



29 July 2011

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## **JUNE 2011 QUARTERLY REPORT**

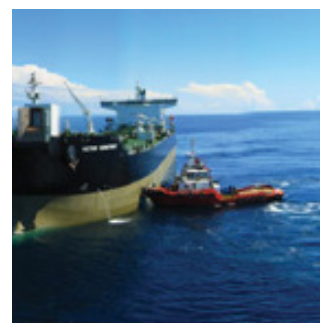
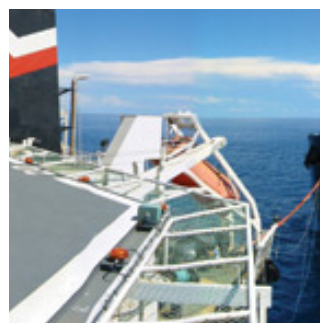
Herewith is Tap Oil Limited's Quarterly Report for the quarter ended 30 June 2011.

A copy of this document is available at the ASX and can be viewed on the Company's website [www.tapoil.com.au](http://www.tapoil.com.au) under the heading "Investor Centre".

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## Highlights

- Exploration success continued with an oil discovery at Finucane South-1A following the significant gas discovery at Zola-1
- Acquisition of 3D seismic over the greater Zola structure was completed
- BHP Billiton pre-empted Tap's sale of 25% of WA-351-P for a cash consideration of US\$30.154 million providing further evidence of the permit's prospectivity
- Manora field is on schedule to more than triple Tap's 2P reserves by the end of 2011 with first production in early 2014
- Early results from interpretation of the new fast-track 3D seismic data over the deepwater leads in Ghana are encouraging



## Managing Director's Summary

During the quarter, we had considerable exploration and commercial success in our three areas of focus as follows:

### 1. Carnarvon Basin

#### *WA-191-P, Finucane South-1A*

The Finucane South-1A well was drilled during the quarter. Data gathered has confirmed the well is a new oil discovery with approximately 18.5 m of excellent quality net oil pay. Early evaluation indicates that the discovery could exceed the pre-drill mean estimate of 8 million barrels. First oil could be as early as the second half of 2013.

#### *WA-290-P, Zola*

Further mapping following the discovery at the Zola-1 well continues to indicate that volumetrically the greater Zola structure could be at the upper end of Tap's pre-drill estimates of 1-2 Tcf. A 3D seismic survey covering the greater Zola structure was acquired within the quarter. Processing of the seismic data is expected to be completed by the second half of 2012 in order to confirm locations for drilling in late 2012.

#### *WA-351-P*

During the quarter, Tap agreed to sell a 25% interest in the permit to Japan Australia LNG (MIMI) Pty Ltd (MIMI) for a cash consideration of US\$30.154 million plus paying Tap's cost of the next exploration well in the permit up to a cap of US\$10 million. On 2 June, BHP Billiton exercised its right of pre-emption to acquire the 25% interest on the same terms and conditions as MIMI. We estimate the permit holds a combined mean potential volume of 2-3 Tcf.

### 2. Gulf of Thailand

The Manora development is on target to more than triple Tap's total Company 2P reserves by the end of 2011. Work on the Field Development Plan is progressing and a Final Investment Decision (FID) is expected in the second half of 2012. There is an active exploration program targeting 'Manora style' prospects in the Kra, Hua-Hin and Sattakut Basins.

### 3. Ghana

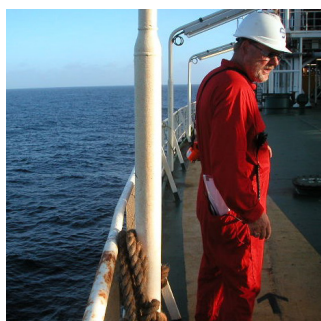
During the quarter Tap received the fast-track results from the 3D seismic survey completed in February. The 3D seismic data was acquired in order to confirm and mature deepwater leads (similar to the Jubilee discovery) that had been identified on existing 2D seismic, into prospects for drilling. Interpretation of the fast-track data by Tap's technical team is ongoing and early results are encouraging.

