



**Half Year Report
30 June 2020**

Incorporating Appendix 4D Disclosures

Tap Oil Limited and its controlled entities

ABN 89 068 572 341

The Group's presentation currency is United States Dollars (US\$).

The functional currency of Tap Oil and its controlled entities is United States Dollars (US\$).

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TAP OIL LIMITED
APPENDIX 4D

For the half year ended 30 June 2020

Results for announcement to the market

		%	30 June 2020 US\$'000	30 June 2019 US\$'000
		change		
Revenue from continuing operations	Down	46%	9,430	17,310
Profit/ (loss) from continuing operations after tax	Down	2,203%	(17,774)	845
Profit/ (loss) for the period attributable to members	Down	2,415%	(17,736)	766

Dividends	Amount per security	Franked amount per security
Dividends	Nil	Nil
Previous corresponding period	Nil	Nil

NTA backing	30 June 2020	31 December 2019
Net tangible asset ⁺ backing per ordinary security	\$0.07	\$0.11

⁺ Net assets excluding deferred exploration expenditure.

Details of controlled entities

Control gained/lost over entities having material effect

There was no control gained or lost over entities during the six-month period ending 30 June 2020.

TAP OIL LIMITED

OPERATING AND FINANCIAL REVIEW

Overview

Tap has ongoing revenues and cash flow from its interest in the Manora Oil Field (**Manora**) in the Gulf of Thailand and an existing Australian exploration portfolio.

Tap is debt free and building a strong cash position from cash flows at Manora, as well as continuing to seek opportunities to rationalise and monetise its Australian portfolio.

Tap is focused on delivering value from its existing portfolio, by:

- Continuing to work with the Manora Field Operator, Mubadala Petroleum to optimise production and ultimate oil recovery;
- And accelerate production inside the production
- Reducing costs to extend the economic life.
- Continuing to focus on keeping corporate costs low.

Covid-19

Tap's business in the first half of 2020 was impacted by the twin economic shocks of significantly lower oil prices and the COVID-19 pandemic.

Tap is committed to supporting government and community efforts to limit the impact of the pandemic and ensure business continuity. The company implemented a series of measures to protect the health and safety of its people, including changes to office working arrangements, restricting travel and implementing social distancing measures. We have been able to have continued operations at the Manora field as a result of these measure to date.

Tap also implemented financial measures to ensure the company remains a low-cost, reliable and sustainable business through the oil price cycle. These included a reduction of forecast 2020 production costs and removal of our 2020 exploration program at Manora.

Tap recognised a total impairment of \$9.377 million, solely relating to the Manora asset at 30 June 2020. The impairment charge is due to revised oil price assumptions resulting from the effects of the COVID-19 pandemic on energy market demand fundamentals.

The Company did not receive the JobKeeper supplement.

Production and Sales

<i>Tap Share</i>	30 June 2020 '000 bbl	30 June 2020 US\$'000	30 June 2019 '000 bbl	30 June 2019 US\$'000
Production:				
Oil – Manora	274		293	
Sales:				
Oil - Manora	218	9,430	253	17,310
Total sales	218	9,430	253	17,310
Average realised oil price/bbl		US\$43.34		US\$68.3

TAP OIL LIMITED

OPERATING AND FINANCIAL REVIEW

Manora Oil Field – G1/48 Thailand (30% interest)

The Manora Oil Field (**Manora**) is located offshore in the Gulf of Thailand and operated by MP G1 (Thailand) Limited (**Mubadala**). The field is located approximately 80 kilometres offshore of Prachuap Khiri Khan Province.

Manora was discovered in November 2009 and brought on-stream in November 2014.

The Manora facilities include a wellhead processing platform with oil stored in a floating storage and offloading (FSO) vessel and exported via shuttle tanker. The FSO stores the crude oil and also serves as the accommodation hub.

