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The Company Announcements Platform
Australian Securities Exchange
Exchange Centre
20 Bond Street
SYDNEY NSW 2000

2013 ANNUAL REPORT

Tap Oil Limited (**ASX:TAP**) advises that the Annual Report for the year ending 31 December 2013 (including the Financial Report for the year ended 31 December 2013 released on 28 February 2014) is attached.

A hard copy of the Annual Report, for those who have requested one, along with the Notice of Meeting will be dispatched no later than 28 April 2014.

The 2013 Annual Report can be downloaded from the Company's website www.tapoil.com.au

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Tap Oil Limited

2013 Annual Report

Disclaimer

Certain statements contained in this announcement, including information as to the future financial or operating performance of Tap Oil Limited and its projects, are forward-looking statements. Such forward-looking statements:

- *are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Tap Oil Limited, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies;*
- *involve known and unknown risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements; and*
- *may include, among other things, statements regarding targets, estimates and assumptions in respect of production and prices, operating costs and results, capital expenditures, reserves and resources and anticipated flow rates, and are or may be based on assumptions and estimates related to future technical, economic, market, political, social and other conditions.*

Tap Oil Limited disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise.

The words "believe", "expect", "anticipate", "indicate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule", "potential", "opportunity" and similar expressions identify forward-looking statements.

All forward-looking statements made in this presentation are qualified by the foregoing cautionary statements. Investors are cautioned that forward-looking statements are not guarantees of future performance and accordingly investors are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein.

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Persons compiling information about hydrocarbons

The reserve and contingent resource information in this report is based on information compiled by Mr Denis Bouclin B.A.Sc (Hons), M.A.Sc (Engineering), P.Eng., who has consented to the inclusion of such information in this report in the form and context in which it appears. Mr Bouclin is a part-time employee of the Company, with more than 25 years relevant experience in the petroleum industry and is a member of The Association of Professional Engineers and Geoscientists of Alberta (APEGA) and The Society of Petroleum Engineers (SPE).

Tap is not aware of any new information or data that materially affects the information included in the following ASX releases cross-referenced in this report and that all the material assumptions and technical parameters underpinning the estimates in such releases continue to apply and have not materially changed: ASX release 27 October 2011, 29 January 2013 and 26 February 2014.

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Chairman's Letter

Dear Shareholder

I am pleased to present to you Tap Oil Limited's 2013 Annual Report.

2013 was a year of both significant challenge and valuable progress for our flagship project, the Manora oil development in the Gulf of Thailand. We are now within sight of returning Tap to being a mid-tier oil producer and I am confident that this will lead to the delivery of substantial value to our shareholders.

Across the Company's diverse asset portfolio, there have been positive developments that will position Tap favourably as an oil and gas explorer and developer in the near-to-medium term. As Tap continues to pursue its strategy for value creation with a strong commercial focus, it will look to combine production from Manora with strategic portfolio rationalisation, risk-assessed exploration and focused reinvestment of funds.

At the time of writing this letter, there has been significant operational progress at Manora, ahead of the Operator's anticipated production commencement in Q3 2014. The two-phase Offshore Installation Program is well advanced with the completion of Phase 1 in February 2014 – load out and the successful installation of the Manora platform jacket, subsea lines, and Pipeline End Manifold (**PLEM**). Completion of this portion of work – with no Health, Safety and Environment (**HSE**) incidents – means that the substantial offshore installation risk associated with this phase of the project is no longer an issue. The Floating Storage Offloading (**FSO**) unit has been largely completed and the Atwood Orca drilling rig, scheduled to remain on location until Q2 2015, is well positioned to commence development drilling in late July.

During the year a cost increase of approximately 13% was announced for Manora. This was due to further engineering work, procurement delays, growth in the project scope, required design changes, and increased construction costs for the offshore platform component and equated to US$9.6 million in additional costs to Tap for a total estimated expenditure by Tap of US$97 million on the project.

Despite this cost overrun and schedule delays, Manora remains a strong project with robust economics. The project has an 11-year field life, gross peak production of 15,000 bopd (4,500 bopd net to Tap) and will generate significant revenue soon after production commences.

Following the commencement of development drilling and collection of production performance data, Tap anticipates a review of its Manora Reserves and Contingent Resources (2P Reserves currently 6.1mmbbls (net to Tap) and 2C Contingent Resources of 3.2mmbbls (net to Tap)) (ASX release 27 October 2011).

In Thailand exploration, we made the Malida-1 oil discovery in G1/48 during the year. Unfortunately it was not commercial for a standalone development. However, drill data from the well and two other Thailand exploration wells is currently being evaluated in order to increase our understanding of the potential for an oil fairway between the Manora oil field and the Malida discovery.

In the offshore Carnarvon Basin, Western Australia, the Company achieved success with the Bianchi-1 gas appraisal well in WA-49-R. The gas discovery provides an additional 16PJ of net 2C Contingent Resources to Tap in WA-49-R, for a total of 64PJ of net 2C Contingent Resources for the overall retention lease (ASX release 26 February 2014). The Bianchi, Zola and Antiope discoveries will enhance the ongoing assessment of the Greater Zola Area and add support to the lease's future commercialisation potential.

Drill data from the Taunton-5/5H appraisal well in TL/2 and TP/7, drilled in Q2 2013, is currently being evaluated and incorporated into the Operator's geological model as part of an update of the Contingent Resource estimates for the Taunton oil field.

During the year Tap booked 49PJ of net 2C Contingent Resource from the 2012 Tallaganda-1 gas discovery in WA-351-P (ASX release 29 January 2013). The WA-351-P Joint Venture is evaluating the selection of an additional drilling candidate in the permit for a Year 5 well (Year 5 commences 28 June 2014). However, as the commercialisation of Tallaganda is likely to be capital intensive and long-term in nature, Tap is continuing its efforts to monetise the asset while keeping a close watch on LNG developments in Western Australia and the broader market opportunity.

Also in the offshore Carnarvon Basin, Tap farmed down 10% of WA-320-P and 7% of WA-155-P (Part II) for a 5% carry on the Palmerston well in WA-320-P, up to a total well cost of US$70 million. The timing of the commitment well is not yet decided and the WA-320-P Joint Venture is considering the acquisition of further 3D seismic data prior to drilling.

In Ghana, the Company has elected not to proceed with its project in the Offshore Accra Contract Area. This follows the results from the Starfish-1 exploration well during the year, where both primary and secondary drill targets were found to be water-bearing sands. The Starfish-1 well did not produce the results Tap was seeking, and given Tap's ongoing financial commitments to Manora, and its Thailand and offshore Carnarvon Basin exploration assets, the Company has decided that high-cost, high-risk exploration in Ghana is no longer a strategic priority.

Other assets that Tap has progressed during the year include the onshore Carnarvon Basin assets SPA 5 AO and SPA 6 AO, where results from ongoing technical evaluations will lead to a decision on exercising the options to acquire 20% of these prospecting areas, most likely in the first half of 2014.

Tap also gained diversification and exposure to the offshore Otway Basin, Victoria during the year, with an option to acquire 10% interest in Vic/P67 via a payment of US$2.95 million towards 3D seismic commitments covering 811km^2 in the lease. This seismic data is expected to be available for evaluation in the third quarter of 2014 and Tap will have until 31 March 2015 to make this payment.

Given the results from Tap's exploration efforts during the year and the decisions made on several of these projects, our full-year numbers include a $47.1 million exploration impairment loss/write-down for the year ending 31 December 2013.

In addition, the Company is continuing the process of realising value from undeveloped non-core assets, particularly those in the offshore Carnarvon Basin that do not enhance Tap's portfolio and do not have a part in Tap's long term strategy.

As mentioned in the 2013 Full Year Financial Results, the Company has been pursuing a number of options, including the sale of non-core assets, for additional temporary liquidity required ahead of the expected May 2014 draw down of the Manora debt facility and anticipated commencement of Manora production. The Company is progressing these options and will continue to keep shareholders informed of material developments.

It has been a busy year for Tap and we foresee an active and positive 2014. I would like to thank the members of the Board for their efforts and valued contributions during the year. I would also like to recognise the hard work of all our staff over the past 12 months under the leadership of Managing Director and CEO, Troy Hayden. During the year the Company renewed Troy's contract and on behalf of the Board, I am delighted that he will be continuing to work towards executing the Company's focused strategy for value creation.

On behalf of the Board and Company, I would like to thank you – our shareholders – for your ongoing support of the Company in what hasn't been the easiest of years. As we strive towards first production from Manora and returning to a producer status, we look forward to creating significant long-term value for all of our shareholders and sharing the positive news and developments of Tap with you.

Yours sincerely

Douglas Bailey
Chairman

Schedule of Permit Interests as at 8 April 2014

The following summarises Tap's exploration, production and pipeline interests. The interests shown may be subject to certain conditions, including regulatory approvals.

Licence/Permit	Field	Hydrocarbon	Tap (%)	Gross Area (km^2)	Operator
EXPLORATION PERMITS					
Western Australia					
TP/7			12.47	718.5	Apache
WA-155-P (Part II)			6.55	80.1	Apache
WA-290-P			10.00	319	Apache
WA-320-P			9.78	310	Apache
WA-351-P	Tallaganda		20.00	1,915	BHP Billiton
Thailand					
G1/48 Concession (excluding Production Area)			30.00	4,246	Mubadala Petroleum
G3/48 Concession (excluding Production Area)			30.00	2,918	Mubadala Petroleum
RETENTION LEASES					
Western Australia					
WA-33-R	Maitland	gas	22.47	319	Apache
WA-34-R	Prometheus & Rubicon	gas	12.00	416	Eni
WA-49-R	Antiope, Bianchi, Zola	gas	10.00	159	Apache
PRODUCTION LICENCES					
Western Australia					
TL/2	Taunton	oil	10.00	399.2	Apache
WA-8-L	Amulet	oil	20.00	161	Santos
WA-22-L		oil	15.00	80	Eni
WA-25-L		oil	15.00	398	Eni
Thailand					
G1/48 North Kra Production Area	Manora	oil	30.00	161.14	Mubadala Petroleum
TOTAL AREA				**12,599.94**	
PIPELINE LICENCES					
PL/14	Airlie Island License Area	gas	10.00		Apache
TPL/3	South Pepper Trunkline	oil	10.00		Apache
TPL/4	Airlie Island Tanker Loading	oil	10.00		Apache
TPL/7	Chervil to Airlie Island	oil and gas	10.00		Apache

Reserve & Contingent Resource Estimate

The following summarises Tap's Proved Reserves (1P), Proved plus Probable Reserves (2P) and Contingent Resources (2C) estimates as of the evaluation date of 31 December 2013. Unless otherwise stated, all estimates are quoted as net Tap share.

Proved (1P) Reserves by Region at evaluation date 31 December 2013

	Developed			Undeveloped			Total		
	Sales Gas (PJ)	Condensate (MMbbl)	Oil (MMbbl)	Sales Gas (PJ)	Condensate (MMbbl)	Oil (MMbbl)	Sales Gas (PJ)	Condensate (MMbbl)	Oil (MMbbl)
Thailand	0	0	0	0	0	3.6	0	0	3.6

Proved Plus Probable (2P) Reserves by Region at evaluation date 31 December 2013

	Developed			Undeveloped			Total		
	Sales Gas (PJ)	**Condensate** (MMbbl)	**Oil** (MMbbl)	**Sales Gas** (PJ)	**Condensate** (MMbbl)	**Oil** (MMbbl)	**Sales Gas** (PJ)	**Condensate** (MMbbl)	**Oil** (MMbbl)
Thailand	0	0	0	0	0	6.1	0	0	6.1

Reserves Reconciliation by Region (MMbbl)

	Proved (1P) Reserves					
	Evaluation Date 31-Dec-12	Revision & Reclassification	Extensions & Discoveries	Acquisitions & Divestments	Production	Evaluation Date 31-Dec-13
Thailand	3.6	0	0	0	0	3.6

Reserves Reconciliation by Region (MMbbl)

	Proved plus Probable (2P) Reserves					
	Evaluation Date 31-Dec-12	Revision & Reclassification	Extensions & Discoveries	Acquisitions & Divestments	Production	Evaluation Date 31-Dec-13
Thailand	6.1	0	0	0	0	6.1

2C Contingent Resources by Region at evaluation date 31 December 2013

	LIGHT AND MEDIUM OIL		NATURAL GAS		NATURAL GAS LIQUIDS	
	Gross MMSTB	**Net MMSTB**	**Gross PJ**	**Net PJ**	**Gross MMSTB**	**Net MMSTB**
Thailand	10.9	3.3	0.0	0.0	0.0	0.0
Australia	16.2	2.3	1536.1	220.1	8.4	1.4
TOTAL	27.1	5.6	1536.1	220.1	8.4	1.4

2C Contingent Resources by Field at evaluation date 31 December 2013

		LIGHT AND MEDIUM OIL		NATURAL GAS		NATURAL GAS LIQUIDS	
TAP (%)		Gross MMSTB	Net MMSTB	Gross PJ	Net PJ	Gross MMSTB	Net MMSTB
20.00%	**Amulet**	7.1	1.4				
10.00%	**Antiope**			106.0	10.6		
10.00%	**Bianchi**			159.5	16.0	2.2	0.2
22.47%	**Maitland**			277.3	62.3	4.5	1.0
30.00%	**Manora**	10.9	3.3				
12.00%	**Prometheus & Rubicon**			377.3	45.3		
20.00%	**Tallaganda**			244.0	48.8	0.5	0.1
10.00%	**Taunton**	9.1	0.9				
10.00%	**Zola**			372.0	37.2	1.2	0.1
	Total	27.1	5.6	1536.1	220.1	8.4	1.4

2C Contingent Resource Reconciliation

	LIGHT AND MEDIUM OIL	NATURAL GAS	NATURAL GAS LIQUIDS
	Net MMSTB	Net PJ	Net MMSTB
31 December 2012 CONTINGENT RESOURCE (2C)	5.6	206.7	1.2
Conversion to Reserves	0.0	0.0	0.0
Revisions *(Prometheus & Rubicon, Antiope, Zola)*	0.0	-2.5	0.0
Extensions and Discoveries *(Bianchi*)*	0.0	16.0*	0.2
Acquisitions and Divestments	0.0	0.0	0.0
31 December 2013 CONTINGENT RESOURCE (2C)	5.6	220.1	1.5

* For further detail please see ASX release 26 February 2014 "WA-49-R – Contingent Resource Assessment".

*The reserve and contingent resource estimate in this report (**Reserves Statement**) is based on, and fairly represents, information and supporting documentation prepared by a qualified petroleum reserves and resources evaluator. The Reserves Statement as a whole has been approved by Mr Denis Bouclin B.A.Sc (Hons), M.A.Sc (Engineering), P.Eng.. Mr Bouclin is a part-time employee of the Company, with more than 25 years relevant experience in the petroleum industry and is a member of The Association of Professional Engineers and Geoscientists of Alberta (APEGA) and The Society of Petroleum Engineers (SPE). Mr Bouclin has consented in writing to the inclusion of information in this report in the form and context in which it appears.*

Tap's reserve and contingent resource estimate in this report was prepared in accordance with the SPE Petroleum Resources Management System. The governance arrangements for the reporting of hydrocarbon reserves and resources are based on the Company's Reserves Committee Charter and Terms of Reference (available for viewing on the Company's website). During 2013 there were three meetings of the Reserves Committee. There were no external reserves or contingent resource audits performed on any of the Company's assets during 2013

Reserves and contingent resources have been estimated using both deterministic and probabilistic methods. Reserves and contingent resources are aggregated by arithmetic summation by category. Reference point for measurement of reserves is the point of sales.

Third Party Gas

As at 31 December 2013, Tap has a remaining entitlement to delivery of the following volumes of gas under contract. The volumes set out below constitute gas reserves attributable to the sellers under the relevant agreements and as such are not disclosed herein as reserves.

Contract	Tap Share (PJ)	Tap Share (mmboe)
Gas Sale Agreement dated 27 May 2005	11.10	1.92

Comparative Data Summary

12 MONTHS ENDED		DEC 13	DEC 12	DEC 11**	DEC 10	DEC 09
Profit & Loss ($ million)*						
Sales revenue	: Oil and condensate	-	7.7	27.5	40.3	30.9
	: Gas	27.0	33.8	32.3	31.1	23.1
	: Tolling	-	-	4.4	2.2	4.0
Government royalties		-	-	(1.2)	(1.2)	(1.2)
EBITDA		(43.5)	(3.7)	(10.2)	(48.3)	30.6
Exploration expenditure writedowns		(47.1)	(8.6)	(4.5)	(70.5)	(2.2)
Property, plant & equipment writedowns		-	-	(38.6)	(9.1)	-
Income tax benefit/(expense)		0.2	(3.4)	3.5	15.0	(1.3)
NPAT		(39.4)	(3.5)	(28.9)	(61.4)	6.7
EPS (cents)		(16.3)	(1.5)	(12.0)	(35.8)	4.3
Gross profit as a % of revenue		55%	48%	19%	20%	17%
Balance Sheet ($ million)						
Cash		43.5	96.4	81.8	98.9	59.4
Capitalised exploration expenditure		90.5	87.2	141.2	109.6	113.9
Property, plant & equipment		102.0	57.1	4.8	77.4	117.4
Total assets		255.7	254.5	295.6	325.1	316.2
Debt		-	-	-	-	-
Total liabilities		86.9	55.1	93.3	94.6	92.5
Net assets		168.8	199.4	202.3	230.5	223.7
Cash Flow ($ million)*						
Operations		(3.3)	15.7	26.3	31.9	31.7
Investing		(51.4)	(1.5)	(42.2)	(45.9)	(20.6)
Financing		(2.1)	-	-	55.0	-
Volumes						
Production						
Oil & condensate (mmbbls)	: HJV	-	-	0.2	0.2	0.2
	: Woollybutt	-	0.1	0.2	0.3	0.1
Sales gas (PJ)	: HJV	-	-	3.6	4.1	3.7
Total (mmboe)		-	0.1	0.8	1.1	0.9
Third Party Gas Sales						
Sales of Third Party Gas (PJ)		3.9	4.6	3.8	3.9	2.6
Reserves (Proved and Probable)						
Total (mmboe)		6.1	6.1	8.0	2.8	4.8
Other						
Oil price – A$ average realised/bbl		N/A	91	116	85	74
Shares on issue		242.1	241.3	241.0	241.0	156.5
Share Price at Period End ($)		0.50	0.62	0.60	0.83	1.17

* These numbers are totals that include both continuing and discontinued operations and are therefore non-IFRS financial information. Please refer to the audited financial statements for the IFRS financial information and the announcement on 28 February 2014 for a reconciliation.

** The 2011 results include a retrospective restatement of deferred tax assets recognised due to the impairment of the Harriet Joint Venture at 31 December 2011. This restatement resulted in a derecognition of the deferred tax asset and a resultant increase in the loss from discontinued operations of $8.6 million as set out in note 2 to the financial statements for the year ended 31 December 2012.

Health, Safety, Environment & Community

Tap commences all operated and non-operated projects with a view to positively affecting the people, communities and environments in which it operates. This approach, together with an emphasis on risk management, continues to produce positive results across all of our joint ventures.

Health, Safety and Environment

As a result of the sale of, or exit from its operated permits, Tap did not conduct any operations during 2013. Though the risk of a Lost Time Incident (LTI) was greatly reduced, Tap continued to work with its partners to ensure that a culture of safety first is a standard for all projects we are party to.

Tap again realised year-on-year improvement in its safety reporting matrix with no reportable incidents in 2013, maintaining its target of zero incidents and zero total recordable injury frequency rate. This compares to an Australian (APPEA) industry standard of approximately 4.0 for 2012. Remaining ahead of the industry average for TRIF and LTIs is a record that Tap strives to maintain.

Tap employs a full-cycle environmental program for each project to ensure that its operations address the environmental aspects from inception to rehabilitation.

Community and Stakeholders

During the year, Tap, in conjunction with the operator of its Thailand concessions (Mubadala Petroleum), participated in environmental programs in Thailand including the release of young turtles into the sea at Talu Island in Prachuap Kirikhan and mangrove reforestation along the coastline in Samut Songkram.

Corporate Governance

APPROACH TO GOVERNANCE

Tap is committed to conducting business in accordance with a high standard of corporate governance. This statement outlines the key principles and practices the Board has adopted for its corporate governance. These principles and practices are reviewed regularly and revised as appropriate to reflect changes in law and developments in corporate governance.

The Board seeks to:

- embrace principles and practices it considers are best practice;
- where appropriate, become an 'early adopter', by complying before a published law or recommendation takes effect; and
- take an active role in discussions of corporate governance best practice and associated regulation.

In addition to the information contained in this statement, the Company's website www.tapoil.com.au contains a dedicated corporate governance section which includes copies of the key corporate governance policies adopted by the Company.

ASX Corporate Governance Principles and Recommendations

ASX Listing Rule 4.10 requires listed companies to include in their Annual Report a statement disclosing the extent to which they have complied with the ASX Corporate Governance Principles and Recommendations during the reporting period.

The ASX Corporate Governance Principles and Recommendations are guidelines designed to produce an outcome that is effective and of high quality and integrity. The recommendations are not prescriptive, but instead state suggestions for practices designed to optimise corporate performance and accountability in the interests of shareholders and the broader economy. If a company considers that a recommendation is inappropriate to its particular circumstances, the company has the flexibility not to adopt it.

This statement summarises the Company's compliance with the ASX Corporate Governance Principles and Recommendations.

Principle 1 – Lay solid foundations for management and oversight

The Board

The Board is responsible for the governance of Tap and its roles and responsibilities are formalised in a Board charter. The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of shareholders, which it accomplishes by:

- setting objectives, goals and strategic direction with management with a view to maximising shareholder value;
- establishing corporate governance policies and standards;
- approving and monitoring budgets, major investments and projects;
- ensuring adequate internal controls exist and are appropriately monitored;
- ensuring significant business risks are identified and appropriately managed;
- establishing ethical, environmental, health and safety standards for the Group's operations and people;
- monitoring and overseeing the work of the Boards of the Company's subsidiaries;
- selecting, appointing and monitoring the performance of the Managing Director/CEO;
- reviewing and monitoring the findings of the Nominations Committee to ensure the composition of the Board is appropriate;
- assessing the performance of the Board as a whole and the contributions of individual directors and approving succession plans and remuneration of senior management; and

- establishing appropriate committees to assist the Board in the discharge of its responsibilities and overseeing such committees.

Delegation to Management

The Board has delegated to the Managing Director/CEO and management responsibility and authority to conduct the Group's day-to-day activities. This responsibility and authority is subject to a delegation of authority. Matters beyond the scope of the delegation of authority require Board approval. The delegation of authority is reviewed regularly.

