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TAP REJECTS CLAIMS MADE BY BURRUP

Tap Oil Limited (ASX:TAP) confirms it has received Burrup Fertilisers Pty Ltd's (Burrup Fertilisers) defence to Tap Oil's declaratory proceedings in the Western Australian Supreme Court with respect to the Harriet Joint Venture's Gas Sale Agreement (GSA) with Burrup Fertilisers.

Tap Oil absolutely rejects the claims made in the defence and counterclaim filed by Burrup Fertilisers.

Tap Oil's proceedings seek a Court declaration to confirm that in the absence of force majeure called by Tap, any potential future liability for a shortfall in supply under the GSA with Burrup Fertilisers entered into in December 2001 is limited to the liquidated damages specifically set out in that agreement.

As expected, and consistent with previous statements on this matter, Burrup Fertilisers' defence seeks orders for the Court to declare that general damages may be payable in certain circumstances where there is a shortfall in gas supply. Tap Oil maintains the orders sought by Burrup Fertilisers are contrary to the terms of the GSA.

Burrup has also sought to join the other Harriet gas suppliers to the proceedings. Tap Oil is a 12.22% partner in the Harriet Joint Venture.

The defence filed by Burrup Fertilisers does not seek to quantify damages, however an article appearing in The West Australian today speculated on the possible value of Burrup Fertilisers' claim. The figures quoted in that article are not supported by the facts as the terms of the GSA contain limitations on liability. The GSA specifically excludes any liability for indirect or consequential losses and specifies the amount of liquidated damages payable in the event of a shortfall (refer to Tap's announcement of 22 July 2009 for details).

The article in The West Australian suggests that Burrup's claim could be worth significantly more than the value of Burrup Fertilisers' entire project. The estimated figures appear to be based on hypothetical scenarios and associated calculations which are contrary to the facts and fail to reflect the terms of the GSA, so should be ignored.

Tap believes that liquidated damages would be the maximum extent of any liability under the GSA, even if it was determined that there has been no force majeure event.

The GSA contains a schedule which provides for annual liquidated damages over the 25 year term in the event of a shortfall of gas supply. For illustrative purposes, a maximum amount of US\$1.1 million to US\$1.5 million per year of liquidated damages would be payable by Tap during the remaining term of the GSA assuming a total shortfall in supply.

Therefore, Tap's maximum liability for liquidated damages under the GSA based on currently available reserves would be approximately US\$20-25 million in total which would be spread over a period commencing sometime around 2013-14 and ending in 2030.

Tap maintains it is not liable for damages of any amount due to force majeure and that, in any event, damages are limited to the liquidated damages in the GSA.

Tap believes a Court declaration will resolve a key aspect of the dispute concerning the GSA and will allow the parties to cooperate and make progress toward the resolution of the matters referred to above on a timely basis.

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