Tap Oil

Tap Oil Limited
ABN 89 068 572 341

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26 August 2010

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

TAP OIL LIMITED
HALF-YEAR RESULTS TO 30 JUNE 2010

Herewith is Tap Oil Limited's Half-Year Results for the period ended 30 June 2010.

Included in the announcement is the covering narrative, Appendix 4D, the Financial Report for the half-year ended 30 June 2010, the Auditor's Independence Declaration and the Auditor's Review Report.

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

Enquiries to:	Peter Stickland (Managing Director / CEO)	
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ASX Announcement

Tap Oil Limited Half-Year Results to 30 June 2010

HIGHLIGHTS

- **Oil and gas revenue of $33 million – up 54% on the previous six months**
- **Operating profit of $19 million – up 62% on the previous six months**
- **EBITDAX of $16 million and cash flows from operations of $14 million**
- **Net loss after tax of $18 million – includes a one-off $20 million exploration write down**
- **All cash generating assets are now fully operational**
- **$66 million in cash and no debt**
- **A major four well exploration drilling campaign about to commence**

Summary

The Company generated strong revenues of $33 million and an operating profit of $19 million for the half-year. These operating results are in line with the corresponding six months to 30 June 2009 and are up 54% and 62% respectively on the previous six months to 31 December 2009. Cash generated from operating activities was $14 million and the cash on hand at 30 June 2010 was $66 million.

Tap Chief Executive Officer Peter Stickland said the strong operating profit of $19 million, up by 62% from the 31 December 2009 half-year, provided Tap with a solid financial basis to underpin its upcoming drilling program.

“Tap is very pleased to have all three cash generating assets, Woollybutt, Harriet and the gas contracts, now performing strongly and profitably,” Mr Stickland said.

“Excluding the $20 million write down due to relinquishing SC41 in the Philippines, the overall profit result is pleasing,” he said.

“After undertaking much technical preparatory work, we are now prepared for an exciting and targeted drill program across prospects in Australia’s Carnarvon and Bass Basins and in Brunei in the coming months.”

Summary of Financial Performance

The Company generated strong revenues of $33 million and an operating profit of $19 million for the half-year. These operating results are in line with the corresponding six months to 30 June 2009 and are up 54% and 62% respectively on the previous six months to 31 December 2009. A full comparison of results is attached as Annexure 1.

Earnings before income tax, depreciation, amortisation and exploration write downs (EBITDAX) was $16 million which is up 68% on the corresponding six months to 30 June 2009 and down 39% on the previous six months to 31 December 2009. Both these comparative periods were distorted by non-recurring costs such as Varanus Island repairs, Woollybutt dry dock costs and insurance proceeds received. Cash generated from operating activities was $14 million and the cash on hand at 30 June 2010 was $66 million.

The overall result was a net loss after tax of $18 million which included an exploration impairment charge of $20 million resulting from the relinquishment of the SC41 exploration permit in the Philippines.

The result for the half-year includes the following:

- Tap's share of oil production from Woollybuttt for the half-year was lower than the corresponding half-year period by 17%. There was no production in the prior half-year period to 31 December 2009. Woollybutt production resumed on 7 March 2010 having undergone a planned life extension program. In the half-year ended 30 June 2010 there was only one lifting and hence the volume of oil sold was 88,371 bbls compared to 184,231 bbls sold in the 30 June 2009 half-year period. Correspondingly, the inventory levels were higher at 30 June 2010.

- Tap's share of oil and gas production from Harriet for the half-year was higher by 8% and 22% respectively compared to the corresponding six months to 30 June 2009 and down 16% and 6% respectively on the previous six months to 31 December 2009.

- Exploration impairment losses of $20 million (2009: $6 million) reflecting Tap's ongoing evaluation of its exploration portfolio. The impairment loss relates to the relinquishment of the SC41 permit in the Philippines on 9 August 2010, resulting in the exploration carrying value of SC41 being reduced to nil.

- An income tax expense of $2 million (2009: benefit of $8 million) reflects Tap's current tax payable position, as well as the movement in the deferred tax balances.

