

26 February 2010

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RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

Herewith is Tap Oil Limited's 2009 Preliminary Final Report (Appendix 4E) and financial report (including directors' report and independent audit report) for the year ended 31 December 2009 along with a covering announcement discussing the results.

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".

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ASX Announcement

2009 Full Year Results

HIGHLIGHTS

- **Net profit after tax of \$6.7 million**
- **Cash flow from Operations of \$31.7 million**
- **Varanus Island facility fully operational and producing above expectations**
- **Final settlement of Varanus Island insurance claim for US\$ 20.1 million**
- **Woollybutt FPSO underwent life extension program – about to recommence production**
- **Farmed in to prospective Rangkas block in Indonesia**
- **Completion of Brunei (Block M) seismic survey acquisition and processing**
- **Technical work during 2009 has generated an exciting, diversified forward exploration program**
- **Strong financial position: \$59 million in cash and no debt**

Managing Director, Mr Peter Stickland:

“I’m excited about the prospects for Tap Oil going into 2010. Our starting position is strong with \$59 million in the bank and our cash flow generation should lift significantly with the Woollybutt oil field soon to be back on line along with strong inflows continuing from our highly profitable third party gas contracts. After a quiet year on the exploration front in 2009, our drilling program over the next 18 months looks both extensive and promising. We have an attractive and diversified portfolio of exploration projects across proven oil and gas provinces.”

SUMMARY

Tap has delivered a net profit and a strengthened balance sheet in 2009 despite a lower average oil price and production impacted by repairs at Varanus Island and Woollybutt being suspended for FPSO (Floating Production, Storage and Offtake vessel) life extension works. Tap achieved this strong financial result with the benefit of robust third party gas sales, reduced administration expenses and the settlement of the Varanus Island insurance claim.

Tap’s exploration activity in 2009 was primarily focussed on preparing a diverse range of drilling opportunities. The successful acquisition of a sizeable seismic survey onshore Brunei was a highlight. This Tap-operated survey overcame numerous logistical and terrain challenges to acquire a high quality data set on budget, and with a good Health and Safety record. As a result Tap will commence drilling two onshore wells in the second quarter of 2010 in Brunei to appraise the Belait field. Overall Tap anticipates having an extensive drilling program over the next 18 months commencing in Brunei, then moving to excellent opportunities in Bass Strait, Western Australia, and the Philippines. This portfolio comprises a balance of prospects targeting oil and gas, onshore and offshore, and multiple geological play types across several countries.

Tap's priority is the successful execution of its near to medium term drilling program. Tap also recognises the scarcity of quality drilling opportunities and the lead time required to develop them. Our new ventures activity seeks to secure strategically positioned, early entry exploration acreage with moderate up-front costs that can be drilled in 2-3 years. The Rangkas block in Indonesia is an excellent example of this.

With more than \$59 million cash on hand and strong cash flow from existing assets and gas contracts, Tap is looking forward to getting on with the quality exploration drilling program.

Strategic Overview

Tap is a diversified exploration and production company with cash reserves of \$59 million, no debt, ongoing oil and gas revenues and a diversified exploration portfolio. Tap's strategic intent is to create value for shareholders through discovering, developing, acquiring and producing oil and gas. Tap maintains an active new ventures program in order to sustain an inventory of quality exploration prospects.

Financial Performance

Tap's revenue for 2009 was \$58.0 million (2008: \$61.4 million). After exploration write-down's of \$2.2 million (2008: \$21.2 million), the net profit before tax was \$8.0 million (2008: loss of \$4.5 million) and the net profit after tax was \$6.7 million (2008: loss of \$7.5 million). Tap generated \$31.7 million of cash from operations (2008: \$37.8 million).

The key aspects of the results are:

- Revenues for gas sales were higher in 2009 due to the higher volumes and pricing for sales of third party gas.
- Revenue from liquids sales of \$31.0 million was lower than 2008 revenue of \$44.1 million. The average realised price per barrel of oil was significantly lower than 2008 at \$73.88 (2008: \$117.40) per barrel and the increase in the volume of liquids sold from 377,000 barrels in 2008 to 419,000 barrels in 2009 was insufficient to offset this price fall.
- Other revenue includes \$23.2 million (2008: Nil) in insurance proceeds received. This amount represents the final total net settlement of USD 20.07 million received in relation to the business interruption and property damage insurance claims stemming from the Varanus Island incident.
- The significant, non-recurring expenses for the Varanus Island Repairs and the Woollybutt life extension project of \$5.6 million (2008: \$9.0 million) and \$5.5 million (2008: Nil) respectively are included in other expenses as they do not represent ongoing production expenses.
- Tap's net administration costs were significantly lower due to a focus on cost management and recovery during the year.
- The exploration write-down in 2009 was \$2.2 million (2008: \$21.2 million). The exploration effort in 2009 was focussed primarily on seismic acquisition, processing and interpretation across a number of permits in order to define a forward drilling program for 2010 and beyond.
- Net cash generated by operations decreased to \$31.7 million (2008: \$37.8 million) on lower revenues and higher cash production costs. Net cash generated by operations also includes the insurance proceeds received and payments for the Varanus Island repairs and the Woollybutt dry dock.

A summary of Tap's key financial indicators and prior year comparisons is attached to this announcement.

Production/Sales

Oil and gas production levels at the Harriet Joint Venture gradually increased during the first half of the year to production levels experienced prior to the Varanus Island incident. By mid-year the repairs to the Varanus Island facilities had been largely completed and production toward the end of the year increased significantly with the Bambra wells in particular performing better than expected.

The Woollybutt field produced in line with targets prior to being shut in on 28 April 2009. The Four Vanguard FPSO sailed to a shipyard in Singapore where the shipowners completed a planned life extension work program to ensure the vessel is capable of remaining on station to the end of the field life. In addition to the vessel owner's shipyard and dry dock activities, the joint venture undertook improvements to various aspects of the vessel to further optimise operations. The FPSO, which has been renamed the Four Rainbow, is now back on station over the Woollybutt field and production is forecast to restart in the next few weeks once recommissioning is completed.

Tap has contracts with third parties by which it buys gas from the John Brookes field and re-sells this gas to consumers. The resale arrangements are at CPI linked domestic prices and take advantage of Tap's contracted low purchase cost. These contracts are fixed in AUD and hence are not exposed to changes in either commodity prices or exchange rates.

In the second half of the year, Tap initiated a restructure of its third party gas sales arrangements in order to capture additional value over the 2010 - 2013 period and diversify the customer base. As a consequence of the restructure some 2009 revenues were deferred, however gas sales from the resale of John Brookes gas continued to make a strong contribution to revenues. Revenue from tolling fees includes charges to the John Brookes Joint Venture for the use of Harriet Joint Venture gas processing and transport facilities.

Exploration and Appraisal

Much of the 2009 exploration effort was focussed on seismic acquisition and interpretation in preparation for an active drilling program commencing in 2010.

In Brunei Block M, a 60 line km 2D seismic survey and a 118km² 3D seismic survey over the central Belait trend were acquired and processed during 2009. This was a substantial achievement, with over 1,000 personnel in the field during peak periods and data quality exceeding expectations. A rig has been contracted and locations are being finalised for drilling to start on the Belait field in the second quarter of 2010.

In T/47P technical work on the 525km² Labatt 3D seismic survey generated one commercially attractive prospect with other leads being evaluated. Dependant on the final technical analysis, it is likely that at least one well will be drilled during the fourth quarter of 2010. The recent oil and gas discovery at Rockhopper-1 in the T/18P permit immediately to the south of T/47P is encouraging.

In WA-351-P, processing of the Aragon 3D seismic survey was completed and interpretation has confirmed the presence of a large number of leads representing several different play types. An assessment of the leads inventory is expected to be completed during the first quarter of 2010.

WA-290-P in the Carnarvon Basin contains the large Zola gas prospect. This 3D seismic defined prospect is targeting around 1 Tcf of gas in a structure immediately south of the giant Gorgon gas field. Tap sees this as an attractive prospect but is currently seeking to farmout a portion of its 20% interest to manage its cost for what is likely to be a relatively deep well.

In Philippines Block SC 41, Tap completed the reprocessing and analysis of the Alpine 3D seismic survey in 2009, with several different independent play types being identified in the permit and individual prospects having potential for 100-200 million barrels of oil. A farm-out campaign is underway on behalf of the joint venture to facilitate further drilling. ExxonMobil has recently announced a hydrocarbon find in the Dabakan-1 well located approximately 6kms to the north of SC 41. In January 2010, ExxonMobil commenced drilling a second well in SC 56, Banduria-1.

Technical studies have identified up to six potential near field exploration targets in the Harriet Joint Venture. These are currently under evaluation but may lead to further drilling in this proven area in 2010.

In November 2009, Tap farmed-in to the Rangkas Block in Indonesia. Tap acquired a 24% interest from Lundin Petroleum, the Block Operator. The Rangkas Block covers an area of 3,977km² and is located onshore west Java, southwest of Jakarta. A seismic survey is planned for 2010, and based on the result of this survey drilling may occur in 2011-12.

Outlook

Tap enters 2010 with strong production from the Harriet Joint Venture, the Woollybutt FPSO about to recommence production after a life extension project and cash flows from third party gas contracts underpinning the Company's financial position.

Complimenting these revenue generating assets is an exciting, diversified exploration program intentionally designed to manage Tap's risk/reward balance while giving investors exposure to multiple opportunities for significant growth in shareholder value. Tap has deliberately assembled an exploration portfolio covering onshore and offshore, appraisal and exploration, gas and oil and operated and non-operated wells. Through this diversity Tap is confident this program should deliver material share price appreciation.

The Tap-operated Brunei appraisal wells are most likely to lead off the drilling in the second quarter of 2010. The rest of the program is more discretionary in terms of timing and Tap's ultimate working interest. Tap expects to be able to provide a detailed update of its exploration program for 2010 and beyond in early March 2010 after a number of critical joint venture technical meetings have been held.

The indicative forward Drilling Schedule is as follows:

Well	Permit	Tap Share %	Well type & estimated gross pre-drill size (recoverable)
Mawar-1 (Belait appraisal)	Brunei Block M	39	Oil/gas appraisal well (1-2 mmstb)
Mawar-2 (Belait appraisal)	Brunei Block M	39	Oil/gas appraisal well (1-2 mmstb)
HJV Development well	Harriet JV	12.2229	Oil development well
HJV Exploration wells	Harriet JV	12.2229	1 to 6 exploration wells
Prospects 1 & 2	T/47P	40	Oil exploration (10-50 mmstb each)
Gas Exploration wells	WA-351-P	25	Possible gas exploration wells (LNG scale)
Zola-1	WA-290-P	20	Possible gas exploration well (1 TCF).
Wahoo	SC41	50	Possible oil exploration well (100-200 mmstb)

Note Tap's indicative exploration drilling program is detailed in the above table. Timing is subject to rig availability, joint venture and regulatory approvals. Volume size ranges represent approximate pre-drill estimates within a range of outcomes. Estimated recoverable volumes may change as interpretations are progressed. Other prospects are also currently being considered for drilling in the near term. Please refer to Tap's website (www.tapoil.com.au) for the latest information on the forward drilling program.

KEY FINANCIAL INDICATORS

12 Months Ended	Dec-09	Dec-08
Profit & Loss (\$ million)		
Sales Revenue : Oil and Condensate	30.9	44.1
: Gas	23.1	17.0
: Tolling	4.0	0.2
Gross Profit	9.6	17.5
Gross Profit Margin (%)	17%	29%
EBITDAX	32.8	32.6
Exploration expenditure writedowns	(2.2)	(21.2)
EBITDA	30.6	11.4
NPAT	6.7	(7.5)
EPS (cents)	4.3	(4.8)
Balance Sheet (\$ million)		
Cash	59.4	54.0
Capitalised Exploration Expenditure	113.9	100.3
Property, Plant & Equipment	117.4	135.1
Total Assets	316.2	315.0
Debt	-	-
Total Liabilities	92.5	98.7
Net Assets	223.7	216.3
Cashflow (\$ million)		
Operations	31.7	37.8
Investing	(20.6)	(81.9)
Financing	-	(0.6)
Volumes		
<i>Production</i>		
Oil & Condensate (mmbbls): : HJV	0.2	0.1
: Woollybutt	0.1	0.2
Sales Gas (PJ): : HJV	3.7	2.6
Total (mmboe)	0.9	0.8
<i>Reserves (Proved and Probable)</i>		
Total (mmboe)	4.8	5.8
Sales of third party gas (PJ):	2.6	2.4
Other		
Oil Price – A\$ average realised/bbl	74	117
Shares on Issue	156.5	156.5
Share Price at period end (\$)	1.17	0.77

Appendix 4E
Preliminary Final Report
For the year ended 31 December 2009

This information should be read in conjunction with Tap Oil Limited's 2009 Financial Report which is attached.

Report for the year ended 31 December 2009
(comparative period is the year ended 31 December 2008)

Results for announcement to the market				<u>A\$ million</u>
Revenue from ordinary activities	Down	5%	to	55.0
Profit from ordinary activities after tax attributable to members	Up	n/a*	to	6.7
Net profit for the period attributable to members	Up	n/a*	to	6.7
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	<u>31 December 2009</u>		<u>31 December 2008</u>	
Net tangible asset backing per ordinary security <i>(Net assets excluding deferred exploration expenditure per share)</i>	\$0.76		\$0.74	
Refer to the attached Directors' report and financial report for the financial year ended 31 December 2009 for the Statement of Comprehensive Income, Balance Sheet, Statement of Cash Flows, Statement of Changes in Equity, commentary on the results and all other significant information. The attached financial report is audited.				

* Up from a loss of \$7.5 million in the comparative period

Tap Oil Limited

ABN 89 068 572 341

Financial report for the financial year ended 31 December 2009

Financial Report
for the financial year ended
31 December 2009

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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 2009. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

1. Principal Activities

Tap's principal activities in the course of the financial year were oil and gas exploration and production and gas marketing. No material change in the nature of these activities occurred during the financial year.

2. Consolidated Results

The Consolidated Entity's revenue for 2009 was \$58.0 million (2008: \$61.4 million). The net profit before tax was \$8.0 million (2008: loss of \$4.5 million) and the net profit after tax was \$6.7 million (2008: loss of \$7.5 million). The Consolidated Entity generated \$31.7 million of cash from operations (2008: \$37.8 million).

3. Dividends

The directors 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 cash reserves of \$59.0 million, no debt, ongoing oil and gas revenues, and a balanced exploration portfolio. Tap's strategic intent is to create value for shareholders through discovering, developing, acquiring, and producing oil and gas. Tap maintains an active new ventures program in order to sustain an inventory of quality exploration prospects.

Exploration and Appraisal

Much of the 2009 exploration effort was focussed on seismic acquisition and interpretation in preparation for an active drilling program commencing in 2010.

In WA-351-P, processing of the Aragon 3D seismic survey was completed and interpretation has confirmed the presence of a large number of leads representing several different play types. An assessment of the leads inventory is expected to be completed during the first quarter of 2010.