Evaluation of the performance of senior executives

The process for evaluating the performance of senior executives (including the Managing Director) is summarised on page 12 of the Directors' Report in Tap's 2013 Financial Report. Annual performance reviews for 2013 have been undertaken in accordance with the process described in the Director's Report.

Principle 2 – Structure the board to add value

The Constitution for Tap Oil Limited provides for a minimum of three Directors and a maximum of ten. The Board currently comprises three non-executive Directors (including an independent Chairman), and one executive Director.

Independence

An independent director is defined in the ASX Corporate Governance Principles and Recommendations as a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with - or could reasonably be perceived to materially interfere with - the independent exercise of their judgement. All current non-executive directors, including the Chairman, are independent.

Composition

The Directors have a broad range of qualifications, experience and expertise in the oil and gas business, all of which are outlined on page 6 of the Directors Report in Tap's 2013 Financial Report. The Board is of the view that the current Directors possess an appropriate mix of skills, experience, expertise and knowledge to enable the Board to discharge its responsibilities, deliver the Company's corporate objectives and direct the Company in accordance with high standards of corporate governance.

The Directors, with the exception of the Managing Director/CEO, are subject to election by shareholders. The Company's Constitution provides that one-third of the Directors shall retire by rotation at each AGM. Any Director appointed to fill a casual vacancy must retire at the next AGM. Those Directors who are retiring may submit themselves for re-election by shareholders, including any Director appointed to fill a casual vacancy.

The names of Directors, the year they were first appointed, their status as non-executive, executive or independent Directors and whether they are retiring by rotation and seeking re-election by shareholders at the 2014 AGM, are set out in the table below:

Directors	First Appointed	Non-Executive	Independent	Retiring at 2014 AGM	Seeking Re-election at 2014 AGM
D W Bailey	2009	Yes	Yes	Yes	Yes
T J Hayden	2010	No	No	No	No
M J Sandy	2006	Yes	Yes	No	No
D A Schwebel	2012	Yes	Yes	No	No

Details of the number of meetings of the Board during the year, and each Director's attendance at those meetings, are set out on page 7 of the Directors' Report in Tap's 2013 Financial Report.

Independent Professional Advice

The Board has adopted a formal policy on access to independent professional advice which provides that, for the purposes of the proper performance of their duties, Directors are entitled to seek independent professional advice. The advice is at the Company's expense, subject to prior approval of the Chairman and the Managing Director/CEO (which must not be unreasonably withheld). A copy of the advice must generally be provided to the Company and/or the Board.

Board Structure

The Board has established Audit, Nominations, Reserves and Remuneration Committees which assist in the performance of the Board's responsibilities. The Board has approved charters which set out the terms of reference and rules governing these Committees. Copies of the approved charters can be found on the Company's website www.tapoil.com.au.

Details of the number of meetings of each Committee during the year and each Director's attendance at those meetings are set out on page 7 of the Directors Report in Tap's 2013 Financial Report.

Nominations Committee

The role of the Nominations Committee is to review Board composition, and Board succession planning as well as evaluating the performance of the Board, its committees and Directors.

The Nominations Committee charter requires a minimum of three members. Having regard to the size of the Board, it is considered appropriate that all members of the Board are members of the Nominations Committee.

Audit Committee

The Audit Committee assists the Board in the performance of its responsibilities to ensure that the Company complies with appropriate and effective accounting, auditing, internal control, business risk management, compliance and reporting practices.

Reserves Committee

The role of the Reserves Committee is to review reserve and resource estimates and advise the Board concerning these estimates for reporting purposes.

Remuneration Committee

The Remuneration Committee's role is to review and make recommendations to the Board on the remuneration for Directors and senior management, review remuneration policies and practices, company incentive schemes and superannuation arrangements in accordance with the Remuneration Committee charter, and assess the performance of the Managing Director annually.

Current Board Committee Memberships

Board Member	Capacity	Committee			
		Nomination	Audit	Remuneration	Reserves
Douglas Bailey	Non-executive	Chairman	Member	Member	Member
Troy Hayden	Executive	Member	-	-	-
Michael Sandy	Non-executive	Member	Chairman	Member	Chairman
Douglas Schwebel	Non-executive	Member	Member	Chairman	Member

The qualifications and experience of the Committee members are set out on page 6 of the Directors' Report in Tap's 2013 Financial Report.

Evaluation of the performance of the Board, its committees and individual directors

Improvement in Board processes and effectiveness is a continuing objective and the primary purpose of Board evaluation is to identify ways to improve performance.

The Nominations Committee evaluates the performance of the Board as a whole. These evaluations are carried out internally and involve applying best practice criteria to the Board's responsibilities. The evaluation also takes into consideration benchmarking of progress towards goals set out in Tap's business plan and regular assessment of results compared with budgets and forecasts. Evaluations also consider the effectiveness of Board member interaction and the contributions made by individual Directors.

The Board has established a limited number of key performance indicators ("KPIs") to be considered in conjunction with the previously adopted criteria for assessing Company performance. These KPIs will be revised annually. For the 2013 financial year, KPIs have been developed with reference to the Company's business plan. The Nominations Committee conducted a performance evaluation of the Board, its committees and directors for the 2013 financial year. This evaluation was undertaken in accordance with the process disclosed above.

Principle 3 – Promote ethical and responsible decision-making

In pursuit of the highest ethical standards, the Company has adopted a Code of Conduct. The Code of Conduct establishes the standards of behaviour required of Directors and employees in the conduct of the Company's affairs.

The Code of Conduct is based on the following principles:

- respect for the law and acting accordingly;
- maintaining stringent financial controls;
- avoiding conflicts of interest;
- protecting the best interests of shareholders;
- using Tap's assets responsibly and in the best interests of Tap;
- acting with integrity, being fair and honest in dealings and treating other people with dignity; and
- being responsible for actions and accountable for the consequences.

Directors and employees have a responsibility to report any suspected non-compliance with the Code of Conduct. There were no instances reported to the Board during the reporting period where the conduct of an employee of the Company was found to be in breach of the Code of Conduct.

Trading in the Company's Securities by Directors and Employees

The Board updated its Dealings in Securities Policy in August 2012. Under the updated policy, Directors and employees may deal in the Company's securities on the ASX unless one or more of the following circumstances applies:

- the Director or employee is in possession of price sensitive information;
- the dealing is to occur during the four week period prior to the release of Tap's results for the financial year ended 31 December until the beginning of the next trading day after the announcement of such results;
- the dealing is to occur during the four week period prior to the release of Tap's results for the half financial year ended 30 June until the beginning of the next trading day after the announcement of such results; or
- the Director or employee is prohibited from trading due to activity or knowledge within the Company at that time.

Directors and employees are required to notify the Company Secretary and seek written confirmation that none of the above prohibitions apply prior to undertaking any dealing.

Diversity

The Company adopted a Diversity Policy in 2011. The Policy aims to develop a diverse and flexible workforce that possesses the required expertise and competence to achieve the Company's strategic objectives. This involves recognising and valuing the unique contribution people can make because of their individual backgrounds, different skills, experiences and perspectives. Diversity may result from a range of factors including gender, ethnicity, religion, culture, language, sexual orientation, disability and age.

The following table shows the number of men and women across the organisation as at 31 December 2013.

	Total	No. of Men	% Men	No. of Women	% Women
Board[1]	4	4	100%	0	0%
Management[2]	5	3	60%	2	40%
Employees[3]	23	11	48%	12	52%

1 Including Managing Director/CEO
2 Excluding Managing Director/CEO
3 Including Managing Director/CEO and Management

The Board set a number of measurable diversity objectives for 2013 (which were all met during the year), including:

- promoting flexible workplace practices;
- maintaining the current female representation across the Company and the management team;
- maintaining a membership of an external body promoting women's leadership initiatives;
- establishing and maintaining programs which aim to take affirmative action to promote diversity;
- ensuring pay equity; and
- creating and maintaining an equal opportunity culture.

The measurable diversity objectives for 2014 set by the Board include:

- promoting flexible workplace practices;
- maintaining the current female representation across the Company and the management team; and
- ensuring pay equity.

Anti-Bribery and Corruption

Tap is committed to conducting its business fairly, honourably, with integrity and in compliance with the law in all jurisdictions where it operates, including all applicable anti-corruption and bribery laws. In May 2012, the Company adopted an Anti-bribery and Corruption Policy, which prohibits Tap directors, officers and employees from engaging in activity that constitutes bribery or corruption. The policy also sets out processes to reduce the risk of violations of the policy when dealing with third parties who are engaged to act for or on behalf of Tap.

Principle 4 – Safeguard integrity in financial reporting

The Company is committed to ensuring that the Company's financial reports present a true and fair view of the Company and comply with applicable accounting standards and policies. The purpose of the Audit Committee is to assist the Board in fulfilling its corporate governance and supervisory responsibilities. While primary responsibility for the Company's financial reporting and internal controls are vested in management, the Board oversees this function and ultimately bears full responsibility for it.

In addition to the policies and practices implemented by the Board to manage business risks, the Audit Committee is responsible for assessing the internal process for determining and managing key areas of risk, ensuring that the Company has an effective risk management system and that significant risks are reported to the Board, assessing suspected and actual breaches of security or law and assessing and monitoring the effectiveness of the Company's internal control system with management and the external auditor.

Details of the members of the Audit Committee, the number of Audit Committee meetings held during the year and the number of meetings attended by each member are set out in page 7 of the Directors Report in Tap's 2013 Financial Report.

External Auditor

The external auditor of the Company is Deloitte Touche Tohmatsu. Deloitte was appointed as the Company's auditor in September 1996. The Board and the external auditor have ensured that there are rotation policies in place to comply with the requirements of the Corporations Act. The audit partner responsible for Tap was rotated in June 2010. There are a number of requirements under the Corporations Act to ensure that the external auditor is independent. The external auditor is also required to provide a written declaration that it has complied with the independence requirements under the Corporations Act.

The Board ensures that a representative of the external auditor of the Company attends the AGM to allow shareholders to ask the external auditor any questions about the conduct of the audit, and the preparation and content of the auditor's report, the accounting policies adopted by the company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

Principle 5 – Make timely and balanced disclosure

The Board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market. In accordance with the continuous disclosure requirements under the ASX Listing Rules, the Company maintains a Continuous Disclosure Policy (a copy of which is available on the Company's website). The Policy was updated during the year to reflect the ASX's revised guidance note on continuous disclosure. The Policy seeks to ensure that all price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely manner and that all information provided to the ASX is immediately available to shareholders and the market on the Company's website.

Analyst and press briefings are often conducted following the release of half-year results, full-year results and major announcements and, from time to time, briefings with major shareholders are conducted in order to promote a better understanding of the Company. In conducting briefings, the Company takes care to ensure that any price sensitive information included in the content of briefings has already been made available to all shareholders and the market.

Principle 6 – Respect the rights of shareholders

The Board aims to ensure that shareholders are kept informed of all major developments affecting the Company. Information is communicated to shareholders through:

- continuous disclosure in the form of public announcements on ASX;
- annual, half-yearly and quarterly reports to shareholders;
- investor briefings;
- the Chairman's address and CEO/Managing Director's address delivered at the AGM; and
- notices of all meetings of shareholders and explanatory notes of proposed resolutions.

In addition, information for shareholders and other stakeholders is available on Tap's website www.tapoil.com.au including recent announcements, presentations, past and current reports to shareholders, corporate governance policies, Board committee charters, biographical information on Directors and information relating to operations.

Shareholders are encouraged at AGMs to ask questions of Directors and senior management and also the Company's external auditors, who are required to be in attendance.

Principle 7 – Recognise and manage risk

The Board maintains policies and practices designed to identify and manage significant business risks, including:

- regular budgeting and financial reporting;
- procedures/controls to manage financial exposures and operational risks;

- procedures/controls to manage environmental and occupational health and safety matters;
- the Company's business plan;
- corporate strategy guidelines and procedures to review and approve the Company's strategic plans;
- reviewing oil price and currency hedging strategies and policy;
- insurance and risk management programs which are reviewed by the Board;
- prudential limitations procedures, which include Board approval for commitments or expenditures exceeding prescribed amounts; and
- Board approval to open bank accounts or incorporate any subsidiary.

The Board receives regular reports about the financial condition and operating results of the Group, and on the effectiveness of the Company's management of its material business risks. The Board has received assurance from the CEO and CFO that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8 – Remunerate fairly and responsibly

The purpose of the Remuneration Committee is to assist the Board to ensure that proper controls apply in the remuneration of Directors, management and employees. The Remuneration Committee operates principally in a review and/or advisory capacity.

The Remuneration Committee's role is to review and recommend remuneration for Directors, management and employees, review remuneration policies and practices, company incentive schemes and superannuation arrangements in accordance with the Remuneration Committee Charter.

The Committee considers independent advice, where circumstances require, on the appropriateness of remuneration to ensure the Company attracts, motivates and retains high quality people.

The ASX Listing Rules and the Constitution require that the maximum aggregate amount of remuneration to be allocated among the non-executive Directors be approved by the shareholders in general meeting. In proposing the maximum amount for consideration by shareholders, and in determining allocation, the Remuneration Committee takes account of the time demands made on Directors and such factors as fees paid to non-executive Directors in comparable Australian companies.

Further details on the members of the Remuneration Committee, the number of Remuneration Committee meetings held during the year and the number of meetings attended by each member are set out on page 7 of the Directors' Report in Tap's 2013 Financial Report.

Details of the remuneration policies and framework of the Company and the remuneration paid to Directors (executive and non-executive) and management are set out in the Remuneration Report in the Directors' Report on pages 10 to 23 of Tap's 2013 Financial Report. Shareholders will be invited to consider and approve the Remuneration Report at the 2014 AGM.

ASX Corporate Governance Principles and Recommendations

The table below contains each of the ASX Corporate Governance Principles and Recommendations. Where the Company has complied with a recommendation during the reporting period as outlined above, this is indicated with a tick (✓) in the appropriate column.

		Complied
Principle 1 – Lay solid foundations for management and oversight		
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	✓
1.2	Disclose the process for evaluating the performance of senior executives.	✓
1.3	Provide the information indicated in the *Guide to reporting on Principle 1*.	✓
Principle 2 – Structure of the board to add value		
2.1	A majority of the board should be independent directors.	✓
2.2	The chair should be an independent director.	✓
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	✓
2.4	The board should establish a nomination committee.	✓
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	✓
2.6	Provide the information indicated in *Guide to reporting on Principle 2.*	✓
Principle 3 – Promote ethical and responsible decision-making		
3.1	Establish a code of conduct and disclose the code or a summary of the code as to:	
	• the practices necessary to maintain confidence in the company's integrity	✓
	• the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders	✓
	• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	✓
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	✓
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	✓
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	✓
3.5	Provide the information indicated in *Guide to reporting on Principle 3.*	✓

		Complied
Principle 4 – Safeguard integrity in financial reporting		
4.1	The board should establish an audit committee.	✓
4.2	The audit committee should be structured so that it:	
	• consists only of non-executive directors	✓
	• consists of a majority of independent directors	✓
	• is chaired by an independent chair, who is not chair of the board	✓
	• has at least three members.	✓
4.3	The audit committee should have a formal charter.	✓
4.4	Provide the information indicated in *Guide to reporting on Principle 4.*	✓
Principle 5 – Make timely and balanced disclosure		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	✓
5.2	Provide the information indicated in *Guide to reporting on Principle 5.*	✓
Principle 6 – Respect the rights of shareholders		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	✓
6.2	Provide the information indicated in the *Guide to reporting on Principle 6*.	✓
Principle 7 – Recognise and manage risk		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	✓
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	✓
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	✓
7.4	Provide the information indicated in the *Guide to reporting on Principle 7.*	✓

		Complied
Principle 8 – Remunerate fairly and responsibly		
8.1	The board should establish a remuneration committee.	✓
8.2	The remuneration committee should be structured so that it:	
	• consists of a majority of independent directors	✓
	• is chaired by an independent chair	✓
	• has at least three members	✓
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	✓
8.4	Provide information indicated in the *Guide to reporting on Principle 8.*	✓

Glossary

3D seismic	seismic recorded along many closely spaced traverses and processed to form a three dimensional view of the subsurface
AUD, A$ or $	Australian dollars
AGM	Annual General Meeting
ASX	Australian Securities Exchange Limited
bbls	barrel of oil, 42 US gallons, 35 imperial gallons, 5.615 cubic feet, 159 litres
Bcf	billion (1,000,000,000) cubic feet
Board	the Board of Directors of the Company
BOE or boe	barrels of oil equivalent
BOPD or bopd	barrels per day (oil and condensate)
CEO	Chief Executive Officer
Constitution	the constitution of the Company
Contingent Resources (2C)	those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from known accumulations but which are not currently considered to be commercially recoverable
Director	a director of the Company
EBITDA	earnings before interest, tax, depreciation and amortisation
EBITDAX	earnings before interest, tax, depreciation, amortisation and exploration expense
EPS	earnings per share
FID	Final Investment Decision
Financial Year	the 12 months ending 31 December
FPSO	Floating Production, Storage and Offtake Vessel
FSO	Floating Storage Offloading
Group	Tap and its subsidiaries
HJV	Harriet Joint Venture comprising Apache Northwest Pty Ltd, Kufpec Australia Pty Ltd and Harriet (Onyx) Pty Ltd (formally Tap (Harriet) Pty Ltd)
Hydrocarbons	oil, condensate and natural gas
km	Kilometres
km^2	square kilometres
LNG	liquefied natural gas
mmbbls	million barrels
mmboe	million barrels of oil equivalent
mmstb	million stock tank barrels
NPAT	net profit/loss after tax
PJ	petajoules (10^{15} joules); 1,000 TJ
prospect	a geological feature in the subsurface which is a potential trap for petroleum and is sufficiently defined for drilling
PRRT	Petroleum Resource Rent Tax
Report	this Annual Report
Reserves	hydrocarbon reserves as that term is defined in the ASX Listing Rules
Tap or the Company	Tap Oil Limited (ABN 89 068 572 341)
TJ	Terajoules (10^{12} joules); 1,000 Gigajoules
Tcf	trillion (1,000,000,000,000) cubic feet, 1,000 Bcf
USD or US$	United States dollars
Woollybutt	the Woollybutt Joint Venture comprising Eni Australia Limited, Mobil Australia Resources Co Pty Ltd and Tap West Pty Ltd

Directors

Douglas Bailey

B.Bus (Acc), CPA, ACIS

Non-Executive Director and Chairman (Director since November 2009)
Chairman of the Nominations Committee, Member of Audit, Remuneration and Reserves Committees

Douglas Bailey is an accountant with over 30 years experience in the resources industry. He is a former CEO and Managing Director of Ashton Mining Limited and a former CFO of Woodside Petroleum Limited. Douglas is experienced in all commercial aspects of resource company financing, project development, acquisitions and administration. Douglas is presently also a Non-Executive Director of St Barbara Limited.

Troy Hayden

B.Econ, M. Fin

Managing Director/CEO (Appointed December 2010)
Member of the Nominations Committee

Troy Hayden joined Tap in December 2010 after a 12 year career at Woodside Petroleum, where he held a number of key positions, including Acting CFO, Vice President of the USA Business Unit and Vice President of the Pluto Business Unit. Since leaving Woodside in 2008, Troy has undertaken a number of financial and commercial consulting projects working with First Quantum Minerals and QR National.

Michael Sandy

B.Sc Hons (Geology)

Non-Executive Director (Director since June 2006)
Chairman of Audit and Reserves Committees, Member of Nominations and Remuneration Committees

Michael Sandy is a geologist with over 35 years experience in the resources industry with the past 30 years focused on oil and gas. Michael has worked for various oil and gas companies, including Oil Search and Novus Petroleum. Michael brings a wide mix of commercial and technical skills and experience which complement the skills of the other Board members of Tap. Michael is currently the Chairman of Burleson Energy Limited and a Non-Executive Director of Hot Rock Limited.

Douglas Schwebel

PhD, B.Sc Hons (Geology)

Non-Executive Director (Director since February 2012)
Chairman of Remuneration Committee, Member of Audit, Nominations and Reserves Committees

Douglas Schwebel has over 30 years experience in the resources sector, having held various senior executive positions with ExxonMobil, including Exploration Director for its Australian upstream subsidiaries. His 26-year career with ExxonMobil included exploration and resource commercialisation and strategy roles in Australia, the USA and Asia. Between 2008 and 2011, he was Chief Executive Officer of the privately owned Pexco NV and its Australian subsidiary Benaris International Pty Ltd. Dr Schwebel has also served as a Non-Executive Director on the Boards of Roc Oil Limited and Great Artesian Oil & Gas Limited, and is currently a Non-Executive Director of Beach Energy Limited.

Financial Report
for the financial year ended
31 December 2013

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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 2013, in order to comply with the provisions of the Corporations Act 2001.

1. Principal Activities

Tap's principal activities in the course of the financial year were oil and gas exploration, appraisal and development and gas marketing. Tap expects that it will re-commence as an oil and gas producer with production anticipated to commence at the Manora field later in 2014.

2. Consolidated Results

Tap's revenue for 2013 was $28.9 million (2012: $46.2 million), of which $1.7 million (2012: $4.4 million) was interest revenue. Gross profit was $14.9 million (2012: $20.0 million). After exploration impairment losses and write-downs of $47.1 million (2012: $8.7 million), the net loss from before tax was $39.6 million (2012: $0.1 million net profit before tax); and the net loss after tax was $39.4 million (2012: net loss of $3.3 million). Net cash flows from operations were $6.0 million outflow (2012: $15.7 million inflow).

3. Dividends

The Directors of the Company 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 2P reserves of 6.1 mmbbls, ongoing revenues and cash flow from its third party gas business, a development project with production anticipated to commence in August 2014 and a balanced exploration and appraisal portfolio. Tap's strategic intent is to create value for shareholders through discovering, developing, acquiring, producing and selling oil and gas. Tap maintains an active business development and new ventures program in order to continually improve its asset portfolio.

As a result of cost overruns and schedule delays on the Manora oil development, coupled with additional drilling and unplanned work as part of the 2013 exploration program, the Company requires additional temporary liquidity ahead of the expected May 2014 draw-down of the Manora debt facility and anticipated commencement of production at Manora in August 2014. As at the date of this report Tap has drawn down the CBA $20m corporate facility and is working on a number of options to provide further liquidity, including additional financing and monetisation of the significant value retained in its non-core assets.

4.1.1 Exploration and Appraisal

Tap participated in four exploration wells in 2013 – one in Australia, one offshore Ghana and two in the Gulf of Thailand. The Bianchi-1 well in WA-49-R was a gas discovery and provides additional resources for the future potential commercialisation of the lease. Malida-1 in G1/48 offshore found oil, but not in commercial quantities for a standalone development. One appraisal well was also drilled in Western Australia.