Production & Sales Summary

	Half-year ended 30 June 2010		Half-year ended 31 December 2009		Half-year ended 30 June 2009	
	'000 boe	$'000	'000 boe	$'000	'000 boe	$'000
Production (net to Tap):						
Liquids - HJV	104		124		96	
Oil - Woollybutt	119		-		144	
Total Liquids	223		124		240	
HJV Sales Gas	292		310		237	
Total Production	515		434		477	
Sales (net to Tap):						
Liquids	203	16,816	115	9,433	304	21,524
HJV Gas Sales	277	3,155	294	2,963	295	2,875
Third Party Gas Sales	316	12,180	203	8,432	184	8,792
Tolling		1,222		2,606		1,393
Total Sales	796	33,373	612	23,434	783	34,584
Average Realised Oil Price		A$82.84/bbl		A$82.03/bbl		A$70.69/bbl

Harriet Joint Venture Fields (Tap 12.2229%, Apache Operator)

The Harriet Joint Venture produces gas and liquids (oil and condensate) from many different fields within the joint venture area. Each field may have several wells and the operator manages the production from the many different oil and gas wells in accordance with processing plant capacities to achieve the optimal commercial outcome over the life of the assets.

During the half-year liquid production rates at the Harriet Joint Venture averaged 4,700 bopd gross, with production 16% down on the previous half-year to 31 December 2009 and 8% higher than the corresponding period to 30 June 2009. Gas production was down 6% on the previous half-year and 23% higher than the corresponding period.

Woollybutt Field (Tap 15%, ENI Operator)

Woollybutt is an oil field in the Carnarvon Basin, Western Australia. Oil is produced from the field by a floating storage, production and offtake vessel (FPSO) named Four Rainbow.

The Woollybutt field recommenced production on 7 March 2010 after the FPSO returned to the field after having undergone a planned life extension work program. The field had been shut in since 28 April 2009. The field came back on line at approximately 8,000 barrels a day (gross) and production has since declined naturally, averaging approximately 7,000 barrels a day from 7 March to 30 June 2010.

Third Party Gas Contracts (Tap 100%)

In 2005, Tap secured an option over approximately 33 PJ (31 Bcf) of gas from the John Brookes field offshore Western Australia at then current market prices. The option was exercised in 2007 and Tap on-sells the gas to a number of Western Australian gas customers under long term contracts. The gas is purchased at a fixed 2005 price and sold at fixed prices approximately three times higher. Both buy and sell prices are denominated in Australian dollars and subject to CPI escalation. Around 26 PJ (~24 Bcf) currently remains to be delivered over the period to December 2016. This gas is now fully contracted and provides substantial stable, long-term cash flow.

During the half-year several gas customers struggled with operational issues, reducing their consumption of gas. Take-or-pay obligations were enforced on these customers and hence the cash was still received for minimum obligations, but for accounting purposes the revenue is deferred and recognised as a liability. The liability amount will be recognised as revenue at a future date when the gas is delivered. Hence revenue from gas sales is lower than expected, even though the cash has been received.

Tap also concluded a series of transactions during the period involving the restructure of some third party gas arrangements and additional sales resulting in a substantial increase in value. Tap now expects to generate total revenues of approximately $220 million between 2010 and the end of 2016. Forecast third party gas revenues are expected to be sustained at around $30 million per year throughout the remaining term, generating substantial cash flow.

Given the fixed nature of the contracts, Tap can provide guidance to investors on the Net Present Value (NPV) of its third party gas contracts of $71 million (post-tax, 10% discount rate) as at 1 July 2010. The gas volumes associated with these contracts are not included in Tap's published reserve volumes.

Exploration

During the half-year Tap's exploration strategy continued to focus on moderate risk exploration activities which have the potential to add significant value. The Board recognises that a quality exploration portfolio will be the foundation for future performance.

Australia - Carnarvon Basin

The Zola prospect in WA-290-P (Tap 10%, Apache Operator) will be drilled in 2010 after Tap entered into an agreement with Apache during the half-year period to farmout a 10% interest in WA-290-P in consideration for Apache paying a promoted share of the costs of the Zola-1 well. Tap retains a 10% interest in the permit which lies immediately south of the giant Gorgon gas field. The Zola prospect is estimated by Tap to contain recoverable gas volumes of between 0.2 and 2.0 Tcf with a mean volume of approximately 1 Tcf.