In Brunei Block M, a 60 line km 2D seismic survey and a 118km² 3D seismic survey over the central Belait trend were acquired and processed during 2009. This was a substantial achievement, with over 1,000 personnel in the field during peak periods and data quality exceeding expectations. Locations are being identified for drilling in the second quarter of 2010.

In Philippines Block SC 41, Tap completed the reprocessing and analysis of the Alpine 3D seismic survey in 2009, with several different independent play types being identified in the permit and individual prospects having potential for 100-200MMstb of oil. A farm-out campaign is underway on behalf of the joint venture to facilitate further drilling. ExxonMobil has recently announced a hydrocarbon find in the Dabakan-1 well located approximately 6kms to the north of SC 41. In January 2010, ExxonMobil commenced drilling a second well in SC 56, Banduria-1.

In T/47P technical work on the 525km² Labatt 3D seismic survey generated one commercially attractive prospect with other leads being evaluated. Dependant on the final technical analysis, it is likely that at least one well will be drilled during the fourth quarter of 2010. The recent oil and gas discovery at Rockhopper-1 in the T/18P permit immediately to the south of T/47P is encouraging.

Tap drilled two wells in 2009 – the Linda North-1 and Fletcher-4 appraisal wells. Linda North-1 intersected gas bearing sands, however, pressure data confirmed communication with other wells that are draining that part of the field so Linda North-1 will not be tied in for production. Fletcher-4 was sidetracked from the Fletcher-3 well bore in January 2009. The target reservoir was water wet and the well was plugged and abandoned as planned. Work is ongoing in regard to the potential commerciality of the Fletcher discovery and developing a forward plan for the permit.

In November 2009, Tap farmed-in to the Rangkas Block in Indonesia. Tap acquired a 24% interest from Lundin Petroleum, the Block Operator. The Rangkas Block covers an area of 3,977km² and is located onshore west Java, southwest of Jakarta.

During the year Tap relinquished its interests in EP363, WA-291-P, WA-345-P, and WA-358-P.

Production and Sales

	2009 '000 boe	2009 \$'000	2008 '000 boe	2008 \$'000
Production (net to Tap):				
Liquids - HJV	220		141	
Oil - Woollybutt	145		246	
Total liquids	365		387	
HJV Sales Gas – 3,670 TJ (2008: 2,560 TJ)	547		378	
Total production	912		765	
Sales (net to Tap):				
Liquids	419	30,957	377	44,149
HJV Gas Sales - 3,951 TJ (2008: 2,387 TJ)	589	5,838	352	3,584
Third Party Gas Sales – 2,599 TJ (2008: 2,388 TJ)	387	17,224	352	13,417
Tolling	-	3,999	-	231
Total sales	1,395	58,018	1,081	61,382
Average realised oil price		A\$73.88/bbl		A\$117.40/bbl

Oil and gas production levels at the Harriet Joint Venture gradually increased during the first half of the year to production levels experienced prior to the Varanus Island incident. By mid-year the repairs to the Varanus Island facilities had been largely completed and production toward the end of the year increased significantly with the Bambra wells in particular performing better than expected.

The Woollybutt field produced in line with targets prior to being shut in on 28 April 2009. A final lifting was then completed and the Four Vanguard FPSO sailed to a shipyard in Singapore where the shipowners completed a planned life extension work program to ensure the vessel is capable of remaining on station to the end of the field life. In addition to the vessel owner's shipyard and dry dock activities, the joint venture undertook improvements to various aspects of the vessel to further optimise operations. The FPSO, which has been renamed the Four Rainbow, is now back on station over the Woollybutt field and production is forecast to restart in the next few weeks once recommissioning is completed.

In addition to selling its own oil and gas production from the Harriet Joint Venture and Woollybutt fields, Tap has contracts with third parties by which it buys gas from the John Brookes field and re-sells this gas to consumers. The resale arrangements are at CPI linked domestic prices and take advantage of Tap's contracted low purchase cost. These contracts are fixed in AUD and hence are not exposed to changes in either commodity prices or exchange rates.

In the second half of the year, Tap initiated a restructure of its third party gas sales arrangements in order to capture additional value over the 2010 - 2013 period and diversify the customer base. As a consequence of the restructure, some 2009 revenues were deferred however, gas sales from the resale of John Brookes gas continued to make a strong contribution to revenues. Revenue from tolling fees include charges to the John Brookes Joint Venture for the use of Harriet Joint Venture gas processing and transport facilities.

4.2 Financial Summary

Tap's revenue for 2009 was \$58.0 million (2008: \$61.4 million). After exploration write-down's of \$2.2 million (2008: \$21.2 million), the net profit before tax was \$8.0 million (2008: loss of \$4.5 million) and the net profit after tax was \$6.7 million (2008: loss of \$7.5 million). Tap generated \$31.7 million of cash from operations (2008: \$37.8 million).

Revenue from liquids sales of \$31.0 million was lower than 2008 revenue of \$44.1 million. The average realised price per barrel of oil was significantly lower than 2008 at \$73.88 (2008: \$117.40) per barrel and the increase in the volume of liquids sold from 377,000 barrels in 2008 to 419,000 barrels in 2009 was insufficient to offset this price fall. No oil price hedges were in place for 2009 production, resulting in all production being sold at US dollar spot oil prices. No oil price or currency hedging has been put in place for subsequent years.

Revenues for gas sales were higher in 2009 due to the higher volumes and pricing for sales of third party gas.

Cash production (operating) costs at the Harriet Joint Venture were higher than the prior year due to the facility being online for the whole of the year, even though production did not reach full capacity until early in the third quarter of 2009. Much of the Harriet Joint Venture production costs are fixed (i.e. do not vary greatly with production volumes) and in the first half of the year, the Operator took the opportunity to undertake additional maintenance and plant upgrades while the volumes were restricted. Gas purchases from third parties are also included in cost of sales.

At Woollybutt, full production costs were incurred up until the end of April 2009 when the field was shut in and the FPSO sailed to Singapore for a life extension work program. Also included in production costs was a \$1.6 million (2008: Nil) inventory adjustment made by the Operator following the final lifting prior to the FPSO proceeding to dry dock.

In addition to the cash production costs discussed above, there was \$22.3 million (2008: \$16.8 million) in depreciation charged to cost of sales. The increase is a reflection of the higher production volumes in 2009 as depreciation is charged on a unit of production basis.

Other income includes \$23.2 million (2008: Nil) in insurance proceeds received. This amount represents the final total net settlement of USD 20.07 million received in relation to the business interruption and property damage insurance claims stemming from the Varanus Island incident.

The significant, non-recurring expenses for the Varanus Island repairs and the Woollybutt life extension project of \$5.6 million (2008: \$9.0 million) and \$5.5 million (2008: Nil) respectively are included in other expenses as they do not represent ongoing production expenses.

Tap's net administration costs were significantly lower due to a focus on cost management and recovery during the year.

The exploration write-down in 2009 was \$2.2 million (2008: \$21.2 million). The exploration effort in 2009 was focussed primarily on seismic acquisition, processing and interpretation across a number of permits in order to define a forward drilling program for 2010 and beyond.

Net cash generated by operations decreased to \$31.7 million (2008: \$37.8 million) on lower revenues and higher cash production costs as outlined above. Net cash generated by operations also includes the insurance proceeds received and payments for the Varanus Island repairs and the Woollybutt dry dock.

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
N F Taylor Non-executive Director and Chairman Appointed, 19 March 2002	Remuneration Committee (Chair) Nominations Committee (Chair) Reserves Committee	Neale Taylor has over 40 years of technical, operating and commercial experience in oil and gas exploration and production. He gained most of his experience with Esso in Australia. Neale is a member of the Society of Petroleum Engineers and a Fellow of the Australian Institute of Directors.
P J Stickland Managing Director Appointed, 11 February 2009 Chief Executive Officer Appointed, 1 January 2008	Nominations Committee	Peter Stickland has over 20 years global experience in oil and gas exploration. Peter had a successful career with BHP Billiton including a range of technical and management roles. Peter became Chief Executive Officer of Tap in 2008. In February 2009, Peter became Managing Director of Tap. Peter is a member of the Board of Australian Petroleum Production and Exploration Association Limited.
P B Lane Non-executive Director Appointed, 14 March 1995	Audit Committee Nominations Committee Reserves Committee (Chair)	Peter Lane is a petroleum geologist with more than 40 years experience in oil exploration and development in Australia, Canada and Papua New Guinea. He has managed a number of successful exploration and production companies including Vamgas NL, Reef Oil NL and Basin Oil NL. Prior to becoming a Director of Tap, he conducted his own consulting business for 19 years.
M J Sandy Non-executive Director Appointed, 22 June 2006	Audit Committee Nominations Committee Reserves Committee	Mike Sandy is a geologist with over 30 years experience in the resources industry with the past 24 years focused on oil and gas. He has worked for various oil and gas companies, including Oil Search and Novus Petroleum.
D W Bailey Non-executive Director Appointed, 11 November 2009	Remuneration Committee Nominations Committee Audit Committee (Chair)	Douglas Bailey was the Chief Financial Officer of Woodside Petroleum Ltd between 2002 and 2004 and previously, was an Executive Director of Ashton Mining Limited from 1990 to 2000, including the last 3 years as Chief Executive Officer. He was formerly a Non-executive Director of Aurora Gold Ltd.

P W Underwood resigned as a Non-executive Director on 21 June 2009. Mr Underwood had been a director since 10 May 1995.

Directorships of other Listed Companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Position	Commenced	Ceased
N F Taylor	Cambrian Oil & Gas plc*	Director	March 2005	-
M J Sandy	Caspian Oil and Gas Limited	Director	September 2005	-
	Burleson Energy Limited	Director	May 2006	-
	Hot Rock Limited	Director	June 2007	-
D W Bailey	St Barbara Limited	Director	January 2006	-

*Renamed Xtract International Limited and delisted April 2007.

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 was eligible to attend and the number of meetings attended by each director (while they were a director or committee member).

Directors	Board of Directors		Audit Committee		Remuneration Committee		Reserves Committee		Nominations Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
N F Taylor	8	8	3	3	4	3	1	1	2	2
P J Stickland	7	7	-	3 ⁽ⁱ⁾	-	2 ⁽ⁱ⁾	-	1 ⁽ⁱ⁾	2	2
P B Lane	8	8	3	3	4	4	1	1	2	2
M J Sandy	8	8	3	3	4	4	-	-	2	2
D W Bailey	1	1	-	-	-	1 ⁽ⁱ⁾	-	-	-	-
P W Underwood	5	5	-	2 ⁽ⁱ⁾	-	1 ⁽ⁱ⁾	-	-	1	1

(i) Attended via invitation to all or part of meeting.

Changes were made to the composition of the various board committees during the course of 2009. The composition of these committees is now as set out above.

Directors' Shareholdings

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

Directors	Fully paid ordinary shares	Options
N F Taylor	131,484	-
P J Stickland	244,424	425,620
P B Lane	958,602	-
M J Sandy	49,472	-
D W Bailey	-	-
P W Underwood	1,974,123 ⁽ⁱ⁾	1,585,400

(i) Shareholding as at resignation on 21 June 2009

Company Secretary

Matthew Worner LLB, B.Bus. – appointed 30 January 2008. Mr Worner is the Company's Legal Counsel. He is a barrister and solicitor of the Supreme Court of Western Australia and practiced as a corporate lawyer in Perth before joining Tap in August 2006.

Damon Neaves LLB, B.Comm, A.S.I.A. – appointed 28 October 2003, resigned 11 February 2009. Mr Neaves is the Company's Commercial Manager. He is a barrister and solicitor of the Supreme Court of Western Australia and practiced as a corporate lawyer in Perth before joining Tap in March 2003.

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

Other than as noted above, and since the end of the financial year, the directors are not aware of any 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.

8. Future Developments

The Consolidated Entity will continue to operate as an oil and gas exploration and production and gas marketing company. In accordance with its objectives, the Consolidated Entity intends to participate in a number of exploration and appraisal wells and new development projects, and will consider growing its exploration effort and production base by farm-in, permit application and/or acquisition within its existing operational areas of Australia and South East Asia, and in other 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

Share options on issue as at the date of this report or exercised during the year.

The total number of share options on issue at the date of this report is 6,199,554 down from 8,965,847 at the date of the previous report.

Details of unissued ordinary shares under option at the reporting date are:

Issuing entity	Number of shares under option	Exercise price of option	Share price at 31/12/09	In/(Out) of the money at 31/12/09	Expiry date of options
Tap Oil Limited	175,000	\$1.66	\$1.17	(\$0.49)	13-Mar-10
Tap Oil Limited	150,000	\$2.20	\$1.17	(\$1.03)	30-Jul-10
Tap Oil Limited	14,862	\$2.65	\$1.17	(\$1.48)	30-Nov-10
Tap Oil Limited	189,400	\$2.75	\$1.17	(\$1.58)	19-Jan-11
Tap Oil Limited	577,200	\$1.77	\$1.17	(\$0.60)	29-Jan-11
Tap Oil Limited	49,541	\$1.78	\$1.17	(\$0.61)	9-Apr-11
Tap Oil Limited	90,800	\$1.71	\$1.17	(\$0.54)	14-Jul-11
Tap Oil Limited	10,800	\$1.25	\$1.17	(\$0.08)	3-Sep-11
Tap Oil Limited	300,000	\$1.37	\$1.17	(\$0.20)	3-Sep-11
Tap Oil Limited	315,000	\$1.65	\$1.17	(\$0.48)	25-Sep-11
Tap Oil Limited	28,000	\$0.61	\$1.17	\$0.56	25-Nov-11
Tap Oil Limited	300,000	\$0.66	\$1.17	\$0.51	25-Nov-11
Tap Oil Limited	611,958	\$0.83	\$1.17	\$0.34	23-Jan-12
Tap Oil Limited	2,007,793	\$0.90	\$1.17	\$0.27	23-Jan-12
Tap Oil Limited	375,000	\$1.46	\$1.17	(\$0.29)	6-Feb-12
Tap Oil Limited	133,200	\$1.04	\$1.17	\$0.13	7-Apr-12
Tap Oil Limited	536,000	\$1.61	\$1.17	(\$0.44)	29-Jan-13
Tap Oil Limited	335,000	\$1.53	\$1.17	(\$0.36)	15-Jul-13
	6,199,554				

The holders of options do not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

There were no shares or interests issued during the financial year or up to the date of this report as a result of exercise of options.

11. Indemnification of Officers and Auditors

During the financial year the Company paid a premium in respect of a policy insuring the directors (as named above), the Company's Secretaries, Mr Damon Neaves and Mr Matthew Worner, 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.

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

12.1 Introduction

The Directors have prepared this Remuneration Report to outline the overall remuneration strategy, policies and practices adopted by the Company in 2009. The Report has been prepared in accordance with Section 300A of the Corporations Act 2001 and its regulations.