The average gross production rate year to date to 30 June 2020 was 5,030 bopd (gross). Gross production for the half year was 0.91 MMSTB (Tap share 0.27 MMSTB) and cumulative field production to 30 June 2020 was 17.2 MMSTB gross (Tap's share 5.16 MMSTB).

Production for the period declined primarily due to natural decline from wells and production curtailment in May because of oil marketing issues and FSO storage limitations.

On 14 May 2020, the Operator of the Manora Oil Field, Mubadala Petroleum commenced a development drilling and workover program that was completed post quarter end on 4 July 2020. The 54-day campaign using the Valaris 115 jack-up drilling rig, comprised four new development wells (MNA-25, MNA-26H, MNA-27, MNA-28) and the workover of two existing wells (MNA-7, MNA-15).

The program was completed with no lost time incidents, 8.5 % under budget and 2.5 days ahead of schedule. This was an exceptional achievement in a very challenging health, safety, operating and logistics environment given the global COVID-19 pandemic.

The total cost of the program is estimated at approximately US\$15.08 million (US\$4.52 million net to Tap).

All wells were on stream by 14 July 2020 adding over 4,500 bopd gross to total field production capacity with Manora now capable of producing around 9,500 bopd gross. Some key highlights of the highly successful campaign include:

MNA-25 is now the new crestal development well for the 600 series oil reservoirs in the Central Fault Block (CFB).

MNA-26H is a horizontal well which will produce otherwise undrained oil in the high-quality 370-10 reservoir of the Eastern Fault Block (EFB).

MNA-27 is now the crestal well for the prolific 490 series reservoirs in the EFB

MNA-28 also intersected the thick, high quality 490 series oil reservoirs high to prognosis and is a key additional oil producer.

MNA-15 well, which had been shut-in, had a new electrical submersible pump (ESP) installed and commenced production at around 500 bopd gross,

MNA-7 was converted to a water injection well to add an estimated 8,000 bwpd water disposal capacity required for the forecast ramp-up of production.

Gross crude oil liftings of 1,460,000 bbls (438,000 bbls net to Tap) have been scheduled between July and December 2020.

At mid-July 2020 production, including all new wells was constrained to around 7,000 bopd gross until early September 2020 due to Manora FSO crude oil storage capacity constraints.

Exploration and Appraisal

Offshore Thailand (30% interest)

The G1/48 concession comprises the Manora Oil Field under production license and the Reservation Area of 87.82 km² within the concession.

The Operator submitted an application to DMF for a North Kra Production Area (PA) extension to the east of the current North Kra (Manora) PA. The extension area will cover the Malida field discovery of 2015. The proposed North Kra extension will cover an area of around 14 km². The commercial development of the Malida discovery will depend among other factors on the further exploration success of nearby structures.

TAP OIL LIMITED

OPERATING AND FINANCIAL REVIEW

A portfolio of near field exploration opportunities has been evaluated, inventorised and ranked. While prospect DEF located 4.3 km north-northeast of the Manora Platform is the top ranked exploration prospect, no further exploration drilling is planned in the current oil price environment with the current focus being to reduce costs while optimising and accelerating production of Manora field reserves.

Myanmar (95% interest)

Block M-7 Moattama Basin, Offshore Myanmar

Block M-7 is located in the gas and condensate prone Moattama basin, offshore Myanmar.

Tap has met with its exit obligations and finalised its exit with the closing down of the two Singapore companies that held the interest on 6 July 2020.

Strategy

As articulated in the 15 May AGM presentation^[1] Taps strategy is focused on delivering value from its existing portfolio. Tap is focused on delivering value from its existing portfolio, by:

- Continuing to work with the Manora Field Operator, Mubadala Petroleum to optimise production and ultimate oil recovery;
- Working with the Operator to accelerate production;
- Reducing operating costs to extend the economic life.

Financial Summary

Tap's Manora crude oil revenues were \$9.4 million (2019: \$17.3 million) which consisted of 3 oil liftings totalling 217,609 bbls (2019: 252,872 bbls) sold at an average of \$43.3/bbl (2019: \$68.5/bbl).

