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2015 PRELIMINARY FINAL REPORT

Please find attached **Tap Oil Limited's** (ASX:TAP) 2015 Preliminary Final Report (Appendix 4E).

Copies of this report are available at the ASX and can be viewed on the Company's website www.tapoil.com.au under the heading "Investor Centre".

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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.*

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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).

Reserves and Contingent resources have been estimated using both probabilistic and deterministic methods. Tap is not aware of any new information or data that materially affects the assumptions and technical parameters underpinning the estimates of reserves and contingent resources and the relevant market announcements referenced continue to apply and have not materially changed.

The information in this announcement relating to oil reserves for the Manora Field, Gulf of Thailand as of 31 December 2015 are based on information in the Netherland, Sewell & Associates, Inc. (NSAI) report dated 3 February 2016 compiled by Mr Philip S. (Scott) Frost. Mr Frost is qualified in accordance with ASX Listing Rule 5.41 and has consented to the inclusion of such information in this announcement in the form and context in which it appears. Mr Frost is a full-time employee of NSAI, with more than 30 years relevant experience in the petroleum industry; is a member of the SPE; and is a licensed Professional Engineer in the State of Texas, United States of America.

TAP OIL LIMITED

ABN 89 068 572 341

APPENDIX 4E

PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2015

Tap Oil Limited
ABN 89 068 572 341

Appendix 4E
Preliminary Final Report
For the year ended 31 December 2015

This information should be read in conjunction with the notes and commentary contained in this report. This information is unaudited.

The report is presented in US Dollars, unless otherwise noted.

Report for the year ended 31 December 2015
(comparative period is the year ended 31 December 2014)

Results for announcement to the market	<u>US\$ million</u>			
Revenue from continuing operations	Up	284%	to	102.0
Impairment losses and write-downs	Down	12%	to	68.6
Loss from continuing operations after tax	Up	28%	to	54.5
Loss from discontinued operations after tax	N/A	N/A	to	N/A
Net loss for the period attributable to members	Up	23%	to	54.0
Dividends, per share	No dividends have been declared or paid.			
Record date for determining entitlements to the dividend	No dividends have been declared or paid.			
NTA backing	<u>31 December 2015</u>	<u>31 December 2014</u>		
Net tangible asset backing per ordinary security <i>(Net assets excluding deferred exploration expenditure per share)</i>	US\$0.21	US\$0.36		
Refer to the attached statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, commentary on the results and other significant information for the financial year ended 31 December 2015.				

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Review of results

Tap's revenue for 2015 was US\$102.2 million (2014: US\$26.8 million), of which US\$0.2 million (2014: US\$0.2 million) was interest revenue and royalties. Gross profit was US\$26.6 million (2014: US\$14.4 million). After impairment losses and write-downs of US\$68.6million (2014: US\$78.1 million), the net loss before tax was US\$54.6 million (2014: US\$74.6 million); and the net loss after tax was US\$54.5 million (2014: US\$42.7 million).

Net cash flows from operations were US\$48.9 million inflow (2014: US\$5.7 million inflow).

Reported revenues from the gas contracts were lower in 2015 due to less favourable exchange rates. Australian dollar revenue for third party gas was higher than in 2014 due to a decrease in deferred delivery under take or pay arrangements (gas banking).

Manora revenues are higher due to the sale of 42 liftings comprising 1.5 million bbls while 2014 revenue relates to just one lifting on 25 December 2014 following commencement of production on 11 November 2014. The average selling price for 2015 was US\$52.0/bbl.

Manora cash operating costs (excluding depreciation) for the first full year of production were US\$22/bbl (2014: US\$21/bbl).

Forming part of the cost of sales is the depreciation charged on a unit of production basis. The depreciation of US\$34.9 million (2014: US\$0.938 million) charged for the year ended 31 December 2015 relates to the Manora asset.

Following an evaluation at the end of 2015 the exploration impairment losses and write-downs recorded as at 31 December 2015 were US\$20.9 million (2014: US\$57.2million). The property, plant and equipment impairment loss of US\$46.8 million recognised in 2015 (2014: US\$20.9 million) relates to the Manora development asset (US\$43.9 million) and the Airlie development asset (US\$2.8 million). The Manora impairment is substantially related to the decline in oil prices.

Administration costs were lower for the year at US\$5.2 million (2014: US\$6.7 million). There were staff reductions in 2014 which resulted in lower employee related costs in 2015.

The loss per share on a fully diluted basis is US\$0.223, compared with loss of US\$0.176 in 2014.

As previously announced by the Company, the size of the borrowing base under the existing debt facility with BNP Paribas and Siam Commercial Bank (**BNP Facility**) is linked to Manora reserves and revenues (as well as Third Party Gas revenues). Accordingly, the borrowing base fluctuates with changes in the oil price, operating costs and other related variables. Tap is currently in compliance with the terms of the BNP Facility, however following recent oil price falls and ongoing volatility in the oil market, the Company is continuing to engage with BNP Paribas and Siam Commercial Bank regarding a modification to the existing terms and size of the BNP Facility to ensure future compliance. This is in conjunction with a range of other measures which may include the current Share Purchase Plan, additional internal cost cutting, further deferment or minimisation of spending on all non-Manora activities, a hedging program and asset sales.

Review of Operations

1. Production and Sales

	2015	2015	2014	2014
	'000 boe	US\$'000	'000 boe	US\$'000
Production (net to Tap):				
Oil - Manora	1,493		148	
Sales (net to Tap):				
Oil - Manora	1,539	75,358	31	1,833
Commodity hedge gain	-	4,758	-	-
Oil revenue		80,115		1,833
Third Party Gas Sales – 3,395 TJ (2014: 3,483 TJ)	501	21,914	514	24,717
Total sales	501	102,029	545	26,550
Average realised oil price		US\$52.0/bbl		US\$58.9/bbl

1.1 Manora Oil Field – G1/48 Thailand

The Manora Oil field is located in the G1/48 concession offshore in the gulf of Thailand. Mubadala Petroleum operates the concession and the field. Tap reached FID on the Manora Oil Development on 23 July 2012 and production commenced on 11 November 2014 with the first lifting on 25 December 2014.

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. Pipelines and risers connect the platform to a leased FSO Unit. The FSO stores the crude oil and also serves as the accommodation hub.

The initial development plan included up to 15 development wells (10 producers and 5 injectors). Following a review in January 2015, the Manora joint venture agreed that two wells (one producer and one injector) were no longer required and two producer wells could be deferred until more production performance was obtained. These two deferred wells are budgeted to be drilled in 2016.

During the first quarter of 2015 all eleven Manora development wells were successfully completed (seven producers and four injectors) and the Atwood Orca jackup drilling rig moved off location in early April 2015.

Gross production for the year was 4,975 MSTB (Tap share 1,493 MSTB). The average gross production rate for 2015 was 13,630 bopd (Tap share 4,089 bopd). Cumulative field production to 31 December 2015 was 5.5 MMSTB gross (Tap share 1.64 MMSTB). Water breakthrough in the major central fault block reservoirs occurred in the second half of the year and water production levels, with the exception of MNA-05, are also slowly increasing. Water breakthrough in the east fault block wells occurred shortly after the start of production due to the wells' downdip location near the oil water contact.