As was foreshadowed at the Company's 2009 Annual General Meeting, the Company is undertaking a comprehensive review of its remuneration policies and practices. This review is near completion and once finalised, shareholders will have the opportunity to consider and vote upon the changes arising from the review as required by relevant laws. Accordingly, the remuneration practices described below are applicable for the year ending 31 December 2009 only and are unlikely to reflect the Company's remuneration policies into the future.

Tap's remuneration policy is designed to attract high quality executives and to promote superior performance and long term commitment to the Company. Remuneration consists of base salary, superannuation, short term 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.

Remuneration arrangements for directors are recommended by the Remuneration Committee and management recommendations for group executives are reviewed and approved by the Remuneration Committee. The Remuneration Committee engages 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 staff. Performances of the directors and Managing Director/Chief Executive Officer are evaluated by the Board assisted by the Remuneration Committee. The Managing Director/Chief Executive Officer reviews the performance of executives with the Remuneration Committee. These evaluations take into account criteria such as the achievement of the Company's performance benchmarks and the achievement of individual performance objectives.

12.2 Overview of Existing Remuneration Arrangements for Directors and Group Executives

An overview of the remuneration arrangements for directors and group executives for year ended 31 December 2009 is set out below.

Executive Remuneration Structure

During 2009, both the executive director and group executives participated in a remuneration structure consisting of the following:

- Base salary.
- Short Term Incentive – at-risk cash and equity based.
- Long Term Incentive – at-risk equity based.

Executive Directors Remuneration

As at 31 December 2009, Mr P J Stickland was the only executive director on the Board. Mr Stickland was appointed as Managing Director/Chief Executive Officer from 11 February 2009 and was previously Chief Executive Officer from 1 January 2008.

Executive directors receive a base salary, which reflects current market levels, plus short term and long term incentives. These incentives are designed to ensure that a significant component of the remuneration of executive directors is performance-based or "at risk", so as to align their interests with those of the Company's shareholders.

Short Term Incentive Award

Under the existing remuneration policy, the amount of the short term incentive ("STI") award earned is determined by the achievement of performance objectives achieved during the year. The performance objectives are set by the Board to reflect the Company's strategies, business plan and budget. A weighting is applied to each of the performance objectives and the combined result determined the amount of the STI award. The performance objectives and their respective weightings are changeable from year to year.

Subject to achieving the performance objectives, the actual amount of the STI award earned is a percentage of the executive director's base remuneration package measured as follows:

- Threshold - 10%
- Target - 40%
- Outstanding - 60%

If the actual performance fell between these levels then the amount of the STI award would be adjusted on a pro-rata basis. In no circumstances would the STI award exceed 60% of the executive director's base remuneration package.

Under the existing policy, half of the value of the STI award is paid in the form of options under the Executive Director Option Plan. The number of options issued is the value of options to be issued divided by the deemed issue price of those options (which shall be an amount equal to 15% of the current market price of the Company's shares). The balance of the STI award is paid in shares in the Company (at the prevailing market price at that time) or as a cash payment, as determined by the Board. For the 2009 year, the Board determined to pay the STI award in cash.

Long Term Incentive Award

The long term incentive ("LTI") award focuses on long term sustainable performance improvement. No award was made in 2009 under the policy outlined below, however it is the Board's intention to issue an LTI award for 2009 subject to completion of the current review and shareholder approval of the new policy.

It had been the Company's policy that the LTI was based on the Company's performance relative to a comparator group of companies ("Comparator Group"). With the companies comprising the Comparator Group determined by the Board these Comparator Group companies were primarily companies within the energy sector. The Company's performance relative to the companies in the Comparator Group was measured in terms of total shareholder return (share price growth and dividends assuming dividends are reinvested into the relevant Company's shares) over a rolling three year period.

Under the LTI policy, the award under the LTI was calculated by assessing the total shareholder return of the Company over the measurement period relative to the total shareholder return of each of the companies comprising the Comparator Group. The Company would then be ranked within the Comparator Group. If the Company was ranked above the 50th percentile of the Comparator Group, the executive director would be entitled to receive shares and options in accordance with the terms of the LTI.

The value of shares and options that would have been awarded to the executive director was a percentage of the executive directors' base remuneration package set out in the table below:

Performance Level	Ranking	Percentage of Base Remuneration
Basic	50th percentile	20%
Target	65th percentile	40%
Outstanding	80th percentile	80%

If the performance level fell between the levels set out in the table above, then the percentage of base remuneration would have been adjusted on a pro rata basis.

Under the policy, unless otherwise determined by the Board, or at the request of the executive director, the award would have been paid to the executive director in the form of shares and options as follows:

- for outstanding performance 75% of the award was in the form of shares and 25% of the award in the form of options;

- for basic to target levels of performance the award was comprised of shares and options in equal proportions; and
- if the level of performance was between the target and outstanding levels, the value of options offered was equivalent to the value offered at the target level and the remainder of the award shall be offered in the form of shares.

Any shares previously awarded under the LTI were acquired on-market under the rules of the Company's Employee and Director Share Plan. Any options previously issued under the LTI were issued pursuant to the Executive Director Option Plan using the value of options determined in the manner specified above divided by the deemed issue price of those options (which shall be an amount equal to 15% of the current market price of the Company's shares on the Australian Stock Exchange at the time the options are granted) in order to determine the number issued.

In addition, executive directors were previously eligible to participate in the Employee and Director Share Plan on a salary sacrifice basis.

Non-Executive Directors Remuneration

Non-executive directors receive an annual fee which reflects current market levels based on the time, responsibilities and commitments associated with the proper discharge of their duties as members of the Board. Up until May 2009, non-executive directors were required to apply 25% of their fees to acquire shares in the Company on-market pursuant to the terms of the Employee and Director Share Plan. The release of these shares from the Company's share plan occurs on the earlier of the expiry of a 10 year period or ceasing to be a director. The value of the directors' holdings increased over 2009 in line with movements in share price. Post May 2009, non-executive directors received 100% of their annual fee in cash.

Under previous remuneration arrangements, non-executive directors were eligible to participate in the Employee and Director Share Plan on a salary sacrifice basis. Other than statutory superannuation, non-executive directors are not entitled to any retirement benefits upon their retirement from office.

Group Executives and Staff Remuneration

Short term incentives had been based on individual and Company performance in the form of cash and shares offered to group executives and all other staff out of a bonus pool based on Company performance. Long term incentives had been assessed and awarded solely on the individual's job performance and awards were made available through participation in the Company's Employee Incentive Option Scheme, Management Option Plan and Employee and Director Share Plan. Participation in the Company's share plan was also available on a salary sacrifice basis. In 2009 the Board determined to pay the short term incentive award in the form of cash. No award was made in 2009 under the policy outlined above, however, it is the Board's intention to issue an LTI award for 2009 subject to completion of the current review and shareholder approval of the new policy.

12.3 Service Agreements

Remuneration and other terms of employment for the executive directors, non-executive directors, group executives and staff are formalised in service agreements. An overview of the service agreements for each of these persons is set out below.

Non-Executive Directors

The Company has entered into terms of engagement with each of P B Lane, N F Taylor, M J Sandy and D W Bailey whereby those persons are appointed as non-executive directors of the Company. P W Underwood was engaged on the same terms up until his resignation on 21 June 2009. 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 (in this regard, the constitution provides that all directors, other than the Managing Director, are subject to re-election by shareholders by rotation within 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 under the terms of the engagement is discussed in detail below and shown in the relevant tables.

Executive Directors

At the date of this report, Mr Stickland, the Managing Director/Chief Executive Officer, is the only executive director.

Mr Stickland was appointed as Managing Director/Chief Executive Officer under an executive employment agreement entered into on 11 February 2009. The term of the executive employment agreement expires on 31 December 2011 and thereafter the term may be extended for periods of two years by mutual agreement. The Board and Mr Stickland are to discuss the first extension in December 2010. Mr Stickland's base package, with effect from 1 January 2010, is \$530,000 per annum (inclusive of superannuation).

The executive director may terminate his executive employment agreement by giving 12 months notice in writing, or such shorter period as may be agreed. Save for the Company's right to terminate without notice in prescribed circumstances, the Company may terminate the executive director's employment by giving 12 months notice in writing or, at the Company's discretion, a payment of 12 months base package in lieu thereof. A range of other terms and conditions apply to both Mr Stickland and the Company.

12.4 Elements of Remuneration related to Performance

The elements of remuneration shown in the columns labelled "Bonus" and "Share-based payments" in the tables below, as set out under Elements of Director and Executive remuneration, 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 the executive director and group executives are explained in detail in the discussion on remuneration policy set out below. All cash bonuses in the tables below were earned in the financial year. The value of options shown in the tables below are the accounting costs accrued in the financial year for options granted in the financial year or in previous financial years. No cash bonus awards were forfeited because the person did not meet the relevant service or performance conditions. Non-executive directors received fixed remuneration only.

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 shows the Company's earnings in the reporting period and the previous four financial years as well as indicia of the Company's value over the corresponding period:

12 months ended	Dec 09	Dec 08	Dec 07	Dec 06	Dec 05
NPAT (\$millions)	6.7	(7.5)	(7.8)	0.8	22.8
EPS (cents) <i>Basic (note 1)</i>	4.3	(4.8)	(5.0)	0.5	14.5
EPS (cents) <i>Diluted (note 1)</i>	4.3	(4.8)	(5.0)	0.5	14.5
Year end share price (\$)	1.17	0.77	2.05	1.52	2.56
Shares on Issue (million)	156.5	156.5	156.5	155.9	157.9
Market Capitalisation (\$ million)	183.1	120.5	320.1	237.0	404.2

1. No dividends were paid during any of the financial years.

For 2009 the Board determined a set of Company Key Performance Indicators (KPIs), reflecting the Company's strategies, business plan and budget. The KPIs included performance against budgeted earnings before interest, tax, depreciation or exploration (EBITDAX), performance against budgeted capital and exploration expenditure, reserves replacement, 12 month relative share price performance, HSE and management of the Company's portfolio of assets. Against this weighted group of indicators the Company performed between Threshold and Target with notably good performances against EBITDAX (including successful insurance recovery), relative share price performance with the Company's share price having improved by 52% over 2009 and HSE in relation to the Brunei Seismic Survey.

Chief Executive Officer/Managing Director

The Company has entered into an executive employment agreement with Mr P J Stickland as set out above.

The agreement in place during 2009 provided for a short-term incentive based on a set of annual performance measures set by the Board. Due to changes to and uncertainties in relation to legislation regarding the issue of securities under company employee incentive schemes, the STI award paid to Mr Stickland for the year ended 31 December 2009 was \$160,150 in the form of cash. The award reflects positive outcomes to varying degrees in the KPIs noted above.

Due to changes to and uncertainties in relation to legislation regarding the issue of securities to employees under company incentive schemes, no LTI award has been paid to Mr P Stickland for performance recorded over the year ended 31 December 2009. It is the intention of the Company to make an LTI award to Mr Stickland once the Company's revised remuneration policy has been finalised and relevant approvals obtained from shareholders. The STI shares and LTI options awarded to Mr Stickland for his 2008 performance are recorded in the 2009 financial results and executive remuneration tables as they were granted in 2009.

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

Group Executives

Under the present remuneration policy short term incentives offered to group executives are awarded on the achievement of Company KPIs as noted above and based on individual performance. In relation to short term incentives paid to group executives in 2009 for performance during the year ended 31 December 2008, the reward was split as follows:

- 70% cash; and
- 30% shares.

Long term incentives consisting of a package of management options with vesting conditions dependant on pre-determined performance hurdles being met within defined time restrictions were provided.

Long and short term incentives were made available through participation in the Company's Management Incentive Option Plan and Employee and Director Share Plan.

Due to changes and uncertainties in relation to legislation regarding the issue of securities under company employee incentive schemes, the STI award paid to group executives in early 2010 for the year ended 31 December 2009 was made in cash. Due to the aforementioned legislative changes, no LTI award has been paid to group executives for performance recorded for the year ended 31 December 2009. It is the intention of the Company to make an LTI award to group executives once the Company's revised remuneration structure has been finalised and relevant approvals obtained from shareholders.

The 2008 LTI award to group executives was made in January 2009 in the form of options issued under the Management Incentive Option Plan. Under this plan, options issued vest in accordance with performance conditions set by the Board prior to the date of grant. Pursuant to the Management Incentive Option Plan, the number of options vesting on the expiry of a two year performance period shall be determined by the absolute share price growth over the two year period in accordance with the following vesting scale.

Absolute Growth Hurdle	% of Management Options Vested
Less than 20% growth	0%
Greater than or equal to 20% and less than 60% growth	Pro-rata between 50-100%
Greater than or equal to 60% growth	100%

The exercise price of the options equals the average closing price of the Company's shares on the Australian Securities Exchange during the last five trading days on which the Company's shares were traded immediately preceding the option grant date plus twenty percent, subject to a minimum exercise price of 50 cents.

All shares issued on exercise of the options will rank equally in all respects with the Company's fully paid ordinary shares. The Company will apply for quotation of all shares issued upon the exercise of options.

The first options were issued under the Management Option Plan in 2008. It is not the current intention of the Company to issue any further options under this plan.

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

Director and Executive Details

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Consolidated Entity, including directors of the Company and other executives. Key management personnel and senior personnel include the five most highly remunerated S300A directors and executives for the Company and the Consolidated Entity.

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

Non-Executive Directors

- N F Taylor (Chairman)
- P B Lane
- M J Sandy
- D W Bailey (appointed 11 November 2009)
- P W Underwood (Resigned 21 June 2009)

Senior Executives

- P J Stickland (Chief Executive Officer/Managing Director)
- D A Neaves (Commercial Manager)
- B M Ulmer (Engineering and Development Manager)
- D J Rich (Chief Financial Officer)
- J P Scibiorski (Exploration Manager)
- R A Cassie (New Ventures Manager)

Elements of Director and Executive Remuneration

Remuneration packages contain the following key elements:

- Short term employee benefits – salary/fees, bonuses and non-monetary benefits, such as shares.
- Post-employment benefits – including superannuation, prescribed retirement benefits and retirement gifts.
- Share based payments – share options and shares granted under the incentive option and share plans administered by the Company. Options are valued using the Black Scholes valuation method at the date of grant. The options values are expensed in the profit and loss account over the vesting period. At 31 December 2009 the share price was \$1.17. No director or executive received a cash benefit from the options having been received. Shares are valued at the closing market price on the date they are granted and no adjustment is made for subsequent movements in share price during any vesting period. No cash benefit is received by the director or executive until he sells the shares, which cannot be done until the shares have vested.

