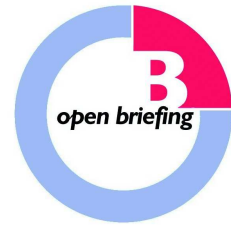


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Tap Oil Limited (ASX code: TAP) has been progressively restoring production at its Harriet JV with oil production resuming in October 2008 and the majority of gas production back on-line in mid December 2008. Has full gas production been restored? What maximum gas production do you expect in the near to medium term?

**CEO Peter Stickland**

The gas from the Harriet Field is sold under long-term contracts and our contracted sales rate at the moment is about 103 terajoules a day. Right now we're producing between 70-80% of that figure and we expect to get up to the full 103 terajoules within the coming weeks. It's worth noting that before the incident at Varanus Island on June 3 last year, we were doing about 115 terajoules a day. The change from 115 to 103 terajoules a day simply reflects the changes in contract sales volumes at various points of time; it doesn't reflect the capacity of the fields which is in excess of that.

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Can you demonstrate the importance of your third party gas sales contracts in terms of cash generation now that production has been restored? How stable are the margins for these contracts?

**CEO Peter Stickland**

Tap purchases the gas from the John Brookes field under a contract agreed in 2005 at commercial prices of the time. We started taking delivery of the gas in 2007 by which time domestic gas prices had increased nearly threefold. So we buy the gas at 2005 prices and sell it to third parties under long term contracts at much higher prices. Both the buy and sell contracts are AUD fixed and

indexed to CPI only. This year we expect gross revenue from these contracts to be in the order of A\$20 to 24 million.

The critical point from Tap's perspective is that the volumes, purchase price and sales price of these contracts are secured under long term contracts. We calculate an after tax net present value for these contracts of A\$65 million. They're very substantial contracts and will be generating over A\$200 million worth of gross revenue to Tap over their remaining 8 years duration.

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Can you also explain how the oil production ramp-up is progressing?

**CEO Peter Stickland**

Oil production at the Harriett joint venture was shut-in after the Varanus Island incident with all production resuming ahead of schedule in October 2008. Since then we have ramped-up to close to full production capacity. Pre-incident we were doing about six thousand barrels of oil per day and right now we're doing about five and a half thousand barrels per day.

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In 2008 you drilled Tap development wells on the Simpson oil field. Can you advise how these have performed?

**CEO Peter Stickland**

In 2008, the Harriet Joint Venture drilled Simpson-9 and Simpson-10, both of which successfully encountered oil bearing reservoirs and were completed for production. As the Varanus Island repairs have progressed we have recently been able to bring on both wells. Simpson-9 is flowing at around 400 barrels per day. Simpson-10, which intersected a 15 metre gross oil reservoir, has had mechanical problems and a remedial program is now underway to determine and rectify the fault.

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Tap recently advised that production from the Woollybutt oil field (Tap: 15%) will be suspended from May to November 2009 to allow the owner of the FPSO to complete a scheduled and budgeted dry dock. What impact will this have on Tap?

**CEO Peter Stickland**

Production from the Woollybutt field is expected to be suspended from the end of April to November 2009 to allow the owner of the FPSO Four Vanguard to complete a scheduled and budgeted dry dock. The dry dock project to extend the producing life of the vessel has been necessitated by Woollybutt outperforming original expectations. It was originally expected to produce 25 MMbbls, but has produced over 30 MMbbls to date, with the ultimate recovery expected to be approximately 40 MMbbls.

While the dry docking will defer production in 2009, the dry docking project should enable the joint venture to realise the ultimate recoverable reserves of the Woollybutt field.

In addition, we're doing some minor work on the facility that will enhance overall production reliability and performance of the FPSO. This won't result in an increase in the daily production rate, but should enable the vessel to

produce with lower down-time throughout the remainder of its life. Given that the facility is a leased FPSO, the majority of the costs are born by the owner, not by the JV.

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What is your current cash balance? How successful have you been in conserving cash while the Harriet JV has returned to full production? How sensitive is Tap to movements in energy prices?

**CEO Peter Stickland**

Our current cash balance is about A\$52 million – comparable to the end of December 2008 the balance of A\$54 million despite not having Harriet going at full capacity and with a fairly active exploration program and ongoing repair costs at Varanus Island during the quarter.

Tap benefits from having a number of different cash flow streams from both oil and gas; the gas from Harriet and our third party contract are under long-term secure price arrangements. These provide stability to our cash flows whilst our oil production is unhedged, providing exposure to any rebound in the oil price.

It's worth noting that the benchmark crude for Tap's production is Tapis, which has been trading at a significant premium to WTI (Nymex) over the last quarter.

In terms of conserving cash, we are working to enhance Tap's ability to manage its existing commitments for maximum benefit to the Company and yet be ready to pursue new opportunities. Tap will only pursue those opportunities where action does not dilute existing shareholders and where the opportunities are within Tap's near-term financial capability to complete. It should be noted that although these activities require staff and costs, it is our expectation that gross administrative costs will be reduced by about 20% in 2009.