Water injection commenced into the central fault block wells MNA-04, MNA-09ST1, MNA-10 during February and March 2015 and into the east fault block well MNA-13 during April 2015. The injection system treats seawater combined with produced water. Cumulative injection during the year was 4.9 MMbbl gross or on average 15,666 bwpd gross during the last three quarters of 2015. All the reservoirs into which water has been injected have shown stabilised reservoir pressure above the oil bubble point pressure, demonstrating the benefit of water injection.

In the second half of 2015 workover operations were undertaken on three wells. Workovers were conducted on MNA-01 and MNA-08 to replace ESP systems that had failed. The workover on MNA-11 was to install an ESP in the well. The work on MNA-08 and MNA-11 also included successful acid stimulations of all zones.

There were 42 cargo liftings during the 2015 calendar year. In December 2015, Tap executed a twelve month contract to sell its share of Manora crude domestically in Thailand, at a discount to the Dubai US\$ crude oil price (Platts). These sales proceeds are received in Thai Baht (**THB**). Tap executes foreign exchange hedging to manage the USD/THB sales revenue exposure.

Reserves

On 15 February 2016, Tap advised that the 31 December 2015 2P reserves report for Manora had been completed by Netherland, Sewell & Associates, Inc. (**NSAI**).

Tap's reserves estimate includes a decrease in 2P reserves (0.35MMSTB net to Tap), not related to production, due to economic conditions. In order to evaluate the field economic limit, an oil price at terminal conditions of US\$60/bbl was used. This is in contrast to the 31 December 2014 reserves report where a constant oil price of US\$75/bbl from 2016 onwards had been assumed.

The range of NSAI's and Tap's reserves estimates for the Manora Oil Development as at 31 December 2015 are:

(MMSTB)	Gross 100% Field			Tap share (30%)		
	1P	2P	3P	1P	2P	3P
Probabilistic						
NSAI	11.2	13.6	16.24	3.36	4.07	4.87
Tap	9.97	13.2	16.2	2.99	3.96	4.86

* Reserves are not adjusted for Risk

Refer to the subsequent events note 16 for more information on the 2015 NSAI report.

Health Safety and Environmental

During the second half of the year Mubadala Petroleum, the Operator of the Manora field, received the 2015 DMF SHE Award in the excellence category for safety, health and environmental management of the Manora field from the Ministry of Energy.

1.2 Third Party Gas

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. This gas is largely contracted and is expected to generate revenue of approximately A\$2.5 million per month through to at least the end of 2016.

Reported revenues from the gas contracts were lower in 2015 due to less favourable exchange rates. Australian dollar revenue for third party gas was higher than in 2014 due to a decrease in deferred delivery under take or pay arrangements (gas banking).

2. Exploration and Appraisal

As the focus was on the Manora development, 2015 was a relatively quiet year of exploration for Tap. Tap did not participate in any wells during the year.

2.1 Myanmar

Block M-07 Moattama Basin, Offshore Myanmar

The 13,000 km² block is located in the gas and condensate prone Moattama basin, offshore Myanmar (**Block M-7**). Block M-7 is 160 kilometres east of the 6.5 Tcf Yadana gas field, and 110 kilometres northeast of the 1.5 Tcf Zawtika gas field. The Moattama basin is Myanmar's most prolific offshore hydrocarbon province, with existing production from two offshore fields and a third field close to production commencement. Production is typically from stacked Miocene clastic reservoirs.

Tap Energy (M7) Pte Ltd and its local joint venture participant Smart E&P International Ltd signed a Production Sharing Contract with Myanma Oil and Gas Enterprise for Block M-7 at an official ceremony in Myanmar on 26 August 2015 (**PSC**). Tap holds a 95% participating interest in Block M-7 and has assumed operatorship. Under the executed PSC, the JV partners have agreed to undertake an 18 month Preparation and Study Period including an Environmental and Social Impact Assessment (ESIA), followed by an option to proceed to a three-year commitment exploration work programme (ASX Release dated 27 August 2015).

Block M-7 is currently in the preparation period prior to entering the 12 month study period. Consultation Meetings as part of this phase have been held with Myanmar Government entities MOGE and MOECAAF and with regional Government Stakeholders in the Yangon Dawei and Ye Townships.

The seismic data was signed over from the MOGE Data centre to Tap on 8 January 2016.

2.2 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).

As part of the retention lease process, the location application over the Tallaganda gas discovery was approved by NOPTA with effect from 10 July 2015 for a two year period. A suspension and extension application was approved by NOPTA on 19 November 2015, with Permit year 5 ending on 27 June 2016.

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, the Bianchi-1 discovery well was drilled in 2013 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.

Tap has booked 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).

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).

In 2013, Tap farmed out a portion of its interest in both permits to JX Nippon Oil and Gas Exploration (Australia) Pty Ltd 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).

Approximately 310 km² of multi-client 3D seismic data from the TGS "Huzzas MC3D seismic survey" was licensed by the WA-320-P Joint Venture in 2014. During 2015 the Huzzas 3D data was initially processed and is currently being reprocessed to enhance the data quality. This new seismic data will be used to assess the prospectivity of the permits and for planning of an exploration commitment well which is required to be drilled by Q4 2016 under current license conditions.

Quadrant Energy is planning to drill the Palmerston prospect which straddles both WA-320-P and WA-155-P (Part II). Palmerston is a Triassic fault block with structural similarity to the Zola structure. The Palmerston-1 well would target sandstones in the proven Mungaroo Formation play and would satisfy the Year 3 well commitment of WA-320-P.

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 (2014 Tap Annual Report).

In 2014 approval was granted for the variation of the TP/7 Year 3-5 work program (July 2014 – July 2017) to substitute the 3D seismic acquisition and well commitment with geotechnical studies. Development options for the Taunton field are being considered.

2.3 Offshore Thailand

In 2015 Tap held a 30% direct interest in G1/48 concession in the northern Gulf of Thailand. The concession is operated by Mubadala Petroleum. The Manora discovery in late 2009 opened up a new oil play in the northern Gulf of Thailand.

The G1/48 Joint Venture applied to the Thailand Department of Minerals and Fuels for a 1,338.84 km² Reservation Area within the expiring G1/48 concession which was approved on 11 December 2015. The remaining area of G1/48 outside of this Reservation Area was relinquished to the Government of Thailand.

During the year the Operator worked on an extensive review of the prospectivity of the G1/48 permit area, specifically focused on ranking prospects for potential exploration drilling in 2016.

Subject to further successful drilling to aggregate additional resource volumes, there may be potential to tie discoveries back to the Manora facility should sufficient volumes be proved.

On 28 December 2015 Tap's withdrawal from its 30% participating interest in the G3/48 concession in the northern Gulf of Thailand was officially approved by the Minister of Energy for Thailand. The effective date for the transfer of liabilities was January 2015.

2.4 Other Exploration

Vic/P67- Otway Basin, Offshore Victoria

On 11 February 2015, Tap advised WHL Energy Limited that it had elected not to exercise its option to acquire 10% of the Vic/P67 permit. The final seismic cost of US\$2,778,887 was paid to WHL on 31 March 2015. Tap has no further obligation or liability in respect of exploration permit Vic/P67.

SPA 5 AO and SPA 6 AO – Carnarvon Basin, Onshore Western Australia

On 23 February 2015, Tap advised Rusa Resources Pty Ltd of its withdrawal from the project. Tap has no further obligation or liability in respect of SPA 5 AO and SPA 6 AO.