Manora cost of sales were \$10.4 million (2019: \$12.4 million). Included in cost of sales was depreciation of \$6.2 million (2019: \$5.6 million).

Gross loss was \$0.96 million (2019: Gross profit \$4.9 million).

Tap has booked impairment losses and write-downs of \$9.4 million (2019: \$27,000) primarily relating to the impairment of the Manora development asset that occurred due to the oil price decline that has occurred in 2020, included in this impairment was \$3.6 million that related to an increase in the abandonment provision.

After impairment losses and write-downs, the net loss before tax was \$11.9 million (2019: net profit before tax of \$3.2 million) and the net loss after tax was \$17.8 million (2019: net profit after tax of \$0.8 million).

The income tax expense of \$5.9 million (2019: \$2.4 million) is primarily attributable to a change in the assessment of probable future taxable income, due to the oil price correction experienced in 2020, which led to a write off of the Company's deferred tax asset.

Net cash inflows from operations were \$6.9 million (2019: \$14.5 million).

Other income of \$0.2 million (2019: \$0.4 million) consists mainly of interest received of \$0.2 million (2019: \$0.3 million).

Administration costs were steady for the period at \$1.0 million (2019: \$0.9 million), reflecting a lower cost structure put in place in 2019.

Hedging

In January 2019, Tap executed hedging for 75,000 barrels buy puts and sell calls bringing the total hedged between February 2020 and April 2020 to 67% of February 2020 and 33% of April 2020 anticipated liftings at an average put strike price of US\$62.95/bbl and average call strike price of US\$65.20/bbl. In May 2020, Tap executed a swap hedge for the July 2020 and September 2020 lifting for 37,500 and 27,000 barrels respectively of crude oil using Dubai benchmark as the reference price at a fixed price of US\$35.5/bbl and US\$36.20p/bbl respectively. No further hedging has been undertaken during the half year period.

^[1] Refer to <https://www.asx.com.au/asxpdf/20200515/pdf/44hvf1qlmx9hjh.pdf>

TAP OIL LIMITED

DIRECTORS' REPORT

The Directors of Tap Oil Limited (Tap or the Company) present their report for the half-year ended 30 June 2020.

Directors

The names of the Directors of the Company during or since the end of the half-year are set out below. All Directors were in office for the entire period unless otherwise stated.

Chris Newton	Executive Chairman
Kamarudin Baba	Non-Executive Director
Zane Lewis	Non-Executive Director
David King	Non-Executive Director

Principal Activities

The principal activities of the Consolidated Entity, being the Company and its controlled entities, during the half-year were oil and gas exploration and production.

Review and Results of Operations

A review of operations and results of the Consolidated Entity can be found in the Operating and Financial Review set out on page 2.

Dividends

Since the end of the previous financial year, no dividend has been paid or declared.

Review of operations

The Review of Operations for the half year ended 30 June 2020 is set out on pages 2 to 4 and forms part of this Directors' Report.

Risk Management and Corporate Governance

Tap's Corporate Governance Statement and Appendix 4G were released to ASX on 31 March 2020.

Changes to Equity

A total of 4,510,944 employee share rights were issued during the half-year ended 30 June 2020 (2019: 6,348,788). 2,471,642 shares were issued during the half year ended 30 June 2020 (2019: Nil) as a result of the vesting of employee share rights. A total of 139,892 share rights expired, lapsed or were cancelled during the half-year ended 30 June 2020 (2019: 327,685). The total number of share rights on issue at 30 June 2020 was 8,936,421 (2019: 9,680,428).

Auditor's Independence Declaration

The auditor's independence declaration is included on page 6 of the half-year report.

Subsequent Events

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial periods, other than:

On 6th July 2020 Tap (M-7) Pte Ltd and Tap (SE Asia) Pte Ltd were officially struck off from the register in Singapore.