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

2009	Short-term employee benefits			Post-employment	Share-based payment equity settled		Total
	Salary & fees	Bonus (i)	Non-monetary	Super-annuation	Options (ii)	Shares (iii)	
	\$	\$	\$	\$	\$	\$	
Non-executive directors							
N F Taylor	133,028	-	-	11,972	-	20,000	165,000
P B Lane	19,495	-	-	53,005	-	10,000	82,500
M J Sandy	66,514	-	-	5,986	-	10,000	82,500
D W Bailey	10,929	-	-	984	-	-	11,913
P W Underwood ^(iv)	30,295	-	-	2,727	141,532	5,000	179,554
Executives							
P J Stickland	459,945	160,150	2,354	32,844	87,094	130,880	873,268
D A Neaves	295,968	77,678	2,854	20,373	94,501	31,706	523,080
B M Ulmer	400,824	68,106	2,354	36,074	86,628	14,177	608,163
D J Rich	295,826	86,800	2,681	14,174	10,172	14,378	424,031
J P Scibiorski	286,119	49,088	2,354	25,751	37,268	13,053	413,633
R A Cassie	271,983	54,102	2,854	75,000	82,122	10,933	496,994
	2,270,927	495,924	15,450	278,891	539,317	260,127	3,860,636

2008	Short-term employee benefits			Post-employment Super-annuation	Share-based payment equity settled		Total
	Salary & fees \$	Bonus \$	Non-monetary \$		Options (ii) \$	Shares (iii) \$	
Non-executive directors							
N F Taylor	43,486	-	-	84,014	-	42,500	170,000
P B Lane	-	-	-	63,750	-	21,250	85,000
M J Sandy	58,486	-	-	5,264	-	21,250	85,000
P W Underwood ^(v)	560,759	70,138	1,177	44,467	430,831	41,231	1,148,603
Executives							
P J Stickland	417,872	11,400	2,071	37,880	107,510	158,345	735,078
D A Neaves	274,576	14,189	2,571	24,711	108,318	29,455	453,820
B M Ulmer	381,342	10,309	2,071	35,249	109,752	30,758	569,481
D J Rich	34,420	-	244	1,522	1,010	1,534	38,730
R J Aden	171,226	-	1,368	14,450	34,868	10,559	232,471
R Hall	51,097	-	255	3,811	4,977	2,461	62,601
J P Scibiorski	158,727	4,652	1,283	14,704	11,138	7,126	197,630
R A Cassie	210,684	8,843	2,564	117,126	98,748	20,023	457,988
	2,362,675	119,531	13,604	446,948	907,152	386,492	4,236,402

(i) The bonuses relate to 2009 performance and were paid in cash in February 2010.

(ii) The options have been costed using the Black and Scholes model. Further details of the Tap Employee Incentive Option Plan, Tap Executive Director Option Plan and Tap Oil Management Incentive Option Plan are contained in note 22 (a), (b) and (c).

(iii) Shares are bought on market for key management personnel, pursuant to the Tap Employee and Director Share Plan, as part of their remuneration. Further details of this Share Plan are contained in note 22 (d).

(iv) Mr Underwood's 2009 option remuneration relates to the vesting of options earned as an executive director during prior periods.

(v) Mr Underwood was an Executive Director until 30 June 2008.

Options and Rights over Equity Instruments Granted

The following options and rights over ordinary shares in the Company were granted to key management personnel during and since the reporting period. These were granted as remuneration unless otherwise noted.

	Number of options granted during 2009 (i)	Grant date	Fair value per option at grant date	Exercise price per option (\$)	Share price at 31/12/09 (\$)	In/(Out) of the money (\$)	Financial year in which options vest	Expiry date	Number of options vested during 2009 (ii)
Non-executive directors									
N F Taylor	-	-	-	-	-	-	-	-	-
P B Lane	-	-	-	-	-	-	-	-	-
M J Sandy	-	-	-	-	-	-	-	-	-
D W Bailey	-	-	-	-	-	-	-	-	-
P W Underwood	-	-	-	-	-	-	-	-	871,000
Executives									
P J Stickland	65,620	23-Jan-09	0.253	0.83	1.17	0.34	2011	23-Jan-12	250,000
D A Neaves	786,373	23-Jan-09	0.077	0.90	1.17	0.27	2011	23-Jan-12	150,000
B M Ulmer	545,749	23-Jan-09	0.077	0.90	1.17	0.27	2011	23-Jan-12	160,000
D J Rich	-	-	-	-	-	-	-	-	-
J P Scibiorski	246,225	23-Jan-09	0.077	0.90	1.17	0.27	2011	23-Jan-12	-
R A Cassie	429,446	23-Jan-09	0.077	0.90	1.17	0.27	2011	23-Jan-12	150,000

(i) Each option entitles the holder to one share in the Company.

(ii) Options granted in prior periods.

	Number of shares granted during 2009 (iii)	Grant date	Fair value per share grant at grant date \$	% Vested in year	Number of shares vested during 2009 (iv)	Financial years in which grant vests
Non-executive directors						
N F Taylor	20,212	(v)	0.99	100%	20,212	2009
P B Lane	10,105	(v)	0.99	100%	10,105	2009
M J Sandy	10,105	(v)	0.99	100%	10,105	2009
D W Bailey	-	-	-	-	-	-
P W Underwood	5,681	26-Mar-09 (v)	0.88	100%	5,681	2009
Executives						
P J Stickland (vi)	69,829	23-Jan-09	0.81	19%	62,479	2010
D A Neaves (vii)	26,746	23-Jan-09	0.81	72%	25,348	2010/2011
B M Ulmer (viii)	5,945	23-Jan-09	0.81	-	5,827	2010/2011
D J Rich	-	-	-	-	26,071	-
J P Scibiorski (viii)	2,682	23-Jan-09	0.81	-	4,904	2010/2011
R A Cassie (viii)	4,678	23-Jan-09	0.81	-	10,222	2010/2011

(iii) Each share grant entitles the holder to one share in the Company. These 'share rights' relate to shares held for executives on trust by the relevant holding entity pursuant to the Tap Oil Limited Employee and Director Share Plan.

(iv) Shares granted in prior periods, as well as salary sacrifices in 2009. The shares received through salary sacrifice, vest immediately.

(v) The non-executive directors obtained shares through salary sacrifice during the 2009 financial year. The dates of salary sacrifice for shares were 26 March 2009 and 30 June 2009.

(vi) A total of 13,540 of the shares granted related to a salary sacrifice resulting in immediate vesting of the shares. The rest of the shares vest in 2010.

(vii) A total of 19,240 of the shares granted related to a salary sacrifice resulting in immediate vesting of the shares. The remaining 7,506 shares granted vest one third in 2010 and two thirds in 2011.

(viii) Of the total share grant, one third vests in 2010 and two thirds in 2011.

The shares granted have no exercise price and no expiry date. No shares granted in the 2009 financial year have been forfeited. No options granted in 2009 have vested or have been forfeited in the 2009 financial year. No options or shares have been granted since the end of the financial year. The options and shares were provided at no cost to the recipient. Options are exercisable from the date of vesting and the details of vesting periods are set out in notes 22 (a), (b) and (c). All options expire on the earlier of their expiry date or termination of the individual's employment. All shares granted expire on termination of the individual's employment.

Analysis of Movement in Options

The movement during the year, by value, of options over ordinary shares in the Company held by each key management person is detailed below:

	Options Granted during the year \$	Options Exercised during the year \$	Options Lapsed Value at time of lapse \$	% of remuneration for the year consisting of options
Non-executive directors				
N F Taylor	-	-	-	-
P B Lane	-	-	-	-
M J Sandy	-	-	-	-
D W Bailey	-	-	-	-
P W Underwood ⁽ⁱ⁾	-	-	-	79%
Executives				
P J Stickland	16,625	-	-	10%
D A Neaves	60,239	-	-	18%
B M Ulmer	41,806	-	-	14%
D J Rich	-	-	-	2%
J P Scibiorski	18,862	-	-	9%
R A Cassie	32,897	-	-	17%

(i) Mr Underwood's 2009 option remuneration relates to the amortisation over the vesting period of the value of options earned as an executive director during prior periods, and is thus an apparently high percentage when compared to his lower fees as a non-executive director in 2009.

No options were exercised during the year.

Value of Options – Basis of Calculation

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

The value of options exercised is calculated as the difference between the share market value on the date of exercise less the exercise price multiplied by the number of options exercised. Any difference between this value and the value at the date of grant is not reflected in the financial results.

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

No adjustment is made to the value included in remuneration or the financial results where the option ultimately has a lesser or greater value than as at the date of grant. At 31 December 2009 the share price was \$1.17 meaning that only 3,099,325 of the 6,199,554 options outstanding at the date of this financial report were in the money. No director or executive received any cash benefit from the options having been received.

Analysis of Movement in Shares Granted

The movement during the year, by value, of shares in the Company held by each non-executive director and key management person is detailed below.

	Shares Granted during the year \$	Shares Lapsed Value at time of lapse \$	% of remuneration for the year consisting of shares
Non-executive directors			
N F Taylor (i)	20,000	-	12%
P B Lane (i)	10,000	-	12%
M J Sandy (i)	10,000	-	12%
D W Bailey	-	-	-
P W Underwood (i)	5,000	-	3%
Executives			
P J Stickland (ii)	57,000	-	15%
D A Neaves (iii)	22,280	-	6%
B M Ulmer	4,816	-	2%
D J Rich	-	-	3%
J P Scibiorski	2,173	-	3%
R A Cassie	3,790	-	2%

(i) The non-executive directors obtained shares through salary sacrifice during the 2009 financial year.

(ii) Of the total value granted in 2009, \$11,400 relates to a salary sacrifice.

(iii) Of the total value granted in 2009, \$16,199 relates to a salary sacrifice.

Value of Shares Granted – Basis of Calculation

The value of a share grant is calculated as the share price on the date the shares are purchased to be held in trust until vesting or other conditions occur.

12.3 Review of Company Remuneration Policy

As was foreshadowed at the Company's 2009 Annual General Meeting, the Company is undertaking a comprehensive review of its remuneration policies and practices. This review is near completion and once finalised, shareholders will have the opportunity to consider and vote upon the changes arising from the review as required by the relevant laws.

13. Non-Audit Services

The directors 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. During the current period there were no non audit services provided.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 25 to the financial statements.

14. Auditor's Independence Declaration

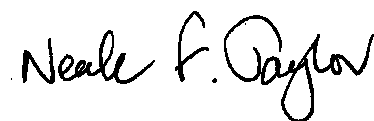
The auditor's independence declaration is included on page 16 of the financial report. The directors are satisfied that the provision of non audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations act 2001.

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 made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, reading "Neale F. Taylor". The signature is written in a cursive, flowing style.

N F Taylor
Chairman

West Perth, Western Australia
26 February 2010

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

26 February 2010

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 2009, 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



Kathleen Bozanic
Partner
Chartered Accountants

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

We have audited the accompanying financial report of Tap Oil Limited, which comprises the balance sheet as at 31 December 2009, and the statement of comprehensive income, the cash flow statement 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 19 to 64.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing 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 entity's preparation and fair presentation of the financial report 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 entity'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.

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*.

Auditor's 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 company and consolidated entity's financial position as at 31 December 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 14 of the directors' report for the year ended 31 December 2009. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Tap Oil Limited for the year ended 31 December 2009, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Kathleen Bozanic

Kathleen Bozanic
Partner
Chartered Accountants
Perth, 26 February 2010

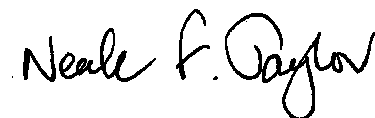
Directors' Declaration

The directors 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 Company and the Consolidated Entity; and
- (c) 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

A handwritten signature in black ink, reading "Neale F. Taylor". The signature is written in a cursive, flowing style.

N F Taylor
Chairman

West Perth, Western Australia
26 February 2010

Statement of comprehensive income for the financial year ended 31 December 2009

	Note	Consolidated		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue	2(a)	58,018	61,382	-	-
Cost of sales	2(b)	(48,398)	(34,798)	-	-
Gross profit		9,620	26,584	-	-
Other revenue	2(a)	889	2,771	149	1,716
Other income	2(c)	23,654	678	-	-
Administration expenses	2(d)	(7,206)	(11,194)	(6,206)	(10,784)
Finance costs	2(e)	(825)	(1,325)	-	(548)
Other expenses	2(f)	(18,129)	(22,014)	(1,637)	1,780
Profit/(Loss) before tax		8,003	(4,500)	(7,694)	(7,836)
Income tax and PRRT (expense)/benefit	3(a)	(1,328)	(3,046)	2,243	2,477
Profit/(Loss) for the year		6,675	(7,546)	(5,451)	(5,359)
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		6,675	(7,546)	(5,451)	(5,359)
Earnings per share:					
Basic (cents per share)	14	4.3	(4.8)		
Diluted (cents per share)	14	4.3	(4.8)		

The statements of comprehensive income are to be read in conjunction with the notes to the financial statements.

Balance sheet as at 31 December 2009

	Note	Consolidated		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current assets					
Cash and cash equivalents	20(a)	59,438	54,045	29,321	12,370
Trade and other receivables	4	9,885	8,763	1,040	548
Inventories	5	6,210	8,441	-	-
Current tax asset	3(b)	-	577	-	577
Other financial assets	7	-	-	48,208	50,771
Other current assets	6	9,329	7,735	1,365	2,177
Total current assets		84,862	79,561	79,934	66,443
Non-current assets					
Other financial assets	7	-	-	31,753	31,753
Property, plant and equipment	8	117,451	135,068	685	878
Deferred exploration expenditure	9	113,911	100,336	-	-
Deferred tax assets	3(c)	-	-	247	886
Total non-current assets		231,362	235,404	32,685	33,517
Total assets		316,224	314,965	112,619	99,960
Current liabilities					
Trade and other payables	10	18,411	30,515	1,362	4,228
Current tax liability	3(b)	2,716	-	2,716	-
Provisions	12	318	340	318	340
Other financial liabilities	11	-	-	19,287	1,769
Total current liabilities		21,445	30,855	23,683	6,337
Non-current liabilities					
Deferred tax liabilities	3(c)	45,231	46,619	-	-
Provisions	12	25,871	21,229	89	65
Total non-current liabilities		71,102	67,848	89	65
Total liabilities		92,547	98,703	23,772	6,402
Net assets		223,677	216,262	88,847	93,558
Equity					
Issued capital	13	89,758	89,758	89,758	89,758
Share options reserve		4,252	3,512	4,252	3,512
Retained earnings		129,667	122,992	(5,163)	288
Total equity		223,677	216,262	88,847	93,558

The balance sheets are to be read in conjunction with the notes to the financial statements.

Statement of changes in equity for the financial year ended 31 December 2009

	Note	Issued capital \$'000	Share options reserve ⁽ⁱ⁾ \$'000	Retained earnings \$'000	Total \$'000
<u>Consolidated</u>					
Balance at 1 January 2008		89,758	3,065	130,538	223,361
Loss for the year		-	-	(7,546)	(7,546)
Total comprehensive income for the year		-	-	(7,546)	(7,546)
Recognition of share-based payments	2(d)	-	447	-	447
Balance at 31 December 2008		89,758	3,512	122,992	216,262
Profit for the year		-	-	6,675	6,675
Total comprehensive income for the year		-	-	6,675	6,675
Recognition of share-based payments	2(d)	-	740	-	740
Balance at 31 December 2009		89,758	4,252	129,667	223,677
<u>Company</u>					
Balance at 1 January 2008		89,758	3,065	5,647	98,470
Loss for the year		-	-	(5,359)	(5,359)
Total comprehensive income for the year		-	-	(5,359)	(5,359)
Recognition of share-based payments	2(d)	-	447	-	447
Balance at 31 December 2008		89,758	3,512	288	93,558
Loss for the year		-	-	(5,451)	(5,451)
Total comprehensive income for the year		-	-	(5,451)	(5,451)
Recognition of share-based payments	2(d)	-	740	-	740
Balance at 31 December 2009		89,758	4,252	(5,163)	88,847

(i) The share options reserve reflects the cost of option-related share-based payments – refer note 1(s).

