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Australian Securities Exchange
Exchange Centre
20 Bond Street
SYDNEY NSW 2000

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

UPDATE ON NORTHERN GULF DISPUTES

- **Final Manora 31 December 2014 2P reserves report received**
- **US\$1.31 million reserves deferred payment owing to Northern Gulf is contrary to Northern Gulf's previous claim for US\$14.6 million**
- **Application to the Court to set aside Northern Gulf statutory demand relating to reserves payment is proceeding**

Tap Oil Limited (ASX:TAP) provides the following update on its commercial relations with the Thai entrepreneur, Mr Chatchai Yenbamroong, and his Northern Gulf companies.

2P Reserves Deferred Payment

As previously disclosed, the 2P reserves deferred payment is a staged acquisition payment that was agreed with Northern Gulf Petroleum Holdings Limited (**NGPH**) and its subsidiary, Northern Gulf Petroleum Pte. Ltd (**NGP**) when Tap acquired its 30% interest in the G1/48 concession in October 2010.

The first of these staged acquisition payments is based on the joint venture 2P reserves estimate for the Manora oil field as at 31 December 2014.

The Operator (Mubadala Petroleum) has now advised that a report compiled by Netherland, Sewell & Associates, Inc (**NSAI**) containing the 2P reserves estimate as at 31 December 2014 is complete. The NSAI report estimates the 31 December 2014 2P gross reserves at 15.5 MMSTB (net to Tap 4.648 MMSTB). Importantly, this report was compiled by NSAI on the basis of the drilling results of the Manora wells to 31 December 2014, and does not include the results of the wells drilled during Q1 2015. The reserves payment is based on the economic ultimate recovery which is reserves at a certain date plus production to that date. Production to 31 December 2014 was 0.481 MMSTB thus the reserves payment is based on 15.97 MMSTB.

On the basis of this report, Tap calculates the 2P reserves payment owing to NGPH to be US\$1.31 million. Tap notes that NGPH has the option to request a further reserves certification by an independent expert (at its cost). Tap will provide a further update if it receives a notice from NGPH requiring the appointment of an independent expert. Otherwise, Tap has 30 days to satisfy this payment obligation to NGPH.

On 23 April 2015, Tap released its own estimate of Manora reserves and contingent resources as at 31 December 2014, incorporating all development well data up to 31 March 2015, of 19.3 MMSTB (100% for field) (ASX release 23 April 2015). Tap's estimate assumes two additional development wells will be required in the following 18 to 24 month period. After considering the 31 December 2014 reserves report completed by NSAI and the well data from the drilling in Q1 2015, Tap does not intend to make any changes to its 2P reserves. The Tap technical team and NSAI both agree that the estimation of reserves at the midpoint of a development drilling program and with less than 2 months of production data is problematic.

Tap notes that the Borrowing Base Debt Facility with BNP Paribas and Siam Commercial Bank is sized on the banks' 1P reserves estimate. The NSAI 2P reserves estimate as at 31 December 2014 does not affect the Borrowing Base Debt Facility.

Tap has commissioned NSAI to do further work on the estimation of reserves as of 30 June 2015 for the purpose of satisfying a technical completion requirement for the bank's completion process. Tap will inform the market of the result of this study when it is available.

Application to set aside Northern Gulf Statutory Demand

As disclosed in Tap's announcement on 14 April 2015, Tap received a statutory demand from NGPH demanding payment of US\$14,614,500 in satisfaction of the 31 December 2014 2P reserves deferred payment, which NGPH alleged was due and payable.

As outlined above, Tap has now received the final joint venture 2P reserves report which estimates the gross Manora 2P reserves as at 31 December 2014 at 15.5 MMSTB. The reserves payment is based on the economic ultimate recovery which is reserves at a certain date plus production to that date. Production to 31 December 2014 was 0.481 MMSTB thus the reserves payment is based on 15.97 MMSTB. Based on this value, the amount owing to NGPH by way of the 2P reserves deferred payment is US\$1.31 million.

Tap has filed an application to set aside this statutory demand in the Supreme Court of Western Australia and is seeking payment of Tap's legal costs by NGPH. The application is scheduled to be heard on 26 August 2015.