Carnarvon Basin – Offshore Western Australia

WA-351-P

WA-351-P is an exploration permit in the offshore Carnarvon Basin, Western Australia. The permit contains the Tallaganda gas discovery drilled during the second quarter of 2012. The Tallaganda-1 well was a new field gas discovery in the Triassic Mungaroo Formation. The Tallaganda structure straddles both WA-351-P and WA-335-P to the south. The structure is well defined by modern 3D seismic data. Tap has booked 49 PJ as a 2C contingent resource (ASX release 29 January 2013).

The discovery of hydrocarbons at Tallaganda-1 is considered significant for the future exploration potential of the permit as it confirms an active petroleum system within the acreage and proves the Mungaroo play on block, for which a number of undrilled prospects are identified. Current efforts are directed at geological and geophysical studies aimed at high grading Triassic Mungaroo prospects in order to select the drilling candidate for a Year 5 well (Year 5 commences 28 June 2014).

WA-290-P and WA-49-R

WA-290-P is an exploration permit in the offshore Carnarvon Basin, Western Australia. In early 2011, the Joint Venture drilled the Zola discovery and in August 2012, a retention lease, WA-49-R, was granted over the Zola and Antiope discoveries for a period of five years. The lease area covers two graticular blocks.

The Greater Zola Structure comprises several fault blocks along the Alpha Arch, south of the giant Gorgon gas field. A single fault block was tested by Zola-1 (the Zola fault block). Within the Greater Zola Structure, Bianchi-1 was drilled on an independent Triassic prospect some 6.4 kilometres north-northeast of the Zola-1 gas discovery and 20.8 kilometres south-southwest of the Gorgon-1 gas discovery.

The Joint Venture commenced drilling the Bianchi-1 well in WA-49-R on 12 April 2013. In July 2013 the Joint Venture confirmed a gas discovery at Bianchi-1 with 112 metres of natural gas net pay in the Mungaroo Formation reservoir sandstones. The well was drilled to a total depth of 5,429 metres and was plugged and abandoned as planned. Tap has booked an additional 16PJ of net 2C contingent resources for Bianchi, leading to a total of 64 PJ of net 2C contingent resource for the gas discoveries made in WA-49-R to date (includes the Zola, Bianchi and Antiope discoveries) (ASX release 26 February 2014).

The Bianchi-1 discovery is positive for Tap as it adds support to Tap's assessment of the potential of the Greater Zola Area and provides additional resources for the future potential commercialisation of the lease.

WA-320-P and WA-155-P (Part II)

WA-320-P and WA-155-P (Part II) are exploration permits in the offshore Carnarvon Basin, Western Australia. The Palmerston prospect straddles both WA-320-P and WA-155-P (Part II).

During the first half of 2013, Tap farmed out a portion of its interest in both permits to JX Nippon Oil and Gas Exploration (Australia) Pty Ltd. Tap farmed out 10% of its interest in WA-320-P and 7% of its interest in WA-155-P (Part II) in exchange for a 5% carry on the Palmerston-1 well (up to a total well cost of US$70 million). Post farmout, Tap retains a 9.778% equity in WA-320-P and 6.555% equity in WA-155-P (Part II). The farmout has been approved and registered by the government.

Palmerston is a Triassic fault block with structural similarity to the Zola structure. The Palmerston-1 well will target sandstones in the proven Mungaroo Formation play.

TL/2 and TP/7

The TL/2 production licence and TP/7 exploration permit are located in shallow water in the offshore Carnarvon Basin approximately 40 kilometres north-northeast of Onslow, Western Australia.

The Taunton oil field was discovered in 1991 and straddles the TL/2 and TP/7 permit boundaries. It was subsequently appraised by three additional wells which encountered oil in the Birdrong Sandstone. Tap has previously recognised a net 2C Contingent Resource of 0.9 MMstb for the Taunton field which is primarily in the Birdrong Sandstone reservoir (2012 Tap Annual Report).

Drilling commenced at the Taunton-5/5H appraisal well on 15 April 2013 within TL/2 in 19 metres of water. Taunton-5 ST2 was drilled as a deviated well to obtain core data through the Early Cretaceous reservoir section and to provide the pilot hole from which to drill a lateral well to conduct a production test.

A lateral hole section of approximately 2,000 metres was successfully drilled but the well was abandoned prior to testing the lateral section due to mechanical problems. The well data acquired from the pilot hole and the lateral well will be incorporated by the Operator into the field geological model to update the oil in place estimates for the Taunton Field. The Operator will update the development plan for the field and ascertain if a commercial project can be achieved.

Carnarvon Basin, Onshore Western Australia

SPA 5 AO and SPA 6 AO

On 24 April 2012, Tap entered into an agreement with Rusa Resources Pty Ltd (**Rusa**) to participate in the initial exploration of a large acreage position in the onshore Carnarvon Basin, Western Australia via a negotiated acreage option. The exploration focus is primarily on unconventional plays, with the main targets being Permian shale gas and Devonian shale oil. There is also conventional oil and gas potential.

Tap's exposure was limited to assisting Rusa financially to secure two special prospecting authorities (**SPAs**) and on award to fund a reconnaissance surface geochemical survey. Each SPA carried an option to convert a percentage of the SPA area into exploration permits. Tap has earned the right to take a 20% interest in the resulting exploration permits on election, with an option to earn an additional 15% in each permit once granted.

Rusa's application for exploration permits over a portion of the acreage covered by the SPAs was accepted and granted during the year, subject to clearing native title. Tap is assessing if it will exercise its option and further participate in the permits. A decision to exercise the acreage option will be made in the first half of 2014, after the native title process is finalised.

<u>Otway Basin, Offshore Victoria</u>

Vic/P67

On 18 September 2013, Tap executed an agreement with WHL Energy for an option to acquire an initial 10% interest in exploration permit Vic/P67 in the offshore Otway Basin. The Vic/P67 permit contains the undeveloped La Bella gas discovery and multiple near-field exploration targets. WHL announced a farmout of 60% interest in Vic/P67 to AWE on 4 September 2013.

Under the terms of the agreement, Tap has purchased an option to acquire an initial 10% interest in Vic/P67 by paying up to a maximum of US$2.95 million of the Year 2 commitment seismic costs. This liability is payable on or before March 2015 and is a firm commitment regardless of the outcome from the seismic acquisition. In the event the seismic option is exercised Tap will be required to pay its share (10%) of the work program which includes two commitments wells to be drilled by May 2015. On exercise of the seismic option Tap has a further option to acquire an additional 5% interest in Vic/P67. To exercise this option, Tap will have to pay an additional 10% of the cost of the first commitment well. If the additional option is exercised, this will increase Tap's net equity in Vic/P67 from 10% to 15%. If only the seismic option is exercised Tap will pay its share of the go forward work program at equity (10%).

The La Bella 3D seismic survey (which covers an area of 811 km^2) commenced in mid November 2013 and was completed before 31 December 2013. The processed seismic data should be available for interpretation by Tap by June 2014.

The La Bella gas field in Vic/P67 benefits from proximity to existing gas transmission and processing facilities in the Otway Basin. Its position may enable Tap to participate in the East Coast gas market should it exercise its option to join the Joint Venture, however, additional drilling in the permit will be required.

<u>Offshore Thailand</u>

During the year, the Department of Mineral Fuels, Thailand approved the transfer of Tap's 30% indirect interest in the G3/48 concession to its subsidiary Tap Energy (Thailand) Pty Ltd. Tap now holds a 30% direct interest in both the G1/48 and G3/48 concessions in the northern Gulf of Thailand. G1/48 is operated by Mubadala Petroleum. The Manora discovery in G1/48 in late 2009 opened up a new oil play in the northern Gulf of Thailand.

The G1/48 concession was renewed for a third 3 year exploration term with an obligation to drill one well prior to December 2013 and one well prior to December 2014. The G3/48 concession was also renewed for a third 3 year exploration term and will require one well to be drilled prior to January 2015.

In G1/48, multiple prospects have been identified based on interpretation of the Kinnaree and North Kra 3D seismic surveys. These prospects are predominantly located along the western flank of the northern Kra Basin, in similar structural settings to the Manora oil discovery.

During the year, Tap participated in the drilling of the Malida-1 and Malida-1 ST1(A) wells, located in the G1/48 concession. Malida-1 was an "into the basin" test of a play trend east of Manora. The well commenced on 15 November 2013 and was drilled to a final total depth of 3,115 metres measured depth. An oil discovery was made at Malida-1 in the reservoir sandstone interpreted to be stratigraphically equivalent to the syn rift section that is oil bearing at the Manora oil field located to the west. This discovery enhances the exploration potential of this fairway between the Manora and Malida-1. A number of leads are recognised in this area on 3D seismic data. Subject to further technical assessment and additional successful drilling if warranted, there may be the potential to aggregate volumes and tie discoveries back to the Manora facility should sufficient volumes be proved.

Malida-1 was plugged and abandoned in order to conduct a sidetrack well, Malida-1 ST1(A), to test a separate structure adjacent to the oil bearing Malida-1 structure. Malida-1 ST1(A) was drilled to a final total depth of 2,967 metres measured depth. Despite the presence of reservoir and hydrocarbon shows, no significant quantities of movable hydrocarbons were interpreted as present in the well and it was plugged and abandoned.

A third well, Malida-1 ST2, was drilled by the Operator but Tap chose not to participate in this well after reviewing the available data. The well was plugged and abandoned.

<u>Offshore Ghana</u>

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

The Offshore Accra Contract Area is located in an emerging oil province on the West Africa Transform Margin, along the northern Gulf of Guinea. A number of world-class discoveries have been made in analogous geological settings in western Ghana, including the Jubilee Field (one of the largest oil discoveries in the world in 2007).

3D seismic data over the block was acquired in 2011 and interpretation of the data identified a number of significant leads and prospects, of which the Starfish prospect was selected and matured for drilling as the commitment well for the Initial Exploration Period (which was to end on 23 September 2013).

In December 2012, the Contractor Group executed a farmout of a portion of their interests in the Offshore Accra Contract Area. The current Contractor Group members, and associated participating interests, are Ophir Ghana (Accra) Limited (20%, Operator), Vitol Upstream Accra Limited (30%), Afex Oil (Ghana) Limited (20%), Tap Oil (Ghana) Limited (17.5%) and Rialto Energy (Ghana) Limited (12.5%).

The Starfish-1 wildcat well was spudded on 19 June 2013 to target a large, deepwater, stratigraphic trap located on the basin slope. Logs confirmed the presence of a gross 230 metre sandstone interval in the primary target interval, although the sandstone was confirmed to be water wet. The secondary target contained poorly developed sands which were also interpreted to be water bearing.

In August 2013, the Ministry of Energy and Petroleum, Ghana granted a six month extension to the Initial Exploration Period under the Petroleum Agreement in respect of the Offshore Accra Contract Area with the Initial Exploration Period now ending on 23 March 2014. Following an evaluation of the on-block data and remaining prospectivity, Tap has decided to withdraw from the Offshore Accra Contract Area and not proceed to the First Extension Period. Tap will have no further commitments for this acreage.

Other Exploration

T/47P

The permit term expired in 2012. During the year, the Commonwealth-Tasmania Offshore Petroleum Joint Authority advised that Tap qualified to enter into a Good Standing Agreement (GSA) with the Joint Authority based on Tap's significant attempt to assess the petroleum potential of the permit area prior to the default. The permit was cancelled, effective 17 October 2013, due to the failure to meet the Permit Year 3 exploration well commitment.

Under the terms of the GSA entered into with the Joint Authority in October 2013, Tap is required to spend A$5,846,300 in order to maintain its good standing with the Joint Authority. Any expenditure to be credited against this obligation must be expended on field activities within the primary term of Qualifying Permits in Australian waters. This includes both prime acreage and re-release areas and must be obtained by the completion of the 2015 Acreage Release.

4.1.2 Development

G1/48

The G1/48 concession contains the Manora field, which was discovered in late 2009. Mubadala Petroleum operates the concession. Tap reached FID on the Manora oil development on 23 July 2012 and is now 18 months into the construction period. The project has received Environmental Impact Assessment and Production Area Application Approvals.

The Manora oil development has three key components. The platform, the Floating Storage Offloading (FSO) Unit and the development wells. Manora is a single well head platform with a four-leg platform jacket substructure with the topsides containing the production process and well head equipment. A pipeline and risers will connect the platform to a leased FSO Unit. The FSO is a site-specific crude oil FSO that will be moored and linked to the platform and will also serve as the accommodation hub. It is expected there will be 15 development wells (10 producers and 5 injectors). It is expected that the majority of the wells will be drilled following the commencement of first production.

Tap's capex estimate remains at US$97 million based on the Operator's latest total capex estimate of US$295 million (excluding abandonment). Tap's estimate of its share of capital expenditure increased during the year from the US$87 million announced at FID (23 July 2012). Coinciding with the cost increase is a time delay from the early 2014 estimate at FID to first oil now being expected in August 2014. As announced to the ASX on 26 August 2013, the Operator advised that the factors contributing to the revised cost and schedule estimates included further engineering work, procurement delays, growth in project scope, required design changes and increased cost of construction related to the offshore platform component.

First production at the Manora oil development is expected in August 2014, with anticipated ramp up to an estimated gross peak production rate of 15,000 barrels of oil per day (bopd).

Tap has booked 2P reserves of 6.1 mmbbls (20.2 mmbbls gross) and 2C contingent resources of 3.2 mmbbls (10.9 mmbbls gross) for Manora (ASX release 27 October 2011). Tap will review these reserves and contingent resources following development drilling and production performance.

The Operator of the Manora joint venture, Mubadala Petroleum, has advised that Phase 1 of the Offshore Installation program is now complete. This includes the loadout and subsequent installation of the Manora platform jacket, subsea lines and Pipeline End Manifold (PLEM). The work was completed on schedule with no HSE incidents. All offshore installation vessels, installation equipment and personnel have now been demobilised.

Tap considers that successful completion of the Phase 1 program significantly reduces the offshore installation risk which is a typical area for delay in projects of this nature.

Phase 2 of the Offshore Installation program is the load out and installation of the topsides. The topsides installation will utilise a large heavy lift installation vessel that will require a single lift to install the topsides on the jacket. Compared to the completed Phase 1 installation program, the single lift Phase 2 program will be a relatively short program. Construction of the topsides is progressing and installation is scheduled for the second quarter of 2014.

The two-phase installation ensures that the longer offshore operations associated with the jacket and subsea are completed well in advance of the arrival of the larger heavy lift barge and drilling rig. This simplifies and de-risks the offshore installation programs.

The current status of the three key components of the development is:

Platform (jacket & topsides)	81% complete	Jacket loadout and installation completed. Platform installation planned for the second quarter of 2014.
FSO (leased)	92% complete	Completed in November 2013 by the owner of the FSO, Omni Offshore Terminals Pte. Ltd (formerly Tanker Pacific Offshore Terminals Pte. Ltd). Wintered in China until March 2014 when the final equipment will be installed. Will be commissioned and moved to the Manora location in the second quarter of 2014.
Drilling	10% complete	The development wells will be drilled by the Atwood rig which has been under contract to the Operator since January 2013. Key contracts have been awarded, and long lead items have been ordered and are being received.

Percentage complete calculated as the percentage of actual plus committed expenditure to budget for the Platform and Drilling components. FSO calculated on an hours basis. Information provided by the Operator.

4.1.3 Production and Sales

	2013 '000 boe	2013 $'000	2012 '000 boe	2012 $'000
Production (net to Tap):				
Oil - Woollybutt	-		31	
Total liquids	-		31	
Total production	-		31	
Sales (net to Tap):				
Liquids	-	-	84	7,695
Third Party Gas Sales – 3,770 TJ (2012: 4,555 TJ)	556	26,984	672	33,817
Total sales	556	26,984	756	41,512
Average realised oil price		N/A		A$91/bbl

Production at the Woollybutt field ceased on 16 May 2012 and the final lifting was conducted on 30 May 2012. Tap is expecting its next production will come from the Manora field in Thailand in August 2014.

Tap has contracts with third parties where it buys gas from the John Brookes field and re-sells this gas to customers. Both the purchase and sale prices are CPI linked and fixed in AUD, thereby avoiding any exposure to changes in commodity prices or exchange rates. This gas is largely contracted and is expected to generate revenue of approximately $30 million per annum through to at least the end of 2016.

Revenues from the gas contracts were lower in 2013 due to the combined effects of planned maintenance events, increased volumes sold on the spot market due to the insolvency of a contract customer and reduced spot market prices during the latter half of the year. 2012 sales were higher than expected due to the significant delivery of previously banked gas.

4.2 Financial Summary

Tap's revenue for 2013 was $28.9 million (2012: $46.2 million), of which $1.7 million (2012: $4.4 million) was interest revenue. Gross profit was $14.9 million (2012: $20.0 million). After exploration impairment losses and write-downs of $47.1 million (2012: $8.6 million), the net loss from before tax was $39.6 million (2012: $0.1 million net profit before tax); and the net loss after tax was $39.4 million (2012: net loss of $3.3 million). Net cash flows from operations were $6.0 million outflow (2012: $15.7 million inflow).

Third party gas sales were 20% lower compared to the 2012 financial year, due to the combined effects of planned maintenance events, increased volumes sold on the spot market due to the insolvency of a contract customer and reduced spot market prices during the latter half of the year. There were no oil sales in 2013 whereas in 2012 there was $7.7 million in revenue from the final lifting at the Woollybutt oil field.

Gas purchases from third parties are included in the cost of sales and the 2013 gas purchases were 13% lower compared to the 2012 financial year, tracking the lower third party gas revenue.

Forming part of the cost of sales is the depreciation charged on a unit of production basis. The depreciation charged for the year ended 31 December 2013 relates to the Airlie oil & gas asset and was comparable to the 2012 financial year.

The exploration activities in 2013 are set out in the Strategic Overview in item 4.1 above. Following the 2013 exploration results, the exploration impairment losses/write-downs recorded as at 31 December 2013 were $47.1 million (2012: $8.6 million). The current year impairment loss/write-down relates primarily to the Starfish-1, Taunton 5/5H, Malida-1/ST1(A) wells and an overall impairment of the G3/48 area of interest. There were no property, plant and equipment impairment losses in 2013 (2012: nil).

Included in other expenses in the 2013 financial year is a $1.8 million provision for doubtful debts in respect of the balance receivable from Apex Gold Pty Ltd which went into administration during the year (2012: nil). Other income for the year comprise a net foreign exchange gain of $3.4 million (2012: $911,000 loss) reflecting the movement of the Australian dollar against the US dollar during the year.

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
D W Bailey *B.Bus (Acc), CPA, ACIS* Non-executive Director and Chairman Appointed 11 November 2009	Nominations Committee (Chair) Audit Committee Remuneration Committee Reserves Committee	Douglas Bailey is an accountant with over 30 years experience in the resources industry. He is a former CEO and Managing Director of Ashton Mining Limited and a former CFO of Woodside Petroleum Limited. Douglas is experienced in all commercial aspects of resource company financing, project development, acquisitions and administration. Douglas is presently also a Non-Executive Director of St Barbara Limited.
T J Hayden *B.Econ, M.Fin* Managing Director/CEO Appointed 1 December 2010	Nominations Committee	Troy Hayden joined Tap in December 2010 after a 12 year career at Woodside Petroleum, where he held a number of key positions, including Acting CFO, Vice President of the USA Business Unit and Vice President of the Pluto Business Unit. Since leaving Woodside in 2008, Troy has undertaken a number of financial and commercial consulting projects working with First Quantum Minerals and QR National.
M J Sandy *B.Sc Hons (Geology)* Non-executive Director Appointed 22 June 2006	Audit Committee (Chair) Reserves Committee (Chair) Nominations Committee Remuneration Committee	Michael Sandy is a geologist with over 35 years experience in the resources industry with the past 30 years focused on oil and gas. Michael has worked for various oil and gas companies, including Oil Search and Novus Petroleum, during the last 25 years. Michael brings a wide mix of commercial and technical skills and experience which complement the skills of the other Board members of Tap.
D A Schwebel *PhD B.Sc (Hons) Geology* Non-executive Director Appointed 16 February 2012	Remuneration Committee (Chair) Audit Committee Nominations Committee Reserves Committee	Douglas Schwebel has over 30 years experience in the resources sector, having held various senior executive positions with ExxonMobil, including Exploration Director for its Australian upstream subsidiaries. His 26-year career with Exxon Mobil included exploration and resource commercialisation and strategy roles in Australia, the USA and Asia. Between 2008 and 2011, he was Chief Executive Officer of the privately owned Pexco NV and its Australian subsidiary Benaris International Pty Ltd. Dr Schwebel has also served as a Non-Executive Director on the Boards of Roc Oil Limited and Great Artesian Oil & Gas Limited, and is currently a Non-Executive Director of Beach Energy Limited.

Directorships of other Listed Companies

Directorships of other listed companies held by Directors of the Company in the three years immediately before the end of the financial year are as follows:

Name	Company	Position	Commenced	Ceased
D W Bailey	St Barbara Limited	Director	January 2006	-
M J Sandy	Equus Mining Limited (*formerly Caspian Oil and Gas Limited*)	Director	September 2005	February 2013
	Burleson Energy Limited	Chairman/ Director	May 2006	-
	Hot Rock Limited	Director	June 2007	-
D A Schwebel	Beach Energy Limited	Director	November 2012	

T J Hayden has not held any other listed company directorships in the last three years.

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 of the Company was eligible to attend and the number of meetings attended by each Director of the Company.

	Board of Directors		Audit Committee		Remuneration Committee		Reserves Committee		Nominations Committee	
Directors	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
D W Bailey	8	8	2	2	2	2	3	3	1	1
T J Hayden	8	8	-	2(i)	-	2(i)	-	3(i)	1	1
M J Sandy	8	8	2	2	2	2	3	3	1	1
D A Schwebel	8	8	2	2	2	2	3	3	1	1

(i) Not a member of the committee but attended via invitation to all or part of meeting.

There were no changes made to the composition of the Board and the various Board committees during the year.

Directors' Shareholdings

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

Directors	Fully paid ordinary shares	Rights
D W Bailey	145,650	-
T J Hayden	568,900	7,010,517
M J Sandy	98,472	-
D A Schwebel	100,000	-

No Non-executive Directors of the Company have share rights.

Company Secretary

Melanie Williams LLB, Grad Cert Corp Mgt – appointed 10 February 2011. Ms Williams also acts as the Company's General Counsel. She is admitted to practice as a barrister and solicitor in the Supreme Court of Western Australia. Prior to joining Tap, she was counsel with an international law firm, based in Singapore, specialising in oil and gas transactions, particularly in the Asian region. Ms Williams was on parental leave from 1 February 2013 to 5 August 2013.