Consolidated statement of profit or loss and other comprehensive income for the financial year ended 31 December 2015

	Note	2015 US\$'000	2014 US\$'000
Continuing operations			
Revenue	2(a)	102,029	26,550
Cost of sales	2(b)	(75,439)	(12,107)
Gross profit		26,590	14,443
Other revenue	2(a)	205	239
Other income		-	81
Administration expenses		(5,163)	(6,731)
Finance costs	2(c)	(7,265)	(2,221)
Impairment losses and write-downs	2(d)	(68,577)	(78,065)
Other expenses		(412)	(2,336)
Loss before tax		(54,622)	(74,590)
Income tax and PRRT benefit/(expense)		160	31,885
Loss for the year		(54,462)	(42,705)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Foreign currency translation differences - foreign operations		423	(1,286)
Total comprehensive loss for the year		(54,039)	(43,991)
Earnings per share from continuing operations:			
Basic (cents per share)		(22.3)	(17.6)
Diluted (cents per share)		(22.3)	(17.6)

Notes to the consolidated statement of profit or loss and other comprehensive income are included on pages 12 to 31.

Consolidated statement of financial position as at 31 December 2015

	Note	2015 US\$'000	2014 US\$'000
Current assets			
Cash and cash equivalents		15,581	14,034
Trade and other receivables	3	20,978	20,785
Inventories		4,475	10,679
Other current assets		700	3,332
Total current assets		41,734	48,830
Non-current assets			
Property, plant and equipment	4	74,557	134,387
Exploration and evaluation assets	5	3,178	21,083
Deferred tax assets		22,108	20,352
Other non-current assets		1,111	-
Total non-current assets		100,954	175,822
Total assets		142,688	224,652
Current liabilities			
Trade and other payables	7	23,939	27,087
Current tax liability		422	-
Provisions	8	4,907	2,520
Loans and borrowings	6	25,723	12,850
Total current liabilities		54,991	42,457
Non-current liabilities			
Provisions	8	21,248	23,049
Loans and borrowings	6	10,409	51,405
Total non-current liabilities		31,657	74,454
Total liabilities		86,648	116,911
Net assets		56,040	107,741
Equity			
Issued capital	9	135,174	133,175
Share options reserve		3,526	3,526
Share rights reserve		3,168	2,800
Foreign currency translation reserve		55,651	55,258
Profit reserve		72,940	62,643
Retained earnings		(214,419)	(149,660)
Total equity		56,040	107,741

Notes to the consolidated statement of financial position are included on pages 12 to 31.

Consolidated statement of changes in equity for the financial year ended 31 December 2015

	Issued capital US\$'000	Share options reserve US\$'000	Share rights reserve US\$'000	Foreign currency translation reserve US\$'000	Profit reserve US\$'000	Retained earnings US\$'000	Total US\$'000
Balance at 1 January 2014	133,175	3,526	2,081	56,544	30,968	(75,281)	151,013
Loss for the year	-	-	-	-	-	(42,705)	(42,705)
Other comprehensive income for the year	-	-	-	(1,286)	-	-	(1,286)
Total comprehensive income for the year	-	-	-	(1,286)	-	(42,705)	(43,991)
Appropriation to current year profit reserve	-	-	-	-	31,675	(31,675)	-
Recognition of share-based payments	-	-	719	-	-	-	719
Balance at 31 December 2014	133,175	3,526	2,800	55,258	62,643	(149,660)	107,741
Loss for the year	-	-	-	-	-	(54,462)	(54,462)
Other comprehensive income for the year	-	-	-	393	-	-	393
Total comprehensive income/(loss) for the year	-	-	-	393	-	(54,462)	(54,069)
Appropriation to current year profit reserve	-	-	-	-	10,297	(10,297)	-
Issue of shares	1,973	-	-	-	-	-	1,973
Redemption of vested share rights	26	-	-	-	-	-	26
Recognition of share-based payments	-	-	368	-	-	-	338
Balance at 31 December 2015	135,174	3,526	3,168	55,651	72,940	(214,419)	56,040

Notes to the consolidated statement of changes in equity are included on pages 12 to 31.

Consolidated statement of cash flows for the financial year ended 31 December 2015

	<u>Note</u>	<u>2015</u> <u>US\$'000</u>	<u>2014</u> <u>US\$'000</u>
Cash flows from operating activities			
Receipts from customers		101,985	28,952
Payments to suppliers and employees		(48,187)	(23,453)
Interest received		97	212
Income taxes paid		(1,576)	-
Net cash provided by operating activities	14(b)	<u>52,319</u>	<u>5,711</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(13,246)	(86,881)
Payments for exploration assets		(3,180)	(3,852)
Payments for restoration expenditure		(384)	(368)
Net cash used in investing activities		<u>(16,810)</u>	<u>(91,101)</u>
Cash flows from financing activities			
Draw down of borrowings		13,241	65,400
Proceeds from issue of shares		1,973	-
Repayment of borrowings		(42,794)	(4,185)
Payment of interest and transaction costs related to loans and borrowings		(4,542)	-
Net cash (used in)/provided by financing activities		<u>(32,122)</u>	<u>61,215</u>
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the financial year		14,034	38,936
Effects of exchange rate changes on the balance of cash held in foreign currencies		(1,840)	(727)
Cash and cash equivalents at the end of the financial year	14(a)	<u>15,581</u>	<u>14,034</u>

Note to the consolidated statement of cash flows are included on pages 12 to 31.

Notes to the financial statements

1. Summary of accounting policies

Basis of preparation

This preliminary final report for Tap Oil Limited and its controlled entities (**Consolidated Entity**) has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. Certain comparative information has been reclassified to aid in comparability with the current financial year.

2. Loss for the year from operations

(a) Revenue

Liquid sales⁽ⁱ⁾

Gas sales

Other revenue:

Royalties received

Interest received

Consolidated	
2015	2014
US\$'000	US\$'000
80,115	1,833
21,914	24,717
102,029	26,550
25	54
180	185
205	239
102,234	26,789
17,608	2,462
34,993	938
6,933	102
6,743	(1,923)
66,277	1,579
8,805	9,943
192	326
165	259
9,162	10,528
75,439	12,107

(i) Includes commodity hedge of US\$4.8 million (2014: nil)

(b) Cost of sales

Production costs – Manora

Depreciation of capitalised development costs

Government royalties

Other production costs - Manora

Production costs – Third party gas

HOPS operating costs

Marketing and sales costs

2. Loss for the year from operations

(cont'd)

(c) Finance costs

Notional interest from unwinding discount on restoration provisions

Borrowing costs

(d) Impairment losses and write-downs

Exploration impairment losses ⁽ⁱ⁾

Exploration expenditure write-downs ⁽ⁱ⁾

Property, plant and equipment impairment losses ⁽ⁱⁱ⁾

Prepaid gas impairment losses

		Consolidated	
Note		2015	2014
		US\$'000	US\$'000
		1,210	375
		6,055	1,846
		7,265	2,221
		20,708	54,425
		227	2,754
		20,935	57,179
		46,773	20,886
		869	-
		68,577	78,065

- (i) Exploration impairment losses and exploration expenditure write-downs are recognised when the carrying amount of the exploration and evaluation assets exceeds the recoverable amount. Management assessed the recoverable amount of all exploration and evaluation assets except for G1/48 was estimated to be nil at 31 December 2015 and such were fully impaired. Refer to note 5 for further details.