Northern Gulf default on repayment of Tap Carry continues

NGP holds a 10% interest in the G1/48 Concession and the Manora Oil Development. As previously disclosed, under the terms relating to Tap's acquisition of its 30% interest in the G1/48 Concession and the Manora Oil Development from NGPH, NGP agreed to repay US\$10 million to Tap out of NGP's share of production from that project. This is an ongoing repayment obligation as and when revenue is generated in relation to each oil lifting.

After repaying approximately US\$1.03 million from proceeds of oil liftings to early March 2015, NGP ceased making any further repayments to Tap. Tap has now issued default notices in respect of an amount totaling US\$3,553,736. The defaulted amounts remain outstanding and are accruing interest.

Tap considers it has made all payments due to the Northern Gulf entities as and when they are due and payable. A summary of the forecast Manora acquisition payments for 2015 is set out in Appendix 1. Tap reserves all of its rights in relation to this default.

\$27 million Northern Gulf default on Manora costs remains unpaid

As previously disclosed, on 20 March 2015, the Operator of the G1/48 Concession and the Manora Oil Development gave notice to NGP that it is in default under the terms of the G1/48 Joint Operating Agreement.

Tap understands that NGP has failed to pay when due its 10% participating interest share of project costs for the Manora Oil Development. The notice specifies a total sum in default of US\$27,079,863.37. Tap also understands that this defaulted amount remains outstanding and the Operator continues to pursue the available remedies against NGP as prescribed by the Joint Operating Agreement.

Tap will keep the market advised of all material developments in relation to these matters.

Investor 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

Media Enquiries

Rebecca Lawson
Media & Capital Partners
Telephone +61 433 216 269

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Persons compiling information about hydrocarbons

The reserve and contingent resource information in the Tap ASX release dated 23 April 2015 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 announcement 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. Mr Bouclin is a member of the SPE and APEGA.

The information in this announcement relating to gross (100 percent) oil reserves for the Manora Field, Gulf of Thailand as of 31 December 2014 are based on information in the Netherland, Sewell & Associates, Inc. (**NSAI report dated 22 June 2015**), compiled by Mr Philip S. (Scott) Frost. Mr Frost is qualified in accordance with ASX Listing Rule 5.41 and has consented to the inclusion of such information in this announcement in the form and context in which it appears. Mr Frost is a full-time employee of NSAI, with more than 30 years relevant experience in the petroleum industry; is a member of the SPE; and is a licensed Professional Engineer in the State of Texas, United States of America.

Appendix 1: Manora Acquisition Payments

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

Payment	Assumptions/Notes	Estimated Timing for Payment(s) in 2015
Repayment of NGP Carry: Payment by NGP to Tap	The repayment of US\$10 million by NGP to Tap out of NGP's share of production. This is an ongoing repayment as and when revenue is generated in relation to each oil lifting.	Approx. US\$1.03 million has been repaid to date. Previously the carry was expected to be repaid in full in 2015. NGP has ceased making any further repayments to Tap, and Tap has reserved all of its rights in respect of this.
2P Reserves Deferred Payment: Payment by Tap to NGPH <i>See below for further detail on the process</i>	Based on Manora 2P reserves (economic ultimate recovery) at each year-end for four years after first production, up to US\$29.85 million. Conditional on the Manora 2P Reserves (plus recovered oil) remaining > 10 mmbbls).	Following the finalisation of the year end (31 December 2014) 2P reserves for Manora, or reserves certification by an independent expert. The 31 December 2014 2P Reserves estimate has been finalised and based on that report, the amount owing to NGPH is US\$1.31 million.
Earn-out (2% of Tap's Manora revenue): Payment by Tap to NGPH	No Earn-out is payable if : <ul style="list-style-type: none"> the average daily closing spot price for Brent crude is below US\$50/bbl per barrel for the 14 days immediately prior to the date of any oil lifting; and the Manora 2P reserves (economic ultimate recovery) do not exceed 15MMstB. 	This is an ongoing payment, made monthly in arrears, and follows the receipt of oil lifting proceeds.