Rounding Off of Amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the consolidated financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of Directors.



Christopher Newton
Executive Chairman
Perth, 31 August 2020



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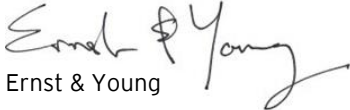
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Auditor's Independence Declaration to the Directors of Tap Oil Limited

As lead auditor for the review of the half-year financial report of Tap Oil Limited for the half-year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

- a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b. no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Tap Oil Limited and the entities it controlled during the financial period.


Ernst & Young



Darryn Hall
Partner
31 August 2020



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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Tap Oil Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 30 June 2020, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 30 June 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

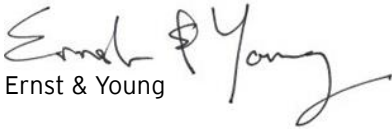
A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young



Darryn Hall
Partner
Perth
31 August 2020

TAP OIL LIMITED
DIRECTORS' DECLARATION

In the opinion of the Directors of Tap Oil Limited:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position at 30 June 2020 and the performance for the half year ended on that date of the consolidated entity; and
 - (ii) Complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors.



Christopher Newton
Executive Chairman

Perth, 31 August 2020

TAP OIL LIMITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2020

	Note	Consolidated Half-year ended	
		30 June 2020 US\$'000	30 June 2019 US\$'000
Revenue	B1(a)	8,332	17,230
Derivative/hedge gain/(loss)		1,098	80
Cost of sales	B1(b)	(10,393)	(12,418)
Gross profit		(963)	4,892
Other revenue	B1(a)	243	398
Administration expenses		(982)	(903)
Finance costs	B1(c)	(790)	(1,124)
Impairment losses and write-downs	B1(c)	(9,377)	(34)
Other expenses		-	-
Profit before tax		(11,869)	3,229
Income tax expense	B3	(5,905)	(2,384)
Profit/ (loss) for the period after tax		(17,774)	845
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Reversal of unrealised loss on cash flow hedge		-	-
Foreign currency translation differences – foreign operations		38	(79)
Total comprehensive profit/ (loss) for the period		(17,736)	766
Profit/ (loss) per share			
Basic (cents per share)		(4.2)	0.2
Diluted (cents per share)		(4.2)	0.2

Notes to the financial statements are included on pages 14 to 23.

TAP OIL LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

		Consolidated	
		30 June 2020 US\$'000	31 December 2019 US\$'000
Note			
Current Assets			
	Cash and cash equivalents	26,656	26,663
	Trade and other receivables	2,562	5,957
	Inventories	6,863	4,975
	Current tax assets	66	66
	Other current assets	51	368
	Total current assets	36,198	38,029
Non-current assets			
	Property, plant and equipment	28,998	40,023
	Exploration and evaluation assets	-	-
	Deferred tax asset	-	5,905
	Total non-current assets	28,998	45,928
	Total assets	65,196	83,957
Current liabilities			
	Trade and other payables	7,323	7,482
	Current tax liabilities	-	-
	Provisions	77	62
	Lease liabilities	4,987	4,513
	Other financial liabilities	404	-
	Total current liabilities	12,791	12,057
Non-current liabilities			
	Provisions	16,458	12,698
	Lease liabilities	5,321	10,967
	Total non-current liabilities	21,779	23,665
	Total liabilities	34,570	35,722
	Net assets	30,626	48,235
Equity			
	Issued capital	141,720	141,591
	Share options reserve	3,526	3,526
	Share rights reserve	3,506	3,508
	Foreign currency translation reserve	30,537	30,499
	Profit reserve	65,488	65,488
	Accumulated losses	(214,151)	(196,377)
	Total equity	30,626	48,235

Notes to the financial statements are included on pages 14 to 23.