Permit	Country/ Company	2015 US\$'000
WA351P	Australia	13,756
WA320P	Australia	1,319
WA49R	Australia	1,211
WA8L	Australia	1,176
WA33R	Australia	1,126
WA34R	Australia	937
M07	Myanmar	788
G3/48	Thailand	231
Various	Australia	391
		20,935

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

- (ii) Property, plant and equipment impairment losses relate to Manora impairment of US\$43.9 million and Airlie impairment of US\$2.8 million.

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

3. Trade and other receivables

	Consolidated	
	2015 US\$'000	2014 US\$'000
Trade receivables ⁽ⁱ⁾	5,771	5,590
Allowance for doubtful debts ⁽ⁱⁱⁱ⁾	-	(1,446)
	5,771	4,144
Joint operations' debtors	4,860	4,330
Hedge receivable	1,330	-
Other receivables ⁽ⁱⁱ⁾	9,017	12,311
	20,978	20,785
 <u>Movement in the allowance for doubtful debts</u>		
Balance at the beginning of the year	1,446	1,578
Doubtful debts charge for the year	(1,276)	-
Foreign exchange difference	(170)	(132)
Balance at the end of the year	-	1,446

- (i) Trade receivables relate to gas sales and oil sales from Manora. Gas sales are on terms that result in payment within 30 days from invoice while oil sales are on terms that result in payment 30 days from bill of lading.
- (ii) Included in other receivables is US\$9 million receivable from Northern Gulf Petroleum (NGP) representing the amount outstanding of the 50% of the carry paid by Tap since 2010 on behalf of NGP. Included in Note 7 Trade payables is US\$6.6 million payable to NGP representing 2P Reserves deferred payment and Earnout (refer to Note 15).
- (iii) At 31 December 2015 the amount receivable from Apex Gold Pty Ltd of US\$1.4 million has been fully written off as the company went into administration in 2013. There are no material amounts included in the Consolidated Entity's trade receivable balance (2014: 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.

4. Property, plant and equipment

Development expenditures

Gross carrying amount – at cost:

	Consolidated	
	2015 US\$'000	2014 US\$'000
Opening balance	227,367	166,030
Additions	21,992	72,924
Adjustment in respect of carry ⁽ⁱ⁾	-	(5,166)
Foreign exchange differences	(957)	(6,642)
Transfer from exploration expenditure	-	221
Closing balance	248,402	227,367

Accumulated depreciation:

Opening balance	93,106	74,964
Provision for impairment losses	46,773	20,886
Foreign exchange differences	(957)	(6,793)
Depreciation	34,993	4,049
Closing balance	173,915	93,106
Net book value	74,487	134,261

2(d)

4. Property, plant and equipment (cont'd)

Office improvements, furniture & equipment

Gross carrying amount – at cost:

	2015 US\$'000	2014 US\$'000
Opening balance	2,693	3,369
Additions	-	33
Foreign exchange differences	(294)	(281)
Asset write-offs	-	(428)
Closing balance	2,399	2,693

Accumulated depreciation:

Opening balance	2,567	3,187
Asset write-offs	-	(462)
Foreign exchange differences	(280)	(230)
Depreciation	42	72
Closing balance	2,329	2,567
Net book value	70	126

Total – net book value

74,557	134,387
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- (i) Relates to 50% of the development portion of the carry of US\$20 million paid by Tap since 2010 on behalf of Northern Gulf Petroleum that is now receivable, and has therefore been transferred to other debtors.

Impairment of development expenditures

At 31 December 2015, the Consolidated Entity has assessed each cash generating unit to determine whether an impairment indicator existed. Based on the current declining oil prices, the Airlie development asset may not be recoverable through development or sale and has therefore been fully impaired by US\$2.8 million at 31 December 2015.

The recoverable amount of the Manora development asset of US\$74.5 million (2014: US\$134.4million) has been determined based on a five-year value in use model. As a result of the current declining oil prices, the recoverable amount of US\$74.5 million for Manora resulted in an impairment loss of US\$43.9 million being recognised for the year.

- The following assumptions were used in the assessment of the recoverable amount:
- Discount rate – pre-tax discount rate of 11% (2014: 12.5%) has been applied to the cash flow projections;
- Inflation rate – Thailand inflation rate of 2% (2014: 2%) has been applied to the cash flow projections;
- Oil price – the oil price applied to the cash flow projections is based on the average of analysts' forecast price at the date of assessment for 3 years then thereafter increased by 2% inflation. The realised oil price assumptions for 2016, 2017 and 2018 are US\$41.26/bbl, US\$53.36/bbl and US\$60.52/bbl respectively.

Sensitivity analysis

It is estimated that changes in the key assumptions would impact the year end impairment as follows:

	2015 US\$'000
Discount rate: 1% increase	1,000
Discount rate: 1% decrease	(1,000)
Inflation rate: 1% increase	700
Inflation rate: 1% decrease	(700)
Long term oil price decrease of US\$5/bbl	10,000
Long term oil price increase of US\$5/bbl	(7,700)

5. Exploration and evaluation assets

Exploration and/or evaluation phase

	Note	Consolidated	
		2015 US\$'000	2014 US\$'000
At cost		106,567	109,010
Less: impairment		(103,389)	(87,927)
Net carrying value		<u>3,178</u>	<u>21,083</u>
Reconciliation of movement:			
Opening balance		21,083	80,967
Current year exploration expenditure		4,618	3,774
Exploration impairment losses/write-downs	2(d)	(20,935)	(57,179)
Transfer to development expenditure		-	(222)
Foreign exchange movement		(1,588)	(1,423)
Carry transferred to other debtors ⁽ⁱ⁾		-	(4,834)
Closing balance		<u>3,178</u>	<u>21,083</u>
Movement in the impairment provision:			
Balance at the beginning of the year		(87,927)	(60,997)
Impairment provision (increase)		(20,708)	(54,425)
Write offs against provision		-	25,656
Foreign exchange movement		5,246	1,839
Balance at the end of the year		<u>(103,389)</u>	<u>(87,927)</u>

(i) Relates to the 50% exploration and evaluation portion of the carry paid by Tap on behalf of Northern Gulf Petroleum that is now receivable, and was therefore transferred to other debtors.

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 recognised when the carrying amount of the exploration and evaluation assets exceeds the recoverable amount. Due to uncertainty with respect to Tap's ongoing participation in exploration activities in the areas of interest and given the current oil price environment and general market conditions, Management has assessed the recoverable amount of all exploration and evaluation assets except for G1/48 to be nil at 31 December 2015 and such were fully impaired.

6. Loans and Borrowings

Secured bank loans – at amortised cost

Amount drawn

Transaction costs

Current ⁽ⁱ⁾

Non-current ⁽ⁱ⁾

	Consolidated	
	2015	2014
	US\$'000	US\$'000
	36,100	65,400
	32	(1,145)
	36,132	64,255
	21,337	12,850
	14,795	51,405
	36,132	64,255

During 2014 the Consolidated Entity entered into a combined borrowing base facility with BNP Paribas for up to US\$90 million. Effective 1 December 2014, BNP Paribas syndicated 33.3% of the facility to Siam Commercial Bank. The facility is secured over the Manora development assets (with a carrying value of US\$74.8 million at 31 December 2015) and the third party gas assets (these are forward contracts and do not have a book value). The effective interest rate is 7.19%. The Final Maturity date of the facility under the facility agreement is the earlier of April 2018 or the date of the reserves tail which at balance date was September 2017.