During the quarter, we had considerable exploration and commercial success

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## Upcoming Key Events

Tap has several key events in the forthcoming quarter as follows:



- Progress the Field Development Plan and reserves booking for the WA-191-P Finucane South development
- Completion of an independent third party volumetric assessment for the greater Zola structure in WA-290-P, Western Australia
- Progression of the 24 mmbbl Manora field development in Thailand towards booking reserves and FID
- Interpretation of the 3D seismic acquired in late 2010/early 2011 in the Offshore Accra Contract Area, Ghana in order to rank the best deepwater prospects for drilling in the third quarter of 2012

The table below lays out the indicative forward Drilling and Development Activity Schedule for the next 12 to 18 months:

Project	Near Term Indicative Drilling and Development Activity & Timing**					
	Q3 '11	Q4 '11	Q1 '12	Q2 '12	Q3 '12	Q4 '12
Australia, Carnarvon Basin		Hannah-1 (12.2%) HJV Exploration well		Bambra-10 (12.2%) HJV Development well		
		WA-191-P (8.2%) FID		WA-191-P (8.2%) Development wells		
			WA-351-P (20%) Exploration Well - LNG Scale Gas		WA-290-P (10%) Appraisal Well	
Gulf of Thailand	Manora (30%)* Concept Selection			Manora (30%)* FID		
				1-4 wells G1/48 & G3/48 (30%) Appraisal/Exploration		
Ghana					1 well Offshore Accra (40%) Large Oil Exploration	
Brunei, Block M		1-3 onshore wells (39%) Oil Exploration				

Note:

\* Tap owns 75% of Northern Gulf Petroleum, which holds a 40% interest in the Thailand permits.

\*\* Well timing is subject to rig availability, joint venture and regulatory approvals. Please refer to Tap's website ([www.tapoil.com.au](http://www.tapoil.com.au)) for the latest information on the forward drilling program.

# Revenue and Production

Revenue for the quarter was A\$13.3 million. Tap achieved an average of A\$115 per barrel for its liquids. The Company has no commodity hedging in place.

Revenue for the quarter was A\$13.3 million

Sales Revenues	Mar '11 Qtr	Jun '11 Qtr	Qtrly % Change	Comment
Liquids – net (\$000)	2,743	4,527	65.0%	2 liftings at HJV in quarter, no liftings at Woollybutt
HJV gas – net (\$000)	1,354	1,065	-21.3%	
Third party gas – net (\$000)	5,534	6,859	23.9%	Recognition of previously banked gas
Tolling – net (\$000)	660	854	29.4%	
Total oil & gas revenue (\$000)	10,291	13,305	29.3%	
Average realised oil price A\$/bbl	118	115	-2.5%	

Production Volumes – Tap Share	Mar '11 Qtr	Jun '11 Qtr	Qtrly % Change	Comment
Liquids – Harriet JV (bbls)	40,011	39,907	-0.3%	
Liquids – Woollybutt (bbls)	35,841	43,111	20.3%	Cyclones in previous quarter
Total liquids (bbls) – net	75,852	83,018	9.4%	
Total daily (bopd) – net avg.	843	912	8.2%	
Gas <sup>1</sup> – Harriet JV (TJ) – net	1,046	970	-7.3%	
Total gas <sup>1</sup> (TJ/d) – net	11.6	10.7	-7.8%	
Total production – boe	232,081	227,429	-2.0%	
Liquids inventory – bbls	63,360	104,425	64.8%	

<sup>1</sup>Production of sales gas (i.e. after losses, fuel and flaring).

bbls	Barrels of oil	TJ	Terajoules (1,012 joules); 1,000 Gigajoules
boe	Barrels of oil equivalent	TJ/d	Terajoules per day
bopd	Barrels per day (oil and condensate)		

## Harriet Joint Venture Fields

Tap 12.2229%

Apache Operator

Liquid production rates at the Harriet joint venture averaged 3,588 bopd gross for the period

The Harriet joint venture produces gas and liquids (oil and condensate) from many different fields within the joint venture area. Each field may have several wells and the operator manages the production from the many different oil and gas wells in accordance with processing plant capacities to achieve the optimal commercial outcome over the life of the assets.