Mr Scott Blenkinsop was appointed as acting Company Secretary and General Counsel while Ms Williams was on parental leave, with his resignation taking effect on 30 August 2013. Mr Blenkinsop is admitted to practice as a barrister and solicitor in the Supreme Court of Western Australia. Mr Blenkinsop is a commercial lawyer specialising in energy and resources law.

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

Since the end of the financial year, the Directors are not aware of any other 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, except for the following:

a) The Operator of the Manora joint venture, Mubadala Petroleum, has advised that Phase 1 of the Offshore Installation program is now complete. This includes the loadout and subsequent installation of the Manora platform jacket, subsea lines and Pipeline End Manifold (PLEM). The work was completed on schedule with no HSE incidents. All offshore installation vessels, installation equipment and personnel have now been demobilised

   Tap considers that successful completion of the Phase 1 program significantly reduces the offshore installation risk which is a typical area for delay in projects of this nature.

   Refer to section 4.1.2 above for more information on Manora.

b) Following an evaluation of the on-block data and remaining prospectivity, Tap has decided to withdraw from the Offshore Accra Contract Area and not proceed to the First Extension Period. Tap will have no further commitments for this acreage; and

c) Since the end of the financial year to the date of this report, Tap has drawn $20 million under its facilities with CBA and has cash on hand of $24.5 million.

8. Future Developments

The Consolidated Entity will continue to operate as an upstream oil and gas company involved in a number of projects ranging from exploration and appraisal through to development and production as well as gas marketing. The key focus as at the date of this report is the commencement of production at the Manora field which is anticipated to occur in August 2014.

In accordance with its objectives, the Consolidated Entity will consider growing its exploration effort and production base by farm-in, permit application and/or acquisition within its existing operational focus areas and in other suitable 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 and Rights

10.1 Share Rights

Details of issued share rights as at the date of this report are as follows.

All rights noted below vest after three years and expire after seven years, except:

- a total of 288,197 of the performance rights issued on 16 January 2013 (expiring on 1 January 2020) were a special award to the Managing Director and have a two year performance period with average annual performance targets as per the current performance rights benchmarks over a two year period (50% against Absolute Total Shareholder Return and 50% against Relative Total Shareholder Return). Further reference can be made to section 12.7 of this report.
- a total of 446,959 retention rights was granted as a special award to all non-KMP staff on 27 June 2013. These rights vest one year from the grant date provided the person remains employed with the Company. The rights were issued to remaining staff after the staff redundancies and cost cutting programme in mid-2013.

Number	Expiry date of rights
Performance Rights	
2,835,233	01-Jan-19
2,989,000	01-Jan-20
5,000,000	24-May-20
Retention Rights	
142,027	10-Feb-18
132,290	02-Mar-18
71,023	01-Apr-18
106,566	02-May-18
14,541	09-May-18
36,012	01-Aug-18
25,353	17-Sep-19
446,959	27-Jun-20
31,289	04-Jul-20
36,564	15-Jul-20
30,840	29-Jul-20
19,877	19-Aug-20
22,830	01-Sep-20
14,715	02-Sep-20
50,000	14-Oct-20

11. Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a policy insuring the Directors of the Company (as named above), the Company's secretaries 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.

During the financial year, the Company entered into revised deeds of indemnity, insurance and access with the directors and secretaries of the Company and its subsidiaries. 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

This report is presented in the following sections:

12.1 Introduction

The Directors of the Company have prepared this remuneration report to outline the overall remuneration strategy, policies and practices, which were adopted by the Company in 2013. An integral part of the company's remuneration strategy involves the share rights plan initially approved by shareholders in 2010 and approved again in May 2013. The report has been prepared in accordance with Section 300A of the Corporations Act 2001 and its regulations.

Tap's remuneration policy is designed to ensure that the level and form of compensation achieves certain objectives, including:

(a) attraction and retention of employees and management to pursue the Company's strategy and goals;

(b) delivery of value-adding outcomes for the Company;

(c) fair and reasonable reward for past individual and Company performance; and

(d) incentive to deliver future individual and Company performance.

Remuneration consists of base salary, superannuation, short term incentives 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.

The remuneration policies and structure in 2013 were generally the same as for 2012.

12.2 Key Terms

Throughout this remuneration report, the following terms have the meaning indicated below:

Directors means the Managing Director/CEO and the Non-executive Directors.

Executives means the Managing Director/CEO and managers (including the Company Secretary) who report to the Managing Director/CEO.

Executive Directors means any Directors who are also executives. For this report, the only Executive Director was the Managing Director/CEO.

FAR means fixed annual remuneration or base salary (including superannuation).

Key Management Personnel or **KMP** is defined by AASB 124 Related Party Disclosures as all directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company and the Consolidated Entity.

KPI means key performance indicators determined by the Board.

LTI means long term incentive award which provides an incentive to deliver future Company performance.

STI means short term incentive award which provides a reward for performance in the past year.

12.3 Governance

12.3.1 The Remuneration Committee

The Remuneration Committee's role is to review and recommend remuneration for KMP, review remuneration policies and practices, Company incentive schemes and superannuation arrangements in accordance with the Remuneration Committee Charter.

The Committee considers independent advice, where circumstances require, on the appropriateness of remuneration to ensure the Company attracts, motivates and retains high quality people.

The ASX Listing Rules and the Constitution require that the maximum aggregate amount of remuneration to be allocated among the Non-executive Directors be approved by shareholders in general meeting. In proposing the maximum amount for consideration by shareholders, and in determining the allocation, the Remuneration Committee takes account of the time demands made on Directors and such factors as fees paid to Non-executive Directors in comparable Australian companies.

The Remuneration Committee comprises a Non-executive Chairman and two Non-executive Directors. The Committee meets formally at least twice a year and also has numerous workshop sessions during the year. Executive Directors attend meetings as appropriate.

Remuneration arrangements for Directors and Executives are reviewed by the Remuneration Committee and recommended to the Board for approval. The Remuneration Committee considers external data and information and may engage 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 employees of the Company. Performance of the Directors of the Company including the Managing Director/CEO, are evaluated by the Board assisted by the Remuneration Committee. The Managing Director/CEO reviews the performance of Executives with the Remuneration Committee. These evaluations take into account criteria such as the achievement toward the Company's performance benchmarks and the achievement of individual performance objectives.

12.3.2 Individuals covered by the Remuneration Report

The detailed disclosures of the remuneration report relate to the KMP of the Company as defined in section 12.2 and listed below:

Non-executive Directors

- D W Bailey (Chairman)
- M J Sandy
- D A Schwebel

Executives - current

- T J Hayden (Managing Director/CEO)
- B M Ulmer (Engineering and Development Manager)
- D J Rich (Chief Financial Officer)
- M J Williams (General Counsel/Company Secretary)
- T M Schmedje (Exploration/New Ventures Manager)
- A C Sudlow (Commercial Manager)

Executives - former

- A N Patterson (Business Development Manager) - resigned 29 March 2013
- S F Blenkinsop (General Counsel/Company Secretary) – 29 January 2013 - 30 August 2013

12.4 Existing Remuneration Arrangements for Directors and Executives

12.4.1 Overview of Executive Remuneration Structure

The remuneration arrangement for Directors and Executives of the Company for the year ended 31 December 2013 is summarised below.

The remuneration structure in place for 2013 applies to all employees including Executive Directors and Executives of the Company. The Company's remuneration structure has five elements:

(a) FAR;

(b) STI;

(c) LTI;

(d) retention incentives which encourage new employees to remain in employment for at least 3 years; and

(e) special awards which reward individuals for meritorious achievements or retain individuals who are involved in a critical task that will extend more than one year.

Each of the STI, LTI, retention incentives and special awards are at risk. The elements are described below.

(a) Base Salary or Fixed Annual Remuneration (FAR)

The first step to attracting and retaining talented, qualified and effective employees is paying base salaries which are competitive in the markets in which the Company operates. The Company compiles competitive salary information on companies of comparable size in the oil and gas industry from various sources. Information is obtained from surveys conducted by independent consultants and national and international publications. In the past the Board has engaged independent advisors to review the remuneration levels paid to the Company's KMP. An advisor was not retained for the 2013 review.

FAR will be paid in cash and is not at risk other than by termination. Individual FAR is set each year based on job description, competitive salary information sourced by the Company and overall competence in fulfilling the requirements of the particular role. For employees with a FAR above $150,000 there was no increase in FAR following the review at the end of 2013 (ie effective from 1 January 2014).

(b) Short Term Incentive Awards (STI)

An STI award is assessed by a performance-based factor multiplied by a benchmark award for the individual's level in the Company multiplied by the individual's FAR. The award is to be made 100% in cash and the amount of the payment is calculated by the following formula:

Performance Factor x **STI Organisational Level Benchmark** x **Individual's FAR**

An individual employee's performance factor is assessed against both the individual's performance and the Company's performance over the preceding year. A rating for individual performance is determined on a scale of 1 to 5 based on how well the individual performs against the individual's annual goals. The Company's performance is assessed against a set of corporate goals, which are in the form of KPIs, which are set by the Board for a given year. In 2013, the KPIs included performance against budgeted earnings before interest, tax, depreciation, amortisation and exploration expenses (EBITDAX), 12 month relative total shareholder return against a peer group of companies, asset management and the achievement of key strategic objectives set for the year. Each KPI is given a relative weighting and is assessed against threshold, good (target) and excellent benchmarks. The Board will vary KPIs each year to suit prevailing circumstances.

An individual's combined performance factor is determined from the assessment table below:

Performance Factors (%)

Annual Corporate KPI Performance	*Individual Performance Ranking*				
	5	4	3	2	1
< Threshold	0%	0%	0%	0%	0%
Threshold	0%	20%	50%	63%	75%
Good	0%	40%	100%	125%	150%
≥ Excellent	0%	60%	150%	188%	225%

Three STI organisational level benchmarks have been established as percentages of individual FARs. These three levels reflect the increased involvement at each level in the organisation's pursuit and achievement of the Company's goals. These benchmarks are set out below.

Organisational Level	Managing Director/CEO*	Management	Professional, Technical & Support
STI Organisational Benchmarks	20%	15%	12.5%

* Note that the Managing Director/CEO agreed to a variation of his employment contract where he is not entitled to STI awards until after 1 July 2016. Refer to paragraph 12.4.1(g) for more information.

Any award will be subject to the Company exceeding one or more fundamental performance hurdles determined by the Board on an annual basis. While a positive STI award might be assessed under a previously prescribed set of KPIs, circumstances within the year might see a reduction in the Company's ability or desire to pay such an award (for example due to an unexpected material reduction in the Company's cash flow or significantly poor share price performance). The Board, at its absolute discretion, reserves the right to withhold the making of any STI awards if it finds itself in such a position.

Following its review of performance for the 2013 year, the Board exercised its discretion and did not make any STI awards for 2013 due to overall poor share price performance.

(c) Long Term Incentive Awards (LTI)

The Company believes that encouraging its employees to become shareholders is the best way of aligning their interests with those of its shareholders.

LTI awards are made in the form of rights to shares which will have a vesting timeframe of three years. The number of rights that vest will be based on the Company's performance over the same three years.

An LTI award will be made by way of the grant of performance rights as soon as practicable after each year-end. Grants of performance rights will be made each year with effect from 1 January.

The number of performance rights to be granted annually to each employee is calculated by the following formula:

LTI Organisational Level Benchmark x **Individual's FAR ÷ Share Price**

Three maximum LTI organisational benchmarks have been established as percentages of individual FARs. These three levels reflect the increased involvement of each level in pursuing and achieving the Company's goals. These benchmarks are set out in the following table.

Organisational Level	Managing Director/CEO	Management	Professional, Technical & Support
LTI Organisational Level Benchmarks	120%	70%	30%

* Note that under (g) the Managing Director/CEO agreed to a variation of his employment contract where he is not entitled to LTI awards until after 22 May 2016.

The total number of performance rights granted is subject to being reduced proportionately so that the total number of performance rights is within:

(a) the Board's determined cap on the total number of performance rights which are issued as LTI awards in a given year; and

(b) any discretionary cap on the total number of rights on issue at any given time.

The calculation will use the 30-day volume-weighted average share price (VWAP) of the Company's shares preceding the first day of each measurement period.

The Board has established an initial guideline that the total number of performance rights to be issued in a single year will be capped at 1.5% of the fully paid issued capital of the Company as at the end of the prior year. In the event that the potential total number of performance rights exceeds the cap then all awardees receive a pro-rata reduced number of performance rights. This cap is at the discretion of the Board and may be altered depending on the prevailing context.

Vesting of up to 50% of the performance rights depends upon the Company's absolute total shareholder return (ATSR) over three years and up to 50% depends upon relative total shareholder return (RTSR). The ATSR and RTSR performance hurdles required to achieve increasing levels of vesting are set by the Board to apply from 1 January of the relevant year. For the 2013 grant of performance rights, the Board set the following ATSR and RTSR performance hurdles:

Assess 50% of Rights Against ATSR		Assess 50% of Rights Against RTSR	
Average Annual ATSR over 3 years	**% of Rights which will vest after 3 years**	**Relative TSR (Relative Percentile Ranking of TSR against peers over 3 years)**	**% of Rights which will vest after 3 years**
<5%	0%	<P50%	0%
=5%	12.5%	=P50%	12.5%
=15%	25%	=P62.5	25%
≥25%	50%	≥P75%	50%

Note: For actual results between above benchmarks, the vesting of performance rights will be on a pro-rata basis.

The combination of ATSR and RSTR measures have been chosen to cover a range of outcomes which can deserve reward but may show up better under one measure but not under the other. The reward for strong absolute return is moderated in the event that there is a poorer relative return and the award for strong relative return is moderated in the event the absolute return is poorer. ATSR is used rather than earnings per share (EPS), as in the Board's view, EPS would shift the key focus away from the Company's long-term business which includes exploration. However, the Company has and does use an earnings measure as one of its short-term KPIs to ensure attention is paid to meeting forecast annual production and cost management targets.

Vesting characteristics of the performance rights are as follows:

(i) performance measurement period is three years, which is consistent with the typical time cycle for an exploration program and the Company's strategic emphasis on exploration;

(ii) performance is based on differences in ATSR and RTSR as measured from the end of one preceding period to the end of the current (three years) assessment period. The ATSR and RTSR use the 30-day VWAP of the Company's shares up to and including the last day of each measurement period; and

(iii) RTSR will be assessed against a peer group of like companies determined by the Board before the start of each assessment period or as soon as practical thereafter. In 2013, the Company used a group of approximately 30 petroleum industry companies which are listed on the ASX and whose market capitalisation ranged from approximately $12 million to $1,800 million (at 31 December 2013).

(d) Retention Incentives

Retention rights are issued to employees pursuant to the terms of the share rights plan upon or as soon as practicable after commencement of employment. Such rights vest if the employee remains employed by the Company for three years. The number of retention rights to be issued to a new employee is set at one of three levels reflecting the organisational level appropriate for the employee's initial job grade. These levels are outlined in the following table.

Organisational Level	Managing Director/CEO	Management	Professional, Technical & Support
Organisational Level Benchmarks (Retention)	Subject to employment contract negotiations	35%	15%

(e) Special Awards

The Board has the discretion to make special awards each year. Special awards can be in the form of cash, and/or performance rights and/or retention rights. Special awards are granted to individual employees or Executives who are judged by the Board to have made an extraordinary contribution to the current or future performance of the Company or who are expected to play a critical role in one of the Company's activities that could take two to three years to complete, and where retention of the individual's services is seen as an important determinant of the success to that activity.

No special awards were made to any KMP in 2013 apart from the special award of 288,197 performance rights to the Executive Director on the terms outlined in 10.1 above. 446,959 retention rights were issued to remaining employees during the year as a special award when there was a cost-cutting programme implemented including a number of redundancies.

(f) Accounting for Options and Rights Granted to Employees

The values of the rights and options are expensed in the profit and loss account over the vesting period. No options were granted in 2013.

Performance rights granted in 2013 are valued at the date of grant using a Monte Carlo Simulation model to determine the probability of the absolute return performance hurdles and the relative return performance hurdles being achieved. Retention rights granted in 2013 are valued using the Black Scholes model at the date of grant. No cash benefit is received by KMP of the Company until the sale of the resultant shares, which cannot be done unless and until the rights or options have vested and the shares issued.

(g) Executive Director's Remuneration

As at 31 December 2013, T J Hayden was the only Executive Director on the Board. Mr Hayden commenced as Managing Director/CEO on 1 December 2010 under an executive employment agreement. On 18 April 2013 Tap announced that it had agreed to a variation of Mr Hayden's employment agreement, including the renewal of his contract beyond December 2013 and a revised remuneration package.

Mr Hayden agreed to a reduction in the cash component of his remuneration to take a greater exposure to the Tap share price to July 2016 via performance rights. The key variations to Mr Hayden's employment agreement are as follows:

(i) There is no fixed term.

(ii) Mr Hayden's FAR decreased by 23% from $650,000 to $500,000 per annum, inclusive of superannuation contributions. This amount is reviewable annually. There was no increase in FAR following the review at 31 December 2013 (effective 1 January 2014).

(iii) Mr Hayden waived his entitlement to receive payments under the Company's STI plan for the period from 1 January 2013 to 1 July 2016.

(iv) Mr Hayden waived his entitlement to participate in any future LTI plans until 22 May 2016.

(v) On 24 May 2013 following receipt of shareholder approval at the 2013 annual general meeting, Mr Hayden was granted a special award of 5 million performance rights, which are 100% "at risk". Each performance right that vests entitles Mr Hayden to receive one fully paid ordinary share in Tap for nil consideration. The performance rights issued to Mr Hayden have a vesting date of 1 July 2016. The number of rights that will vest is dependent on the 30 day volume weighted average price (**VWAP**) of Tap's shares preceding 1 July 2016 as set out in the table below:

Target share price (30 day VWAP preceding 1 July 2016)	% of rights that vest	Number of rights that vest
< $1.00	0%	0
$1.00	25%	1.25 million
$1.33	50%	2.5 million
$1.67	100%	5 million

If the 30 day VWAP of the Company's shares preceding 1 July 2016 falls between any of the above target share prices, the percentage of rights that will vest will be determined on a pro-rata basis. The maximum number of rights that can vest is 5 million.

(vi) Mr Hayden may terminate his executive employment agreement by giving six months' written notice. Except for the Company's right to terminate without notice in prescribed circumstances, the Company may terminate the Mr Hayden's employment as follows:

- by giving Mr Hayden 6 months' written notice; or
- by providing either 1 month's written notice, if by reason of any illness, injury or incapacity, Mr Hayden is unable to perform his duties for a total of 3 months in any period of 12 months.

A range of other terms and conditions apply to both Mr Hayden and the Company.

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

On 16 January 2013 Mr Hayden was granted a special award of 288,197 performance rights expiring on 1 January 2020 as reward for his efforts in 2012. The performance rights have a two year performance period with average annual performance targets as per the current performance rights benchmarks over the two year period

(50% against Absolute Total Shareholder Return and 50% against Relative Total Shareholder Return). This special award took the number of rights granted to Mr Hayden up to the total of 3,300,000 approved by shareholders in 2011.

(h) Executives

A summary of the key terms and conditions of the service agreements with Executives are as follows:

Remuneration

All service agreements now standardise the Executive's entitlement to:

(i) FAR (refer section 12.4.1(a) of this report);

(ii) STI (refer to section 12.4.1(b) of this report);

(iii) LTI (refer to section 12.4.1(c) of this report); and

(iv) any other benefits that may be provided by the Company including special awards (refer section 12.4.1(e) of this report).

Termination

All service agreements may be terminated under the following circumstances:

(i) resignation on three months' notice by the Executive;

(ii) termination on three months' notice by the Company;

(iii) termination without notice by the Company for cause; or

(iv) termination where the Company has decided the position is no longer required to be carried out within the organisation (i.e. the position is redundant). In this situation, the following applies:

- if, prior to 31 December 2014, the position becomes redundant or materially changes within six months of a takeover, merger, scheme of arrangement and/or change of control of the Company, the employee is entitled (to the extent permitted by the Corporations Act and the ASX Listing Rules and without obliging the Company to seek shareholder approval) to receive 52 weeks of salary (FAR);
- in all other cases, the following applies:

Length of Service	Severance Payment ("FAR")
Less than 6 months	Nil
Between 6 months to 5 years[1]	3 weeks per year of continuous service
More than 5 years[2]	4 weeks per year of continuous service

[1] Minimum of 15 weeks after 12 months of employment.
[2] Maximum of 52 weeks.

The Company has entered into deeds of indemnity, insurance and access with D Rich and M Williams whereby the Company will maintain an appropriate level of directors' and officers' indemnity insurance and provide access to Company records. A deed of indemnity was also provided to S Blenkinsop in respect of his tenure.

(i) Non-executive Directors' Remuneration

In line with Corporate Governance principles, Non-executive Directors of the Company are remunerated solely by way of fees and statutory superannuation. The annual fee is set to reflect current market levels based on the time, responsibilities and commitments associated with the proper discharge of their duties as members of the Board. All Directors of the Company are encouraged to apply a proportion of their fees to purchase shares in the Company. The maximum total pool of available fees is set by shareholders in general meeting and is currently $500,000.

Other than statutory superannuation, Non-executive Directors of the Company are not entitled to any retirement benefits upon retirement from office.

The Company has entered into terms of engagement with each of D W Bailey, M J Sandy and D A Schwebel whereby those persons are appointed as Non-executive Directors of the Company. 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 of the Company (in this regard, the Constitution provides that all Directors of the Company, other than the Managing Director/CEO, are subject to re-election by shareholders by rotation 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 is shown in the relevant tables.

12.5 Elements of Remuneration related to Performance

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 provides a five year financial summary to 31 December 2013:

12 months ended	Dec 13	Dec 12	Dec 11	Dec 10	Dec 09
NPAT ($million)	(39.4)	(3.5)	(28.9)	(61.4)	6.7
EPS (cents) *Basic (note 1)*	(16.3)	(1.5)	(12.0)	(35.8)	4.3
EPS (cents) *Diluted (note 1)*	(16.3)	(1.5)	(12.0)	(35.8)	4.3
Year end share price ($)	0.50	0.62	0.60	0.83	1.17
Shares on Issue (million)	242.1	241.3	241.0	241.0	156.5
Market Capitalisation ($million)	121.05	149.6	144.6	200.0	183.1

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

Key Performance Indicators (KPI) Assessment for 2013

For the 2013 year, the Board determined a set of Company KPIs, reflecting the Company's strategies, business plan and budget. Following its review of performance for the 2013 year, the Board exercised its discretion and did not make any STI awards for 2013 due to overall poor share price performance. The 2013 KPIs are set out below.

1. Performance against budgeted earnings before interest, tax, depreciation or exploration (EBITDAX)
2. Performance against 12 month relative total shareholder return (RTSR) against a peer group of companies
3. Performance against asset management goals
4. Performance against key strategic objectives set for the year

12.6 KMP Remuneration related to Performance

FAR for all employees is based on comparisons to similar positions in peer companies and is reviewed annually. An individual's performance will have a strong influence on any annual increase, as will any changes in job responsibilities.