TAP OIL LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2020

	Issued Capital US\$'000	Share options reserve US\$'000	Share rights reserve US\$'000	Cash flow hedge reserve US\$'000	Foreign currency translatio n reserve US\$'000	Profit reserve US\$'000	Accumulate d losses US\$'000	Total US\$'000
Balance at 1 January 2019	141,624	3,526	3,371	-	56,648	72,940	(230,695)	47,414
Loss for the period	-	-	-	-	-	-	845	845
Other comprehensive income for the period	-	-	-	-	(79)	-	-	(79)
Total comprehensive income for the period	-	-	-	-	(79)	-	845	766
Recognition of share-based payments	-	-	81	-	-	-	-	81
Balance at 30 June 2019	141,624	3,526	3,452	-	56,569	72,940	(229,850)	48,261
Balance at 1 January 2020	141,591	3,526	3,508	-	30,499	65,488	(196,377)	48,235
Profit for the period	-	-	-	-	-	-	(17,774)	(17,773)
Other comprehensive income for the period	-	-	-	-	38	-	-	38
Total comprehensive income for the period	-	-	-	-	38	-	(17,774)	(17,735)
Recognition of share-based payments	-	-	127	-	-	-	-	127
Conversion of Rights to Issued Capital	129	-	(129)	-	-	-	-	-
Balance at 30 June 2020	141,720	3,526	3,506	-	30,537	65,488	(214,151)	30,626

Notes to the financial statements are included on pages 14 to 23.

TAP OIL LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2020

	Consolidated Half-year ended	
	30 June 2020 US\$'000	30 June 2019 US\$'000
Cash flows from operating activities		
Receipts from customers	13,799	21,773
Payments to suppliers and employees	(7,017)	(7,459)
Interest received	151	251
Income tax paid	-	(26)
Net cash provided by operating activities	6,933	14,539
Cash flows from investing activities		
Proceeds from sale of permits	-	68
Payments for property, plant & equipment	(4,048)	(880)
Payments for exploration expenditure	-	(395)
Payments for restoration expenditure	-	(125)
Net cash used in investing activities	(4,048)	(1,332)
Cash flows from financing activities		
Repayment of lease liability	(2,845)	(2,930)
Payment of interest and transaction costs related to loans and borrowings	-	-
Net cash used in financing activities	(2,845)	(2,930)
Net increase/(decrease) in cash and cash equivalents	40	10,277
Cash and cash equivalents at the beginning of the half-year	26,663	21,186
Effects of exchange rate changes on the balance of cash held in foreign currencies	(47)	77
Cash and cash equivalents at the end of the half-year	26,656	31,540

Notes to the financial statements are included on pages 14 to 23.

TAP OIL LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

A Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in US dollars, unless otherwise noted.

Tap Oil Limited (the Company or Tap) is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Significant Accounting Judgements, Estimates And Assumption

Significant judgements, estimates and assumptions for the half-year ended 30 June 2020 include consideration to the COVID-19 pandemic. The carrying value of certain assets and liabilities have been measured with revised corporate assumptions resulting from the effects of the COVID-19 pandemic on energy market demand fundamentals, in particular a lower oil price. The impacts of COVID-19 will continue to be monitored.

Other than disclosures specifically in note C1 Impairment of non-current assets, the Group has attempted, wherever possible, to reflect the changed operating conditions apparent with COVID-19, with specific consideration given to estimates and judgements applied in the following key areas:

- Development expenditures,
- Leases,
- Restoration costs provision,
- Taxation.

The Group has implemented financial measures appropriate to the business environment to ensure that the Group continues to remain reliable and sustainable, under COVID-19 economic conditions. This includes ensuring the Group is well-positioned to leverage growth opportunities when business conditions improve. The half-year financial report has been prepared using a going concern basis of preparation and the Group continues to be able to pay its debts as they fall due.

Accounting policies

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2019 annual financial report for the financial year ended 31 December 2019, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. Certain comparative information has been reclassified to conform with current period presentation.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year. The adoption of these standards and interpretations did not have any effect on the financial position or performance of the Consolidated Entity.