- (i) As set out in the Review of Results on page 4, the size of the borrowing base under the existing debt facility with BNP Paribas and Siam Commercial Bank (BNP Facility) is linked to Manora reserves and revenues (as well as Third Party Gas revenues). Accordingly, the borrowing base fluctuates with changes in the oil price, operating costs and other related variables. Tap is currently in compliance with the terms of the BNP Facility, however following recent falls and ongoing volatility in the oil market, the Company is continuing to engage with BNP Paribas and Siam Commercial Bank regarding a modification to the existing terms and size of the BNP Facility to ensure future compliance. This is in conjunction with a range of other measures which may include the current Share Purchase Plan, additional internal cost cutting, further deferment or minimisation of spending on all non-Manora activities, a hedging program and asset sales.

The balance of the BNP Facility and classification between current and non current recognised in the balance sheet at 31 December 2015, is in accordance with the most recent redetermination date which was 30 September 2015. The next redetermination is due effective 31 March 2016 and could change the borrowing base and repayment schedule.

7. Trade and other payables

Trade payables ⁽ⁱ⁾

Share of joint operations' payables ⁽ⁱⁱ⁾

Goods and services tax (GST) payable

Other payables

Income received in advance

	Consolidated	
	2015	2014
	US\$'000	US\$'000
	9,001	1,451
	10,026	15,085
	168	338
	371	5,344
	4,373	4,869
	23,939	27,087

- (ii) 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 is US\$6.6 million payable to NGP representing 2P Reserves Deferred Payments and Earnout. Included in Note 3, other receivables is US\$9 million receivable from NGP representing the amount outstanding of the 50% of the carry paid by Tap since 2010 on behalf of NGP (refer to Note 15).
- (iii) As part of an agreement with the Operator on Manora facilities cost overruns (announced by the Company on 15 January 2016) Tap will pay US\$10 million of currently due cash calls in four even instalments of US\$2.5 million on each of 31 March, 30 June, 30 September and 31 December 2016.

8. Provisions

Current

Employee benefits
Restoration costs

Non-current

Employee benefits
Restoration costs

Restoration costs provision

Reconciliation of movement:

Opening balance
Additional provisions raised
Increase resulting from re-measurement
Reductions resulting from re-measurement or
settlement without cost
Unwinding of discount
Restoration costs incurred
Foreign exchange movement
Closing balance

Consolidated	
2015	2014
US\$'000	US\$'000
418	387
4,489	2,133
4,907	2,520
57	94
21,191	22,955
21,248	23,049
25,088	15,198
350	-
2,063	11,240
(565)	(57)
1,210	375
(384)	(368)
(2,082)	(1,300)
25,680	25,088

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 2022 and relate to the Manora, Woollybutt, Airlie and Windoo restoration costs.

9. Issued capital

257,583,738 fully paid ordinary shares
(2014: 243,186,639)

Consolidated	
2015	2014
US\$'000	US\$'000
135,174	133,175

	2015		2014	
	No. '000	US\$'000	No. '000	US\$'000
Fully paid ordinary shares				
Balance at beginning of financial year	243,187	133,175	242,116	133,175
Issue of shares under share-based payment schemes	127	26	1,071	-
Shares issued	14,270	1,973	-	-
Balance at end of financial year	257,584	135,174	243,187	133,175

During the year, 127,048 shares (2014: 1,071,111) were issued as a result of employee retention share rights.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Share performance and retention rights

- In accordance with the provisions of the share-based payment schemes, employees had 13,392,065 (2014: 12,128,058) outstanding performance and retention rights over ordinary shares at 31 December 2015.
- A total of 127,048 performance and retention rights vested during the year ended 31 December 2015 (2014: 1,071,111).
- A total of 1,874,220 (2014: 2,833,220) performance and retention rights were forfeited during the 2015 financial year. A total of 2,260,863 performance rights lapsed during the year ended 31 December 2015 (2014: 1,019,863).
- The performance and retention rights carry no rights to dividends and no voting rights.

10. Commitments for expenditure

(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

4,905 9,032

Longer than 1 year and not longer than 5 years

- -

Longer than 5 years

- -

4,905 9,032

Exploration expenditure

Not longer than 1 year

4,773 8,694

Longer than 1 year and not longer than 5 years

1,059 2,122

Longer than 5 years

- -

5,832 10,816

FSO lease at Manora

Not longer than 1 year

5,439 5,424

Longer than 1 year and not longer than 5 years

21,710 21,710

Longer than 5 years

3,150 8,589

30,299 35,723

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.

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

Under the terms of a Good Standing Agreement (**GSA**) entered into with NOPTA (on behalf of the Joint Authority) in relation to T/47P on 1 October 2013, Tap is required to spend ~A\$5.8 million on qualifying permits in order to maintain its good standing with the Joint Authority. Any expenditure to be credited against this GSA obligation must be expended on field activities within the primary terms of agreed qualifying permits in Australian waters. Qualifying Permits include both prime gazetted areas acreage and re-release gazetted areas and must be obtained by the completion of the 2015 Acreage Release.

Since the GSA was entered into, Tap has bid for acreage releases with total primary term commitments as bid for, being greater than ~A\$5.8 million. Even though only two of the five bids to date were successful, Tap believes that it has complied with the obligations under the GSA. No amount is included in the commitments table above for the GSA.

11. 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. The Manora (G1/48) development asset is included here as it commenced production during November 2014.

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 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 result	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Oil & gas production and development	80,115	1,833	(42,412)	(22,179)
Oil & gas exploration	-	-	(19,490)	(58,353)
Third party gas	21,914	24,717	12,308	14,188
	102,029	26,550	(49,594)	(66,344)
Interest revenue			37	185
Finance costs			-	(1,846)
Central administration costs			(4,242)	(4,650)
Foreign exchange gain/(loss)			95	81
Other expenses			(918)	(2,016)
Loss before tax			(54,622)	(74,590)
Income tax benefit/(expense)			160	31,885
Loss for the year from continuing operations			(54,462)	(42,705)

11. 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 oil and gas sales to external customers with no intersegment sales during the period. All of the US\$80.1 million (2014: US\$1.8 million) oil revenue was sold to one customer under contract. Included in revenues arising from direct sales of third party gas of US\$21.9 million (2014: US\$24.7 million) are revenues of US\$21.7 million (2014: US\$22.7 million) which arose from sales to one 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	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Oil & gas production and development	121,392	171,385	63,131	105,552
Oil & gas exploration	7,426	34,282	15,783	3,466
Third party gas	10,366	9,978	5,439	6,189
Total segment assets and liabilities	139,184	215,645	84,353	115,207
Unallocated assets and liabilities	3,504	9,007	2,295	1,704
Consolidated total assets and liabilities	142,688	224,652	86,648	116,911

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.

11. Segment information (cont'd)

Other segment information

	Depreciation and amortisation		Impairment losses and write-downs		Additions to non-current assets	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Oil & gas production and development	34,993	938	46,773	20,886	21,992	67,758
Oil & gas exploration	-	-	20,935	57,179	4,618	3,774
Third party gas	-	-	869	-	-	-
Other	42	72	-	-	-	33
	35,035	1,010	68,577	78,065	26,610	71,565

In addition to the depreciation and amortisation expense reported above, exploration expenditure write-downs/impairment losses of US\$20.9 million (2014: US\$57.2 million) were recognised in respect of exploration and evaluation assets. Impairment losses of US\$46.8 million (2014: US\$20.9 million) were also recognised in respect of property, plant and equipment. Both the exploration and evaluation assets and property, plant and equipment write-downs/impairment losses were attributable to oil & gas exploration and oil & gas production and development. There were no other material non-cash expenses attributable to individual segments.