The elements of remuneration shown in the columns labelled "Bonus" and "Share-based payment equity settled" in the tables below 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 Executive Directors and Executives of the Company are explained in detail in the discussion on remuneration policy in this remuneration report. As noted above, there were no cash bonuses awarded based on performance for the 2013 year. The value of options, shares and rights shown in the tables below are the accounting costs accrued in the financial year for grants in the financial year or in previous financial years. No cash benefit is received by KMP of the Company until the sale of the resultant shares, which cannot be done unless and until the rights or options have vested and the shares issued. No cash bonus awards were forfeited because the person did not meet the relevant service or performance conditions. Non-executive Directors of the Company received fixed remuneration only.

KMP did not receive any FAR increase effective 1 January 2014.

Managing Director/CEO

The Company entered into an executive employment agreement with Mr Hayden as set out in section 12.4(g) of this report. Under that agreement, Mr Hayden's FAR, with effect from 22 May 2013, was reduced to $500,000 per annum (inclusive of superannuation) in return for taking a greater exposure to the Tap share price over the next three years to 1 July 2016 via the issue of 5 million performance rights. As part of this, Mr Hayden waived his entitlement to receive payments or grants under the Company's LTI plan until 22 May 2016 and under the Company's STI plan until 1 July 2016. As with the KMP remuneration above, Mr Hayden did not receive any increase in FAR effective 1 January 2014.

On 23 December 2013 113,265 of Mr Hayden's 906,123 performance rights granted on 1 December 2010 vested due to the Company's peer performance being ranked at the 50th percentile over the three years since his commencement. The remaining 792,858 performance rights lapsed. 383,360 retention rights also vested on 23 December 2013 and shares were subsequently issued to Mr Hayden.

12.7 Other Elements of Director and Executive Remuneration

Remuneration packages contain the following key elements:

(a) Short term employee benefits – salary/fees, bonuses and non-monetary benefits, such as car parking.

(b) Post-employment benefits – including superannuation, prescribed retirement benefits and retirement gifts.

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

2013	Short-term employee benefits				Post-employment	Other long-term employee benefits	Share-based payment equity settled	Total
	Salary & fees	Bonus	Non-monetary	Other (ii)	Super-annuation		Rights (i)	
	$	$	$	$	$	$	$	$
Non-executive Directors								
D W Bailey(VI)	155,785	-	-	-	14,215	-	-	170,000
M J Sandy	77,892	-	-	-	7,108	-	-	85,000
D A Schwebel(VI)	72,225	-	-	-	12,775	-	-	85,000
Executives - current								
T J Hayden	532,500	-	5,661	-	25,652	-	153,414	717,228
B M Ulmer	491,175	-	5,661	-	25,000	-	26,749	548,585
D J Rich	428,107	-	5,661	-	25,647	-	99,480	558,895
M J Williams(iii)	152,282	-	2,776	-	12,234	-	54,402	221,694
T M Schmedje	406,881	-	5,661	-	24,348	-	192,160	629,049
A C Sudlow	246,210	-	4,529	-	25,622	-	44,275	320,636
Executives - former								
A N Patterson(iv)	86,299	-	1,349	116,169	4,118	-	66,012	273,947
S F Blenkinsop(v)	323,400	-	3,304	-	-	-	-	326,704
	2,972,755	-	34,602	116,169	176,719	-	636,492	3,936,737

2012	Short-term employee benefits				Post-employment	Other long-term employee benefits	Share-based payment equity settled	Total
	Salary & fees	Bonus	Non-monetary	Other (ii)	Super-annuation		Rights (i)	
	$	$	$	$	$	$	$	$
Non-executive Directors - current								
D W Bailey(VI)	136,468	-	-	-	12,282	-	-	148,750
M J Sandy	53,612	-	-	-	31,388	-	-	85,000
D A Schwebel(VI)	68,084	-	-	-	6,128	-	-	74,212
Non-executive Director - Former								
N F Taylor	12,500	-	-	-	30,000	-	-	42,500
P B Lane	-	-	-	-	11,115	-	-	11,115
Executives - current								
T J Hayden	574,677	145,380	4,679	-	25,323	-	184,770	934,829
B M Ulmer	453,877	71,446	4,679	-	37,500	-	74,815	642,317
D J Rich	380,810	73,799	4,679	-	25,346	-	139,240	623,874
M J Williams	328,100	64,158	4,679	-	25,000	-	68,222	490,159
T M Schmedje(VIi)	374,347	158,015	4,679	-	24,653	-	112,350	674,044
A C Sudlow	212,419	51,181	4,679	-	25,323	-	58,023	351,625
A N Patterson	333,877	50,890	4,679	-	16,123	-	54,509	460,078
	2,928,771	614,869	32,753	-	270,181	-	691,929	4,538,503

(i) Under the rights column, performance rights have been valued using a Monte Carlo Simulation model and retention rights have been valued using the Black Scholes model. Further details of the share rights plan is contained in note 21 to the financial statements.

(ii) These amounts relate to payments due under contracts for accrued leave, past services, in lieu of notice and ex-gratia payments.

(iii) Melanie Williams was on parental leave from 1 February 2013 to 5 August 2013.

(iv) Andrew Patterson resigned from Tap Oil effective 29 March 2013.

(v) Scott Blenkinsop was acting General Counsel/Company Secretary from 29 January 2013 to 30 August 2013.

(vi) Douglas Bailey became Chairman on 31 March 2012 and Douglas Schwebel a director on 16 February 2012. Therefore in 2012 they did not receive a full year's remuneration for those positions. There was no remuneration increase for any non-executive directors in 2013.

(vii) At the end of 2012 Milton Schmedje received a special award comprising of a cash bonus and the award of 158,983 Retention Rights which vested on the announcement by the Company of the drilling results of the Starfish-1 well in the Offshore Accra Contract Area in Ghana. The cash bonus is reflected in 2012 when it was paid. The rights are reflected in 2013 as the value is amortised fully in 2013 being the period between award and vesting.

Rights over Equity Instruments Granted

The following performance rights and retention rights over ordinary shares were granted to KMP during the reporting period. These were granted as remuneration unless otherwise noted. The rights granted have no exercise price, are exercisable from the date of vesting and the details of vesting periods are set out in note 21 to the financial statements. All rights expire on the earlier of their expiry date or termination of the individual's employment. A total of 113,265 of the performance rights granted to KMP vested during the reporting period (2012: 176,990) and 1,925,525 lapsed (2012: 219,840). A total of 762,238 of the retention rights granted to KMP vested during the reporting period (2012: nil) and 194,445 lapsed (2012: nil).

No cash benefit is received by KMP of the Company until the sale of the resultant shares, which cannot be done unless and until the rights have vested and the shares issued.

2013	Number of performance rights granted during 2013 (i)	Number of retention rights granted during 2013 (i)	Grant date (performance rights)	Grant date (retention rights)	Fair value per performance right at grant date $	Fair value per retention right at grant date	Value of rights granted during the year $	Financial year in which rights vest	Expiry date	Number of rights vested during 2013 (ii)
Non-executive Directors										
D W Bailey	-	-	-	-	-	-	-	-	-	-
M J Sandy	-	-	-	-	-	-	-	-	-	-
D A Schwebel	-	-	-	-	-	-	-	-	-	-
Executives - current										
T J Hayden	288,197	-	16-Jan-13	-	0.11	-	31,413	2015	01-Jan-20	-
T J Hayden	814,538	-	16-Jan-13	-	0.12	-	101,410	2016	01-Jan-20	-
T J Hayden	5,000,000	-	24-May-13	-	0.00	-	1,000	2016	24-May-20	-
B M Ulmer	389,127	-	16-Jan-13	-	0.12	-	48,446	2016	01-Jan-20	-
D J Rich	321,640	-	16-Jan-13	-	0.12	-	40,044	2016	01-Jan-20	-
M J Williams	279,625	-	16-Jan-13	-	0.12	-	34,813	2016	01-Jan-20	-
T M Schmedje	315,973	-	16-Jan-13	-	0.12	-	39,339	2016	01-Jan-20	-
T M Schmedje	-	158,983	-	16-Jan-13	-	0.63	100,159	2013	13-Dec-19	158,983
A C Sudlow	167,252	-	16-Jan-13	-	0.12	-	20,823	2016	01-Jan-20	-
Executives - former										
A P Patterson (iii)	-	-	-	-	-	-	-	-	-	-
S F Blenkinsop	-	-	-	-	-	-	-	-	-	-

(i) Each right entitles the holder to one share in the Company upon vesting.
(ii) Relates only to rights granted during the current reporting period.
(iii) 100% of rights granted were forfeited upon resignation

2012	Number of performance rights granted during 2012 (iv)	Number of retention rights granted during 2012 (iv)	Grant date (performance rights)	Grant date (retention rights)	Fair value per performance right at grant date	Fair value per retention right at grant date	Value of rights granted during the year	Financial year in which rights vest	Expiry date	Number of rights vested during 2012 (v)
Non-executive Directors - current										
D W Bailey	-	-	-	-	-	-	-	-	-	-
M J Sandy	-	-	-	-	-	-	-	-	-	-
D A Schwebel	-	-	-	-	-	-	-	-	-	-
Non-executive Director - former										
N F Taylor	-	-	-	-	-	-	-	-	-	-
P B Lane	-	-	-	-	-	-	-	-	-	-
Executives - current										
T J Hayden	907,782	-	07-Mar-12	-	0.10	-	87,601	2015	01-Jan-19	-
B M Ulmer	444,963	-	07-Mar-12	-	0.10	-	42,939	2015	01-Jan-19	-
D J Rich	79,366	-	01-Mar-12	-	0.19	-	15,306	2012	01-Oct-18	35,398
D J Rich	79,366	-	01-Mar-12	-	0.13	-	10,643	2013	01-Oct-18	-
D J Rich	352,467	-	07-Mar-12	-	0.10	-	34,013	2015	01-Jan-19	-
M J Williams	79,366	-	01-Mar-12	-	0.19	-	15,306	2012	01-Oct-18	35,398
M J Williams	79,366	-	01-Mar-12	-	0.13	-	10,643	2013	01-Oct-18	-
M J Williams	267,759	-	07-Mar-12	-	0.10	-	25,839	2015	01-Jan-19	-
T M Schmedje	356,150	-	07-Mar-12	-	0.10	-	34,368	2015	01-Jan-19	-
A C Sudlow	79,366	-	01-Mar-12	-	0.19	-	15,306	2012	01-Oct-18	35,398
A C Sudlow	79,366	-	01-Mar-12	-	0.13	-	10,643	2013	01-Oct-18	-
A C Sudlow	120,566	-	07-Mar-12	-	0.10	-	11,635	2015	01-Jan-19	-
A N Patterson	-	194,445	-	07-Mar-12	-	0.84	163,528	2015	01-Jan-19	-

(iv) Each right entitles the holder to one share in the Company upon vesting.
(v) Relates to rights granted during the current reporting period.

The following table summarises the value of rights that have vested or lapsed during the financial year:

2013	Number of rights vested	Value of rights vested at vesting date	Number of rights lapsed	Value of rights lapsed at the date of lapse	Number of ordinary shares issued as a result of vesting	Amount paid	Amount unpaid
Non-executive Directors							
D W Bailey	-	-	-	-	-	-	-
M J Sandy	-	-	-	-	-	-	-
D A Schwebel	-	-	-	-	-	-	-
Executives - current							
T J Hayden	496,625	263,211	792,858	420,215	496,625	-	-
B M Ulmer	30,000	18,600	344,757	212,162	30,000	-	-
D J Rich	152,500	94,550	272,645	167,453	152,500	-	-
M J Williams	-	-	79,366	47,619	-	-	-
T M Schmedje	196,378	102,676	79,366	47,619	196,378	-	-
A C Sudlow	-	-	79,366	47,619	-	-	-
Executives - former							
A N Patterson	-	-	471,614	287,685	-	-	-
S F Blenkinsop	-	-	-	-	-	-	-
	875,503	479,037	2,119,972	1,230,372	875,503	-	-

2012	Number of rights vested	Value of rights vested at vesting date	Number of rights lapsed	Value of rights lapsed at the date of lapse	Number of ordinary shares issued as a result of vesting	Amount paid	Amount unpaid
Non-executive Directors - current							
D W Bailey	-	-	-	-	-	-	-
M J Sandy	-	-	-	-	-	-	-
D A Schwebel	-	-	-	-	-	-	-
Non-executive Director - former							
N F Taylor	-	-	-	-	-	-	-
P B Lane	-	-	-	-	-	-	-
Executives - current							
T J Hayden	-	-	-	-	-	-	-
B M Ulmer	35,398	25,841	43,968	32,097	35,398	-	-
D J Rich	35,398	25,841	43,968	32,097	35,398	-	-
M J Williams	35,398	25,841	43,968	32,097	35,398	-	-
T M Schmedje	35,398	25,841	43,968	32,097	35,398	-	-
A C Sudlow	35,398	25,841	43,968	32,097	35,398	-	-
A N Patterson	-	-	-	-	-	-	-
	176,990	129,205	219,840	160,485	176,990	-	-

Value of Rights – Basis of Calculation

The value of performance rights at the grant date is calculated as the fair value of the rights at grant date, using the Monte Carlo Simulation model, multiplied by the number of rights granted.

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

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

No adjustment is made to the value included in remuneration or the financial results where the right ultimately has a lesser or greater value than as at the date of grant. The inputs into the fair value calculation of the rights granted are set out in note 21 to the financial statements.

The following table summarises the proportion of remuneration comprised of share-based payment expenses for the 2013 financial year:

	% of remuneration for the year consisting of rights
Non-executive Directors	
D W Bailey	-
M J Sandy	-
D A Schwebel	-
Executives - current	
T J Hayden	21.6%
B M Ulmer	4.9%
D J Rich	18.1%
M J Williams	24.6%
T M Schmedje	30.9%
A C Sudlow	14.2%
Executives - former	
A N Patterson	24.1%
S F Blenkinsop	-

Discretionary Cap on Total Number of Rights

The Board maintains a discretionary guideline cap on the total number of all performance and retention rights on issue to employees and Executives. Currently the Board has set this cap at 6% of the number of issued fully paid shares in the Company. This cap provides a margin to cover the issue of rights above the 4.5% maximum level of rights that may be issued over the three year vesting period of such rights at the guideline maximum rate of 1.5% per annum. The Board will inform shareholders of exceptions or changes to these guidelines should they occur.

The Board is of the view that such a cap significantly reduces the potential for material dilutionary effects of issues of rights at low share prices.

A total of 8,907,627 performance rights were issued during the year. Excluding the 5 million rights granted to the Managing Director (as approved by shareholders at the 2013 annual general meeting), there were 3,907,627 performance rights effective 1 January 2013. 3,619,430 of these related to the award of LTI performance rights for the year ended 31 December 2012. At the time, the number awarded was scaled back by 27% to the policy guideline cap of 1.5% of the shares on issue.

A further 851,803 retention rights were issued during the year.

The total number of performance and retention rights on issue at 31 December 2013 was 13,146,675. Excluding the 5 million rights granted to the Managing Director (as approved by shareholders at the 2013 annual general meeting), this number equalled 8,146,675 which is 3.36% of shares on issue at 31 December 2013 and under the policy guideline cap of 6%.

The 2013 award of 3,521,934 LTI performance rights has not been granted at the time of this report. The award will have effect from 1 January 2014 and was under the policy guideline cap of 1.5% of the shares on issue.

The total number of rights on issue at the time of this report is 12,005,119 (including the 5 million granted to the Managing Director) which equals 4.96% of shares on issue at the time of this report.

13. Non-Audit Services

The Directors of the Company 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.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 24 to the financial statements.

14. Auditor's Independence Declaration

The auditor's independence declaration is included on page 24 of the financial report.

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

On behalf of the Directors of the Company

D W Bailey
Chairman

West Perth, Western Australia
28 February 2014

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

28 February 2014

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 2013, 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

DELOITTE TOUCHE TOHMATSU

Ross Jerrard
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

Report on the Financial Report

We have audited the accompanying financial report of Tap Oil Limited, which comprises the statement of financial position as at 31 December 2013, the statement of profit or loss and other comprehensive income, the statement of cash flows 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 27 to 77.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply 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. Those 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 company's preparation of the financial report that gives a true and fair view, 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 company'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.

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Tap Oil Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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 consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date; and

    (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 23 of the directors' report for the year ended 31 December 2013. 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.

Opinion

In our opinion the Remuneration Report of Tap Oil Limited for the year ended 31 December 2013, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ross Jerrard
Partner
Chartered Accountants
Perth, 28 February 2014

Directors' Declaration

The Directors of the Company 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 Consolidated Entity;

(c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 1 to the financial statements; and

(d) 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 of the Company

D W Bailey
Chairman

West Perth, Western Australia
28 February 2014

Consolidated statement of profit or loss and other comprehensive income for the financial year ended 31 December 2013

	Note	2013 $'000	2012 $'000
Continuing operations			
Revenue	2(a)	26,984	41,512
Cost of sales	2(b)	(12,037)	(21,478)
Gross profit		14,947	20,034
Other revenue	2(a)	1,971	4,728
Other income	2(c)	3,379	-
Administration expenses	2(d)	(6,784)	(5,684)
Finance costs	2(e)	(1,031)	(529)
Exploration impairment losses/write-downs	2(f)	(47,147)	(8,657)
Other expenses	2(g)	(4,900)	(9,804)
(Loss)/profit before tax		**(39,565)**	**88**
Income tax and PRRT benefit/(expense)	3(a)	173	(3,388)
Loss for the year from continuing operations		**(39,392)**	**(3,300)**
Discontinued operations			
Loss for the year from discontinued operations		-	(249)
Loss for the year		**(39,392)**	**(3,549)**
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Foreign currency translation differences - foreign operations		8,002	-
Total comprehensive income for the year		**(31,390)**	**(3,549)**
Earnings per share from continuing and discontinued operations:			
Basic (cents per share)	13	(16.3)	(1.5)
Diluted (cents per share)	13	(16.3)	(1.5)
Earnings per share from continuing operations:			
Basic (cents per share)	13	(16.3)	(1.4)
Diluted (cents per share)	13	(16.3)	(1.4)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements.

Consolidated statement of financial position as at 31 December 2013

	Note	2013 $'000	2012 $'000
Current assets			
Cash and cash equivalents	19(a)	43,514	96,378
Trade and other receivables	4	11,767	7,025
Inventories	5	3,296	822
Other current assets	6	4,636	5,934
Total current assets		63,213	110,159
Non-current assets			
Property, plant and equipment	7	101,980	57,142
Exploration and evaluation assets	8	90,487	87,237
Total non-current assets		192,467	144,379
Total assets		**255,680**	**254,538**
Current liabilities			
Trade and other payables	9	53,858	20,029
Current tax liability	3(b)	-	5,035
Provisions	10	3,540	3,464
Total current liabilities		57,398	28,528
Non-current liabilities			
Deferred tax liabilities	3(c)	12,034	12,203
Provisions	10	14,182	14,389
Other non-current liabilities		3,297	-
Total non-current liabilities		29,513	26,592
Total liabilities		**86,911**	**55,120**
Net assets		**168,769**	**199,418**
Equity			
Issued capital	11	157,729	157,729
Share options reserve		4,491	4,491
Share rights reserve		2,091	1,350
Foreign currency translation reserve		8,002	-
Current year profit reserve		34,608	-
Retained earnings		(38,152)	35,848
Total equity		**168,769**	**199,418**

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements.

Consolidated statement of changes in equity for the financial year ended 31 December 2013

	Note	Issued capital $'000	Share options reserve (i) $'000	Share rights reserve (i) $'000	Foreign currency translation reserve(i) $'000	Current year profit reserve(i) $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2012		**157,546**	**4,491**	**893**	**-**	**-**	**39,397**	**202,327**
Loss for the year		-	-	-	-	-	(3,549)	(3,549)
Total comprehensive income for the year		-	-	-	-	-	(3,549)	(3,549)
Issue of shares	11	183	-	-	-	-	-	183
Redemption of vested share rights		-	-	(176)	-	-	-	(176)
Recognition of share-based payments	2(d)	-	-	633	-	-	-	633
Balance at 31 December 2012		**157,729**	**4,491**	**1,350**	**-**	**-**	**35,848**	**199,418**
Loss for the year		-	-	-	-	-	(39,392)	(39,392)
Other comprehensive income for the year		-	-	-	8,002	-	-	8,002
Total comprehensive income for the year		-	-	-	8,002	-	(39,392)	(31,390)
Appropriation to current year profit reserve		-	-	-	-	34,608	(34,608)	-
Redemption of vested share rights		-	-	(123)	-	-	-	(123)
Recognition of share-based payments	2(d)	-	-	864	-	-	-	864
Balance at 31 December 2013		**157,729**	**4,491**	**2,091**	**8,002**	**34,608**	**(38,152)**	**168,769**

(i) For a description of the nature and purpose of Reserves refer to note 12.

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Consolidated statement of cash flows for the financial year ended 31 December 2013

	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Receipts from customers		21,626	36,062
Payments to suppliers and employees		(22,322)	(23,017)
Interest received		2,426	4,322
Income taxes paid		(5,031)	(1,673)
Net cash (used in)/provided by operating activities	19(b)	(3,301)	15,694
Cash flows from investing activities			
Payments for property, plant and equipment		(4,098)	(13,084)
Payments for exploration assets		(48,459)	(17,475)
Payments for restoration expenditure		(358)	(1,826)
Proceeds from the farm-out of permit interests		1,484	2,812
Proceeds from disposal of permit interests		-	19,568
Net cash inflow on disposal of subsidiary		-	8,549
Net cash used in investing activities		(51,431)	(1,456)
Cash flows from financing activities			
Proceeds from issues of shares		-	183
Purchase of shares under share-based payment arrangements		(123)	(176)
Payments for financing costs		(1,990)	-
Net cash (used in)/provided by financing activities		(2,113)	7
Net (decrease)/increase in cash and cash equivalents		(56,845)	14,245
Cash and cash equivalents at the beginning of the financial year		96,378	82,443
Effects of exchange rate changes on the balance of cash held in foreign currencies		3,981	(310)
Cash and cash equivalents at the end of the financial year	19(a)	**43,514**	**96,378**

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements.

Notes to the financial statements for the financial year ended 31 December 2013

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 comprises the consolidated financial statements of the Consolidated Entity. For the purposes of preparing the consolidated financial statements, the Company is a for-profit 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 28 February 2014.

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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Consolidated Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

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.