TAP OIL LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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	Expected to be initially applied in the financial year ending
AASB 2018-6 Amendments – Definition of a Business	1 January 2020	31 December 2020
AASB 2018-7 Amendments – Definition of Material	1 January 2020	31 December 2020
AASB 2014-10 Amendments – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2022	31 December 2020
AASB 2015-10 Amendments – Effective Date of Amendments to AASB 10 and AASB 128	1 January 2022	31 December 2022

The Directors note that the impact of the initial application of the Standards and Interpretations are not material to the Company. 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.

B1 Profit/ (loss) for the half year from operations

	Consolidated Half-year ended	
	30 June 2020 US\$'000	30 June 2019 US\$'000
(a) Revenue		
Crude oil revenue	8,332	17,230
	8,332	17,230
Other revenue:		
Royalties received	-	45
Interest received	211	265
Net gain on sale of permits	-	-
Net foreign exchange gain	32	88
	243	398
	8,575	17,628

TAP OIL LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

B1 Profit/ (loss) for the half year from operations (cont)

(b) Cost of sales

Crude oil:

Production costs

Depreciation of capitalised development costs

Government royalties

Other costs of sales

Consolidated Half-year ended	
30 June 2020 US\$'000	30 June 2019 US\$'000
3,384	5,486
6,175	5,604
625	1,354
209	713
10,393	13,157

(c) Profit/(loss) before tax

Profit/(loss) for the period includes the following items that are unusual due to their nature, size or incidence:

Expenses

Finance Costs*

Impairment losses and write-downs:

Property, plant and equipment impairment losses**

Consolidated Half-year ended	
30 June 2020 US\$'000	30 June 2019 US\$'000
(790)	(1,124)
(9,377)	(34)
(9,377)	(34)

* - \$113,000 (2019: \$385,000) of finance costs relate to the notional interest from unwinding the discount on the restoration provision.

** - As set out in note C1 impairment expense was impacted by the global decline in oil price and the increase in the abandonment provision arising from a review of cost estimates by a third party.

B2 Segment Information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	Revenue Half-year ended		Segment result Half-year ended	
	30 June 2020 US\$'000	30 June 2019 US\$'000	30 June 2020 US\$'000	30 June 2019 US\$'000
Operations				
Oil & gas production and development	9,430	17,310	(11,172)	4,153
Oil & gas exploration	-	-	39	(347)
	9,430	17,310	(11,133)	3,806
Interest revenue			204	265
Net central administration costs			(930)	(930)
Net foreign exchange gains/(losses)			(10)	88
(Loss)/ Profit before tax			(11,869)	3,229
Income tax expense			(5,905)	(2,384)
Consolidated segment revenue and loss for the period	9,430	17,310	(17,774)	845

The revenue reported above represents revenue generated from external sources. There were no intersegment sales during the period.

Segment result represents the profit earned by each segment or loss made by each segment without the allocation of centralised administration expenses, recoveries of administration expenses recognised on a Consolidated Entity level, interest revenue, foreign exchange gains/(losses) and income tax (expenses)/benefits.

The following is an analysis of the Consolidated Entity's assets and liabilities by reportable operating segment:

	Assets	
	30 June 2020 US\$'000	31 December 2019 US\$'000
Oil & gas production and development	44,197	64,517
Oil & gas exploration	-	549
Total segment assets	44,197	65,066
Unallocated assets	20,999	18,891
Consolidated total assets	65,196	83,957
	Liabilities	
	30 June 2020 US\$'000	31 December 2019 US\$'000
Oil & gas production and development	34,257	35,466
Oil & gas exploration	8	5
Total segment liabilities	34,265	35,471
Unallocated liabilities	305	251
Consolidated total liabilities	34,570	35,722

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B3 Income Tax Expense

The income tax expense of \$5.9 million is primarily attributable to a change in the assessment of probable future taxable income, due to the oil price correction experienced in 2020, which led to a write off of the Company's deferred tax asset.