The statements of changes in equity are to be read in conjunction with the notes to the financial statements.

Cash flow statement for the financial year ended 31 December 2009

	Note	Consolidated		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash flows from operating activities					
Receipts from customers		57,474	71,222	-	2,281
Payments to suppliers and employees		(45,312)	(43,127)	(2,265)	(8,903)
Insurance receipts		19,295	7,721	-	-
Government royalties paid		(1,166)	(1,499)	-	-
Interest received		820	2,771	133	1,725
Income taxes recovered/(paid)		577	754	577	1,474
Net cash provided by/(used in) operating activities	20(b)	31,688	37,842	(1,555)	(3,423)
Cash flows from investing activities					
Payments for property, plant and equipment		(558)	(16,983)	(199)	(257)
Payments for exploration expenditure		(19,966)	(65,428)	-	-
Payments for restoration expenditure		(113)	-	-	-
Proceeds from disposal of permit interests		70	500	-	-
Net cash used in investing activities		(20,567)	(81,911)	(199)	(257)
Cash flows from financing activities					
Loans from/(to) subsidiaries		-	-	19,788	(16,904)
Payments for financing costs		-	(548)	-	(548)
Net cash provided by/(used in) financing activities		-	(548)	19,788	(17,452)
Net increase/(decrease) in cash and cash equivalents		11,121	(44,617)	18,034	(21,132)
Cash and cash equivalents at the beginning of the financial year		54,045	96,777	12,370	33,400
Effects of exchange rate changes on the balance of cash held in foreign currencies		(5,728)	1,885	(1,083)	102
Cash and cash equivalents at the end of the financial year	20(a)	59,438	54,045	29,321	12,370

The cash flow statements are to be read in conjunction with the notes to the financial statements.

Notes to the financial statements for the financial year ended 31 December 2009

<u>Note</u>	<u>Contents</u>
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2	Profit for the year
3	Income taxes
4	Trade and other receivables
5	Inventories
6	Other current assets
7	Other financial assets
8	Property, plant and equipment
9	Deferred exploration expenditure
10	Trade and other payables
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13	Issued capital
14	Earnings per share
15	Commitments for expenditure
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17	Segment information
18	Interests in jointly controlled operations and assets
19	Subsidiaries
20	Notes to the cash flow statement
21	Financial instruments
22	Share-based payments
23	Key management personnel compensation
24	Related party transactions
25	Remuneration of auditors
26	Contingencies
27	Subsequent events
28	General information

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 includes the separate financial statement of the Company and the consolidated financial statements of the Consolidated 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 26 February 2010.

Basis of preparation

The financial report has been prepared in Australian 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.

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.

Critical accounting judgements and key sources of estimation uncertainty

In the application of IFRS 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. Refer to note 1(u) for a discussion of critical judgements in applying the entities policies and key sources of estimation uncertainty.

Judgments made by management in the application of IFRS 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.

1. Summary of accounting policies (cont'd)

Adoption of new and revised Accounting Standards

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 effective for the current annual reporting period. The following Standards and Interpretations were adopted:

- AASB 101 Presentation of Financial Statements (revised September 2007), AASB2007-8 Amendments to Australian Accounting Standards arising from AASB 101
- AASB 123 Borrowing Costs (revised), AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123
- AASB 8 Operating Segments, AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8
- AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101
- AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations
- AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- AASB 2009-2 Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments
- Interpretation 16 Hedges of a Net Investment in a Foreign Operation

The adoption of these standards and interpretations did not have any effect on the financial position or performance of the Consolidated Entity.

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

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 venture 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) Derivative financial instruments

The Consolidated Entity may enter into a variety of derivative financial instruments to manage its exposure to oil price movements and foreign exchange rate risk. As at 31 December there were no such instruments in place.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

1. Summary of accounting policies (cont'd)

Cash flow hedge

At 31 December 2009, there are no outstanding cash flow hedges (31 December 2008: Nil).

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

(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 balance sheet 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.

(f) Financial instruments issued by the Company

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

1. Summary of accounting policies (cont'd)

(g) 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 balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer note 1(c)) are recognised in the hedge reserve.

(h) 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 costs to sell 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.

(i) Trade payables and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year that are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

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

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(k) Joint ventures

Interests in jointly controlled assets and operations are reported in the financial statements by including the Consolidated Entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to the joint ventures in their respective classification categories.

1. Summary of accounting policies (cont'd)

(l) Leased assets

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.

(m) 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.

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.

(n) Petroleum Resources Rent Tax and Government royalties

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 accounted for in relation to the Consolidated Entity's sales from Woollybutt Joint Venture operations. PRRT is calculated at the rate of 40% of sales revenues less certain permitted deductions and is tax deductible for income tax purposes.

(o) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Consolidated Entity, being the Company (the parent entity) and its subsidiaries. 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.

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 Australian dollars, which is the functional currency of Tap Oil Ltd and the presentation currency for the consolidated financial statements.

The functional currency of all the entities in the Consolidated Entity is Australian dollars.

1. Summary of accounting policies (cont'd)

(p) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. 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 declining balance 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.

(q) 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.

Restoration provisions have been based on external studies which estimated the cost of restoration work required at the end of the useful life of the producing fields, including removal of facilities and equipment required or intended to be removed, together with abandonment of production wells. 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.

(r) 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.

Tolling revenue

Tolling revenue, received based on the volume of third party usage of Harriet Joint Venture facilities and associated sales gas pipeline, is recognised as services are provided.

Dividend and interest revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

1. Summary of accounting policies (cont'd)

(s) Share-based payments

Equity-settled share-based payments are measured at fair value at the grant date. Fair value is measured under the Black and Scholes model 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.

(t) 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, it 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. 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.

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

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

1. Summary of accounting policies (cont'd)

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.

(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.

Critical accounting estimates and assumptions

i. Impairment of 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 properties, expected future cash flow estimation is based on reserves, future production profiles, commodity prices and costs.

ii. Restoration provisions

The Consolidated Entity estimates the future removal costs of oil and gas facilities at the time of installation of the asset. The removal of assets occurs many years into the future. This requires assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, future removal technologies in determining the removal cost, and asset specific discount rates to determine the present value of these cash flows.

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.

1. Summary of accounting policies (cont'd)

(v) Adoption of new and revised Accounting Standards

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

<u>New or revised requirement</u>	<u>Effective for annual reporting periods beginning on or after</u>
<i>AASB 124 Related Party Disclosures (2009), AASB 2009-12 Amendments to Australian Accounting Standards</i>	1 January 2011
<i>AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9</i>	1 January 2013
<i>AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Process</i>	1 July 2009
<i>AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process</i>	1 January 2010
<i>AASB 2009-7 Amendments to Australian Accounting Standards</i>	1 July 2009
<i>AASB 2009-8 Amendments to Australian Accounting Standards - Group Cash-Settled Share-based Payment Transactions</i>	1 January 2010
<i>AASB 2009-10 Amendments to Australian Accounting Standards - Classification of Rights Issues</i>	1 February 2010
<i>AASB 3 Business Combinations (2008), AASB 127 Consolidated and Separate Financial Statements (2008), AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127</i>	1 July 2009
<i>AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>	1 July 2009
<i>Interpretation 17 Distributions of Non-Cash Assets to Owners and AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 Distributions of Non-Cash Assets to Owners</i>	1 July 2009
<i>Interpretation 19 Extinguishing Liabilities with Equity Instruments</i>	1 July 2010

At the date of authorisation of the financial report, the following Standards and Interpretations issued by the IASB/IFRIC where an equivalent Australian Standard or Interpretation has not been made by the AASB, were in issue but not yet effective:

<u>New or revised requirement</u>	<u>Effective for annual reporting periods beginning on or after</u>
<i>Classification of Rights Issues - Amendment to IAS 32</i>	1 February 2010
<i>IAS 24 Related Party Disclosures (revised 2009)</i>	1 January 2011
<i>IFRS 9 Financial Instruments</i>	1 January 2013

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.

2. Profit for the year

(a) Revenue

Sales of oil and gas
Other revenue – tolling fees

Interest received

(b) Cost of sales

Depreciation of production facilities
Depreciation of capitalised development costs
Government royalties
Other production costs

(c) Other Income

Insurance proceeds ⁽ⁱ⁾
Other

Consolidated		Company	
2009	2008	2009	2008
\$'000	\$'000	\$'000	\$'000
54,019	61,151	-	-
3,999	231	-	-
58,018	61,382	-	-
889	2,771	149	1,716
58,907	64,153	149	1,716
3,037	1,862	-	-
19,233	14,987	-	-
1,166	1,499	-	-
24,962	16,450	-	-
48,398	34,798	-	-
23,241	-	-	-
413	678	-	-
23,654	678	-	-

- (i) Included in the 2009 insurance proceeds is an amount of \$21.687 million (2008: Nil) relating to the final net settlement of USD 20.07 million received in relation to the business interruption and property damage insurance claims stemming from the Varanus Island incident on 3 June 2008.

(d) Administration expenses

Profit/(loss) before income tax has been arrived at after charging the following:

Employee benefit expenses:

Post employment benefits:

Superannuation contributions

Share-based payments:

Equity settled share-based payments ⁽ⁱ⁾

Other

Depreciation of office fixed assets

Operating lease rental payments

Other expenses, net of recoveries ⁽ⁱⁱ⁾

Consolidated		Company	
2009	2008	2009	2008
\$'000	\$'000	\$'000	\$'000
630	787	630	787
1,162	447	1,162	447
6,270	6,310	6,270	6,305
8,062	7,544	8,062	7,539
408	537	408	537
636	807	636	805
(1,900)	2,306	(2,900)	1,903
7,206	11,194	6,206	10,784

- (i) Of the total share-based payment expense for the 2009 financial year, \$712,000 relates to options issued and \$450,000 relates to prepaid shares allocated to employees. The \$712,000 represents the net share-based payment expense relating to options after recoveries from operated joint ventures. The gross share-based payment expense relating to options prior to recharge is \$740,000. Refer to note 22 for the vesting terms of the options and the prepaid shares.
- (ii) The other expenses are shown net of recoveries. The recoveries represent costs, including time spent by the Company's employees on exploration and production interests, which get recharged to the applicable exploration and production interests.

2. Profit for the year (cont'd)

(e) Finance costs

Notional interest from unwinding discount on restoration provisions

Other

(f) Other expenses

Exploration impairment losses

Exploration expenditure write-downs

Foreign exchange (gains)/losses

Varanus Island repairs ⁽ⁱ⁾

Woollybutt FPSO life extension costs ⁽ⁱⁱ⁾

Allowance for non-recovery of subsidiary debt

Other

Consolidated		Company	
2009	2008	2009	2008
\$'000	\$'000	\$'000	\$'000
825	777	-	-
-	548	-	548
825	1,325	-	548
132	20,519	-	-
2,052	655	-	-
3,047	(8,227)	1,083	(1,798)
5,657	9,049	-	-
6,628	-	-	-
-	-	293	-
613	18	261	18
18,129	22,014	1,637	(1,780)

(i) Relates to the repairs to the Varanus Island operating facilities which were damaged as a result of the incident on 3 June 2008. These expenses were included in cost of sales in the prior financial year and have been reclassified to other expenses in 2009 to reflect the non-recurring nature of the expense. The reclassification had no impact on the 2008 overall loss for the year.

(ii) Relates to the Woollybutt FPSO dry-dock costs (inclusive of FPSO operating lease payments during the dry dock period). The Woollybutt FPSO was off-station from 28 April 2009 and for the remainder of the 2009 financial year there was no production.

(g) Depreciation

Depreciation charges are included above in cost of sales (b) and administration (d) expenses. Total depreciation for the Consolidated Entity is \$22.678 million (2008: \$17.386 million).

3. Income taxes

(a) Income tax recognised in profit or loss

Tax expense (benefit) comprises:

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current tax expense/(income)	3,771	(867)	(2,805)	(720)
Adjustments recognised in the current year in relation to the current tax of prior years	(1,055)	(1,051)	(77)	(1,051)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	(1,049)	3,657	639	(706)
Deferred PRRT tax expenses/(income)	(339)	1,307	-	-
Total tax expense/(income)	1,328	3,046	(2,243)	(2,477)

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:

Profit/(loss) from operations	8,003	(4,500)	(7,694)	(7,836)
Income tax expense calculated at 30%	2,401	(1,350)	(2,308)	(2,351)
Expenses not deductible for tax purposes	223	977	311	917
Income not assessable for tax purposes	(161)	-	(44)	-
Unused tax losses and tax offsets not recognised as deferred tax assets	1,400	4,469	-	-
Foreign tax rate adjustment	(213)	(671)	-	-
PRRT related tax expense/(benefit)	(339)	1,307	-	-
Other	(928)	(635)	(125)	8
	2,383	4,097	(2,166)	(1,426)
Adjustments recognised in the current year in relation to the current tax of prior years	(1,055)	(1,051)	(77)	(1,051)
Income tax expense/(income)	1,328	3,046	(2,243)	(2,477)

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

Current tax assets:

Tax refund receivable	-	577	-	577
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Current tax liabilities:

Tax payable	2,716	-	2,716	-
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(c) Deferred tax balances

Deferred tax assets comprise:

Temporary differences – refer below	-	-	247	886
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Deferred tax liabilities comprise:

Temporary differences – refer below	45,231	46,619	-	-
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(d) Franking account balance

On a tax paid basis	54,234	54,812	54,234	54,812
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3. Income taxes (cont'd)

Deferred tax balances

Deferred tax assets / (liabilities) arise from the following:

	Opening balance	Charged to income	Charged to equity	Acquisi- tions/ disposals	Exchan- ge differen- ces	Changes in tax rate	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Consolidated

2009

Income tax losses carried forward	867	(867)	-	-	-	-	-
Property, plant & equipment	(19,472)	1,164	-	-	-	-	(18,308)
Deferred exploration	(34,069)	(1,327)	-	-	-	-	(35,396)
Restoration provisions	6,349	1,386	-	-	-	-	7,735
Others	(294)	1,032	-	-	-	-	738
	(46,619)	1,388	-	-	-	-	(45,231)

2008

Income tax losses carried forward	-	867	-	-	-	-	867
Property, plant & equipment	(13,758)	(5,714)	-	-	-	-	(19,472)
Deferred exploration	(33,566)	(503)	-	-	-	-	(34,069)
Restoration provisions	5,188	1,161	-	-	-	-	6,349
Others	(386)	92	-	-	-	-	(294)
	(42,522)	(4,097)	-	-	-	-	(46,619)

Company

2009

Income tax losses carried forward	867	(867)	-	-	-	-	-
Property, plant & equipment	(26)	14	-	-	-	-	(12)
Employee provisions	153	(31)	-	-	-	-	122
Others	(108)	245	-	-	-	-	137
	886	(639)	-	-	-	-	247

2008

Income tax losses carried forward	-	867	-	-	-	-	867
Property, plant & equipment	(14)	(12)	-	-	-	-	(26)
Employee provisions	297	(144)	-	-	-	-	153
Others	(103)	(5)	-	-	-	-	(108)
	180	706	-	-	-	-	886

Unrecognised deferred tax balances

The following deferred tax assets, relating to foreign operations, have not been brought to account as assets:

Tax losses – revenue

<u>Consolidated</u>		<u>Company</u>	
2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
8,111	7,983	-	-

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

Trade receivables ⁽ⁱ⁾

Allowance for doubtful debts

Joint venture debtors

Other

Movement in the allowance for doubtful debts

Balance at the beginning of the year

Doubtful debts charge for the year

Balance at the end of the year

Consolidated		Company	
2009	2008	2009	2008
\$'000	\$'000	\$'000	\$'000
7,927	5,677	-	1
(124)	-	-	-
7,803	5,677	-	1
964	1,813	-	9
1,118	1,273	1,040	538
9,885	8,763	1,040	548
-	-	-	-
124	-	-	-
124	-	-	-

(i) Trade receivables relate to oil and gas sales on terms that include payment 30 days from delivery.

