Company Insight
the intelligent market update

Tap Oil Limited **Date of Lodgement: 16/1/12**

Title: "Company Insight – Explains the Sale of Finucane & Fletcher"

Highlights of Interview

- **Reasons for the sale.**
- **Discussion on the price received.**
- **Outlines the sale process.**
- **Intended use of the funds.**
- **Outlines growth strategy for Tap Oil.**

Record of interview:

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Tap Oil Limited (ASX code: TAP; market cap of ~$140m) has just announced that it has exited the Finucane/Fletcher JV by selling its interests in the respective holdings for A$21.7 million. Tap held 8.2% of Finucane and 10.9333% of Fletcher. Why did you sell?

Managing Director, Troy Hayden
We believe the proposed development plan for the Finucane/Fletcher discovery was not in the best interests of Tap shareholders. This plan involved a tie back of the Fletcher and Finucane fields to the Mutineer Exeter FPSO, a facility which we, unlike all other equity partners in the project, had no ownership stake in. Rather than risk a sub-optimal economic return over the next few years, we decided to pursue a sale strategy which would immediately crystalise our value in the asset and deliver us A$21.7m in cash.

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Tap stated in its announcement that it was unable to reach agreement on suitable commercial terms for utilising the Mutineer Exeter facility. What value did Tap place on its Finucane/Fletcher interest? Did you receive a fair price?

Troy Hayden
I'm confident we received a fair price for the asset and this is supported by a number of factors. Firstly, the sale price implied a price per barrel of $18 for 2P reserves, which is well above recent comparable deals which have tended to be in the $8 to $12 per barrel range.

Secondly, the sale price compares favourably with the published valuations of the independent stockbroking analysts who cover Tap. Finally, our internal modelling indicated that the price received was attractive with no development, production, price, cost or reservoir risk to manage over the life of the project.

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What was the sales process?

Troy Hayden
It became apparent we were having difficulty reaching an acceptable outcome on the commercial terms around Christmas time, so we commenced a very discreet sale process. We conducted this process ourselves and no transaction fees are payable to external advisors.

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What will you use the funds for?

Troy Hayden
The timing of these funds is ideal as it bolsters our balance sheet ahead of a year of high exploration and development activity. We are approaching FID on our Manora project in Thailand and, while we expect to debt finance a large part of this development, an equity component will still be required. We also plan to use the funds to drill a number of planned exploration wells in Thailand.

Outside of this, we are continually searching for new exploration acreage and having cash readily available makes it easier to execute the right transaction quickly.

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As an oil and gas producer, why wouldn't you keep this asset when you need to increase oil and gas reserves and production?

Troy Hayden
Our primary focus is on maximising shareholder value. We seek to grow reserves and production, but not in projects which we don't believe will make a satisfactory economic return or where the liability regime is too onerous.

I'm sure the partners which have equity positions in both the project and the facility will be forecasting sound returns from the development, but with Tap being on only one side of the negotiations, we believe that we weren't getting access to the full synergies of the tie back.

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As the relatively new Managing Director of Tap, you've already made several changes to your asset portfolio and your corporate office. Can you reiterate your growth strategy for Tap?

Troy Hayden
The company has changed substantially in the past year. There has been significant change implemented in personnel across staff, management and the Board along with a major cultural change with a strict commercial discipline being instilled throughout the organisation.

Our geographic focus is on Australasia and South East Asia. Outside of this, we also have a world-class opportunity in our Ghana Block.

Our near term focus is on our WA-351 permit in the Carnarvon Basin, where we expect to spud the Tallaganda-1 well this quarter. This is a huge opportunity for Tap – here we have a material position in a highly prospective well with a high estimated chance of success and a large target size of 2-3 tcf of gas in the block. BHP is the operator of the permit and will cover our costs on the well for up to $10m. We also have some other prospective exploration opportunities in the Carnarvon Basin which we will look to mature in the current year.

Our other key focus is on our Thailand assets. Here we will be going after the exploration opportunities in our offshore concessions and ensuring the Manora development is achieved on time and on budget as we work towards first production in 2014.

Overall, the company is well placed. We have a portfolio of attractive assets, a year of high activity planned and a strong balance sheet. 2012 should be a big year for Tap.

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Thank you Troy.