During the quarter liquid production rates at the Harriet joint venture averaged 3,588 bopd gross for the period, with production essentially unchanged from the previous quarter and slightly better than budgeted. Gas production was 8% lower than the previous quarter at approximately 87.2 TJ per day (gross). During June, repairs and maintenance at the Burrup Fertiliser plant saw a decrease in gas sales and thus gas production.

## Woollybutt Field

Tap 15%

ENI Operator

Woollybutt is an oil field in the Carnarvon Basin, Western Australia. Oil is produced from the field by a Floating Production Storage and Offtake vessel (FPSO), the Four Rainbow.

During the quarter oil production rates at Woollybutt averaged 3,158 bopd gross for the period, with production up 20% from the previous quarter which was impacted by cyclone activity. Production from the field was in line with budget expectations for the quarter.

Tap did not participate in any liftings at Woollybutt during the quarter, resulting in a significant increase in oil inventory.

## Third Party Gas Contracts

Tap 100%

Third party gas revenues are expected to be sustained at around \$30 million per annum until the end of 2016

In 2005, Tap secured an option over approximately 33 PJ (31 Bcf) of gas from the John Brookes field offshore Western Australia at then current market prices. The option was exercised in 2007 and Tap on-sells the gas to a number of Western Australian gas customers under long term contracts. The gas is purchased at a fixed 2005 price and sold at fixed prices approximately three times higher. Both buy and sell prices are denominated in Australian dollars and subject to CPI escalation. Around 25 PJ (approximately 23 Bcf) currently remains to be delivered over the period to December 2016. This gas is now fully contracted and provides substantial stable, long-term cash flow.

During the quarter, some gas customers experienced operational issues, reducing their consumption of gas and deferring revenue to Tap of approximately \$2 million. As gas is sold on a 'take-or-pay' basis, Tap still receives payment as if the gas had been delivered, but for accounting purposes the revenue is deferred and a corresponding liability to deliver this gas at a future date is recognised. Thus revenue from gas sales will be lower than expected, even though the cash has been received for future gas sales. During the quarter cash receipts from gas sales were in line with expectations.

Forecast third party gas revenues are expected to be sustained at around \$30 million per annum until the end of 2016, generating substantial cash flow.

# Exploration

The greater Zola structure could be at the upper end of Tap's pre-drill estimates of 1–2 Tcf

## Australia, Carnarvon Basin – WA-290-P

Tap 10%

Apache Operator

The Zola prospect is a Triassic fault block that forms part of a larger group of fault blocks that comprise the informally named greater Zola structure. The Zola-1/Zola-1 ST1 exploration well is located in permit WA-290-P, immediately south of the giant Gorgon gas field in the Carnarvon Basin, Western Australia.

After four evacuations due to cyclones and one sidetrack due to a stuck drill pipe, the well reached a final total depth of 4,877 m (4,713 m true vertical depth) on 10 April 2011. Following a wireline logging program the well was plugged and abandoned as planned and the rig released on 27 April 2011.

Data gathered from the wireline logs have confirmed a significant gas discovery in the Mungaroo formation. Approximately 125 m of net pay was intersected over three main gas bearing sandstones with excellent reservoir characteristics. The well results indicate that volumetrically the greater Zola structure could be at the upper end of Tap's pre-drill estimates of 1–2 Tcf.

Located close to existing and developing gas infrastructure, Zola has multiple potential development options. Any development at Zola could also encompass the overlying Antiope gas discovery (estimated at approximately 120 Bcf).

During the quarter a 3D seismic survey over the greater Zola structure was completed by the joint venture. This seismic will be processed over the next 12 months with additional drilling expected in the second half 2012.