An allowance for doubtful debts is recognised when there is objective evidence that an individual trade receivable is impaired. The age of the receivable included in the allowance for doubtful debts is +120 days. There are no amounts included in the Consolidated Entity's trade receivable balance (2008: 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.

5. Inventories

Materials and consumables – at cost

Oil in storage – at cost

Consolidated		Company	
2009	2008	2009	2008
\$'000	\$'000	\$'000	\$'000
4,639	3,153	-	-
1,571	5,288	-	-
6,210	8,441	-	-

6. Other current assets

Prepayments
Prepaid gas

Consolidated		Company	
2009	2008	2009	2008
\$'000	\$'000	\$'000	\$'000
1,394	2,196	1,365	2,177
7,935	5,539	-	-
9,329	7,735	1,365	2,177

7. Other financial assets – current

Receivable from subsidiaries
Allowance for non-recovery ⁽ⁱ⁾

Consolidated		Company	
2009	2008	2009	2008
\$'000	\$'000	\$'000	\$'000
-	-	78,199	80,469
-	-	(29,991)	(29,698)
-	-	48,208	50,771

(i) Movement in allowance for non-recovery

Balance at beginning of year
Increase in allowance recognised in the statement of comprehensive income
Balance at end of year

-	-	29,698	29,698
-	-	293	-
-	-	29,991	29,698

The receivables from subsidiaries are at call and bear no interest. In determining the recoverability of an amount owing by subsidiaries the Company considers any change in the financial position of the subsidiaries. Accordingly, the directors believe that there is no further provision required in excess of the allowance for non-recovery.

Other financial assets – non-current

Shares in subsidiaries – at cost

Consolidated		Company	
2009	2008	2009	2008
\$'000	\$'000	\$'000	\$'000
-	-	31,753	31,753

8. Property, plant and equipment

Oil and gas facilities

Gross carrying amount – at cost:

	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Opening balance	41,968	41,598	-	-
Additions	509	370	-	-
Closing balance	42,477	41,968	-	-

Accumulated depreciation:

Opening balance	25,904	24,042	-	-
Depreciation	3,037	1,862	-	-
Closing balance	28,941	25,904	-	-

Net book value

	13,536	16,064	-	-
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Development expenditures

Gross carrying amount – at cost:

Opening balance	296,615	270,306	-	-
Additions	3,756	12,483	-	-
Transfer from exploration expenditure	609	13,826	-	-
Closing balance ⁽ⁱ⁾	300,980	296,615	-	-

Accumulated depreciation:

Opening balance	178,517	163,530	-	-
Depreciation	19,233	14,987	-	-
Closing balance	197,750	178,517	-	-

Net book value

	103,230	118,098	-	-
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Office improvements, furniture & equipment

Gross carrying amount – at cost:

Opening balance	3,971	3,652	3,908	3,652
Additions	227	319	227	256
Asset write-offs	(541)	-	(478)	-
Closing balance	3,657	3,971	3,657	3,908

Accumulated depreciation:

Opening balance	3,065	2,493	3,030	2,493
Acquired	-	35	-	-
Asset write-offs	(501)	-	(466)	-
Depreciation	408	537	408	537
Closing balance	2,972	3,065	2,972	3,030

Net book value

	685	906	685	878
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Total – net book value

	117,451	135,068	685	878
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(i) The cost of development expenditures includes an amount of \$19.728 million for abandonment assets (2008: \$14.923 million).

9. Deferred exploration expenditure

Exploration and/or evaluation phase

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
At cost	150,565	136,858	-	-
Less: impairment provisions	(36,654)	(36,522)	-	-
Net carrying value	113,911	100,336	-	-
Reconciliation of movement:				
Opening balance	100,336	63,532	-	-
Current year exploration expenditure	16,368	71,804	-	-
Exploration expenditure write-downs	(2,052)	(655)	-	-
Exploration expenditure impairment	(132)	(20,519)	-	-
Transfer to development expenditures	(609)	(13,826)	-	-
Closing balance	113,911	100,336	-	-

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.

10. Trade and other payables

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Trade payables ⁽ⁱ⁾	6,953	8,657	1,362	4,159
Share of joint venture payables ⁽ⁱ⁾	4,753	8,566	-	-
Goods and services tax (GST) payable	644	820	-	-
Other payables	-	133	-	69
Refundable insurance proceeds ⁽ⁱⁱ⁾	-	7,721	-	-
Income received in advance	6,061	4,618	-	-
	18,411	30,515	1,362	4,228

(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.

(ii) In 2008 Tap had received provisional payments of US\$5.143 (A\$7.721 million) from its insurers in regards to business interruption. At 31 December 2008 these amounts were recognised under current liabilities as the amounts were repayable to the insurers until such time as liability was formally accepted by the insurers. The insurance claim was settled in 2009 and the provisional insurance receipts and the insurance received in the 2009 financial year have been recognised as other income – refer to note 2(c).

11. Other financial liabilities

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Borrowings from subsidiaries ⁽ⁱ⁾	-	-	19,287	1,769

(i) The borrowings from subsidiaries are at call and bear no interest.

12. Provisions

Current

Employee benefits

Consolidated		Company	
2009	2008	2009	2008
\$'000	\$'000	\$'000	\$'000
318	340	318	340
89	65	89	65
25,782	21,164	-	-
25,871	21,229	89	65
21,164	17,484	-	-
3,793	2,903	-	-
825	777	-	-
25,782	21,164	-	-

Non-current

Employee benefits

Restoration costs

Restoration costs provision

Reconciliation of movement:

Opening balance

Additional provisions recognised

Unwinding of discount

Closing balance

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.

13. Issued capital

156,485,921 fully paid ordinary shares
(2008: 156,485,921)

Consolidated		Company	
2009	2008	2009	2008
\$'000	\$'000	\$'000	\$'000
89,758	89,758	89,758	89,758

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Fully paid ordinary shares

Balance at beginning of financial year

Issue of shares under share-based payment schemes (note 22)

Balance at end of financial year

2009		2008	
No.	\$'000	No.	\$'000
'000		'000	
156,486	89,758	156,486	89,758
-	-	-	-
156,486	89,758	156,486	89,758

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Share options

In accordance with the provisions of the share-based payment schemes employees had 8,172,428 outstanding options over ordinary shares at 31 December 2009. A total of 2,827,726 of the options had already vested at 31 December 2009 and 1,972,874 have since expired unexercised or lapsed, resulting in an outstanding balance of 6,199,554 as at the date of this financial report. A further 339,862 options with an average exercise price of \$1.95 have an expiry date in 2010.

At 31 December 2008 employees had 6,526,503 outstanding options over ordinary shares. A total of 1,764,400 of the options had already vested at 31 December 2008. A total of 391,619 options were forfeited and 835,000 options expired unexercised during the 2009 financial year.

The share options 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.

14. Earnings per share

Basic earnings per share

Diluted earnings per share

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:

Earnings (a)

Weighted average number of ordinary shares for the purposes of basic earnings per share

Diluted earnings per share:

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

Earnings (a)

Weighted average number of ordinary shares for the purposes of diluted earnings per share (b)

(a) Earnings used in the calculation of basic earnings per share and diluted earnings per share

(b) 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:

Weighted average number of ordinary shares used in the calculation of basic EPS

Shares deemed to be issued for no consideration in respect of employee options

Weighted average number of ordinary shares used in the calculation of diluted EPS

Consolidated	
2009 Cents per share	2008 Cents per share
4.3	(4.8)
4.3	(4.8)
2009 \$'000	2008 \$'000
6,675	(7,546)
2009 No.'000	2008 No.'000
156,486	156,486
2009 \$'000	2008 \$'000
6,675	(7,546)
2009 No.'000	2008 No.'000
156,896	156,520
2009 \$'000	2008 \$'000
6,675	(7,546)
2009 No.'000	2008 No.'000
156,486	156,486
410	34
156,896	156,520

Of the 8,172,428 options on issue at 31 December 2009 (2008: 6,526,503), there were 5,196,703 options (2008: 6,188,903) out of the money and hence not dilutive and these were therefore excluded from the weighted average number of ordinary shares for the purpose of calculating diluted earnings per share.

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

659 7,221

- -

Longer than 1 year and not longer than 5 years

- 607

- -

Longer than 5 years

- -

- -

659 7,828

- -

Exploration expenditure

Not longer than 1 year

8,177 22,805

- -

Longer than 1 year and not longer than 5 years

6,549 21,584

- -

Longer than 5 years

- -

- -

14,726 44,389

- -

These commitments represent Tap's share of joint venture commitments. The commitments for exploration expenditure include the minimum expenditure requirements of various government regulatory bodies and joint ventures 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.

(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:

- Office premises – the premises lease expires on 31 January 2013.
- Woollybutt operations – the FPSO vessel lease contract is currently one year to 5 May 2011 and can be renewed on a yearly basis.

Non-cancellable operating lease commitments

Not longer than 1 year

9,368 9,416

418 404

Longer than 1 year and not longer than 5 years

4,058 10,497

939 1,229

Longer than 5 years

- -

- -

13,426 19,913

1,357 1,633

17. Segment information

The Consolidated Entity has adopted AASB 8 Operating Segments and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 8 with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (AASB 114 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, following the adoption of AASB 8, the identification of the Consolidated Entity's reportable segments has changed.

Amounts reported for the prior period have been restated to conform to the requirements of AASB 8. The accounting policies of the new reportable segments are the same as the Consolidated Entity's accounting policies.

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 follow:

- 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 the producing assets. Current production includes oil & gas. This segment is managed by the Engineering and Development Manager.

The Oil & gas exploration segment includes all the areas of interest still in exploration phase. This segment primarily incurs the exploration expenditure in the Consolidated Entity. The segment is managed by the Exploration Manager.

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.

The Third party gas segment was not disclosed as a reportable segment in the 30 June 2009 half-year financial report, as it was aggregated in the Oil & gas production and development segment. The inclusion of the Third party gas segment as a reportable segment has no impact on the financial result at 31 December 2009.

17. Segment information (cont'd)

Segment revenues and results

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

	Revenue		Segment profit	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Oil & gas production and development	39,634	47,965	8,562	7,973
Oil & gas exploration	-	-	(4,527)	(23,805)
Third party gas	18,384	13,417	7,496	6,073
	58,018	61,382	11,531	(9,759)
Interest revenue			889	2,771
Finance costs			-	(548)
Central administration costs			(1,783)	(5,869)
Foreign exchange gain/(loss)			(3,047)	8,227
Other income			413	678
Profit before tax			8,003	(4,500)
Income tax (expense)/benefit			(1,328)	(3,046)
Profit for the year			6,675	(7,546)

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 gains/losses and income tax expenses/benefits.

The revenue represents liquids and gas sales to external customers with no intersegment sales during the period. Included in revenues arising from direct sales of third party gas of \$18.384 million (2008: \$13.417 million) are revenues of \$16.857 million (2008: \$6.922 million) which arose from sales to the Consolidated Entity's largest third party gas customer.

Included in the segment profit is an amount of \$5.657 million (2008: \$9.049 million) for repairs to the Varanus Island operating facilities and an amount of \$5.476 million (2008: Nil) relating to the Woollybutt FPSO life extension project. These expenses are attributed to the Oil & gas production and development segment.

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	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Oil & gas production and development	128,132	146,293	36,630	39,202
Oil & gas exploration	117,017	102,486	1,684	5,027
Third party gas	9,466	8,439	3,650	1,625
Total segment assets and liabilities	254,615	257,218	41,964	45,854
Unallocated assets and liabilities	61,609	57,747	50,583	52,849
Consolidated total assets and liabilities	316,224	314,965	92,547	98,703

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 tax-related assets and liabilities and other financial assets and liabilities.

17. Segment information (cont'd)

Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Oil & gas production and development	22,270	16,849	4,265	12,853
Oil & gas exploration	-	-	16,368	71,804
Third party gas	-	-	-	-
Other	408	537	227	319
	22,678	17,386	20,860	84,976

In addition to the depreciation and amortisation expense reported above, exploration expenditure write-downs of \$2.052 million (2008: \$0.655 million) and impairment losses of \$0.132 million (2008: \$20.519 million) were recognised in respect of exploration assets. These exploration asset write-downs and impairment losses were attributable to the Oil & gas exploration segment. There were no other material non-cash expenses attributable to individual segments.

Insurance proceeds of \$23.241 million were received during the year. The proceeds were recognised as other income and were attributable to the Oil & gas production and development segment. Refer to note 2(c) for further detail.

Geographical information

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

	Revenue from external customers		Non-current assets	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Australia	58,018	61,382	189,577	203,199
Asia	-	-	41,785	32,205
	58,018	61,382	231,362	235,404

18. Interests in jointly controlled operations and assets

Name of operation	Principal activity	Output interest	
		2009	2008
Producing permits			
TL/1,5,6,9 Harriet Joint Venture	Oil and gas exploration and production	12.22%	12.22%
WA-25-L Woollybutt Joint Venture	Oil and gas production	15.00%	15.00%

Exploration permits

The Consolidated Entity has interests in numerous jointly controlled operations and assets in Australia, one licence in the Philippines and one licence in the Islamic Republic of Brunei. A full list of the licences and permits held by the Consolidated Entity is included in the annual report of Tap Oil Limited.