Cost management remains under regular review with the objective to achieve further cost reductions while acknowledging that we must avoid cutting costs to a point which inhibits our ability to respond to opportunities that arise and could be value-accretive to existing shareholders.

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Tap recently announced that it had received a further partial interim payment of approximately A\$5.7 million in relation to the incident on Varanus Island on 3 June 2008. What further payments do you expect? Overall, to what extent will Tap be compensated for the financial loss it incurred as a result of that incident?

**CEO Peter Stickland**

Tap has comprehensive insurance coverage across all of its assets and particularly the Harriet JV which includes the Varanus Island facility. Up until this payment the insurance recovery had been solely for business interruption, that is, the lost revenue from the time that we weren't producing. This recent amount of A\$5.7 million is an interim payment for the period up to the end of January 2009 and includes a component for property damage as well as business interruption. To the degree that we're not producing at full capacity, we expect further business interruption payments to be received and ultimately

there may be a final payment, given that the interim payments weren't necessarily at a 100% of what we were claiming for across that period from June 2008 to January 2009.

The coverage for property damage is in addition to the business interruption cover, and to the end of March 2009 we have spent about A\$12 million on plant repairs on Varanus Island and we expect that to be almost entirely claimable. So not only are we expecting further payments for the business interruption, but we're expecting to complete the claims for property damage as well.

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When do you expect the results of the 3D seismic survey conducted on WA-351-P? When do you expect to start drilling?

**CEO Peter Stickland**

In WA-351-P, located off the WA coast, we received the preliminary seismic data sets in the early part of the year and we've been getting the final products from the processing house in the last couple of weeks. We've been extremely encouraged by the data we're seeing, but being a very big data set, it's going to take some time to fully evaluate. Of course, we will undertake a rigorous technical assessment prior to committing to drilling. I expect sometime in this current quarter, we will have greater understanding of the results of that interpretation and will provide that detail to the market and our shareholders.

As for the drilling itself, we could start possibly as early as the end of calendar 2009, but more realistically I think we'll be drilling on WA-351-P in 2010.

We will also be watching for the results of Hess's drilling programme in the adjacent WA-390-P block due to recommence shortly following their three announced discoveries out of four wells last year.

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When do you expect to have a resource for the Fletcher oil field? What further work are you doing to confirm the potential of the greater Fletcher High? What is your interpretation of the latest appraisal drilling around the Linda Field?

**CEO Peter Stickland**

We discovered the Fletcher oil field in late 2007 and in late 2008 drilled the successful Fletcher-3 appraisal well which had a 20 metre oil column. This was followed by an unsuccessful dry well at Fletcher-4. In late January 2009 we commenced a field evaluation to understand the potential of Fletcher and we expect the results of that this quarter.

Whether we need to do any further drilling beyond what we've already done is one of the questions we'll be seeking to address in that study. Fletcher's proximity to Santos' existing Exeter-Mutineer facility - about 15 kilometres away - certainly gives a clear opportunity for lower cost development if the resource potential is indeed confirmed.

In the Harriet Joint Venture, adjacent to the Linda field, we drilled the Linda North-1 appraisal well at the start of the March quarter and intersected a 35 metre gas column. Unfortunately we weren't able to get any flow

measurements from the reservoir but we have completed the well and perforated the reservoir. When that part of the Harriet infrastructure comes on stream shortly we'll be able to flow test the well. That these sands will actually flow gas is the last remaining critical item to establish whether or not we have a commercial discovery at Linda North.

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From your most recent results, Tap would appear to be in a strong financial position. When do you anticipate drilling the exploration opportunities in your portfolio? How can you leverage your financial position during the current global economic crisis?

**CEO Peter Stickland**

Tap has adopted a long-term strategy of focusing on organic growth identifying and drilling moderate risk exploration opportunities. We determine moderate risk as being a chance of success of at least 20%.

I anticipate we will be more active with the drill bit moving into 2010 with a program headlined by WA-351-P and potentially three wells onshore Brunei Block M. In addition we are likely to revisit our opportunity in the Philippines at SC41, where we continue to be enthusiastic about the chance of a quality oil discovery. SC-41 could be impacted this year as Exxon will be drilling a nearby well in the second half of 2009.

We've got some pretty strong organic growth opportunities that we classify as moderate risk and we are finally starting to see rig rates fall away to some degree, so hopefully drilling in 2010 will be cheaper than what it has been over the last 1 to 2 years.

Across the oil & gas industry we are seeing companies that had over-extended now having to sell assets. We continue to actively look for opportunities that would be value accretive and leverage our strong financial position in this current market. In 2008 we didn't pick up a single block because we thought the prices were too high. Thankfully that situation is reversing in 2009.

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Thank you Peter.

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For further information on Tap Oil please call Peter Stickland on +61 8 9485 1000.

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