## Australia, Carnarvon Basin – WA-191-P

Tap 8.2%

Santos Operator

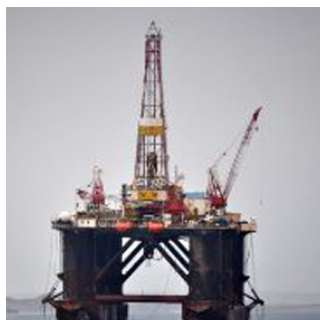
Exploration Permit WA-191-P is located in the northern Dampier Sub-Basin, immediately east of Santos' producing facilities at Mutineer-Exeter. This part of the northern Dampier Sub-Basin is oil prone as evidenced by the 2007 Fletcher discovery. Technical work has been ongoing in the permit since the Fletcher 3 and 4 appraisal wells were drilled in 2008/2009, resulting in the delineation of the Finucane South prospect. The Finucane South-1A exploration well was drilled during the quarter and logs have confirmed a new field oil discovery encountering some 18.5 m of excellent quality net oil pay in the Late Jurassic Angle Formation. Early evaluation indicates the discovery could exceed the pre-drill mean estimate of 8 million barrels.

The Finucane South discovery is located at the northern end of the Carnarvon Basin approximately 15 km east of the Mutineer Facility. The likely development concept is a tieback to this facility. The operator, Santos, has stated it expects to be in a position to make a Final Investment Decision before the end of 2011 with the potential for first production before the end of 2013.

## Australia, Carnarvon Basin – WA-351-P

Tap 20%

BHP Billiton Operator



The Tallaganda prospect has been high graded as an attractive prospect and an early drilling candidate

The operator completed a detailed assessment of the plays, prospects and leads in the permit in 2010 including the 3D seismic acquired in 2008. Over 10 leads and prospects were defined in the Triassic Mungaroo Formation which Tap estimates to have a combined estimated mean potential of 2-3 Tcf (gross recoverable) of natural gas. Tap considers that a number of these targets have an estimated probability of success over 50%.

Additional leads have been identified in WA-351-P in the Jurassic and Early Cretaceous, both of which are productive elsewhere in the Carnarvon Basin. Current indications are that this shallower potential is larger, but higher risk, than the Triassic in this permit. Further work will be done on these objectives.

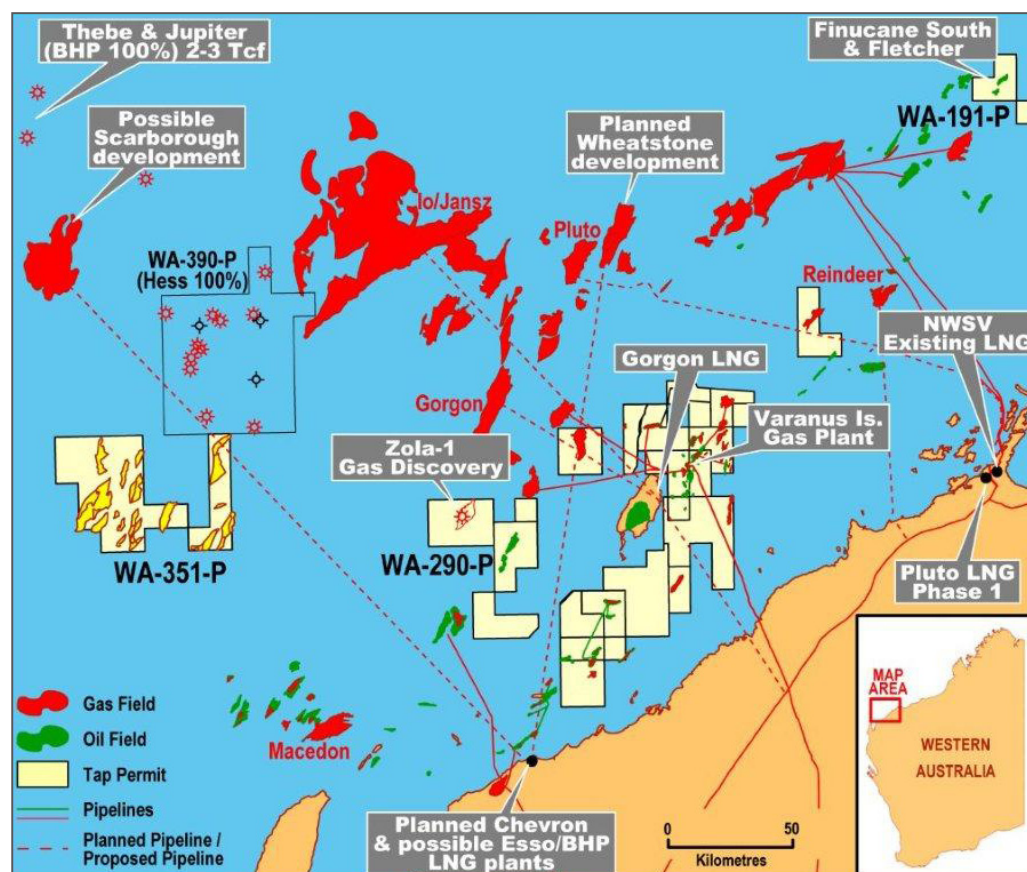
The high chance of success is reinforced by Hess reporting 13 gas discoveries from 16 exploration wells drilled to date in the adjacent WA-390-P permit, immediately north of WA-351-P. Hess has commenced a multi-well appraisal program in WA-390-P.