Geographical information

The Consolidated Entity operates in two principal geographical areas – Australia and Asia.

	Revenue from external customers		Non-current assets	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Australia	21,914	24,717	4,127	34,513
Asia	80,115	1,833	96,827	141,309
	102,029	26,550	100,954	175,822

12. Interests in joint operations

The Consolidated Entity has interests in numerous joint operations in Australia and Asia. 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 (%)	
	2015	2014
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	9.78	9.78
WA-155-P	13.55	13.55
WA-351-P	20.00	20.00
WA-515-P ⁽ⁱⁱⁱ⁾	100.00	-
WA-516-P ⁽ⁱⁱⁱ⁾	100.00	-
Ghana		
Offshore Accra Contract Area ⁽ⁱ⁾	-	-
Myanmar		
M-7 ⁽ⁱⁱ⁾	95.00	-
Thailand		
G1/48	30.00	30.00
G3/48 ^(iv)	-	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) Tap withdrew from the Offshore Accra Contract Area on 23 April 2014. Final approval was obtained from the Ministry of Energy and Petroleum in November 2014.

(ii) Tap entered into Production Sharing Contract with Myanma Oil and Gas Enterprise on 26 August 2015.

(iii) Tap was awarded 100% of blocks WA-515-P and WA-516-P on 6 March 2015.

(iv) On 28 December 2015, Tap's withdrawal from its 30% participating interest in G3/48 concession in the northern Gulf of Thailand was officially approved by the Minister of Energy for Thailand. The withdrawal is effective from 6 January 2015.

The Consolidated Entity has a material joint operation, G1/48, which includes the Manora Oil Development. The Consolidated Entity has a 30% share in the ownership of Manora (G1/48) located in the northern gulf of Thailand. The Consolidated Entity is entitled to a proportionate share of oil revenue and bears a proportionate share of the joint operation's expenses.

12. 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	
	2015 US\$'000	2014 US\$'000
Current assets		
Cash	1,244	9,562
Receivables	4,860	4,330
Inventories	4,475	10,679
Total current assets	10,579	24,571
Non-current assets		
Property, plant and equipment	74,557	134,387
Exploration and evaluation assets	3,178	21,083
Total non-current assets	77,735	155,470
Total assets	88,314	180,041
Current liabilities		
Trade and other payables	10,026	15,085
Provision for restoration	4,489	2,133
Total current liabilities	14,515	17,218
Non-current liabilities		
Provision for restoration	21,191	22,955
Total non-current liabilities	21,191	22,955
Total liabilities	35,706	40,173
Net assets	52,608	139,868
Revenues	80,139	1,887
Cost of sales	(66,770)	(1,928)
Other (expenses)/income	661	(238)
Profit/(loss) before income tax	14,030	(279)

Capital commitments and contingent liabilities

The capital commitments arising from the Consolidated Entity's interests in joint operations are disclosed in note 10. No contingent liabilities have been identified beyond those set out in note 15.

13. Subsidiaries

Name of entity	Country of incorporation	Ownership interest	
		2015 %	2014 %
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	Australia	100	100
Tap Energy (Finance) Pty Ltd ^(vi)	Australia	100	100
Tap Kendrew Pty Ltd ^(vii)	Australia	100	-
Tap (Shale) Pty Ltd	Australia	100	100
Tap (Maitland) Pty Ltd ^(viii)	Australia	100	100
Tap (SCB) Pty Ltd ^(ix)	Australia	100	100
Tap (NCB) Pty Ltd ^(x)	Australia	100	100
Tap (Alpha) Pty Ltd ^(xi)	Australia	100	100
Tap (Bonaparte) Pty Ltd ^(xii)	Australia	100	100
Tap Energy (Australia) Pty Ltd ^(xiii)	Australia	100	100
Tap Energy (SE Asia) Pte Ltd ^(xiv)	Singapore	100	100
Tap Energy (M-7) Pte Ltd ^(xv)	Singapore	100	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.

(iii) Tap Oil (Ghana) Ltd, a wholly owned subsidiary of Tap (Ghana) Pty Ltd, commenced dissolution on 16 June 2015 and is undergoing liquidation process.

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

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

(vi) Tap Energy (Vietnam) Pty Ltd changed its name to Tap Energy (Finance) Pty Ltd on 24 April 2014.

(vii) Tap Kendrew Pty Ltd is a wholly owned subsidiary of Tap Energy (Australia) Pty Ltd formed on 28 October 2015.

(viii) Tap (Maitland) Pty Ltd is a wholly owned subsidiary of Tap Energy (Australia) Pty Ltd.

(ix) Tap (SCB) Pty Ltd is a wholly owned subsidiary of Tap Energy (Australia) Pty Ltd.

(x) Tap (NCB) Pty Ltd is a wholly owned subsidiary of Tap Energy (Australia) Pty Ltd.

(xi) Tap (Alpha) Pty Ltd is a wholly owned subsidiary of Tap Energy (Australia) Pty Ltd.

(xii) Tap (Bonaparte) Pty Ltd is a wholly owned subsidiary of Tap Energy (Australia) Pty Ltd.

(xiii) Tap (Amulet) Pty Ltd changed its name to Tap Energy (Australia) Pty Ltd on 20 March 2014.

(xiv) Tap Energy (SE Asia) Pte Ltd was incorporated on 26 September 2014.

(xv) Tap Energy (M-7) Pte Ltd was incorporated on 26 September 2014 and is a wholly owned subsidiary of Tap Energy (SE Asia) Pte 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.

14. Notes to the cash flow statement

	Consolidated	
	2015	2014
	US\$'000	US\$'000
(a) Reconciliation of cash and cash equivalents		
For the purposes of the consolidated statement of cash flow, cash and cash equivalents includes cash on hand and in banks and cash held in joint ventures.		
Cash and cash equivalents	4,006	7,781
Restricted cash and cash equivalents ⁽ⁱ⁾	11,575	6,253
	15,581	14,034
(i) Under the terms of the BNP borrowing base facility, as at 31 December 2015 these funds can only be used toward the assets secured under the facility (Manora and G1/48 commitments and the third party gas assets). This also includes a deposit for the office lease.		
(b) Reconciliation of loss for the period to net cash flows from operating activities		
Loss for the year – continuing operations	(54,462)	(42,705)
Depreciation and amortisation of non-current assets	35,035	1,010
Foreign exchange (gain)/loss	1,207	(81)
Commodity hedge receivable	(1,330)	-
Equity settled share-based payments	368	719
Property, plant and equipment impairment	46,773	20,886
Exploration impairment losses/write-downs	20,935	57,179
Prepaid gas impairment	869	-
Furniture and equipment write downs	-	(34)
Non-cash interest income	(108)	-
Non-cash interest expense	2,723	375
Reversal of provisions	(2,425)	-
Finance costs paid	-	1,007
Rehabilitation/restoration expense adjustments	1,848	(31)
(Decrease)/increase in current tax balances	422	-
Increase/(decrease) in deferred tax balances	(1,755)	(31,885)
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Current receivables	(905)	(163)
Other assets	1,522	815
(Decrease)/increase in liabilities:		
Current payables	1,099	(3,714)
Employee provisions	6	(178)
Unearned revenue	497	2,511
Net cash provided by operating activities	52,319	5,711

15. Contingencies

A. 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 to NGPH. The payment is calculated pro-rata based on 2P reserves between 10mmbbls and 35mmbbls.