1. Summary of accounting policies (cont'd)

New and revised Standards and Interpretations affecting amounts reported and/or disclosures in the financial statement

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 10 – Consolidated Financial Statements
- AASB 11 – Joint arrangements
- AASB 12 – Disclosure of interest in Other Entities
- AASB 127 – Separate Financial Statements (2011)
- AASB 128 – Investments in Associates and Joint Ventures (2011)
- AASB 13 – Fair value measurement and related AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
- AASB 119 – Employee benefits (2011), AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (2011) and AASB 2011-11 Amendments to AASB 119 (2011)
- AASB 2011 4 – Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards
- AASB 2011 9 – Amendments to Australian Accounting Standards - Presentation of other comprehensive income
- AASB 2012 2 – Amendments to Australian Accounting Standards - Disclosures - Offsetting financial assets and financial liabilities (Amendments to AASB 7)
- AASB 2012 5 – Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

The adoption of these standards did not result in changes in accounting policies or adjustments to the amounts recognised in the financial statements. The standards only affected disclosures in the notes to the financial statements.

<u>Impact of the application of AASB 10</u>

AASB 10 changes the definition of control such that an investor has control over an investee when a) it has power of the investee b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The application of AASB 10 has had no impact on the consolidated financial statements.

<u>Impact of the application of AASB 11</u>

AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under AASB 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e joint venturers) have rights to the net assets of the arrangement. Previously, AASB 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangement under AASB 31 was primarily determined based on the legal form of the arrangement.

The directors of the Company reviewed and assessed the classification of the Consolidated Entity's interest in joint arrangements in accordance with the requirements of AASB 11. The directors conclude that all joint arrangements are appropriately classified as joint operations and no change is required in the accounting treatment as the Consolidated Entity previously reported its share of assets and liabilities under the respective headings in the financial statements.

1. Summary of accounting policies (cont'd)

New and revised Standards and Interpretations affecting amounts reported and/or disclosures in the financial statement (cont'd)

Impact of the application of AASB 12

AASB 12 is a new disclosure standard and is applicable to entities that have interest in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements but this has not had a material impact on the current year consolidated financial statements.

Impact of the application of AASB 13

The Consolidated Entity has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurement and disclosures about fair value measurements. The scope of AASB 13 is broad, the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASB require or permit fair value measurements and disclosures about fair value measurements, except share-based payment transactions that are within the scope of AASB 2, leasing transactions within the scope of AASB 17 and measurements that have some similarities to fair value but are not fair value.

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation n technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 January 2013. The application of AASB 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Impact of the application of AASB 119

In the current year, the Consolidated Entity has applied AASB 119 (as revised in 2011) 'Employee Benefits' and the related consequential amendments for the first time.
AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. These are not currently relevant for the Consolidated Entity and has not had any impact on the amounts recognised in the consolidated financial statements.

Impact of the application of AASB 2012-2

The Consolidated Entity has applied the amendments to AASB 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities' for the first time in the current year. The amendments to AASB 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments have been applied retrospectively. As the Consolidated Entity does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements. The Consolidated Entity has not elected to early adopt any new standards or amendments.

1. Summary of accounting policies (cont'd)

Adoption of new and revised Accounting Standards

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

Standard/Interpretation	**Effective for annual reporting periods beginning on or after**
AASB 9 'Financial Instruments'(December 2009) and AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 8 and Transition Disclosure' AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2017
AASB 1031 'Materiality' (2013)	1 January 2014
ASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014
AASB 2013-3 'Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014
AASB 2013-4 'Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	Part B – Materiality 1 January 2014 Part C – Financial Instruments 1 January 2014

At the date of authorisation of the financial report, there were no Standards and Interpretations issued by the IASB/IFRIC where an equivalent Australian Standard or Interpretation has not been made by the AASB, in issue but not yet effective.

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.

1. Summary of accounting policies (cont'd)

Accounting 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 operations 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 the end of the reporting period 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.

<u>Cash flow hedge</u>

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.

At 31 December 2013, there are no outstanding cash flow hedges (31 December 2012: nil).

(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.

1. Summary of accounting policies (cont'd)

(e) Financial assets (cont'd)

<u>Trade Receivables and Loans</u>

Loans and receivables are recorded at the amortised cost amount using the effective interest rate method less impairment.

<u>Impairment of financial assets</u>

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.

(g) 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 gas sales for which payment has been received, but the gas has not yet been delivered. The gas revenue will be recognised in the profit/loss when the gas is delivered to the customers in future periods.

(h) 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.

(i) 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.

(j) 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.

1. Summary of accounting policies (cont'd)

(j) Impairment of assets (cont'd)

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.

(k) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a subsidiary undertakes its activities under joint operations, the Consolidated Entity as a joint operator recognises in relation to its interests in a joint operation:

- its assets, including its share of any assets held jointly,
- its liabilities, including its share of any liabilities incurred jointly,
- its revenue from the sales of its share of the output arising from the joint operation,
- its share of the revenue from the sale of the output by the joint operation, and
- its expenses, including it share of any expense incurred jointly.

Interests in joint operations are reported in the financial statements by including the Consolidated Entity's share of assets employed in the joint operations, the share of liabilities incurred in relation to the joint operations and the share of any expenses incurred in relation to the joint operation in their respective classification categories. The Consolidated Entity accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the AASBs applicable to the particular assets, liabilities, revenues and expenses.

When a subsidiary transacts with a joint operation in which it is a joint operator (such as a sale or contribution of assets), the Consolidated Entity is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Consolidated Entity's financial statements only to the extent of other parties' interests in the joint operation.

When a subsidiary transacts with a joint operation in which it is a joint operator (such as a purchase of assets), the Consolidated Entity does not recognise its share of the gains and losses until it resells those assets to a third party.

(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

1. Summary of accounting policies (cont'd)

(m) Petroleum exploration and evaluation expenditure (cont'd)

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, with certain areas of interest recognised at the field level.

The Consolidated Entity does not record any expenditure made by a farmee on the Consolidated Entity's account in respect of farm-outs. The Consolidated Entity also does not recognise any gain or loss on its exploration and evaluation farm-out arrangement, but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitlalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

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 incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company (the parent entity) and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances incidate that there are changes to one or more of the three elements of control listed above.

A list of subsidiaries is included in note 18 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.

1. Summary of accounting policies (cont'd)

(o) Principles of consolidation (cont'd)

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 Limited and the presentation currency for the consolidated financial statements.

The functional currency of all the entities in the Consolidated Entity is Australian dollars except for Tap Energy Thailand Pty Ltd (Thai Branch) which has a functional currency of United States dollars. The financial statements of subsidiaries whose functional currency is in a currency other than Australian dollar have been converted into the presentation currency as follows:

(i) assets and liabilities are translated to the presentation currency at exchange rates at the reporting date. Income and expenses are translated to the presentation currency at exchange rates at the dates of the transactions.

(ii) Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

(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, cost of replacing part of the property, plant and equipment and borrowing cost capitalised.

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.

1. Summary of accounting policies (cont'd)

(q) Provisions (cont'd)

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.

(s) 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 Consolidated Entity intends to settle its current tax assets and liabilities on a net basis.

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.

1. Summary of accounting policies (cont'd)

(s) Taxation (cont'd)

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 4 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.

(t) Share-based payments

Equity-settled share-based payments are measured at fair value at the grant date. Fair value is measured under the Black Scholes model for options and retention rights and the Monte Carlo Simulation Model for performance rights 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. At the end of each reporting period, the Consolidated Entity revises its estimate of the number equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share rights reserve.

(u) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(v) Non-current assets classified as held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

- When the Consolidated Entity is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Consolidated Entity will retain a non-controlling interest in its former subsidiary after the sale.
- Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.
- In the statement of profit or loss and other comprehensive income, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Consolidated Entity retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.
- Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

1. Summary of accounting policies (cont'd)

(w) 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.
- Judgments made by management, in the application of the Consolidated Entity's accounting policies, 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.

Critical accounting estimates and assumptions

(i) Exploration and evaluation expenditures

The application of the Consolidated Entity's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in the period when the information becomes available.

(ii) Impairment of oil & gas 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 assets, expected future cash flow estimation is based on reserves, future production profiles, commodity prices and costs. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of the oil & gas assets.

(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.

(iv) Decommissioning costs

Decommissioning costs will be incurred by the Consolidated Entity at the end of the operating life of some of the Consolidated Entity's facilities and properties. The Consolidated Entity assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure can also change. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future decommissioning costs required.

1. Summary of accounting policies (cont'd)

(w) Critical accounting judgements and key sources of estimation uncertainty (cont'd)

Critical accounting estimates and assumptions (cont'd)

(v) Contingencies

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the future outcome of events.

(vi) Classification of joint arrangements

Exploration, appraisal, development and production activities of the Consolidated Entity are conducted primarily through arrangements with other parties. Each arrangement has a contractual agreement which provides the participating parties rights to the assets and obligations for the liabilities of the arrangement. Under certain agreements, more than one combination of participants can make decisions about the relevant activities and therefore joint control does not exist. Where the arrangement has the same legal form as a joint operation but is not subject to joint control, the Consolidated Entity accounts for its interest in accordance with the contractual agreement by recognising its share of jointly held assets, liabilities, revenues and expenses of the arrangement.

The Consolidated Entity's interest in joint arrangements is disclosed in note 17. The Consolidated Entity does not currently have any interest in other arrangements with same legal form as a joint operation but that are not subject to joint control.

2. Loss for the year from operations

	Consolidated 2013 $'000	Consolidated 2012 $'000
(a) Revenue		
Sales of oil and gas (i)	26,984	41,512
Other revenue:		
Royalties received	248	301
Interest received	1,723	4,427
	1,971	4,728
	28,955	46,240

(i) The 2012 financial year includes liquid sales from the Woollybutt oil field. The final lifting of oil was conducted on 30 May 2012.

	2013 $'000	2012 $'000
(b) Cost of sales		
Depreciation of capitalised development costs	72	67
Other production costs (i)	11,965	21,411
	12,037	21,478

(i) The 2012 financial year includes production costs in respect of the Woollybutt oil field. The final lifting of oil was conducted on 30 May 2012.

	2013 $'000	2012 $'000
(c) Other Income		
Foreign exchange gain	3,379	-
	3,379	-

	2013 $'000	2012 $'000
(d) Administration expenses		
Loss/(profit) before income tax has been arrived at after charging the following:		
Employee benefit expenses:		
Post employment benefits:		
Superannuation contributions	486	682
Share-based payments:		
Equity settled share-based payments (i)	864	633
Other	7,107	8,083
	8,457	9,398
Depreciation of office fixed assets	117	181
Operating lease rental payments	786	733
Other expenses, net of recoveries (i)	(2,576)	(4,628)
	6,784	5,684

(i) The other expenses are shown net of recoveries. The recoveries represent costs, including time spent by the Consolidated Entity's employees on exploration and production interests, which get recharged to the applicable exploration and production interests.

2. Loss for the year from operations
(cont'd)

	Consolidated 2013 $'000	Consolidated 2012 $'000
(e) Finance costs		
Notional interest from unwinding discount on restoration provisions	551	529
Borrowing costs	480	-
	1,031	529
(f) Impairment losses/write-downs		
Exploration impairment losses/write-downs (i)	38,951	(30,353)
Exploration expenditure write-downs	8,196	39,011
	47,147	8,657

(i) Exploration impairment losses are provided when the carrying amount of the capitalised exploration expenditure exceeds the recoverable amount of the said exploration expenditure. Exploration expenditure is written off and any related impairment losses released when permits are relinquished or disposed. The following are the material items included in the exploration impairment losses/write-downs for the year ended 31 December 2013 (2012: $8.380 million):

Permit	Country/ Company	2013 $'000	Description
G1/48	Thailand	8,214	Malida-1/ST-1 exploration wells unsuccessful
G3/48	Thailand	16,568	Written off to $0
ACCRA	Ghana	17,569	Starfish well unsuccessful, permit to be relinquished. Fully written off.
TL2/TP7	Shelfal	8,011	Taunton 5/5H well unsuccessful
WA8L	Shelfal	(3,475)	Impairment provision reversed to recoverable amount

The exploration impairment losses/write-downs is included in the oil & gas exploration segment.

(ii) No property, plant & equipment impairment loss was recognised in 2013 (2012: nil).

The property, plant and equipment impairment losses are included in the oil & gas production and development segment.

	Consolidated 2013 $'000	Consolidated 2012 $'000
(g) Other expenses		
Foreign exchange loss	-	911
New venture and Business Development expenditure	2,532	4,394
Provision for doubtful debts (i)	1,763	-
Rehabilitation/restoration expenses (ii)	-	2,459
Other	605	2,040
	4,900	9,804

(i) Provision for doubtful debts of $1.763 million in respect of the balance receivable from Apex Gold Pty Ltd which went into administration during the year (2012: Nil).

(ii) The restoration adjustment relating to the Woollybutt restoration liability is captured directly in the Statement of profit or loss and other comprehensive income. In 2012 the Woollybutt asset reached the end of its useful life and was fully impaired.

(h) Depreciation

Depreciation charges are included above in cost of sales (b) and administration expenses (d). Total depreciation for the Consolidated Entity is $0.189 million (2012: $0.248 million).

3. Income taxes

(a) Income tax recognised in profit or loss

	Consolidated 2013 $'000	Consolidated 2012 $'000
Tax (benefit)/expense comprises:		
Current tax (benefit)/expense	(3,109)	6,862
PRRT refund received	(119)	-
Adjustments recognised in the current year in relation to the current tax of prior years	115	439
Deferred tax income relating to the origination and reversal of temporary differences	4,440	(4,365)
Deferred PRRT tax (credit)/expense	(1,500)	452
Total income tax (benefit)/expense from continuing operations	(173)	3,388
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:		
(Loss)/Profit before tax from continuing operations	(39,565)	88
Loss before tax from discontinued operations	-	(249)
Loss before tax	(39,565)	(161)
Income tax benefit calculated at 30%	(11,869)	(48)
Expenses not deductible for tax purposes	297	550
Other assessable income	-	112
Unused tax losses, tax offsets and temporary differences not recognised as deferred tax assets	20,279	4,270
Foreign tax rate adjustment on unrecognised deferred tax assets	(6,483)	(1,730)
PRRT related tax (credit)/expense	(1,619)	452
Other	(861)	(75)
	(256)	3,531
Adjustments recognised in the current year in relation to the current tax of prior years	83	(143)
Income tax (benefit)/expense	(173)	3,388

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

	Consolidated 2013 $'000	Consolidated 2012 $'000
Current tax liabilities:		
Tax payable	-	5,035

3. Income taxes (cont'd)

	Consolidated 2013 $'000	Consolidated 2012 $'000
(c) Deferred tax balances		
Deferred tax liabilities comprise:		
Temporary differences – refer below	12,034	12,203

	Opening balance $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Recognised directly in equity $'000	Acquisitions/ disposals $'000	Closing balance $'000
Consolidated						
2013						
Income tax losses carried forward	-	3,109	-	-	-	3,109
Property, plant & equipment	(1,178)	35	-	-	-	(1,143)
Deferred exploration	(21,250)	(3,623)	-	-	-	(24,873)
Restoration provisions	9,558	(92)	-	-	-	9,466
Others	667	740	-	-	-	1,407
	(12,203)	169	-	-	-	(12,034)
2012						
Income tax losses carried forward	-	-	-	-	-	-
Property, plant & equipment	(9,440)	(925)	-	-	9,187	(1,178)
Deferred exploration	(23,984)	488	-	-	2,246	(21,250)
Restoration provisions	13,223	4,764	-	-	(8,429)	9,558
Others	842	(415)	-	-	240	667
	(19,359)	3,912	-	-	3,244	(12,203)

	Consolidated 2013 $'000	Consolidated 2012 $'000
Unrecognised deferred tax balances		
The following deferred tax assets, relating to foreign operations, have not been brought to account as assets:		
Tax losses – revenue	21,106	18,727
Temporary differences	7,779	296
	28,885	19,023

The foreign tax losses of $21.106 million at 31 December 2013 include losses of $11.605 million which are due to expire within the next 2 years.

The temporary differences of $7.779 million (2012: $0.296 million) relate mainly to the difference between the tax value and accounting value of exploration and evaluation assets.

	Consolidated 2013 $'000	Consolidated 2012 $'000
(d) Franking account balance		
On a tax paid basis	71,789	66,639

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 18.

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

	Consolidated 2013 $'000	Consolidated 2012 $'000
Trade receivables [i]	6,892	2,350
Allowance for doubtful debts	(1,763)	-
	5,129	2,350
Joint operations' debtors	4,199	1,155
Other	2,439	3,520
	11,767	7,025

Movement in the allowance for doubtful debts

	2013 $'000	2012 $'000
Balance at the beginning of the year	-	-
Doubtful debts charge for the year	1,763	-
Classified as held for sale	-	-
Balance at the end of the year	1,763	-

(i) Trade receivables relate to gas sales on terms that result in payment within 30 days from invoice.

An allowance for doubtful debts is recognised when there is objective evidence that an individual trade receivable is impaired. At 31 December 2013 the amount receivable from Apex Gold Pty Ltd of $1.763 million has been fully provided for as the company went into administration during the year. There are no material amounts included in the Consolidated Entity's trade receivable balance (2012: 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

	Consolidated 2013 $'000	Consolidated 2012 $'000
Materials and consumables – at cost	3,296	822

6. Other current assets

	2013 $'000	2012 $'000
Prepayments	556	585
Prepaid gas	4,080	5,349
	4,636	5,934

7. Property, plant and equipment

	Consolidated 2013 $'000	Consolidated 2012 $'000
Development expenditures		
Gross carrying amount – at cost:		
Opening balance	140,549	88,084
Additions	44,314	12,968
Transfer from exploration expenditure	700	39,497
Closing balance (i)	185,563	140,549
Accumulated depreciation:		
Opening balance	83,715	83,648
Depreciation	72	67
Closing balance	83,787	83,715
Net book value (ii)	101,776	56,834
Office improvements, furniture & equipment		
Gross carrying amount – at cost:		
Opening balance	3,749	3,786
Additions	13	130
Asset write-offs	-	(167)
Closing balance	3,762	3,749
Accumulated depreciation:		
Opening balance	3,441	3,422
Asset write-offs	-	(162)
Depreciation	117	181
Closing balance	3,558	3,441
Net book value	204	308
Total – net book value	101,980	57,142

(i) The cost of development expenditures includes an amount of $2.212 million for abandonment assets (2012: $2.209 million).

(ii) The recoverable amount of the Manora development asset cash-generating unit with a net book value of $96.514 million (2012: $52.203 million) has been determined based on a value in use calculation using cash flow projections from financial budgets covering a nine-year period. The pre-tax discount rate applied to the cash flow projections is 12.5% (2012: 12%), and certain cash flows beyond a five-year period are extrapolated using a 3% growth rate (2012: 3%). As a result of the analysis, management did not identify any impairment for this cash-generating unit.

8. Exploration and evaluation assets

	Consolidated 2013 $'000	Consolidated 2012 $'000
Exploration and/or evaluation phase		
At cost	157,292	115,091
Less: impairment provisions	(66,805)	(27,854)
Net carrying value	90,487	87,237
Reconciliation of movement:		
Opening balance	87,237	141,183
Current year exploration expenditure	51,187	19,532
Exploration impairment losses/write-downs	(47,147)	(8,657)
Transfer to development expenditure	(700)	(39,497)
Disposals	-	(21,168)
Farm-out of partial interest in WA320P and WA155P [(i)]	(90)	-
Farm-out of interest in Accra Joint Venture [(ii)]	-	(4,156)
Closing balance	90,487	87,237
Movement in the impairment provision:		
Balance at the beginning of the year	(27,854)	(20,457)
Impairment provision (increase)	(38,951)	(7,397)
Balance at the end of the year	(66,805)	(27,854)

(i) Tap has reduced its participating interest in WA-320-P from 19.78% to 9.78% and WA-155-P from 13.5% to 6.5%.
(ii) Tap has reduced its participating interest in the Offshore Accra Contract Area from 40% to 17.5% in 2012.

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.

9. Trade and other payables

	Consolidated 2013 $'000	Consolidated 2012 $'000
Trade payables [(i)]	17,448	2,493
Share of joint operations' payables	28,238	7,789
Goods and services tax (GST) payable	135	285
Other payables	5,402	3,998
Income received in advance	2,635	5,464
	53,858	20,029

(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. Included in Trade Payables at 31 December 2013 are cash calls in respect of G1/48 amounting to $15.347 million that have been paid subsequent to year end.

10. Provisions

	Consolidated 2013 $'000	Consolidated 2012 $'000
Current		
Employee benefits	602	711
Restoration costs	2,938	2,753
	3,540	3,464
Non-current		
Employee benefits	135	154
Restoration costs	14,047	14,235
	14,182	14,389
Restoration costs provision		
Reconciliation of movement:		
Opening balance	16,988	15,815
Increase resulting from re-measurement	-	2,470
Reductions resulting from re-measurement or settlement without cost	(196)	-
Unwinding of discount	551	529
Restoration costs incurred	(358)	(1,826)
Closing balance	16,985	16,988

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 2015.

11. Issued capital

	Consolidated 2013 $'000	Consolidated 2012 $'000
242,115,528 fully paid ordinary shares (2012: 241,295,311)	157,729	157,729

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.

	2013 No. '000	2013 $'000	2012 No. '000	2012 $'000
Fully paid ordinary shares				
Balance at beginning of financial year	241,295	157,729	240,995	157,546
Issue of shares under share-based payment schemes (note 21)	821	-	300	183
Balance at end of financial year	242,116	157,729	241,295	157,729

During the year, 821,217 shares were issued as a result of employee retention share rights vesting (2012: 300,000 options exercised).

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, former directors and employees had no outstanding options over ordinary shares at 31 December 2013 (2012: 871,000). All of the options outstanding at 31 December 2012 expired unexercised during the year (2012: 849,881) and none were forfeited (2012: 11,356).

The share options carried no rights to dividends and no voting rights. Further details of the share-based payment schemes are contained in note 21 to the financial statements.

Share performance and retention rights

In accordance with the provisions of the share-based payment schemes, employees had 13,146,676 (2012: 8,857,048) outstanding performance and retention rights over ordinary shares at 31 December 2013. A total of 1,031,664 of the performance and retention rights vested during the year ended 31 December 2013 (2012: 234,737).

A total of 2,313,136 (2012: 594,343) performance and retention rights were forfeited during the 2013 financial year. A total of 2,125,003 performance rights and retention rights lapsed during the 2013 financial year (2012: 291,565).

A total of 1,019,869 (2012: 815,571) of the performance and retention rights have since lapsed and a total of 121,693 (2012: 313,295) performance and retention rights have since vested.

The performance and retention rights carry no rights to dividends and no voting rights. Further details of the share-based payment schemes are contained in note 21 to the financial statements.