Under the terms of the exploration licence, an exploration well is required to be drilled before 5 June 2013. The Tallaganda prospect has been high graded as an attractive prospect and an early drilling candidate. Tallaganda straddles WA-351-P and WA-335-P and has a prospective resource range of 0.8-1.3 Tcf (mean to P10 recoverable) within WA-351-P. Strong seismic amplitudes within closure and AVO support in the Tallaganda fault block are indicative of reservoir and gas and the prospect is assessed as having a greater than 50% chance of success.

The proximity of WA-351-P to many large-scale liquefied natural gas (LNG) projects being developed should provide the joint venture with many options for the commercialisation of any gas discoveries.

On 4 May 2011, Tap announced the farm out of a 25% interest in WA-351-P to MIMI for a cash consideration of US\$30.154 million. In addition, MIMI were to pay Tap's 20% share of the next exploration well in the permit up to a cap of US\$10 million.

On 2 June 2011, BHP Billiton Petroleum (North West Shelf) Pty Ltd, Tap's existing joint venture partner, exercised its right of pre-emption to acquire the 25% interest in WA-351-P on the same terms and conditions as agreed upon with MIMI, providing further evidence of the value of this highly prospective permit.



# Thailand, Gulf of Thailand – G1/48, G3/48 and G6/48

Tap 30%

Pearl Energy Operator



In October 2010, Tap acquired an interest in the Manora oil field development and significant exploration acreage in Thailand. Tap holds 75% of the shares in Northern Gulf Petroleum Pte Ltd (NGP) and NGP holds a 40% working interest in three concessions in the north and central Gulf of Thailand (G1/48, G3/48 and G6/48). Experienced international operator, Pearl Energy (Pearl), operates the three concessions.

## Manora Development

The G1/48 concession contains the Manora field which is currently estimated by Tap as a 24 mmbbl resource. The G1/48 joint venture is progressing with Manora concept selection and a Field Development Plan in 2011 leading to FID in the second half of 2012 and first production in early 2014.

The venture has been rigorous in its screening of development options and Tap believes that the likely development concept is a Central Production and Processing Complex with a Floating Storage and Offtake vessel (FSO).

Under Pearl's current development timetable, Tap believes it will be in position to make an initial booking of reserves of 6 mmbbls (net to Tap) in late 2011 following concept selection and completion of the Field Development Plan, with the additional 1.2 mmbbls (net to Tap) to be booked once actual field production confirms the effect of waterflood. No further drilling is required to prove reserves.

