

TAP OIL LIMITED ASX ANNOUNCEMENT 2010 FULL YEAR RESULTS SUMMARY

Tap Oil Announces December 2010 Full Year Result

28 February 2011

Highlights

- Underlying profit after tax (excluding non-recurring items) of \$2.9 million
- Exploration write downs and impairments of \$79.6 million
- Cash flow from Operations of \$31.9 million
- Cash reserves of \$99 million with no debt
- Raised \$55 million (net) in capital
- Troy Hayden appointed as new Managing Director/CEO
- Gas discovery at Zola-1 well in the Carnarvon Basin
- Acquisition of effective 30% working interest in three Gulf of Thailand concessions
- Acquisition of additional 20% stake in WA-351-P
- Awarded highly prospective 2,000 km² offshore permit in Ghana

Managing Director, Mr Troy Hayden said:

“2011 has started with some significant activity for Tap. In particular the recent gas discovery at Zola-1 and the opportunistic purchase of an additional 20% in the highly prospective WA-351-P block in WA's LNG region.”

“Our current strategic focus involves the allocation of capital to only our most prospective asset areas. These are: the Gulf of Thailand; Ghana; and the Carnarvon Basin, which includes WA-351-P and Zola-1. The large write downs are due to exploration outcomes in 2010 and the resultant tightening of the focus on assets that are commercial and that can be efficiently monetised.”

Financial Summary

	2010 \$ million	2009 \$ million	% Change
Oil and gas production (mmboe)	1.1	0.9	22%
Sales revenue	73.6	58.0	27%
Gross profit (incl. Depn.)	14.7	9.6	52%
EBITDAX	20.3	32.8	-38%
Exploration impairment/write downs	(70.5)	(2.2)	3105%
Net (loss)/profit before tax	(76.4)	8.0	n/a
Net (loss)/profit after tax	(61.4)	6.7	n/a
Non-recurring items	64.3	(7.3)	n/a
Underlying profit/(loss)	2.9	(0.6)	n/a

Tap Oil Limited (TAP: ASX) today announced an underlying profit after tax (excluding non-recurring items) of \$2.9 million, up from a loss of \$0.6 million in the previous year. Due to non-recurring items such as exploration impairments and write-downs (see Attachment 2), the company reported a loss after tax of \$61.4 million, down from a profit of \$6.7 million in 2009.

Revenue for the year was \$76.9 million, up from \$58.9 million in the prior year. This was due to higher revenues from both liquids and also gas. Liquids revenues were \$40.3 million, up from \$31.0 million in the prior year. This was driven by the combination of a 16% increase in average sales price (per barrel) and a 13% increase in volumes sold. Gas revenues were also higher in 2010, largely due to higher sales volumes of third party gas.

Production costs at Harriet and Woollybutt were higher in 2010 than in the prior year. At Harriet, this was due to a combination of general increases and additional costs incurred for the tolling of third party gas through the plant. At Woollybutt, the costs increase was mainly due to the significant production downtime in the 2009 relative to 2010.

Exploration impairment losses and write-downs totalling \$70.5 million have been taken in this result. These cover the following projects: Block M, Brunei; SC 41, Philippines; T/47P, Bass Strait; and some others.

Balance sheet remains very strong with cash reserves of \$99 million and no debt.

New Managing Director Brings Strong Commercial Focus

Troy Hayden was appointed Managing Director/CEO effective from 1 December 2010. Mr Hayden has over 20 years experience in the resources and petroleum industries spanning a variety of roles including: financial, business development and operations.

Mr Hayden's appointment signals a period of change for the Company. A strong commercial focus is currently being instilled throughout the business, including rigorous financial discipline and active portfolio management. This should ensure that capital is allocated in a prudent manner and only towards our most prospective projects.

Gas Discovery at Zola-1

A gas discovery was reported by the Company at its Zola-1 well on 16 February 2011. Tap holds a 10% stake in this project and is partly carried on costs. Pre-drill, Zola was estimated by Tap to contain mean recoverable gas volumes of 1.0 trillion cubic feet with upside potential for 2.0 trillion cubic feet. The well is currently suspended down hole and the rig has been secured and de-manned due to Cyclone Carlos.

Forward operations for when the rig is re-manned and operations recommence will be to drill ahead through the upper Mungaroo Formation and through the second target zone to final well TD as planned.