	Consolidated	
	30 June 2020 US\$'000	31 December 2019 US\$'000
C1 Property, plant and equipment		
Development expenditures		
<u>Gross carrying amount - at cost:</u>		
Opening balance	283,234	278,754
Additions	7,710	4,399
Modification of lease terms	(3,166)	-
Foreign exchange	-	-
Closing balance	287,778	283,153
<u>Accumulated depreciation and impairment:</u>		
Opening balance	243,259	228,868
Depreciation	6,175	14,391
Impairment	9,416	-
Closing balance	258,850	243,259
Net Book Value	28,928	39,894
Office improvements, furniture & equipment		
<u>Gross carrying amount - at cost:</u>		
Opening balance	87	564
Additions	30	104
Foreign exchange movements	(1)	(4)
Asset write-offs	-	(496)
Closing balance	116	168
<u>Accumulated depreciation:</u>		
Opening balance	39	518
Asset write-offs	-	(495)
Foreign exchange movements	(1)	(4)
Depreciation	8	20
Closing balance	46	39
Net Book Value	70	129
Total - Net Book Value	28,998	40,023

Note: Included in Property, Plant and Equipment are leased assets. The FSO lease asset forms part of development expenditures and the office lease forming part of office improvements, furniture & Equipment. During the period the lease term modification related to the reduction in the expected term of the Manora FSO in line with the change in the project economics out as set out in note C1.

TAP OIL LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

C1 Property, plant and equipment (cont)

Impairment of development expenditures

At 30 June 2020, the Consolidated Entity has assessed each cash generating unit to determine whether an impairment indicator existed. The Consolidated Entity's only operating CGU, the Manora project, presented with an impairment indicator as a result of the decrease in global oil prices due to the impacts of the COVID-19 pandemic, oversupply and weakened global demand (2019: no impairment or indicator). During the period the company engaged an external expert to review the restoration provision which has lead to an increase in the restoration provision.

In determining the recoverable amount of the CGU, estimates are made regarding the present value of future cash flows. These estimates require significant management judgement and are subject to risk and uncertainty, and hence changes in economic conditions can also affect the assumptions used and the rates used to discount future cash flow estimates.

The basis for the estimates used to determine recoverable amounts is set out below:

- Resource estimates – 2P reserves for the Manora project. Refer to our reserves and resource statements as at 31 December 2019 (1.7MMbbl)
- Discount rate - the discount rate used in the assessment is 9.44% (2019: 10.57%).
- Oil prices – The oil price assumption used in the assessment is based on the average of analysts' Brent oil price forecasts at the date of assessment for 2.3 years, being the remaining economic life of the field. Prices are adjusted for premiums and discounts based on the nature and quality of the product.

The nominal Brent oil prices (US\$/bbl) used were:

Brent oil price (\$USD/bbl)	2020	2021	2022
30 June 2020	\$43.06	\$46.60	\$54.48

Sensitivity analysis on the base case key assumptions indicate the following:

Impact on impairment expense	Discount rate: Increase by 1%	Discount rate: Decrease by 1%	Oil price: Increase by 10%	Oil price: Decrease by 10%
Manora Project	\$(272,000)	\$279,000	\$5,246,000	(\$5,246,000)

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

C2 Trade and other payables

Trade payables⁽ⁱ⁾
 Share of joint operations' payables
 Other payables

Consolidated	
30 June 2020 US\$'000	31 December 2019 US\$'000
258	666
7,065	6,816
-	-
7,323	7,482

- (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.