Tap paid an initial 2P Reserves Deferred Payment of US\$7.65 million in August 2012, based on the Operator's Manora 2P gross reserves estimate of 20.2 mmbbls at the time of the Manora Final Investment Decision (FID). A second payment of US\$1.31 million became due on 31 December 2014 and a third payment of US\$4.59 million is now due based on the 31 December 2015 2P Reserves as estimated by NSAI (refer note 16). This amount has been included in the carrying value of Manora at 31 December 2015. Refer to Note 15 B below for the details on the NGP payables and receivables.

Further payments (up to a maximum of US\$23.94 million) may become payable based on the Operator's 2P reserves estimate at year end, and are payable up to four years after first production (conditional on the Manora 2P Reserves (plus recovered oil) remaining greater than 10mmbbls).

B. Northern Gulf Disputes

Default on repayment of Tap Carry

As previously disclosed, under the terms relating to Tap's acquisition of its 30% interest in the G1/48 Concession and the Manora Oil Development from NGPH, NGP agreed to repay US\$10 million to Tap out of NGP's share of production from that project. This is an ongoing repayment obligation as and when proceeds are received from each oil lifting.

After repaying approximately US\$1.03 million from proceeds of oil liftings to date, NGP ceased making any further repayments to Tap. Tap has served notice on each of NGP and NGPH regarding NGP's failure to pay amounts owing to Tap in connection with NGP's share of production from the G1/48 concession. As at 31 December 2015, the full remaining balance of US\$8,967,629 was due and payable and Tap has issued default notices in respect of an amount totaling US\$8,967,629. The defaulted amounts remain outstanding and are accruing interest.

As previously disclosed, Tap Energy (Thailand) Pty Ltd, a subsidiary of Tap Oil Limited initiated arbitration proceedings against Northern Gulf Petroleum Pte. Ltd. on 19 August 2015 (see below).

Northern Gulf Notice of Default on payment of Earn Out

On 15 October 2015, NGPH issued Tap Energy (Thailand) Pty Ltd with four default notices for their failure to pay the earn out fee of 2% on revenue generated by the concessions (payable provided the oil price remained above US\$50/bbl) as agreed to under the terms relating to Tap's acquisition of its 30% interest in the G1/48 Concession and the Manora Oil Development from NGPH. The amounts payable under these default notices can be set-off under the arbitration (see below) against amounts owing in respect of repayment of the carried costs.

Notice of Arbitration

Tap Energy (Thailand) Pty Ltd, a subsidiary of Tap Oil Limited, filed on 19 August 2015, a Notice of Arbitration in Singapore against Northern Gulf Petroleum Pte Ltd, Northern Gulf Petroleum Holdings Limited and Northern Gulf Oil (Thailand) Co. Ltd (collectively **NGP**) in regards to payments due under the sale and purchase agreement for Tap's acquisition of its 30% interest in the G1/48 concession. Tap is seeking settlement and set off of the following disputed acquisition payments under that sale and purchase agreement:

1. The US\$1.31 million which Tap has calculated is due and payable by Tap to NGP in respect of the 2P reserves payment for the period to 31 December 2014;
2. The US\$4.59 million which Tap has calculated is due and payable by Tap to NGP in respect of the 2P reserves payment for the period to 31 December 2015;
3. Carried costs up to US\$10 million payable by NGP to Tap of which US\$1.03 million has been paid with US\$8.97 million due and payable; and
4. To the extent NGP is entitled to any additional payments for 2P reserves, these can be set off.

After repeated attempts to resolve the payment dispute with NGP, Tap is pursuing this arbitration against NGP in Singapore, as permitted under the sale and purchase agreement, to recover the carry repay and to set-off the 2P reserves payments.

NGPH's earn-out claim has not been referred to in the Notice of Arbitration, but can still be set-off against amounts owing in respect of repayment of the carried costs, if, or when, raised by NGPH.

NGP's defence and counterclaim includes its earlier claim that the 2P reserves payment for the period to 31 December 2014 should be US\$14.6 million, not US\$1.31 million.

Manora acquisition payments due under the sale and purchase agreement

At the time of Tap's acquisition of its 30% interest in the G1/48 concession a number of staged acquisition payments were agreed with Northern Gulf Petroleum Holdings Limited (**NGPH**) and its subsidiary, Northern Gulf Petroleum Pte. Ltd. (**NGP**). The following table sets out the current position and future contingent liabilities between Tap and NGP.

Payment	Assumptions/Notes	Estimated Timing for Payments														
Repayment of NGP Carry: Payment by NGP/NGPH to Tap	The repayment of US\$10 million by NGP to Tap out of NGP's share of production or by NGPH. This is an ongoing repayment as proceeds are received from each oil lifting.	Approx. US\$1.03 million has been repaid to date by NGPH. NGPH has not made any further repayments to Tap and the total amount owing is US\$8.97 million. Tap has issued default notices in respect of the outstanding amount.														
2P Reserves Deferred Payment: Payment by Tap to NGPH	Based on Manora 2P reserves at each year-end for four years after first production, up to US\$23.94 million. Conditional on the Manora 2P Reserves (plus recovered oil) remaining > 10 mmbbls).	Following the finalisation of the year end 2P reserves for Manora, or reserves certification by an independent expert. The 31 December 2015 2P Reserves estimate has been finalised and based on that report, the amount owing to NGPH for 2015 is US\$4.59 million.														
Earn-out (2% of Tap's Manora revenue): Payment by Tap to NGPH	No Earn-out is payable if : <ul style="list-style-type: none"> the average daily closing spot price for Brent crude is below US\$50/bbl per barrel for the 14 days immediately prior to the date of any oil lifting; and the Manora 2P reserves (economic ultimate recovery) do not exceed 15MMSTB. 	This is an ongoing payment, due monthly in arrears, and follows the receipt of lifting proceeds. The outstanding earnout amount payable is US\$677,301. Further amounts will become payable following receipt of proceeds from future liftings when the Brent crude price is over US\$50/bbl.														
Set off of amounts Net payment by NGP/NGPH to Tap	Tap has exercised its right to set-off the 2P Reserves Deferred Payment and the Earn-out against the amounts owing to it in respect of the repayment of the carry described above.	This set-off as at 31 December 2015 is: <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: right;"><u>US\$'mil.</u></th> </tr> </thead> <tbody> <tr> <td>Carry receivable</td> <td style="text-align: right;">8.97</td> </tr> <tr> <td>Reserves payments</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">- 2014</td> <td style="text-align: right;">(1.31)</td> </tr> <tr> <td style="padding-left: 20px;">- 2015</td> <td style="text-align: right;">(4.59)</td> </tr> <tr> <td>Earnout</td> <td style="text-align: right;"><u>(0.68)</u></td> </tr> <tr> <td>Net due to Tap</td> <td style="text-align: right;"><u>2.39</u></td> </tr> </tbody> </table> <p>Above excludes interest. Tap has reserved its right to claim interest on this amount.</p>		<u>US\$'mil.</u>	Carry receivable	8.97	Reserves payments		- 2014	(1.31)	- 2015	(4.59)	Earnout	<u>(0.68)</u>	Net due to Tap	<u>2.39</u>
	<u>US\$'mil.</u>															
Carry receivable	8.97															
Reserves payments																
- 2014	(1.31)															
- 2015	(4.59)															
Earnout	<u>(0.68)</u>															
Net due to Tap	<u>2.39</u>															

C. G1/48 Reservation Area fee

The G1/48 Concession (excluding the Manora Production Area) expired on 8 December 2015. On 11 December 2015 the Thailand Department of Mineral Fuels (**DMF**) approved the G1/48 Joint Venture's application for a 1,339 km² Reservation Area within G1/48. The remaining area of G1/48 outside of this Reservation Area was relinquished.