During the quarter preparation of the Manora Field Development Plan was progressed with the focus on screening potential development concepts and completing the sub surface studies. This will allow final concept selection in the third quarter, and delivery of the Field Development Plan.

Geotechnical coring and platform site survey work also commenced during the quarter.

## Exploration

The Manora discovery in late 2009 opened up a new oil play in the northern Gulf of Thailand. In addition to the Manora and Rossukon discoveries, there are 17 exploration features with 200 mmbbls of cumulative unrisks potential across the three concessions.

The joint venture has been focusing its exploration effort on delineating a number of prospects in G1/48 and G3/48 in order to mount a drilling campaign in the second half of 2012.

The venture's exploration effort across these concessions includes the acquisition, processing and interpretation of new seismic, reprocessing of existing seismic and regional geological and geophysical studies.



Deepwater leads similar to the Jubilee discovery were identified on existing 2D seismic

## Ghana, Offshore Accra Contract Area

Tap 45%

Operator

The Offshore Accra Contract Area covers an area of 2,000 km<sup>2</sup> and is located to the southeast of Accra, the capital of the Republic of Ghana, in water depths ranging from less than 50 m to greater than 2,500 m. Ghana ranks as one of the most financially and politically stable, truly democratic countries in Africa.

The Offshore Accra Contract Area is located in an emerging oil province on the West Africa Transform Margin, along the northern Gulf of Guinea. A number of discoveries have been made in a variety of analogous geological settings along this Margin. In 2007, the Jubilee field (one of the largest oil discoveries in the world in 2007) was discovered by Kosmos Energy and Tullow Oil, establishing a new deepwater play offshore Ghana. Jubilee commenced production in 2010 and according to Tullow Oil, recoverable oil reserves for the Jubilee field are estimated to be 1.2 billion barrels. Subsequent discoveries in Ghana (Tweneboa, Odum, Owo, Teak, Dzata, Sankofa and Paradise) and in the Liberian Basin (Venus and Mercury) have further demonstrated the potential that exists along the whole Margin.



Within the Offshore Accra Contract Area, deepwater leads similar to the Jubilee discovery were identified on existing 2D seismic. A new Tap-operated 3D seismic survey was completed in February 2011 in order to confirm and mature these leads into prospects for drilling. During the quarter, processing commenced on the new data and early fast-track results have been received. Interpretation of the fast-track data by Tap's technical team is ongoing and early results are encouraging.

## Other Exploration

During the quarter Tap progressed a number of its other exploration projects as follows:

- Following the success at Zola, WA-320-P has been upgraded for review by the joint venture and the Palmerston prospect has been identified as a likely Triassic Mungaroo drilling target. The joint venture intends to renew the permit.
- In the Harriet joint venture the Hannah-1 oil prospect has been identified for drilling.
- In Brunei, Tap is moving to sell its interest in Block M.

On 11 April 2011, Tap announced that it had agreed to sell its interests in a portfolio of non-core assets in the Carnarvon Basin to companies in the Sydney based and privately owned Hardie Energy Group. The interests to be sold were TL/2, TP/7 (1-4), WA-8-L and WA-246-P. On 3 June 2011, Tap announced the termination of the sale of non-core assets to the Hardie Group as the requisite joint venture approvals were unlikely to be received within the timeframe provided for in the Sale and Purchase Agreement.

## Wells drilled since 1 April 2011

During the quarter Tap drilled the Finucane South-1A well which is a new field oil discovery and completed operations at the Zola-1 well which is a significant gas discovery. Refer above for more details on these wells.

## Exploration, Development, Operating and Other Expenditures

	Tap Oil Share		
	Mar'11 Qtr \$000	Jun'11 Qtr \$000	Comments
Exploration & Appraisal	29,781	7,036	Major spend relates to the drilling of Finucane South in WA-191-P; and costs relating to the drilling of Zola in WA-290-P.
Development, Plant & Equipment	577	1,409	Major spend relates to the capital expenditure in respect of the Harriet joint venture.
<b>Total Capital Expenditure</b>	<b>30,358</b>	<b>8,445</b>	
Production Operating Costs*	4,201	4,124	
Production Royalties and PRRT	327	450	
<b>Total Production Expenditure</b>	<b>4,528</b>	<b>4,574</b>	

\*Excludes depreciation and amortisation charges. Includes third party gas purchases and inventory movements.