C3 Trade and other receivables

Trade receivables⁽ⁱ⁾
 Joint operations' debtors
 Bond collateral⁽ⁱⁱ⁾
 Other receivables

Consolidated	
30 June 2020 US\$'000	31 December 2019 US\$'000
-	5,312
953	564
1,500	-
109	81
2,562	5,957

- (i) Trade receivables relate to gas sales and oil sales from Manora. Oil sales are on terms that result in payment 30 days from bill of lading.
 (ii) The Company has a bond with BP Singapore Pte Limited as collateral to allow the Company to enter into hedging instruments.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated	
	30 June 2020 US\$'000	31 December 2019 US\$'000
	C4 Exploration and evaluation assets	
Exploration and/or evaluation phase		
At cost	39,540	39,579
Less: impairment provisions	(39,540)	(39,579)
Net carrying value	-	-
Reconciliation of movement:		
Opening balance	-	281
Current period exploration expenditure	(37)	2,451
Exploration impairment losses/write-downs	39	(2,732)
Foreign exchange movement	(2)	-
	-	-

Ultimate recoupment of this expenditure is dependent upon the continuance of Tap's right to tenure of the areas of interest and the discovery of commercially viable oil and gas reserves, their successful development and exploration, 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.

C5 Deferred Tax Asset

The deferred tax asset balance has decreased from \$5.9 million at 31 December 2019 to \$Nil at 30 June 2020 primarily attributable to a change in the assessment of probable future taxable income in Thailand, due to the oil price fall experienced in 2020, which led to a write off of the Company's deferred tax asset.

	Consolidated	
	30 June 2020 US\$'000	31 December 2019 US\$'000
	C6 Provisions	
Current		
Employee benefits	77	62
Restoration costs	-	-
	77	62
Non-current		
Employee benefits	5	4
Restoration costs	16,453	12,694
	16,458	12,698

TAP OIL LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Note	Consolidated	
		30 June 2020 US\$'000	31 December 2019 US\$'000
C6 Provisions (cont)			
Restoration costs provision			
Reconciliation of movement:			
Opening balance		12,694	22,507
Additional provisions raised		-	-
Increase/(decrease) resulting from re-measurement		3,646	583
Liability Extinguishment due to Sale of Permit		-	(10,796)
Unwinding of discount	B1(c)	113	580
Restoration costs incurred		-	(181)
Foreign exchange movement		-	1
Closing balance		16,453	12,694

The provision for restoration costs primarily comprise amounts related to Manora \$16.5 million (2019: \$12.7 million).

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 2023 and relate to the Manora restoration costs.

D1 Equity securities issued

A total of 4,510,944 employee share rights were issued during the half-year ended 30 June 2020 (2019: 6,348,788). 2,471,642 shares were issued during the half year ended 30 June 2020 (2019: Nil) as a result of the vesting of employee share rights. A total of 139,892 share rights expired, lapsed or were cancelled during the half-year ended 30 June 2020 (2019: 327,685). The total number of share rights on issue at 30 June 2020 was 8,936,421 (2019: 9,680,428).

D2 Fair value measurement of financial instruments

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair value.

The fair values of the financial assets and financial liabilities are determined as follows:

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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

D2 Fair value measurement of financial instruments (cont)

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 US\$'000	Fair value US\$'000
Financial assets		
Cash and cash equivalents	26,656	26,656
Trade and other receivables	2,562	2,562
	29,218	29,218
Financial liabilities		
Trade and other payables	7,323	7,323
Other financial liabilities	404	404
	7,727	7,727

E1 Contingencies and commitments

	Consolidated	
	30 June 2020 US\$'000	31 December 2019 US\$'000
Commitments		
<u>Property, plant and equipment</u>		
Not longer than 1 year	1,208	6,208
	1,208	6,208
<u>Exploration expenditure</u>		
Not longer than 1 year	-	1,534
	-	1,534

There has been no material change to the remaining operating lease commitments as disclosed in the most recent annual report.

E2 Subsequent events

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial periods, other than:

On 6th July 2020 Tap (M-7) Pte Ltd and Tap (SE Asia) Pte Ltd were officially struck off from the register in Singapore.