2010 Employment Agreement as approved by shareholders in May 2011, and as amended and approved by shareholders in May 2013. This may represent an amount of up to A$525,000 in total.

Staffing will also be reduced from 18 full time equivalent staff to 7 full time equivalent staff with staff reductions commencing in April 2016. The staff reductions are expected to reduce overheads by A$1.7 million on an annualised basis.

Non-executive director Mr Mike Sandy has also notified the Company that he intends to retire at the Company's 2016 Annual General Meeting in May, after 10 years as a Non-Executive Director. A search is currently underway for an independent non-executive Director to replace Mr Sandy.

Renounceable Pro Rata Rights Issue

Tap proposes to undertake a pro rata renounceable rights issue of fully paid ordinary shares in the Company (**New Shares**) to raise up to A$7.75 million (before costs) (**Rights Issue)**. Under the Rights Issue, eligible shareholders will be able to acquire three (3) New Shares for every five (5) fully paid ordinary shares they hold at the record date at an offer price of A$0.05 per New Share.

Funds raised from the Rights Issue are expected to satisfy one of the conditions to the restructure of the BNP Facility that the Company raise a minimum of US$5 million in additional capital with the funds ultimately used for working capital purposes.

The Directors of Tap are pleased to provide support for the Rights Issue and have confirmed their intention to participate in the issue for their full entitlement.

The Company's major shareholders, Risco Energy Investments (SEA) Limited (**Risco**) and Northern Gulf Petroleum Holdings Limited (**NGP**), have each committed to subscribe for the full amount of their pro rata entitlement under the Rights Issue, being approximately A$1.5 million each. Further, each of Risco and NGP have agreed to underwrite subscriptions up to approximately A$1.6 million each. Patersons Securities Limited has agreed to underwrite subscriptions for the balance of the Rights Issue. The commitment by each of Risco and NGP to take up their entitlements under the Rights Issue in full, together with these underwriting arrangements, provides the Company with commitments for the full A$7.75 million sought under the Rights Issue, and hence the necessary comfort that it will successfully raise the minimum US$5 million in additional capital required to enable the restructure of the BNP Facility to proceed.

As Risco and NGP currently both hold approximately 19% of the Company's issued share capital, Shareholders should be aware that the participation of each of Risco and NGP in the Rights Issue, and in underwriting any shortfall in applications received by the Company under that Rights Issue, may have an impact on each of Risco and NGP's voting power in (and therefore control over) the Company. Before deciding to proceed with the Rights Issue and the proposed underwriting arrangements, the Company's Board (excluding Risco's nominee Mr Tom Soulsby) investigated a range of alternatives, but were ultimately of the view that in the current circumstances, the Rights Issue and underwriting arrangements (including the participation of Patersons Securities Limited in those underwriting arrangements) provided the most certain and advantageous fundraising structure for all Shareholders. Ultimately, the level of support for the Rights Issue will determine the shareholding of each of Risco and NGP post the completion of the Rights Issue.

Given the support provided by each of Risco and NGP to the Rights Issue, the Company has agreed to review the representation of each of these entities on the Company's Board. In relation to Risco, the Company has agreed that it will appoint a second nominee of Risco to the Board (taking the total number of Directors on the Board to six) if Risco's shareholding in the Company increases to 25% or more. In relation to NGP, the Company has agreed to appoint a nominee of NGP to the Board if NGP's shareholding in the Company increases to 25% or more, but such an appointment would be subject to the various outstanding commercial and corporate disputes between the Company and NGP having been satisfactorily resolved. In the event this occurs, the Company will review the number of Non Executive Director positions.

The Rights Issue will be available to eligible shareholders on the Company's share register as at 7.00pm AEDT on Friday, 18 March 2016 (**Record Date**).

The proposed timetable for the Rights Issue is as follows:

Event	Date
"Ex" date – Shares trade without Rights attached Rights trading commences on ASX	Thursday, 17 March 2016
Record Date to determine entitlements	**7:00pm (AEDT), Friday, 18 March 2016**
Opening date of Rights Issue	**Wednesday, 23 March 2016**
Prospectus and Entitlement and Acceptance Forms dispatched to eligible shareholders	Wednesday, 23 March 2016
Last day of Rights trading	Wednesday, 6 April 2016
Closing date for acceptance and payment	**5.00pm (AEST), Wednesday, 13 April 2016**
Issue and allotment of New Shares	Wednesday, 20 April 2016
Commencement of trading of New Shares	Thursday, 21 April 2016

Further information on the Rights Issue is set out in the prospectus, which was lodged with ASIC on 14 March 2016, and is to be mailed to eligible shareholders shortly after the Opening Date. Persons should consider the prospectus before deciding whether to acquire securities..

Share Purchase Plan

As set out above, the modifications and waivers to the BNP Facility are conditional upon there being a minimum cash injection of US$5 million.

Tap had previously sought to raise approximately A$4 million through the offer of shares to existing shareholders under the Share Purchase Plan announced on 16 December 2015. However, in light of the minimum equity injection required to achieve the modifications to the BNP Facility outlined above, the amount sought under that Share Purchase Plan was insufficient to meet the requirements of the Company's debt providers.

As announced on 10 March 2016, the Share Purchase Plan has been terminated. Any funds received from shareholders that have subscribed for shares under the Share Purchase Plan will be refunded by cheque, which will be issued to the nominated name and address on the Company's share register with the next in 5 to 7 working days. Shareholders who applied for shares under the Share Purchase Plan that have questions about their refunds should call Computershare on 1300 749 354 (within Australia) or +61 3 9938 4333 (outside Australia) at any time from 9.00am to 5.00pm (AEST) Monday to Friday.

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