Acquisitions Provide Excellent Long-term Growth Prospects

Three significant transactions were made during 2010 or thereafter, which provide the Company with significant growth opportunities. These include:

- **Gulf of Thailand** – in October 2010, Tap announced the acquisition of a 75% interest in Northern Gulf Petroleum. Northern Gulf holds a 40% interest in three petroleum concessions in the Gulf giving Tap an effective 30% working interest in the concessions. The petroleum concessions include the Manora oil field (estimated at 24 mmbbls) which is expected to reach a final investment decision in mid 2012.
- **Ghana** – in March 2010, the Company was awarded an offshore permit covering a large footprint in the West African Transform Margin. This provides significant long-term exploration opportunities in a region which has experienced numerous recent large-scale discoveries and has a stable regulatory regime. 3D seismic indicates the potential for multiple large oil accumulations (100m barrels plus) in the shallower part of the permit. Deepwater leads similar to the recent Jubilee discovery have also been identified and a new 3D seismic survey, designed to confirm and mature them into prospects for drilling, has just been acquired. Having a 36% interest in a permit like this provides Tap with a large enough stake in the project to have several options available in the near future, including the ability to farm down to an incoming party for a promoted interest in future drilling programs and still retain a material stake in the permit.

- **WA-351-P, Carnarvon Basin, WA** - in January 2011, the Company pre-empted a \$15.75 million offer to Roc Oil for their 20% equity in WA-351-P. This increased our equity stake to 45%. This acreage offers significant leverage to large potential gas resources at a time when there is competition between several large competing LNG projects. Moving to 45% provides Tap with a large enough stake in the project to have several options available in the near future, including the ability to farm down to an incoming party for a promoted interest in future drilling programs and still retain a material stake in the permit.

Outlook

2011 will be a significant year for the Company. An active exploration program is planned which includes the following:

Project	Tap Share	Gross Unrisked Mean Potential	Indicative Timing					
			2011				2012	
			Q1	Q2	Q3	Q4	Q1	Q2
<u>Australia Carnarvon Basin</u>								
Zola-1	10%	1 Tcf	<div></div> drilling					
Finucane Sth-1	~10%	7.5 mmbbl		<div></div> drilling				
WA-351-P	45%	2 Tcf					<div></div> drilling	
HJV exploration	12.2%	TBA		<div></div> seismic	<div></div>	<div></div>	drilling	
HJV Bamba-10	12.2%	3.5 mmboe		<div></div> drilling				
<u>Thailand</u>								
Khon-1	30%*	10 mmbbl		<div></div> drilling			<div></div> Final Investment Decision	
Exploration 1-4+ wells	30%*	>100 mmbbl	<div></div> seismic	<div></div> seismic		<div></div>	drilling	<div></div>
<u>Brunei</u>								
1-4 wells	39%	TBA		<div></div>		<div></div>	drilling	
<u>Ghana</u>								
1 well	36%	>100 mmbbl	<div></div> seismic				<div></div> drilling	

* Tap owns 75% of Northern Gulf Petroleum, which holds a 40% interest in Thai permits

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ATTACHMENT 1

KEY FINANCIAL INDICATORS

12 Months Ended	Dec-10	Dec-09	Change
<i>Profit & Loss (\$ million)</i>			
Sales Revenue : Oil and Condensate	40.3	30.9	30%
: Gas	31.1	23.1	35%
: Tolling	2.2	4.0	-45%
Gross Profit	14.7	9.6	52%
Gross Profit Margin (%)	20%	17%	20%
EBITDAX	20.3	32.8	-38%
Exploration expenditure writedowns	(70.5)	(2.2)	3105%
EBITDA	(50.2)	30.6	n/a
NPAT	(61.4)	6.7	n/a
EPS (cents)	(35.8)	4.3	n/a
<i>Balance Sheet (\$ million)</i>			
Cash	98.9	59.4	66%
Capitalised Exploration Expenditure	109.6	113.9	-4%
Property, Plant & Equipment	77.4	117.4	-34%
Total Assets	325.1	316.2	3%
Debt	-	-	n/a
Total Liabilities	94.6	92.5	2%
Net Assets	230.5	223.7	3%
<i>Cashflow (\$ million)</i>			
Operations	31.9	31.7	1%
Investing	(45.9)	(20.6)	123%
Financing	55.0	-	n/a
<i>Volumes</i>			
<i>Production</i>			
Oil & Condensate (mmbbls): : HJV	0.2	0.2	0%
: Woollybutt	0.3	0.1	200%
Sales Gas (PJ): : HJV	4.1	3.7	11%
Total (mmboe)	1.1	0.9	22%
Reserves (Proved and Probable) (mmboe)	2.8	4.8	-42%
Sales of third party gas (PJ):	3.9	2.6	50%

ATTACHMENT 2

SCHEDULE OF NON-RECURRING ITEMS

Non-recurring expenses	2010 <u>\$ million</u>		2009 <u>\$ million</u>
Exploration impairment/write downs			
Block M Brunei	28.8		
SC 41	20.3		
T/47P	12.9		
Others	8.5	70.5	2.2
Property, Plant and Equipment Impairment			
Woollybutt	7.0		
TL/2 and TP/7	2.1	9.1	-
Foreign Exchange Losses	2.3		3.0
Varanus Island Repairs	(1.0)		5.7
Insurance proceeds	-		(23.2)
Other	2.6		0.2
Tax effect	(19.2)		4.8
Total	64.3		(7.3)