A Reservation Area fee of THB 133,882,000 (approximately US\$3.8m) was paid by the joint venture to the DMF in December 2015. The Reservation Area is valid for one year. Provided the joint venture spends THB 133,882,000 or more on operational activity connected with the Reservation Area in that year, then it will receive a refund from the DMF for the THB 133,882,000. Should the joint venture spend less than the THB 133,882,000, then the amount spent will be refunded. Any refund would be expected to be received within the first half of 2017.

Tap's share of the Reservation Area fee (THB 40,165,000 - approximately US\$1.2m) is recorded in these financial statements as an Exploration and Evaluation Asset. The contingent receivable of THB 40,165,000 (approximately US\$1.2m) is not recorded in these financial statements.

Should Tap wish to extend all or part of the Reservation Area for another year, another fee would be payable based on the area approved and the refund mechanism would apply.

16. 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) NSAI/Reserves

On 15 February 2016, Tap advised that the 31 December 2015 2P reserves report for Manora had been completed by Netherland, Sewell & Associates, Inc. (**NSAI**).

The range of NSAI's reserves estimates for the Manora Oil Development as at 31 December 2015 (compared to Tap) are:

(MMSTB)	Gross 100% Field			Tap share (30%)		
	1P	2P	3P	1P	2P	3P
Probabilistic						
NSAI	11.2	13.6	16.24	3.36	4.07	4.87
Tap	9.97	13.2	16.2	2.99	3.96	4.86

* Reserves are not adjusted for Risk

The estimates are net of cumulative production to 31 December 2015 of 5.46 MMSTB (net to Tap 1.64 MMSTB).

NSAI contingent resources estimates as at 31 December 2015

NSAI has calculated a best estimate 2C contingent resource of 5 MMSTB gross (1.5 MMSTB net to Tap). The contingent resource is broken down into additional reservoir volumes (gross 4 MMSTB; net to Tap 1.2 MMSTB) and extension volumes (gross 1 MMSTB; net to Tap 0.3 MMSTB). 55% of the additional reservoir's layer is due to updip volumes in the east fault block 620 reservoir which NSAI believes will not be drained from the existing wells. The extension layer refers to volumes contingent upon improved economic conditions.

Please refer to part A of note 15 for information on the impact of the above on the financial statements at 31 December 2015 and the amounts payable to Northern Gulf in particular.

Tap's reserves estimate

Tap's reserves estimate (above) includes a decrease in 2P reserves (0.35 net to Tap), not related to production, due to economic conditions. In order to evaluate the field economic limit, an oil price at terminal conditions of US\$60/bbl was used. This is in contrast to the 31 December 2014 reserves report where a constant oil price of US\$75/bbl from 2016 onwards had been assumed.

b) Share Purchase Plan

On 4 January 2016 Tap despatched to Shareholders details of a Share Purchase Plan (**SPP**) as foreshadowed on 16 December 2015. The SPP opened on 4 January 2016 and was originally due to close at 5.00 pm (AWST) on 12 February 2016. On 12 February 2016 Tap announced that the closing time for the SPP had been extended to 5.00pm (AWST) on 11 March 2016.

The SPP provides eligible Shareholders with an opportunity to apply to purchase up to A\$15,000 of Tap ordinary shares without incurring brokerage or transaction costs. The Company is targeting raising A\$4 million under the SPP but it may, at its discretion, decrease or close the SPP at such lesser or higher amount that it determines.

Shares will be offered under the SPP at the lower of:

- a 15% discount to the volume weighted average price of Tap shares over the 5 trading day period on the ASX immediately prior to the issue date of the SPP shares; or
- the Placement price of 19.25 cents per share.

The issue date for New Shares subscribed for under the SPP will now be on or around 21 March 2016, with quotation of New Shares and dispatch of holding statements expected to take place on or around 22 March 2016.

For more information on the SPP, refer to the ASX announcements of 4 January and 12 February 2016. These can be found on the Tap Oil website.

c) Manora Cost Overruns

On 2 March 2015, Tap announced an unexpected capital expenditure increase of US\$28 million (US\$8.4 million Tap share) for the construction of the Manora Oil Development facilities relating to delays in hookup, commissioning and contractor claims. On 15 January 2016 an agreement was signed with Mubadala Petroleum (Operator), of the Manora Oil Development, for the settlement of the final capital costs of the Manora field facilities.

Tap has agreed to pay US\$5 million of the final disputed amount of US\$9.1 million as the final balance of the Manora Oil Development facilities capital expenditure. Payment of the US\$5 million will be made in two equal instalments on 30 September 2016 and 31 December 2016. The finalisation of the facilities costs eliminates exposure to any further related costs or claims thus providing greater certainty around the value of Manora.

Tap's financial statements as at 31 December 2015 include the additional US\$5 million in the carrying value for the Manora Oil Development (Property Plant and Equipment) of US\$76 million. The US\$5 million is included in Trade and other payables.

As part of the settlement agreement, Tap also has extended time to pay US\$5 million of cash calls which will now be paid in equal instalments on 31 March 2016 and 30 June 2016.

d) Appointment of new Non-Executive Director and Alternate

On 16 December 2015, Tap announced the placement of 13.62 million shares to Risco Energy Investments (SEA) Limited (**Risco**). At the time the Board resolved to invite Mr Tom Soulsby, Risco's CEO, to join the Tap Board as a Non Executive Director with Mr Chris Newton, Risco's Director of Operations & Business Development, nominated as Mr Soulsby's alternate.

On 8 January 2016 Tap announced the appointment of Mr Tom Soulsby to the Tap Board, with Mr Chris Newton as his alternate, both effective 1 January 2016.

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.

Information on audit

The accounts are in the process of being audited and at the date of lodging this 4E it is likely that the independent audit report will contain an emphasis of matter paragraph relating to uncertainty surrounding the ability of the Company and the Consolidated Entity to continue as a Going Concern.

As previously announced by the Company, the size of the borrowing base under the existing debt facility with BNP Paribas and Siam Commercial Bank (**BNP Facility**) is linked to Manora reserves and revenues (as well as Third Party Gas revenues). Accordingly, the borrowing base fluctuates with changes in the oil price, operating costs and other related variables. Tap is currently in compliance with the terms of the BNP Facility, however following recent oil price falls and ongoing volatility in the oil market, the Company is continuing to engage with BNP Paribas and Siam Commercial Bank regarding a modification to the existing terms and size of the BNP Facility to ensure future compliance. This is in conjunction with a range of other measures which may include the current Share Purchase Plan, additional internal cost cutting, further deferment or minimisation of spending on all non-Manora activities, a hedging program and asset sales.

On behalf of the Directors of the Company,



D W Bailey
Chairman

West Perth, Western Australia
26 February 2016