12. Reserves

Nature and purpose of reserves

Share options and rights reserve
The share options reserve and the share rights reserve reflect the cost of share related share-based payments – refer note 1(t) explaining the grant date fair value of options and rights issued to employees but not exercised.

The reserve comprises the credit to equity for equity-settled share-based payment arrangements under AASB 2 – Share-based payments. The standard requires that the expense be charged to the profit and loss component of the statement of comprehensive income, while a credit needs to be raised against equity over the vesting period.

For further information on the share-based payment schemes refer note 21.

Foreign currency translation reserve
Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve. The reserve is recognised in the Statement of Comprehensive Income when the net investment is disposed.

Current year profit reserve
A profit reserve has been created in selected entities within the tax consolidated group (refer note 18). The balance represents an appropriation of amounts from retained earnings for the payment of future dividends.

13. Earnings per share

	Consolidated	
	2013 Cents per share	**2012 Cents per share**
Basic earnings per share		
From continuing operations	(16.3)	(1.4)
From discontinued operations	-	(0.1)
Total basic earnings per share	(16.3)	(1.5)
Diluted earnings per share		
From continuing operations	(16.3)	(1.4)
From discontinued operations	-	(0.1)
Total diluted earnings per share	(16.3)	(1.5)
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:	**2013 $'000**	**2012 $'000**
Earnings used in the calculation of basic earnings per share	(39,392)	(3,549)
Loss for the year from discontinued operations	-	(249)
Earnings used in the calculation of basic earnings per share from continuing operations	(39,392)	(3,300)
	2013 No.'000	**2012 No.'000**
Weighted average number of ordinary shares for the purposes of basic earnings per share	241,316	241,241

13. Earnings per share (cont'd)

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:	**Consolidated** 2013 $'000	2012 $'000
Earnings used in the calculation of diluted earnings per share	(39,392)	(3,549)
Loss for the year from discontinued operations	-	(249)
Earnings used in the calculation of diluted earnings per share from continuing operations	(39,392)	(3,300)
	2013 No.'000	**2012 No.'000**
Weighted average number of ordinary shares for the purposes of diluted earnings per share (a)	241,316	241,241

(a) 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:	**2013 No.'000**	**2012 No.'000**
Weighted average number of ordinary shares used in the calculation of basic EPS	241,316	241,241
Shares deemed to be issued for no consideration in respect of employee options and share rights	-	-
Weighted average number of ordinary shares used in the calculation of diluted EPS	241,316	241,241

There were no options on issue at 31 December 2013 (2012: 871,000). As all of the 871,000 options on issue at 31 December 2012 were out of the money and hence not dilutive, these were therefore excluded from the weighted average number of ordinary shares for the purpose of calculating diluted earnings per share.

For the purpose of the dilutive earnings per share calculation it was estimated that a total of 2,070,647 of the outstanding 13,146,681 share rights on issue at 31 December 2013 would attain the performance hurdles. These 2,070,647 share rights were however considered anti-dilutive due to the impact of reducing the loss per share for the year ended 31 December 2013 and hence excluded from the weighted average number of ordinary shares for the purpose of calculating diluted earnings per share.

For the purpose of the dilutive earnings per share calculation it was estimated that a total of 2,180,685 of the outstanding 8,857,048 share rights on issue at 31 December 2012 would attain the performance hurdles. These 2,180,865 share rights were however considered anti-dilutive due to the impact of reducing the loss per share for the year ended 31 December 2012 and hence excluded from the weighted average number of ordinary shares for the purpose of calculating diluted earnings per share.

14. Commitments for expenditure

	Consolidated 2013 $'000	Consolidated 2012 $'000
(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	72,941	47,647
Longer than 1 year and not longer than 5 years	5,476	31,450
Longer than 5 years	-	-
	78,417	79,097
Exploration expenditure		
Not longer than 1 year	16,536	32,524
Longer than 1 year and not longer than 5 years	6,593	21,316
Longer than 5 years	-	-
	23,129	53,840

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

The property, plant and equipment commitments represent Tap's share of the G1/48 Joint operation commitments in respect of the Manora Development.

As a result of cost overruns and schedule delays on the Manora oil development, coupled with additional drilling and unplanned work as part of the 2013 exploration program, the Company requires additional temporary liquidity ahead of the expected May 2014 draw-down of the Manora debt facility and anticipated commencement of production at Manora in August 2014. As at the date of this report Tap has drawn down the CBA $20m corporate facility and is working on a number of options to provide further liquidity, including additional financing and monetisation of the significant value retained in its non-core assets.

(b) Lease commitments

Non-cancellable operating lease commitments are disclosed in note 15 to the financial statements.

15. Leases

Operating leases

Leasing arrangements

The Consolidated Entity has non-cancellable operating leases for the following:

(i) Office premises – the premises lease expires on 31 January 2018

(ii) Office equipment – the copy management plan expires on 29 November 2015.

	Consolidated	
	2013 $'000	**2012 $'000**
Non-cancellable operating lease commitments		
Not longer than 1 year	599	566
Longer than 1 year and not longer than 5 years	2,003	2,546
Longer than 5 years	-	57
	2,602	3,169

16. Segment information

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 follows:

- 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 producing assets. There are no producing assets at 31 December 2013. The Manora field is expected to commence production in mid 2014. This segment is managed by the Engineering and Development Manager.

The oil & gas exploration segment includes all the areas of interest still in their 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 following is an analysis of the Consolidated Entity's revenue and results from continuing operations by reportable operating segment for the periods under review:

	Revenue		Segment profit	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Oil & gas production and development	-	7,695	(1,308)	(4,335)
Oil & gas exploration	-	-	(49,850)	(12,250)
Third party gas	26,984	33,817	12,842	18,308
	26,984	41,512	(38,316)	1,723
Interest revenue			1,723	4,427
Finance costs			(480)	-
Central administration costs			(2,393)	(529)
Foreign exchange gain/(loss)			3,379	(911)
Other expenses			(3,478)	(4,622)
(Loss)/Profit before tax			(39,565)	88
Income tax benefit/(expense)			173	(3,388)
Loss for the year from continuing operations			(39,392)	(3,300)

16. Segment information (cont'd)

Segment revenues and results

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 losses and income tax benefits.

The revenue represents gas sales (2012: liquid 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 $26.984 million (2012: $33.817 million) are revenues of $14.091 million (2012: $18.403 million) which arose from sales to the Consolidated Entity's largest third party gas customer.

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	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Oil & gas production and development	108,104	57,131	59,477	19,704
Oil & gas exploration	91,636	90,361	6,856	7,248
Third party gas	9,407	7,593	7,700	8,252
Total segment assets and liabilities	209,147	155,085	74,033	35,204
Unallocated assets and liabilities	46,533	99,453	12,878	19,916
Consolidated total assets and liabilities	255,680	254,538	86,911	55,120

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 cash and cash equivalents and tax-related assets and liabilities.

Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Oil & gas production and development	72	67	44,614	12,968
Oil & gas exploration	-	-	51,187	19,532
Third party gas	-	-	-	-
Other	117	181	13	130
	189	248	95,814	32,630

In addition to the depreciation and amortisation expense reported above, exploration expenditure write-downs/impairment losses of $47.147 million (2012: $8.657 million) were recognised in respect of exploration. The exploration asset write-downs/impairment losses were attributable to oil & gas exploration. There were no other material non-cash expenses attributable to individual segments.

16. Segment information (cont'd)

Geographical information

The Consolidated Entity operates in three principal geographical areas – Australia, Asia and Africa.

	Revenue from external customers		Non-current assets	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Australia	26,984	41,512	77,980	57,482
Asia	-	-	114,487	80,528
Africa	-	-	-	6,369
	26,984	41,512	192,467	144,379

17. Interests in joint operations

The Consolidated Entity has interests in numerous joint operations in Australia, Ghana and Thailand. The principal activity of the joint operations is oil & gas exploration and production.

Refer to the table below for a full list of the licences and permits held by the Consolidated Entity.

	Working interest (%)	
	2013	2012
Exploration permits		
Western Australia		
TP/7	12.47	12.47
WA-8-L	20.00	20.00
WA-33-R	22.47	22.47
WA-34-R	12.00	12.00
WA-49-R	10.00	10.00
WA-290-P	10.00	10.00
WA-320-P(i)	9.78	33.33
WA-155-P(i)	13.55	-
WA-351-P	20.00	20.00
Ghana		
Offshore Accra Contract Area	17.50	17.50
Tasmania		
T/47P	-	61.54
Thailand		
G1/48	30.00	30.00
G3/48	30.00	30.00
Production & Pipeline Licences		
Western Australia		
TL/2	10.00	10.00
WA-22-L	15.00	15.00
WA-25-L	15.00	15.00
PL/14	10.00	10.00
TPL/3	10.00	10.00
TPL/4	10.00	10.00
TPL/7	10.00	10.00

(i) In November 2012 the Consolidated Entity entered into an agreement to exchange a 13.555% interest in WA-320-P for a corresponding 13.555% interest in the adjacent permit WA-155-P (Part II). During 2013 Tap has farmed out 10% in WA-320-P and 7% in WA-155-P (Part II) to JX Nippon Oil and Gas Exploration (Australia) Pty Ltd in exchange for a 5% carry on the Palmerston well (up to a total well cost of US$70m).

17. Interests in joint operations (cont'd)

Joint Operations' net assets

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

	Consolidated 2013 $'000	Consolidated 2012 $'000
Current assets		
Cash	2,904	4,160
Receivables	4,199	1,155
Inventories	3,297	822
Total current assets	10,400	6,137
Non-current assets		
Property, plant and equipment	102,076	56,834
Exploration and evaluation assets	87,189	87,237
Total non-current assets	189,265	144,071
Total assets	199,665	150,208
Current liabilities		
Trade and other payables	28,239	7,958
Provision for restoration	2,938	2,753
Total current liabilities	31,177	10,711
Non-current liabilities		
Provision for restoration	14,047	14,235
Total non-current liabilities	14,047	14,235
Total liabilities	45,224	24,946
Net assets	154,441	125,262
Revenues	-	7,695
Cost of sales	(145)	(7,592)
Other income/(expenses)(i)	838	(3,100)
Loss before income tax	693	(2,997)

(i) Included in the 2012 Other expenses is the restoration expenses relating to Woollybutt. Refer to note 2(g).

Capital commitments and contingent liabilities

The capital commitments arising from the Consolidated Entity's interests in joint operations are disclosed in note 14. No contingent liabilities have been identified beyond those set out in note 25.

18. Subsidiaries

Name of entity	Country of incorporation	Ownership interest	
		2013 %	2012 %
Parent entity			
Tap Oil Limited (i)	Australia		
Subsidiaries (ii)			
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 (Ghana) Pty Ltd	Australia	100	100
Tap Oil (Ghana) Ltd (iii)	Ghana	100	100
Tap Energy (Rangkas) Pty Ltd	Australia	100	100
Tap Bass Pty Ltd (iv)	Australia	100	100
Tap Energy (Thailand) Pty Ltd	Australia	100	100
Tap (Zola) Pty Ltd (v)	Australia	100	100
Tap (WA Gas) Pty Ltd (v)	Australia	100	100
Tap Energy (Vietnam) Pty Ltd	Australia	100	100
Tap Energy (GOT) Limited (vi)	Thailand	100	100
Tap (Shale) Pty Ltd (vii)	Australia	100	100
Tap (Maitland) Pty Ltd (viii)	Australia	100	100
Tap (SCB) Pty Ltd (viii)	Australia	100	100
Tap (NCB) Pty Ltd (viii)	Australia	100	100
Tap (Alpha) Pty Ltd (ix)	Australia	100	100
Tap (Bonaparte) Pty Ltd (x)	Australia	100	-
Tap (Amulet) Pty Ltd (x)	Australia	100	-

(i) Tap Oil Limited is the head entity of the tax-consolidated group.

(ii) All subsidiaries incorporated in Australia are members of the tax-consolidated group. Tap Oil (Ghana) Ltd (which is incorporated in Ghana) and Tap Energy (GOT) Limited (which is incorporated in Thailand) are excluded from the tax-consolidated group.

(iii) Tap Oil (Ghana) Ltd is a wholly owned subsidiary of Tap (Ghana) Pty Ltd.

(iv) Tap Bass Pty Ltd is a wholly owned subsidiary of Tap (Shelfal) Pty Ltd.

(v) Tap (Zola) Pty Ltd is a wholly owned subsidiary of Tap (Shelfal) Pty Ltd.

(vi) Tap Energy (GOT) Limited is a wholly owned subsidiary of Tap Energy (Thailand) Pty Ltd. Tap Energy (GOT) Limited was incorporated on 17 September 2012 and was registered for dissolution on 2 July 2013.

(vii) Tap (Shale) Pty Ltd was incorporated on 28 June 2012.

(viii) Tap (Maitland) Pty Ltd, Tap (SCB) Pty Ltd and Tap (NCB) Pty Ltd were incorporated on 26 July 2012. All three are wholly owned subsidiaries of Tap (Shelfal) Pty Ltd.

(ix) Tap (Alpha) Pty Ltd was incorporated on 1 November 2012 and is a wholly owned subsidiary of Tap (Shelfal) Pty Ltd.

(x) Tap (Bonaparte) Pty Ltd and Tap (Amulet) Pty Ltd were incorporated on 24 April 2013 and are both wholly owned subsidiaries of Tap (Shelfal) Pty Ltd.

The principal activity of all the subsidiaries is oil and gas exploration and production, except for Tap (WA Gas) Pty Ltd where the principal activity is the purchase and subsequent sale of gas.

19. Notes to the cash flow statement

	Consolidated 2013 $'000	Consolidated 2012 $'000
(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.		
Cash and cash equivalents	43,514	96,378
	43,514	96,378
(b) Reconciliation of loss for the period to net cash flows from operating activities		
Loss for the year – continuing operations	(39,392)	(3,300)
Loss for the year – discontinuing operations	-	(249)
Depreciation and amortisation of non-current assets	189	248
Foreign exchange (gain)/loss	(3,743)	419
Equity settled share-based payments	864	633
Exploration impairment losses/write-downs	47,147	8,657
Non-cash interest expense	551	529
Finance costs paid	480	-
Rehabilitation/restoration expense adjustments	(198)	2,459
Other non-cash expenses	-	405
(Decrease)/increase in current tax balances	(8,144)	5,629
Increase/(decrease) in deferred tax balances	2,940	(4,025)
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Current receivables	(2,777)	380
Current inventories	294	4,777
Other current assets	1,299	3,027
(Decrease)/increase in liabilities:		
Current payables	146	1,602
Employee provisions	(128)	201
Unearned revenue	(2,829)	(5,698)
Net cash (used in)/provided by operating activities	(3,301)	15,694

20. Financial instruments

(a) Capital risk management

The Consolidated Entity manages 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 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 Consolidated Entity's Board of Directors reviews the capital structure on an ongoing basis. As a part of this review the Board of Directors considers the cost of capital and the risks associated with each class of capital. As needed 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 Consolidated Entity's overall strategy remains unchanged from 2012.

The Consolidated Entity has no external debt outstanding at 31 December 2013 (2012: nil).

(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	
	2013 $'000	2012 $'000
Financial assets		
Cash and cash equivalents	43,514	96,378
Trade and other receivables	11,767	7,025
Financial liabilities		
Trade and other payables	53,858	20,029

(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; and
- forward foreign exchange contracts.

(e) Oil price risk management

The Consolidated Entity's oil and condensate production will likely be sold on spot crude oil markets and hence have 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.

The Consolidated Entity currently has no oil and condensate production. Manora production in Thailand is forecasted to commence in August 2014. In respect of the forecasted Manora production it is the policy of the Consolidated Entity not to enter into forward oil price contracts for more than 50% of forecasted 1P oil and condensate production for the twelve month period commencing three months after the forecast period of peak production being reached; and for more than 25% of forecasted 1P oil and condensate production for the 12 months thereafter. In 2013 no forward oil price contracts were entered into (2012: nil).

20. Financial instruments (cont'd)

Oil Price sensitivity

The following table details the Consolidated Entity's 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. As there were no oil sales in 2013, the sensitivity analysis below includes prior year sales levels varied by a 10% and 20% increase in the Consolidated Entity's average Australian dollar oil price. A positive number indicates an increase in profit and equity where the oil price increases. For a 10% and 20% decrease in the Australian dollar oil price, there would be a comparable impact on the profit and equity, and the balances below would be negative.

	Consolidated	
	Oil Price Impact	
	2013 $'000	2012 $'000
Profit or loss: 10%	-	770
Profit or loss: 20%	-	1,540

(f) Foreign currency risk management

The Consolidated Entity will sell all Manora oil and condensate production in US Dollars and hence has a future exposure to exchange rate fluctuations. The Consolidated Entity further pays its portion of the Asian, African and some Australian Joint Operations expenses in US Dollars. Exchange rate exposures are managed within approved policy parameters and may include products such as forward foreign exchange contracts and currency swap agreements.

It is the policy of the Consolidated Entity to constantly assess the foreign exchange exposure and to enter in forward contracts when deemed necessary. In 2013 the Consolidated Entity entered into forward foreign exchange contracts as economic hedges that did not qualify for hedge accounting (2012: nil). At the reporting date there were no open forward exchange contracts (2012: nil).

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

	Consolidated			
	Assets		Liabilities	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
US Dollars	36,573	26,387	40,911	6,671

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% strengthening in foreign currency rates. A positive number indicates an increase in profit and equity where the Australian Dollar weakens against the US Dollar. For a 10% and 20% strengthening of the Australian Dollar against the US Dollar, there would be a comparable impact on the profit and equity, and the balances below would be negative.

	Consolidated	
	US Dollar Impact	
	2013 $'000	2012 $'000
Profit or loss: 10%	(434)	1,972
Profit or loss: 20%	(868)	3,944

20. 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 and equity for the year will be impacted as follows:

	Consolidated	
	Interest Rate Impact	
	2013 $'000	2012 $'000
Profit or loss: 50 basis points increase	203	461
Profit or loss: 50 basis points decrease	(203)	(461)

(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 Consolidate 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 $11.767 million in the Consolidated Entity at 31 December 2013 (2012: $7.025 million), $5.129 million (2011: $2.223 million) relate to the two (2012: three) largest third party gas customers. Included in the gross third party gas receivables balance at 31 December 2013 is an amount of $1.763 million from Apex Gold Pty Ltd which has been fully provided as the company went into administration during the year.

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.

The Consolidated Entity has secured a US$50 million Manora field development debt facility and a A$20 million corporate debt facility with the Commonwealth Bank of Australia. Both facilities were undrawn at 31 December 2013. Refer to note 26 on details of drawings subsequent to the year end.

20. 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 $'000	1-3 months $'000	3 months to 1 year $'000	1–5 years $'000	Total $'000
2013						
Financial Assets						
Non-interest bearing		14,677	-	-	-	14,677
Variable interest rate	0.39%	37,381	-	-	-	37,381
Fixed interest Rate	3.55%	-	3,000	223	-	3,223
		52,058	3,000	223	-	55,281
Financial Liabilities						
Non-interest bearing		53,858	-	-	3,297	57,155
2012						
Financial Assets						
Non-interest bearing		11,191	-	-	-	11,191
Variable interest rate	0.71%	26,903	-	-	-	26,903
Fixed interest Rate	4.57%	37,196	16,142	11,971	-	65,309
		75,290	16,142	11,971	-	103,403
Financial Liabilities						
Non-interest bearing		20,029	-	-	-	20,029

(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 values 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 (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The following table details the fair value of financial assets and financial liabilities, which represents a reasonable approximation of the carrying value of the financial assets and liabilities:

	Consolidated			
	Carrying amount		Fair value	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Financial assets				
Cash and cash equivalents	43,514	96,378	43,514	96,378
Trade and other receivables	11,767	7,025	11,767	7,025
	55,281	103,403	55,281	103,403
Financial liabilities				
Trade and other payables	53,858	20,029	53,858	20,029
	53,858	20,029	53,858	20,029

21. Share-based payments

Tap currently has the Tap Share Rights Plan as its share-based payment scheme. This plan was first approved by shareholders on 30 April 2010 and again on 22 May 2013.

Performance Rights

Long-term incentive awards are made in the form of rights to shares which will have a vesting timeframe of three years. The number of rights that vest will be based on the Consolidated Entity's performance over the same three years. The long-term incentive awards are made by way of the grant of Performance Rights as soon as practicable after each year end. Grants of Performance Rights will be made each year with effect from 1 January.

Vesting of up to 50% of the Performance Rights depends upon the Consolidated Entity's Absolute Total Shareholder Return (ATSR) over three years and up to 50% depends upon Relative Total Shareholder Return (RTSR). The ATSR and RTSR performance hurdles required to achieve increasing levels of vesting will be set by the Board to apply from 1 January of the relevant year. For the Performance Rights granted in 2013 and 2012 as long-term incentive awards, the Board has set the following ATSR and RTSR performance hurdles:

Assess 50% of Rights Against ATSR	
Average Annual ATSR over 3 years	% of Rights which will vest after 3 years
<5%	0%
=5%	12.5%
=15%	25%
≥25%	50%

Assess 50% of Rights Against RTSR	
Relative TSR (Relative Percentile Ranking of TSR against peers over 3 years)	% of Rights which will vest after 3 years
<P50%	0%
=P50%	12.5%
=P62.5	25%
≥P75%	50%

Vesting characteristics of the Performance Rights are as follows:

1. Performance measurement period is three years, which is consistent with the typical time cycle for an exploration program and the Consolidated Entity's strategic emphasis on exploration.
2. Performance is based on differences in ATSR and RTSR as measured from the end of one preceding period to the end of the 3-year assessment period. The ATSR and RTSR use the 30-day VWAP of the Consolidated Entity's shares preceding and including the last day of each measurement period.
3. RTSR is assessed against a peer group of like companies determined by the Board before the start of each assessment period or as soon as practical thereafter. In 2013, the Consolidated Entity used a group of approximately 30 (2012: 30) petroleum industry companies which are listed on the ASX and whose market capitalisation ranged from approximately $12 million to $1,800 million.

Retention Rights

Retention Rights are issued to staff pursuant to the terms of the Share Rights Plan upon or as soon as practicable after commencement of employment. Such rights would vest if the employee remains employed by the Consolidated Entity for three years. Retention Rights are valued at 100% of the 30-day volume-weighted average share price (VWAP) of the Consolidated Entity's shares preceding the date of grant.

Special Awards

The Board retains the discretion to make Special Awards each year. Special Awards can be in the form of Performance Rights and/or Retention Rights. Special Awards are granted to individual staff or Group Executives who are judged by the Board to have made an extraordinary contribution to the current or future performance of the Consolidated Entity or who are expected to play a critical role in one of the Consolidated Entity's activities that could take 2-3 years to complete and where retention of the individual's services is seen as an important determinant of the success to that activity.