Joint Venture net assets

The Consolidated Entity's share of assets and liabilities in jointly controlled operations is detailed below. The amounts are included in the consolidated financial statements in their respective categories:

	Consolidated	
	2009 \$'000	2008 \$'000
Current assets		
Cash	4,565	1,024
Receivables	8,767	4,469
Inventories	6,209	8,568
Total current assets	19,541	14,061
Non-current assets		
Property, plant and equipment	116,766	134,190
Deferred exploration expenditure	113,911	100,336
Total non-current assets	230,677	234,526
Total assets	250,218	248,587
Current liabilities		
Trade and other payables	4,753	8,531
Total current liabilities	4,753	8,531
Non-current liabilities		
Provisions for restoration	25,782	21,165
Total non-current liabilities	25,782	21,165
Total liabilities	30,535	29,696
Net assets	219,683	218,891
Revenues	58,018	61,153
Cost of sales	(46,637)	(34,567)
Other expenses ⁽ⁱ⁾	(12,285)	(9,049)
Profit/(loss) before income tax ⁽ⁱⁱ⁾	(904)	17,537

(i) Relates to the Varanus Island repairs and the Woollybutt FPSO life extension project. Refer to note 2(f).

(ii) Profit/(loss) before income tax does not include other income of \$21.687 million (2008: Nil) that relates to the settlement of the Harriet Joint Venture Varanus Island insurance claim as this was a Company policy and therefore was not part of the jointly controlled operation. Refer to note 2(c) for more information.

Capital commitments and contingent liabilities

The capital commitments arising from the Consolidated Entity's interests in jointly controlled 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	
		2009 %	2008 %
Parent entity			
Tap Oil Limited (i)	Australia		
Subsidiaries (ii)			
Tap (Harriet) Pty Ltd	Australia	100	100
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 Energy (Borneo) Pty Ltd	Australia	100	100
Tap (Ghana) Pty Ltd (iii)	Australia	100	100
Tap Oil (Ghana) Ltd (iv)	Ghana	100	100
Tap Energy (Rangkas) Pty Ltd (v)	Australia	100	100

- (i) Tap Oil Limited is the head entity of the tax-consolidated group.
- (ii) All direct subsidiaries of Tap Oil Limited are members of the tax-consolidated group. Tap Oil (Ghana) Ltd is thus not part of the tax-consolidated group.
- (iii) Tap (Ghana) Pty Ltd was incorporated on 11 February 2008.
- (iv) Tap Oil (Ghana) Ltd was incorporated on 6 October 2008. It is a wholly owned subsidiary of Tap (Ghana) Pty Ltd.
- (v) Tap Energy (Rangkas) Pty Ltd was originally named Tap Energy (India) Pty Ltd, which was incorporated on 9 April 2008. The name change occurred on 17 November 2009.

20. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and cash held in joint ventures.

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash and cash equivalents	59,438	54,045	29,321	12,370
(b) Reconciliation of (loss)/profit for the period to net cash flows from operating activities				
Profit/(loss) for the year	6,675	(7,546)	(5,451)	(5,359)
Depreciation and amortisation of non-current assets	22,678	17,386	408	537
Foreign exchange loss/(gains)	5,728	(1,885)	1,083	(102)
Equity settled share-based payment	712	447	712	447
Exploration expenditure write-downs	2,052	655	-	-
Exploration impairment losses	132	20,519	-	-
Non-cash interest expense	825	777	-	-
Finance costs paid	-	548	-	548
Allowance for non-recovery of debt of subsidiary	-	-	293	-
Other non-cash expenses	40	-	12	-
Increase/(decrease) in current tax liability	3,293	(296)	3,293	(296)
Increase/(decrease) in deferred tax balances	(1,388)	4,097	639	(707)
Changes in net assets and liabilities:				
(Increase)/decrease in assets:				
Current receivables	(1,122)	3,498	(492)	584
Current inventories	2,416	(782)	-	-
Other current assets	(1,594)	(632)	812	(759)
Increase/(decrease) in liabilities:				
Current payables	(10,204)	1,161	(2,866)	1,789
Employee Provisions	2	(105)	2	(105)
Unearned Revenue	1,443	-	-	-
Net cash provided by/(used in) operating activities	31,688	37,842	(1,555)	(3,423)

21. Financial instruments

(a) Capital risk management

The Company and Consolidated Entity manage 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 Company and Consolidated Entity consists of equity attributable to equity holders, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

The Company and Consolidated Entity's risk management committee reviews the capital structure on an annual basis. As a part of this review the committee considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the committee the Company and the Consolidated Entity will balance its overall capital structure through new share issues and share buy-backs; as well as the issue of debt.

The Company and Consolidated Entity's overall strategy remains unchanged from 2008.

The Company as and when required borrows from subsidiaries.

The Company and Consolidated Entity have no external debt outstanding at 31 December 2009.

(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		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Financial assets				
Cash and cash equivalents	59,438	54,045	29,321	12,370
Loans and receivables	9,885	8,763	49,248	51,319
Other	-	-	31,753	31,753
Financial liabilities				
Trade & other payables	18,411	30,515	1,362	4,228
Other	-	-	19,287	1,769

(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,
- forward foreign exchange contracts.

(e) Oil price risk management

The Consolidated Entity's oil and condensate production is sold on spot crude oil markets and hence has exposure to crude oil price fluctuations. Oil price exposures are managed within approved policy parameters utilising forward oil price swap contracts and potentially other hedging instruments.

It is the policy of the Consolidated Entity not to enter into forward oil price contracts for more than 60% of forecast oil and condensate production. In 2009 no forward oil price contracts were entered into (2009: Nil).

21. Financial instruments (cont'd)

Oil Price sensitivity

The following table details the consolidated entities' 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% movement in the Company's average Australian dollar oil price. A positive number indicates an increase in profit where the oil price increases.

	Oil Price Impact			
	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Profit or loss: 10%	3,096	4,958	-	-
Profit or loss: 20%	6,191	9,916	-	-

(f) Foreign currency risk management

The Consolidated Entity sells all oil and condensate production and some gas in US Dollars and hence has exposure to exchange rate fluctuations. The Consolidated Entity further pays its portion of the Asian Joint Venture expenses in US Dollars. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts and currency swap agreements.

It is the policy of the Consolidated Entity not to enter into forward foreign exchange contracts for more than 60% of forecast free foreign exchange net inflows.

In 2009 no forward foreign exchange contracts were entered into (2008: Nil).

The Consolidated Entity's exposure to foreign currency balances is contained in the table below:

Consolidated	Assets		Liabilities	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
US Dollars	20,274	32,350	2,191	9,534
Company	Assets		Liabilities	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
US Dollars	12,192	3,831	-	35

Foreign currency sensitivity

The Consolidated Entity is mainly exposed to US dollars (USD).

The following table details the Consolidated Entity's sensitivity to a 10% and 20% increase and decrease in the Australian dollar 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% change in foreign currency rates. A positive number indicates an increase in profit where the Australian Dollar weakens against the US Dollar.

	US Dollar Impact			
	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Profit or loss: 10%	1,808	2,944	1,219	498
Profit or loss: 20%	3,617	5,888	2,438	996

21. Financial instruments (cont'd)

(g) Interest rate risk management

The Consolidated Entity is subject to interest rate risk exposure through its cash and cash equivalents. The Consolidated Entity is currently not exposed to interest rate risk on borrowings as it has no borrowings.

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. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

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 will be impacted as follows:

	Interest rate Impact			
	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Profit or loss: 50 basis points increase	296	339	145	117
Profit or loss: 50 basis points decrease	(296)	(339)	(145)	(117)

(h) Credit risk management

Credit risk refers to the risk that a sales customer or counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity.

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 Consolidated 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 receivables balance of \$9.885 million in the Consolidated Entity at 31 December 2009, \$5.291 million relate to a single debtor based on an oil lifting. This outstanding receivable has been received after year-end and prior to the date of the financial report. There was no such concentration of debtors as at 31 December 2008.

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.

(i) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who built an appropriate framework for the management of the Consolidated Entity's short, medium and long term funding and liquidity management requirements. The Consolidated Entity manages liquidity risk by monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

21. Financial instruments (cont'd)

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	1-3 months	3 months to 1 year	1 – 5 years	Total
	%	\$'000	\$'000	\$'000	\$'000	\$'000
2009						
Financial Assets						
Non-interest bearing		9,885	-	-	-	9,885
Variable interest rate	1.15%	11,984	-	-	-	11,984
Fixed interest Rate	3.91%	22,610	24,442	140	262	47,454
		44,479	24,442	140	262	69,323
Financial Liabilities						
Non-interest bearing		18,411	-	-	-	18,411
2008						
Financial Assets						
Non-interest bearing		8,763	-	-	-	8,763
Variable interest rate	2.01%	13,015	-	-	262	13,277
Fixed interest Rate	1.63%	40,768	-	-	-	40,768
		62,546	-	-	262	62,808
Financial Liabilities						
Non-interest bearing		30,515	-	-	-	30,515

Company	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1 – 5 years	Total
	%	\$'000	\$'000	\$'000	\$'000	\$'000
2009						
Financial Assets						
Non-interest bearing		1,040	-	-	-	1,040
Variable interest rate	2.04%	2,996	-	-	-	2,996
Fixed interest Rate	3.35%	11,150	14,773	140	262	26,325
Other - Non-interest bearing		48,208	-	-	31,753	79,961
		63,394	14,773	140	32,015	110,322
Financial Liabilities						
Non-interest bearing		1,362	-	-	-	1,362
Other		19,287	-	-	-	19,287
		20,649	-	-	-	20,649
2008						
Financial Assets						
Non-interest bearing		548	-	-	50,771	51,319
Variable interest rate	1.84%	6,796	-	-	-	6,796
Fixed interest Rate	1.63%	5,574	-	-	-	5,574
Other - Non-interest bearing		31,753	-	-	-	31,753
		44,671	-	-	50,771	95,442
Financial Liabilities						
Non-interest bearing		4,228	-	-	-	4,228
Other		1,769	-	-	-	1,769
		5,997	-	-	-	5,997

21. Financial instruments (cont'd)

(j) 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 fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.
- the fair value of derivative instruments, included in hedging assets and liabilities, are calculated using quoted prices.

The following tables detail the fair value of financial assets and financial liabilities:

Consolidated	Carrying amount		Fair value	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Financial assets				
Cash and cash equivalents	59,438	54,045	59,438	54,045
Trade and other receivables	9,885	8,763	9,885	8,763
	69,323	62,808	69,323	62,808
Financial liabilities				
Trade and other payables	18,411	30,515	18,411	30,515

Company	Carrying amount		Fair value	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Financial assets				
Cash and cash equivalents	29,321	12,370	29,321	12,370
Trade and other receivables	1,040	548	1,040	548
Other	79,961	31,753	79,961	31,753
	110,322	44,671	110,322	44,671
Financial liabilities				
Trade and other payables	1,362	4,227	1,362	4,227
Other	19,287	1,769	19,287	1,769
	20,649	5,996	20,649	5,996

22. Share-based Payments

The Company is undertaking a comprehensive review of its remuneration policies and practices. This review is yet to be completed. The Remuneration arrangements outlined below are likely to change as a result of this review.

Tap currently has the following share-based payment schemes:

- (a) Tap Employee Incentive Option Plan;
- (b) Tap Executive Director Option Plan;
- (c) Tap Oil Management Incentive Option Plan; and
- (d) Tap Employee and Director Share Plan.

(a) Tap Employee Incentive Option Plan

Under the provisions of the Tap Employee Incentive Option Plan ("Option Scheme") the directors may at such times as they determine issue invitations to employees (full-time or part-time) and non-executive directors of the Company or its controlled entities ("Participants") to apply for options for no consideration. It is at the discretion of the directors which Participants will be issued invitations to apply for options pursuant to the Option Scheme and the number of options the subject of the invitation.

All options issued to employees vest two years after grant date and expire three years after grant date. Options held by an employee who ceases employment are automatically cancelled.

The exercise price of the options equals the average closing price of the Company's shares on the Australian Stock Exchange during the last ten trading days on which the Company's shares were traded immediately preceding the option grant date, plus ten percent, subject to a minimum exercise price of 50 cents.

All shares issued on exercise of the options will rank equally in all respects with the Company's fully paid ordinary shares. The Company will apply for quotation of all shares issued upon the exercise of options.

No options under this scheme have been issued to non-executive directors since 2001.

During the reporting period options were issued under this Scheme as noted in the table below.

(b) Tap Executive Director Option Plan

Under the provisions of the Tap Executive Director Option Plan ("Option Plan") the Company will issue options to executive directors as part of the long term incentive arrangements in accordance with certain terms and conditions.

All options issued vest one year after grant date and expire five years after grant date.

The exercise price of the options equals the average closing price of the Company's shares on the Australian Stock Exchange during the last five trading days on which the Company's shares were traded immediately preceding the option grant date.

All shares issued on exercise of the options will rank equally in all respects with the Company's fully paid ordinary shares. The Company will apply for quotation of all shares issued upon the exercise of options.

The first options were issued under this scheme in 2005.

22. Share-based Payments (Cont'd)

(c) Tap Oil Management Incentive Option Plan

Under the provisions of the Tap Oil Management Incentive Option Plan ("Management Option Plan") the Company will issue options to managers as part of the long term incentive arrangements in accordance with certain terms and conditions. The options expire three years after grant date.

Under the Management Option Plan, options issued vest in accordance with performance conditions set by the Board prior to the date of grant. Under current Board policy the number of options vesting on the expiry of a two year performance period shall be determined by the absolute share price growth over the two year period in accordance with the following vesting scale. All options currently on issue were granted under this Board policy.

Absolute Growth Hurdle	% of Management Options Vested
Less than 20% growth	0%
Greater than or equal to 20% and less than 60% growth	Pro-rata between 50-100%
Greater than or equal to 60% growth	100%

The exercise price of the options equals the average closing price of the Company's shares on the Australian Stock Exchange during the last five trading days on which the Company's shares were traded immediately preceding the option grant date plus twenty percent, subject to a minimum exercise price of 50 cents.

All shares issued on exercise of the options will rank equally in all respects with the Company's fully paid ordinary shares. The Company will apply for quotation of all shares issued upon the exercise of options.

The first options were issued under this scheme in 2008.

The following options were granted during the current and prior period and are included in share-based payments:

Grant date	Number	Plan	Expiry date	Exercise price \$	Fair value at grant date \$
2009					
07/04/2009	133,200	(a)	07/04/2012	1.04	0.32
23/01/2009	731,551	(a)	23/01/2012	0.83	0.25
23/01/2009	2,007,793	(c)	23/01/2012	0.90	0.08
2008					
25/11/2008	37,600	(a)	25/11/2011	0.61	0.22
25/11/2008	300,000	(c)	25/11/2011	0.66	0.07
3/09/2008	10,800	(a)	3/09/2011	1.25	0.34
3/09/2008	300,000	(c)	3/09/2011	1.37	0.10
14/07/2008	335,000	(b)	14/07/2013	1.53	0.65
14/07/2008	1,400,000	(c)	1/01/2011	1.86	0.15
14/07/2008	90,800	(a)	14/07/2011	1.71	0.53
9/04/2008	59,541	(a)	9/04/2011	1.78	0.59
29/01/2008	536,000	(b)	29/01/2013	1.61	0.63
29/01/2008	764,500	(a)	29/01/2011	1.77	0.52

22. Share-based Payments (Cont'd)

The volume weighted average fair value of the share options granted during the financial year is \$0.13 (2008: \$0.34). Options issued were valued using the Black and Scholes model with an option life of 2.5 years with vesting after two years. Expected volatility is based on the historical share price volatility in the previous year and the risk free interest rate based on the Reserve Bank of Australia's 180 day Bank Bill rate, both as quoted on the date of issue of the options. An additional discount factor is applied to the plan (c) options as they have hurdles that must be met as a condition of vesting.