## Financial & Corporate

Tap's cash position continues to be strong at A\$53 million with no debt at the end of June 2011. It should be noted that the proceeds of US\$30.154 million from the sale of WA-351-P have not yet been received, hence are not included in the 30 June 2011 cash balance.

Cash Position	Sept '10 \$000	Dec '10 \$000	Mar '11 \$000	Jun '11 \$000
Cash on hand*	77,465	98,762	63,699	53,005
Debt	—	—	—	—
Net Cash/(Debt)	77,465	98,762	63,699	53,005

\*Cash on hand includes estimated cash held in joint ventures to Tap's account.

At 30 June 2011, Tap had on issue a total of 2,469,981 options to acquire fully paid shares with option expiry dates varying from 3 September 2011 through to 15 July 2013 and exercise prices in the range \$0.56 to \$1.60. All of these options are held by current or former Tap executive directors and current employees. No options were issued during the quarter. 445,656 options expired, lapsed or were cancelled during the quarter.

At 30 June 2011, Tap had on issue a total of 6,435,187 share rights to acquire fully paid shares with vesting dates varying from 1 January 2013 through to 16 May 2014 and expiry dates varying from 1 January 2017 through to 16 May 2018. 1,657,797 rights were issued to employees during the quarter and 606,622 share rights expired, lapsed or were cancelled during the quarter.

### Alcoa Claim

Tap and its fellow joint venture participants in the Harriet joint venture, in which Tap has a 12.2229% interest, have been served with proceedings in the Supreme Court of Western Australia, commenced by Alcoa of Australia Ltd in relation to the disruption to gas deliveries from facilities on Varanus Island caused by an incident on 3 June 2008.

An application has been made for the summary dismissal of several of the causes of action pleaded by Alcoa and also for the striking of certain paragraphs of Alcoa's statement of claim. If the application is successful, the effect will be to limit the causes of action available to Alcoa, to significantly reduce the quantum of damages which Alcoa might otherwise claim, or both.

Tap maintains that it is not liable to Alcoa in any amount. If, however, Tap is ultimately determined to be liable to Alcoa to any extent, Tap will contend that contractual provisions limiting damages will have the effect of capping that liability.

### Gas Sale Agreement with Burrup Fertilisers

The preliminary trial dealing with certain core aspects of the dispute has been rescheduled for September 2011. These issues relate to the proper construction of the GSA and include the way the liquidated damages regime under the GSA is to be applied. Determination of these issues will go a long way to providing the parties to the dispute with commercial certainty.

### Person compiling information about hydrocarbons

Pursuant to the requirements of the Listing Rules, the reported hydrocarbon estimates contained in this document are based on information compiled by Mr Denis Bouclin B.A.Sc (Hons), M.A.Sc (Engineering), P.Eng., who has more than 25 years relevant experience in the petroleum industry. Mr Bouclin is engaged by the Company as contractor, and is not a full-time employee of the Company.

#### Abbreviations and Definitions

Please refer to Tap Oil Limited's Annual Report Glossary or Glossary and Definitions on Tap's website for explanations of any abbreviations used in this report.

#### Investor Relations

Information contained on Tap's website is regularly updated and includes recent ASX announcements and investor presentations. We encourage all interested stakeholders to visit [www.tapoil.com.au](http://www.tapoil.com.au) or for further information please contact the Managing Director/CEO, Mr Troy Hayden by phone (+61 8 9485 1000) or email [info@tapoil.com.au](mailto:info@tapoil.com.au)

#### Disclaimer

This report contains some references to forward looking assumptions, estimates and outcomes. These are uncertain by the nature of the business and no assurance can be given by Tap that its expectations, estimates and forecast outcomes will be achieved.