21. Share-based payments (cont'd)

Grant date	Number	Expiry date	Exercise price $	Fair value at grant date $
2013				
Performance Rights				
16/01/2013	3,619,430	1/01/2020	-	0.12
16/01/2013	288,197	1/01/2020	-	0.11
24/05/2013	5,000,000	24/05/2020	-	0.00
Retention Rights				
16/01/2013	198,729	13/12/2019	-	0.63
16/07/2013	31,289	4/02/2020	-	0.65
16/07/2013	36,564	15/07/2020	-	0.49
22/07/2013	446,959	27/06/2020	-	0.49
6/09/2013	30,840	29/07/2020	-	0.53
20/09/2013	19,877	19/08/2020	-	0.54
20/09/2013	22,830	1/09/2020	-	0.51
20/09/2013	14,715	2/09/2020	-	0.53
23/10/2013	50,000	14/10/2020	-	0.57
2012				
Performance Rights				
1/03/2012	246,033	1/10/2018	-	0.19
1/03/2012	246,033	1/10/2018	-	0.13
7/03/2012	3,524,254	1/01/2019	-	0.10
Retention Rights				
7/03/2012	194,445	1/01/2019	-	0.84
1/06/2012	12,950	28/05/2019	-	0.70
5/10/2012	25,353	17/09/2019	-	0.71

The volume weighted average fair value of the performance rights granted in 2013 is $0.05 (2012: $0.10). Performance rights issued are valued using a Monte Carlo Simulation model. The Monte Carlo Simulation model is a computer based technique where a large sample of iterations is performed, based on random numbers and their associated probabilities determined by a specified probability distribution function. The Monte Carlo Simulation model is used to determine the probability of the absolute return performance hurdles and the relative return performance hurdles being achieved.

The performance rights have no exercise price and vesting occurs after three years. Expected volatility for the ATSR performance hurdle is based on the volatility of historical 3-year performance period returns using 30-day VWAP share price data. Expected volatility for the RTSR performance hurdle is based on the volatility of historical 3-year performance period returns using 30-day VWAP share price data of Tap Oil Limited shares compared to its peer group.

21. Share-based payments (cont'd)

The volume weighted average fair value of the retention rights granted in 2013 is $0.50 (2012: $0.82). Retention rights are valued using the Black Scholes model with the life of the rights assumed to be three years, which is the same as the vesting period of the retention rights (based on employees remaining in the Consolidated Entity's employment for three years as the condition for rights vesting). The retention rights have no exercise price and no other performance conditions, except that the employees need to be in the Consolidated Entity's employment after a period of three years, resulting in the fair value of the retention rights being equal to the 30-day VWAP share price at the date of grant (the volatility and risk-free rate included as inputs to the Black Scholes model will be irrelevant). Expected volatility is based on the historical 30-day VWAP share price volatility over a 3-year performance period and the risk free interest rate based on the Reserve Bank of Australia's 3-year government bond rate, both as quoted on the date of grant of the retention rights.

Inputs into the model							
Rights series (by expiry date)	**Grant date share price**	**Vesting probability**	**Exercise price**	**Expected volatility**	**Vesting term of rights**	**Dividend yield**	**Risk-free interest rate**
2013							
Performance Rights							
1/01/2020	$0.66	19%	$0.00	9%	3yr	-	N/A
1/01/2020	$0.66	17%	$0.00	9%	2yr	-	N/A
24/05/2020	$0.53	19%	$0.00	10%	3yr	-	N/A
Retention Rights							
13/12/2019	$0.66	N/A	$0.00	38%	1yr	-	2.75%
4/02/2020	$0.53	N/A	$0.00	38%	3yr	-	2.69%
15/07/2020	$0.53	N/A	$0.00	38%	3yr	-	2.69%
27/06/2020	$0.54	N/A	$0.00	38%	1yr	-	2.54%
29/07/2020	$0.50	N/A	$0.00	38%	3yr	-	2.90%
19/08/2020	$0.54	N/A	$0.00	38%	3yr	-	2.90%
1/09/2020	$0.54	N/A	$0.00	38%	3yr	-	2.90%
2/09/2020	$0.54	N/A	$0.00	38%	3yr	-	2.90%
14/10/2020	$0.56	N/A	$0.00	38%	3yr	-	2.95%

Inputs into the model							
Rights series (by expiry date)	**Grant date share price**	**Vesting probability**	**Exercise price**	**Expected volatility**	**Vesting term of rights**	**Dividend yield**	**Risk-free interest rate**
2012							
Performance Rights							
1/10/2018	$0.88	31%	$0.00	14%	1yr	-	N/A
1/10/2018	$0.88	21%	$0.00	16%	2yr	-	N/A
1/01/2019	$0.77	11%	$0.00	16%	3yr	-	N/A
Retention Rights							
1/01/2019	$0.84	N/A	$0.00	44%	3yr	-	3.66%
28/05/2019	$0.70	N/A	$0.00	44%	3yr	-	2.33%
17/09/2019	$0.71	N/A	$0.00	44%	3yr	-	2.49%

21. Share-based payments (cont'd)

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

	2013		2012	
	Number of rights	Weighted average exercise price $	Number of rights	Weighted average exercise price $
Balance at beginning of the financial year	8,857,048	-	5,728,624	-
Granted during the financial year	9,759,430	-	4,249,069	-
Forfeited during the financial year	(2,313,136)	-	(594,343)	-
Vested during the financial year (i)	(1,031,664)	-	(234,737)	-
Lapsed during the financial year	(2,125,003)	-	(291,565)	-
Balance at end of the financial year (ii)	13,146,675	-	8,857,048	-

(i) Vested during the financial year

A total of 113,265 performance rights vested during the 2013 financial year (2012: 234,737). A total of 918,399 retention rights vested during the 2013 financial year (2012: nil).

(ii) Balance at end of the financial year

The performance rights and retention rights outstanding at the end of the financial year had no exercise prices and had a weighted average remaining contractual life of 2,047 days (2012: 1,954 days).

The following share-based payment schemes were applicable for the year ended 31 December 2009 (these share-based payment schemes were replaced by the Tap Oil Limited Share Rights Plan from 30 April 2010) :

(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.

No options were issued during the 2013 and 2012 financial years. No shares were purchased in terms of the Tap Employee and Director Share Plan during the 2013 financial year (2012: nil).

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

	2013		2012	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	871,000	1.53	1,732,237	1.30
Granted during the financial year	-	-	-	-
Forfeited during the financial year	-	-	(11,356)	0.78
Exercised during the financial year (i)	-	-	-	-
Expired during the financial year	(871,000)	1.53	(849,881)	1.07
Balance at end of the financial year (ii)	-	-	871,000	1.53
Exercisable at end of the financial year	-	-	871,000	1.53

(i) Exercised during the financial year

There were no options exercised during the 2013 financial year (2012: nil).

22. Key management personnel compensation

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

Non-Executive Directors

- D W Bailey (Chairman)
- M J Sandy
- D A Schwebel

Senior Executives

- T J Hayden (Managing Director/CEO)
- B M Ulmer (Engineering and Development Manager)
- D J Rich (Chief Financial Officer)
- M J Williams (General Counsel/Company Secretary 1 January – 1 February 2013 & 5 August 2013 – 31 December 2013)
- S F Blenkinsop (General Counsel/Company Secretary 29 January 2013 – 30 August 2013)
- T M Schmedje (Exploration Manager)
- A C Sudlow (Commercial Manager)
- A N Patterson (Business Development Manager resigned 29 March 2013)

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

	Consolidated	
	2013 $	2012 $
Short-term employee benefits	3,123,526	3,576,393
Post-employment benefits	176,719	270,181
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	636,492	691,929
	3,936,737	4,538,503

23. 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 18 to the financial statements.

Equity interests in joint operations

Details of interests in joint operations are disclosed in note 17 to the financial statements.

(b) Key management personnel compensation

Details of key management personnel compensation are disclosed in note 22 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

2013	Balance at 1/1/13	Received on vesting of rights	Net other change (i)	Balance held directly & indirectly at 31/12/13	Balance held nominally (indirectly) (ii)
	No.	No.	No.	No.	No.
Non-executive Directors					
D W Bailey	145,650	-	-	145,650	-
M J Sandy	98,472	-	-	98,472	-
D A Schwebel	100,000	-	-	100,000	-
Executives					
T J Hayden	72,275	496,625	-	568,900	-
M J Williams	35,398	-	-	35,398	-
B M Ulmer	34,654	30,000	(30,000)	34,654	-
T M Schmedje	-	196,378	(37,395)	158,983	-
A C Sudlow	35,398	-	40,000	75,398	-
D J Rich	91,469	152,500	(91,000)	152,969	-
A N Patterson	-	-	-	-	
S F Blenkinsop	-	-	-	-	
	613,316	875,503	(118,395)	1,370,424	-

2012	Balance at 1/1/12	Received on vesting of rights	Received on exercise of options	Net other change (i)	Balance held directly & indirectly at 31/12/12	Balance held nominally (indirectly) (ii)
	No.	No.	No.	No.	No.	No.
Non-executive Directors						
D W Bailey	145,650	-	-	-	145,650	-
M J Sandy	89,472	-	-	9,000	98,472	-
D A Schwebel	-	-	-	100,000	100,000	-
Executives						
T J Hayden	72,275	-	-	-	72,275	-
M J Williams	-	35,398	-	-	35,398	-
B M Ulmer	46,178	35,398	-	(46,922)	34,654	-
T M Schmedje	-	35,398	-	(35,398)	-	-
A C Sudlow	-	35,398	-	-	35,398	-
D J Rich	26,071	35,398	300,000	(270,000)	91,469	-
	379,646	176,990	300,000	(243,320)	613,316	-

(i) Represents shares sold and purchased on the market.
(ii) Nominally means 'in name only'. Disclosure of equity holdings held nominally means disclosure of the equity instruments held by the key management person (or their related entity) in his or her name for the benefit of someone outside their related entity group.

23. Related party transactions (cont'd)

Rights in ordinary shares of Tap Oil Limited

2013	Balance at 1/1/13	Granted as remuneration	Vested during the year	Lapsed during the year	Balance at 31/12/13
	No.	No.	No.	No.	No.
Non-executive Directors					
D W Bailey	-	-	-	-	-
M J Sandy	-	-	-	-	-
D A Schwebel	-	-	-	-	-
Executives					
T J Hayden	2,197,265	6,102,735	(496,625)	(792,858)	7,010,517
M J Williams	489,151	279,625	-	(79,366)	689,410
B M Ulmer	1,200,464	389,127	(30,000)	(344,757)	1,214,834
T M Schmedje	774,069	474,956	(196,378)	(79,366)	973,281
A C Sudlow	306,497	167,252	-	(79,366)	394,383
D J Rich	1,192,440	321,640	(152,500)	(272,645)	1,088,935
S F Blenkinsop	-	-	-	-	-
A N Patterson	194,445	277,169	-	(471,614)	-
	6,354,331	8,012,504	(875,503)	(2,119,972)	11,371,360

2012	Balance at 1/1/12	Granted as remuneration	Vested during the year	Lapsed during the year	Balance at 31/12/12
	No.	No.	No.	No.	No.
Non-executive Directors					
D W Bailey	-	-	-	-	-
M J Sandy	-	-	-	-	-
D A Schwebel	-	-	-	-	-
Executives					
T J Hayden	1,289,483	907,782	-	-	2,197,265
M J Williams	142,027	426,490	(35,398)	(43,968)	489,151
B M Ulmer	834,867	444,963	(35,398)	(43,968)	1,200,464
T M Schmedje	497,285	356,150	(35,398)	(43,968)	774,069
A C Sudlow	106,566	279,297	(35,398)	(43,968)	306,497
D J Rich	760,608	511,198	(35,398)	(43,968)	1,192,440
A N Patterson	-	194,445	-	-	194,445
	3,630,836	3,120,325	(176,990)	(219,840)	6,354,331

All performance and retention rights issued to key management personnel during the financial year were made in accordance with the provisions of the Tap Share Rights Plan referred to in note 21.

A total of 113,265 performance rights vested during the 2013 financial year (2012: 176,990), while 1,925,525 performance rights lapsed during the 2013 financial year (2012: 219,840). A total of 762,238 retention rights vested during the 2013 financial year (2012: nil), while 194,445 retention rights lapsed during the 2013 financial year (2012: nil).

Further details of the share-based payment schemes are contained in note 21 to the financial statements.

(d) Transactions with other related parties

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

Amounts receivable from and payable to parties within the Tap Oil Limited Group eliminate on consolidation. The outstanding balances related to joint operations are disclosed in note 17 to the financial statements. All loans advanced to and payable to related parties are unsecured, have no fixed repayment dates and are interest-free.

Included in Trade Payables at 31 December 2013 are cash calls in respect of G1/48 amounting to $15.347 million that have been paid subsequent to year end. The Consolidated Entity has no other outstanding commitments at 31 December 2013 with related parties (2012: nil).

24. Remuneration of auditors

	Consolidated 2013 $	Consolidated 2012 $
Audit services		
Auditor of the parent entity – Deloitte Touche Tohmatsu		
- Audit and review of financial reports	110,250	110,250
Overseas Deloitte Touche Tohmatsu firms		
- Audit of financial report	60,402	13,408
	170,652	123,658
Other auditors		
- Audit of financial report	24,309	13,070
	194,961	136,728
Other services		
Other auditors		
- Taxation services	7,977	3,425
	7,977	3,425

25. Contingencies

Success payments in respect of the Manora oil field development

As part of the consideration for acquiring the G1/48 permit in 2010, Tap Energy (Thailand) Pty Ltd (a subsidiary of Tap Oil Limited), is liable to make a 2P Reserves Deferred Payment up to a maximum of US$29.85 million. This amount is payable up to four years after first production and is conditional on the Manora 2P Reserves (plus recovered oil) remaining greater than 10MMbbls. The payment is calculated pro-rata based on 2P reserves between 10mmbbls and 35mmbbls.

Contractual Disputes - Woollybutt Joint Venture

Production ceased at Woollybutt on 16 May 2012. FVSN, the FPSO contractor for the Woollybutt field, has commenced arbitration in relation to certain claims arising out of the FPSO Contract:

1. Contract rates

As advised to the ASX on 5 April 2013, Tap has received notice from the International Chamber of Commerce Secretariat (ICC) of FVSN's request for arbitration of a claim by FVSN. The claim relates to disputed FPSO rates payable under the Contract for works and services performed by FVSN. Tap has filed its answer and counterclaim. Tap denies any liability in respect of the claim made by FVSN in the arbitration and, together with its joint venturers, is defending the claim. Tap considers the probability of any material financial outflow from the Consolidated Entity is unlikely.

2. Well Product

On 15 April 2013 Tap received notice from the ICC of FVSN's request for arbitration of a claim based on an assertion by FVSN the well product did not accord with the specifications set out in the contract. Tap has filed its answer and counterclaim. Tap denies any liability in respect of the claim made by FVSN in the arbitration and, together with its joint venturers, is defending the claim. Tap considers the probability of any material financial outflow from the Consolidated Entity is unlikely.

26. Subsequent Events

Since the end of the financial year the Directors are not aware of any other 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, except for:

a) The Operator of the Manora joint venture, Mubadala Petroleum, has advised that Phase 1 of the Offshore Installation program is now complete. This includes the loadout and subsequent installation of the Manora platform jacket, subsea lines and Pipeline End Manifold (PLEM). The work was completed on schedule with no HSE incidents. All offshore installation vessels, installation equipment and personnel have now been demobilised.

b) Tap considers that successful completion of the Phase 1 program significantly reduces the offshore installation risk which is a typical area for delay in projects of this nature.

c) Refer to section 4.1.2 in the Directors' Report for more information on Manora.

d) Following an evaluation of the on-block data and remaining prospectivity, Tap has decided to withdraw from the Offshore Accra Contract Area and not proceed to the First Extension Period. Tap will have no further commitments for this acreage; and

e) Since the end of the financial year to the date of this report, Tap has drawn $20 million under its facilities with CBA and has cash on hand of $24.5 million.

27. Parent entity disclosures

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 1 for a summary of the significant accounting policies relating to the Consolidated Entity.

	Parent Entity	
	2013 $'000	**2012 $'000**
Financial Position of parent entity at year end		
Assets		
Current assets	167,727	208,240
Non-current assets	31,276	20,214
Total assets	199,003	228,454
Liabilities		
Current liabilities	185	55,962
Non-current liabilities	134	154
Total liabilities	319	56,116
Net assets	198,684	172,338
Total equity of the parent entity comprising of:		
Issued capital	157,729	157,729
Retained earnings	8,768	8,768
Share option reserve	4,491	4,491
Share rights reserve	2,091	1,350
Profit reserve	25,605	-
Total equity	198,684	172,338
Results of the parent entity		
Profit for the year	25,605	31,249
Total comprehensive income	25,605	31,249

27. Parent entity disclosures (cont'd)

Guarantees entered into by the parent entity

Parent company guarantees are extended on a case by case basis. Tap Oil Ltd has provided a number of performance guarantees for subsidiaries under the terms of joint operations operating agreements and agreements with Governments pertaining to oil & gas exploration.

Tap Oil Limited has a parent company guarantee in place which guarantees the obligations of Tap Oil (Ghana) Ltd under the Petroleum Agreement for the Offshore Accra Contract Area, Ghana.

Tap Oil Limited has parent company guarantees in place which guarantees the obligations of Tap Energy (Thailand) Pty Ltd under the Petroleum Concessions for the G1/48 and G3/48 Permit Areas, Thailand.

Tap Oil Limited has parent company guarantees in place which guarantees the obligations of Tap (WA Gas) Pty Ltd under gas sale agreements.

Tap has secured a US$50 million Manora field development debt facility and a A$20 million corporate debt facility with the Commonwealth Bank of Australia. Both facilities are currently undrawn. Tap Oil Limited has provided parent company guarantees to the bank as part of the security.

Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2013 other than those disclosed in note 25.

Lease commitments of the Parent entity

Operating leases

Leasing arrangements

The Parent Entity has non-cancellable operating leases for office premises (the premises lease expires on 31 January 2018) and Office equipment (the copy management plan expires on 29 November 2015).

	Parent Entity	
	2013 $'000	2012 $'000
Non-cancellable operating lease commitments		
Not longer than 1 year	599	566
Longer than 1 year and not longer than 5 years	2,003	2,546
Longer than 5 years	-	57
	2,602	3,169

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: +61 8 9485 1000

Principal place of business
Level 1, 47 Colin Street
West Perth WA 6005
Ph: +61 8 9485 1000

Shareholder Information as at 8 April 2013

1. NUMBER OF EQUITY HOLDERS

Ordinary Share Capital

242,237,221 fully paid ordinary shares are held by 7,094 individual shareholders.

Options

There were no options on issues at the date of this report.

Performance Rights

The following performance/retention rights are on issue at the date of this report:

Number	Class	Vesting Date
5,000,000	Performance Rights (special award to MD/CEO).	1 July 2016
3,123,430	Performance Rights	1 January 2015
2,812,304	Performance Rights	1 January 2016
3,753,834	Performance Rights	1 January 2017
733,927	Retention Rights	Various
487,200	Retention Rights	Various

2. VOTING RIGHTS

In accordance with Article 5 of the Company's Constitution, on a show of hands every shareholder present in person or by proxy, attorney or representative of a shareholder has one vote and on a poll every shareholder present in person or by proxy, attorney or representative of a shareholder has in respect of fully paid shares, one vote for every share held. No class of Option holders and rights holders do not have has a right to vote, however the shares issued upon exercise of options or vesting of rights will rank pari passu with the then existing issued fully paid ordinary shares.

3. DISTRIBUTION OF SHAREHOLDINGS

Holdings	No. of Shareholders
1 to 1,000	1,269
1,001 to 5,000	2,826
5,001 to 10,000	1,291
10,001 to 100,000	1,569
100,001 & over	139
Total	7,094

4. UNMARKETABLE PARCELS

There were 782 shareholders holding less than a marketable parcel of shares in the Company.

5. SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as disclosed in substantial shareholder notices given to the Company and/or the records maintained by the Company's share registry are as follows:

Name	Shares	%
M&G Investment Management	23,983,178	9.9
Northern Gulf Petroleum Holdings	15,276,997	6.3
Dimensional Fund Advisors	13,295,519	5.5

6. THE 20 LARGEST HOLDERS OF ORDINARY SHARES AS AT 4 APRIL 2014

Name	Units	% of Units
Citicorp Nominees Pty Limited	36,241,600	14.96
HSBC Custody Nominees (Australia) Limited	35,633,501	14.71
BNP Paribas Noms Pty Ltd <DRP>	19,248,936	7.95
J P Morgan Nominees Australia Limited	15,479,323	6.39
Zero Nominees Pty Ltd	11,684,189	4.82
National Nominees Limited	10,188,589	4.21
AMP Life Limited	5,551,163	2.29
JP Morgan Nominees Australia Limited <Cash Income A/C>	3,117,160	1.29
Mirrabooka Investments Limited	3,000,000	1.24
Mr Chatchai Yenbamroong	1,869,954	0.77
Ms Margaret Packer	1,503,351	0.62
Weswood Pty Ltd <Paul Underwood Family A/C>	1,429,767	0.59
HSBC Custody Nominees (Australia) Limited - a/c 2	1,193,800	0.49
Waratah Capital Partners Pty Limited	1,175,000	0.49
Mr David Andrew Jennings + Ms Deborah Jan Jennings <Jennings Family Super A/C>	1,000,000	0.41
Belbay Investments Pty Ltd	881,500	0.36
BNP Paribas Noms (NZ) Ltd <DRP>	867,943	0.36
Qic Limited	828,456	0.34
Mr Gregory John Munyard + Mrs Maria Ann Munyard + Miss Carmen Helene Munyard <Riviera Super Fund A/C>	770,000	0.32
Goldman Sachs Australia Pty Ltd <House Omni A/C>	757,157	0.31
TOTAL	**152,421,389**	**62.92**

Corporate Directory

Directors

D W Bailey
Independent, Non-executive Chairman

T J Hayden
Managing Director/Chief Executive Officer

M J Sandy
Independent, Non-executive Director

D A Schwebel
Independent, Non-executive Director

Company Secretary

M J Williams

Registered Office

Level 1, 47 Colin Street
West Perth WA 6000

Telephone: +61 8 9485 1000
Facsimile: +61 8 9485 1060
Email: info@tapoil.com.au
Website: www.tapoil.com.au

Share Registry

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
Perth WA 6000
Telephone: +61 8 9323 2000

Auditors

Deloitte Touche Tohmatsu
Level 14, 240 St Georges Terrace
Perth WA 6000

Stock Exchange Listing

Australian Securities Exchange Limited
ASX Code – TAP

Bankers

Commonwealth Bank of Australia
Level 14A, 300 Murray St
Perth WA 6000

St George Bank
Level 11, 152-158 St Georges Terrace
Perth WA 6000