2009	Inputs into the model		
	Option series (by expiry date)		
	23/01/2012	23/01/2012	07/04/2012
Grant date share price	\$0.75	\$0.75	\$0.95
Plan	(c)	(a)	(a)
Exercise price	\$0.90	\$0.83	\$1.04
Expected volatility	56%	56%	56%
Option life	2.5yr	2.5yr	2.5yr
Dividend yield	-	-	-
Risk-free interest rate	3.34%	3.34%	3.21%

2008	Inputs into the model									
	Option series (by expiry date)									
	1/01/2011	29/01/2011	9/04/2011	14/07/2011	3/09/2011	3/09/2011	29/01/2013	14/07/2013	25/11/2011	25/11/2011
Grant date share price	\$1.53	\$1.62	\$1.68	\$1.53	\$1.08	\$1.08	\$1.62	\$1.53	\$0.60	\$0.60
Plan	(c)	(a)	(a)	(a)	(c)	(a)	(b)	(b)	(a)	(c)
Exercise price	\$1.86	\$1.77	\$1.78	\$1.71	\$1.37	\$1.25	\$1.61	\$1.53	\$0.61	\$0.66
Expected volatility	52%	46%	49%	52%	49%	49%	46%	52%	57%	57%
Option life	2.25yr	2.5yr	2.5yr	2.5yr	2.5yr	2.5yr	3.0yr	2.5yr	2.5yr	2.5yr
Dividend yield	-	-	-	-	-	-	-	-	-	-
Adjustment factor	33%	-	-	-	33%	-	-	-	-	33%
Risk-free interest rate	8.00%	7.42%	8.06%	8.00%	7.16%	7.16%	7.42%	8.00%	3.95%	3.95%

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

	2009		2008	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of the financial year	6,526,503	1.74	4,558,473	1.98
Granted during the financial year	2,872,544	0.89	3,834,241	1.63
Forfeited during the financial year	(391,619)	1.43	(1,306,211)	1.94
Exercised during the financial year (i)	-	-	-	-
Expired during the financial year	(835,000)	2.22	(560,000)	2.45
Balance at end of the financial year (ii)	8,172,428	1.41	6,526,503	1.74
Exercisable at end of the financial year	2,827,762	1.71	1,764,400	2.12

22. Share-based Payments (Cont'd)

(i) **Exercised during the financial year**

There were no options exercised during the 2009 or 2008 financial years.

(ii) **Balance at end of the financial year**

The share options outstanding at the end of the financial year had exercise prices in the range \$0.61 to \$2.75 and a weighted average remaining contractual life of 598 days (2008: 760 days).

(d) **Tap Employee and Director Share Plan**

Under the provisions of the Tap Employee and Director Share Plan ("Share Plan") the Company may from time to time issue offers to permanent full-time employees and non-executive directors of the Company ("Participants") to acquire fully paid ordinary shares in the Company on market as a component of their remuneration.

The three main purposes of the Share Plan are:

- (i) The Share Plan is available to all employees, executive directors and non-executive directors on a salary sacrifice basis;
- (ii) To facilitate short term and long term incentive payments of executive directors; and
- (iii) To facilitate non-executive director's remuneration in the form of shares vesting after ten years or on ceasing to be a director, whichever occurs first.

The Company has purchased shares on market under the Share Plan for non-executive directors in 2009 and 2008, details of which are included in note 23 to the financial statements. Shares were also purchased on behalf of employees in accordance with Tap's long term incentive program.

During the year there were 486,089 shares granted to employees as compensation under the share plan at a weighted average fair value of \$0.82. Such grants have no vesting criteria apart from tenure and as such the fair value of a granted share is calculated as the share price on the date the shares are purchased by the Company.

22. Key management personnel compensation

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

Non Executive Directors

- N F Taylor (Chairman)
- P B Lane
- M J Sandy
- D W Bailey (Non-Executive Director from 11 November 2009)
- P W Underwood (Executive Director to 30 June 2008, Non-Executive Director from 1 July 2008, resigned 21 June 2009)

Senior Executives

- P J Stickland (Managing Director since 11 February 2009; CEO since 1 January 2008)
- D A Neaves (Commercial Manager)
- B M Ulmer (Operations Manager)
- D J Rich (Chief Financial Officer)
- J Scibiorski (Exploration Manager)
- R A Cassie (New Ventures Manager)

There were no changes in appointments after the reporting date.

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

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Short-term employee benefits	2,782,301	2,495,810	2,782,301	2,495,810
Post-employment benefits	278,891	446,948	278,891	446,948
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payments	799,444	1,293,644	799,444	1,293,644
	<u>3,860,636</u>	<u>4,236,402</u>	<u>3,860,636</u>	<u>4,236,402</u>

24. Related party transactions

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 19 to the financial statements.

Equity interests in jointly controlled operations and assets

Details of interests in jointly controlled operations and assets are disclosed in note 18 to the financial statements.

(b) 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.

(c) Key management personnel equity holdings

Fully paid ordinary shares of Tap Oil Limited

2009	Balance @ 1/1/09 No.	Granted as remuneration (i) No.	Received on exercise of options No.	Net other change (iii) No.	Balance held directly & indirectly @ 31/12/09 No.	Balance held nominally (indirectly) No.
Non-executive Directors						
N F Taylor	111,272	-	-	20,212	131,484	131,484
P B Lane	1,058,497	-	-	(49,895)	1,008,602	988,601
M J Sandy	39,367	-	-	10,105	49,472	49,472
D W Bailey	-	-	-	-	-	-
P W Underwood ⁽ⁱⁱ⁾	2,018,442	-	-	(44,319)	1,974,123	1,628,206
Executives						
P J Stickland	174,595	56,289	-	13,540	244,424	244,424
D A Neaves	27,075	7,506	-	19,240	53,821	45,071
B M Ulmer	40,233	5,945	-	-	46,178	46,178
D J Rich	26,071	-	-	-	26,071	26,071
J P Scibiorski	14,712	2,682	-	-	17,394	17,394
R A Cassie	18,289	4,678	-	-	22,967	22,967
	3,528,553	77,100	-	(31,117)	3,574,536	3,199,868
2008	Balance @ 1/1/08 No.	Granted as remuneration (i) No.	Received on exercise of options No.	Net other change (iii) No.	Balance held directly & indirectly @ 31/12/08 No.	Balance held nominally (indirectly) No.
Non-executive Directors						
N F Taylor	64,185	-	-	47,087	111,272	111,272
P B Lane	1,204,963	-	-	(146,466)	1,058,497	1,038,496
M J Sandy	15,833	-	-	23,534	39,367	39,367
P W Underwood	2,069,017	-	-	(50,575)	2,018,442	1,622,525
Executives						
P J Stickland	107,555	48,939	-	18,101	174,595	174,595
D A Neaves	8,750	18,325	-	-	27,075	27,075
B M Ulmer	22,753	17,480	-	-	40,233	40,233
D J Rich	-	26,071	-	-	26,071	26,071
R J Aden	5,156	7,178	-	(12,334)	-	-
R Hall	32,001	-	-	(32,001)	-	-
J P Scibiorski	-	14,712	-	-	14,712	14,712
R A Cassie	12,376	5,913	-	-	18,289	18,289
	3,542,589	138,618	-	(152,654)	3,528,553	3,112,635

- (i) Shares are bought on-market for executives, pursuant to the Tap Employee and Director Share Plan, as part of their remuneration. Further details of this Share Plan are contained in note 22(d).
- (ii) P W Underwood's share position is as at 21 June 2009 being the date of his resignation as a director.
- (iii) Represents shares obtained through salary sacrifice, as well as shares sold and purchased on the market. In respect of R J Aden and R Hall it represents the shares not vesting at the date of resignation.

24. Related party transactions (cont'd)

Options in ordinary shares of Tap Oil Limited

2009	Balance @ 1/1/09 No.	Granted as remuneration No.	Exercised No.	Net other changes No.	Balance @ 31/12/09 No.	Vested @ 31/12/09 No.	Vested but not exercise-able No.	Vested and exercise-able No.	Vested during year No.
Directors									
N F Taylor	-	-	-	-	-	-	-	-	-
P W Underwood	1,585,400	-	-	-	1,585,400	1,585,400	-	1,585,400	871,000
P B Lane	-	-	-	-	-	-	-	-	-
M J Sandy	-	-	-	-	-	-	-	-	-
D W Bailey	-	-	-	-	-	-	-	-	-
Executives									
P J Stickland	535,000	65,620	-	(75,000)	525,620	250,000	-	250,000	250,000
D A Neaves	688,000	786,373	-	(75,000)	1,399,373	150,000	-	150,000	150,000
B M Ulmer	695,100	545,749	-	(75,000)	1,165,849	160,000	-	160,000	160,000
D J Rich	300,000	-	-	-	300,000	-	-	-	-
J P Scibiorski	351,000	246,225	-	-	597,225	-	-	-	-
R A Cassie	570,300	429,446	-	-	999,746	150,000	-	150,000	150,000
	4,724,800	2,073,413	-	(225,000)	6,573,213	2,295,400	-	2,295,400	1,581,000

2008	Balance @ 1/1/08 No.	Granted as remuneration No.	Exercised No.	Net other changes No.	Balance @ 31/12/08 No.	Vested @ 31/12/08 No.	Vested but not exercise-able No.	Vested and exercise-able No.	Vested during year No.
Directors									
N F Taylor	-	-	-	-	-	-	-	-	-
P W Underwood	714,400	871,000	-	-	1,585,400	714,400	-	714,400	375,000
P B Lane	-	-	-	-	-	-	-	-	-
M J Sandy	-	-	-	-	-	-	-	-	-
Executives									
P J Stickland	575,000	210,000	-	(250,000)	535,000	75,000	-	75,000	75,000
D A Neaves	275,000	463,000	-	(50,000)	688,000	75,000	-	75,000	75,000
B M Ulmer	485,000	460,100	-	(250,000)	695,100	75,000	-	75,000	75,000
D J Rich	-	300,000	-	-	300,000	-	-	-	-
R J Aden	200,000	24,700	-	(224,700)	-	-	-	-	-
R Hall	150,000	-	-	(150,000)	-	-	-	-	-
J P Scibiorski	-	351,000	-	-	351,000	-	-	-	-
R A Cassie	150,000	420,300	-	-	570,300	-	-	-	-
	2,549,400	3,100,100	-	(924,700)	4,724,800	939,400	-	939,400	600,000

All shares and share options issued to key management personnel during the financial year were made in accordance with the provisions of the share-based payment schemes referred to in note 22.

During the 2009 and 2008 financial years, no options were exercised by key management personnel for ordinary shares in Tap Oil Limited.

Further details of the share-based payment schemes and of share options granted during the financial year are contained in note 22 to the financial statements.

24. Related party transactions (cont'd)

(d) Transactions with other related parties

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

Amounts receivable from and payable to these related parties are disclosed in notes 7 and 11 to the financial statements. All loans advanced to and payable to related parties are unsecured, have no fixed repayment dates and are interest-free.

Transactions involving the parent entity

During the financial year, Tap Oil Limited charged \$6.576 million (2008: \$0.719 million) to its wholly-owned subsidiaries for their tax payable in relation to the tax funding agreement – refer note 3.

During the financial year, Tap Oil Limited provided management and personnel services to its subsidiaries and jointly controlled operations. The total cost of the services provided was \$8.193 million (2008: \$6.161 million).

25. Remuneration of auditors

Auditor of the parent entity

Audit or review of the financial report

Consolidated		Company	
2009	2008	2009	2008
\$	\$	\$	\$
134,000	130,800	128,625	130,800

The auditor of Tap Oil Limited is Deloitte Touche Tohmatsu.

26. Contingencies

Gas Sale Agreement with Burrup Fertilisers

On 28 December 2006, Tap (Harriet) Pty Ltd, together with the other Harriet Joint Venture (HJV) sellers, issued a notice of force majeure in relation to the gas reservation requirements of the HJV under the Gas Sales Agreement with Burrup Fertilisers Pty Ltd (Burrup Fertilisers) entered into in December 2001 (GSA). Tap has a 12.2229% interest in the HJV and a corresponding interest as a gas seller under the GSA. At present, the HJV has not identified sufficient proven reserves of gas in order to supply its contracted share of all of the requirements of Burrup Fertilisers for the remaining duration of the GSA (approximately 20 years). The events described in the notice of force majeure include the failure of exploration and development wells.

The HJV continues to supply gas in accordance with the terms of the GSA and anticipates being able to continue to supply its share of gas to Burrup Fertilisers under the GSA for a further period of approximately 4 years. The actual duration and extent of supply is subject to uncertainties such as field performance and ongoing exploration and development activities in the Harriet area.

Under the GSA the effect of force majeure is to suspend the affected party's obligations under the agreement to the extent that party is unable to perform the same. A party affected by force majeure is not liable for any failure or liability to perform obligations in circumstances of force majeure.

Tap has filed proceedings in the Supreme Court of Western Australia seeking a declaration to confirm that in the event it is determined that there was no force majeure event, any potential future liability for a shortfall in supply under the GSA is limited to the liquidated damages set out in that agreement. Burrup Fertilisers has filed a defence and counterclaim in relation to this matter disputing force majeure and for breach of contract seeking general damages in certain circumstances where there is a shortfall in gas supply.

The GSA contains a schedule which provides for annual liquidated damages in the event of a shortfall of gas supply. For illustrative purposes, a maximum amount of US\$1.1 million to US\$1.5 million per year of liquidated damages is payable in the event of a total shortfall in gas supply. Based on current reserves, Tap's maximum liability for liquidated damages would be approximately US\$20 – 25 million in total.

26. Contingencies (cont'd)

Varanus Island Incident

On 3 June 2008, a gas pipeline ruptured on Varanus Island causing an extended disruption to gas deliveries from the facilities. Each of the licensees in the HJV (including Tap) have been charged by the Department of Mines and Petroleum with failing to maintain the gas pipeline. Tap has pleaded not guilty to this charge, which carries a maximum individual penalty of \$10,000. Tap plans to vigorously defend this charge.

Civil claims from third parties may arise from the incident. To date, Tap has not been notified of any such claims and as such, these matters cannot be quantified. Tap maintains third party liability insurance which may be relevant to any claims which may arise.

27. Subsequent Events

Since the end of the financial year the Directors are not aware of any 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.

28. 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: (08) 9485 1000

Principal place of business

Level 1, 47 Colin Street
West Perth, WA, 6005
Ph: (08) 9485 1000