In WA-351-P (Tap 25%, BHP Operator) the Designated Authority approved a relinquishment and renewal work program (which includes a well in the first 3 years) as submitted by the Operator. The retained area includes all of the high graded features in the permit.

The Harriet Joint Venture (Tap 12.2229%, Apache Operator) has had an exploration success rate of over 40% since inception and is seeking to continue this impressive strike rate. During the quarter work commenced on a 3D seismic reprocessing project over a large part of the joint venture area to be completed in the first quarter of 2011.

Brunei

In Block M (Tap 39%, Operator) Tap is pursuing parallel strategies of appraising the Belait field and assessing the wider potential of this 3,011km^2 onshore block. During the half-year Tap completed the maturation of a number based on the seismic acquired in 2009. Planning, logistics and construction work was also undertaken for the two well drilling program and a second 3D seismic survey. Seismic acquisition is now in progress and Mawar-1 drilling has commenced.

Australia – Bass Basin

In T/47P (Tap 75%, Operator) geological and geophysical work continued with the Craigow and Glenbothy prospects maturing to be commercially attractive. Craigow has been selected as the prospect with the best risk-reward characteristics and is the first drilling candidate. The current forward program is for Craigow-1 to be drilled by the Kan Tan IV rig in the fourth quarter of 2010.

Ghana – West Africa Transform Margin

In March, Tap entered into a Petroleum Agreement to secure an interest in the Offshore Accra Contract Area (Tap 36%, Operator). The Offshore Accra Contract Area covers an area of 2,000km^2 and is located to the southeast of Accra, the capital of the Republic of Ghana, in water depths ranging from less than 50m to greater than 2,500m. Ghana ranks as one of the most financially and politically stable, truly democratic countries in Africa.

Tap has begun an active exploration program in Ghana by gathering available technical data, purchasing recently acquired 2D seismic data over the deepwater portion of the block and initiating the reprocessing of the existing 3D seismic data. Interpretation of existing data and planning for the acquisition of a new seismic survey has commenced.

Outlook

With all three cash generating assets fully operational and a cash balance of over $66 million, Tap is in a very strong position as it heads into its first major exploration drilling campaign in several years. Tap expects its full year 2010 cash flow from operations to cover its exploration spend for the year. The four near-term wells are complimented by medium-term projects such as Ghana and WA-351-P which will likely see wells drilled in 2011/2012. Additionally, Tap has increased its efforts to identify and pursue new ventures and business development opportunities in parallel with its upcoming drilling program in order to create shareholder value.

Tap has a busy program planned for the remainder of 2010, including:

a) Maintaining strong oil and gas production from the Harriet Joint Venture, oil production from Woollybutt and increased contributions from third party gas sales;

b) The drilling of Zola-1 in WA-290-P;

c) Two wells, Mawar-1 and Markisa-1, drilled and the completion of seismic acquisition in Brunei;

d) Drilling of the Craigow well in T/47P (Bass Strait);

e) Completion of seismic data acquisition programs in Ghana and Indonesia; and

f) Ongoing appraisal of new venture opportunities.

Annexure 1

Table of half-year results to 30 June 2010 and comparative periods

	Half Year Ended			Prior half year to 31/12/2009		Corresponding half year to 30/06/2009	
	30/06/2010	31/12/2009	30/06/2009	Variance	% Var	Variance	% Var
Revenue - Oil	**16,816**	9,433	21,524	7,383	78%	(4,708)	-22%
Revenue - Gas	**3,155**	2,963	2,875	192	6%	280	10%
Revenue - Third Party Gas	**12,180**	8,432	8,792	3,748	44%	3,388	39%
Total oil and gas revenue	**32,151**	20,828	33,191	11,323	54%	(1,040)	-3%
Revenue - Tolling fees	**1,222**	2,606	1,393	(1,384)	-53%	(171)	-12%
Total Revenue	**33,373**	23,434	34,584	9,939	42%	(1,211)	-4%
Cost of sales (excl. D&A)	**(14,188)**	(11,559)	(14,569)	(2,629)	23%	(381)	-3%
Operating Profit	**19,185**	11,875	20,015	7,310	62%	(830)	-4%
Other Costs	**(564)**	(295)	(318)	(269)	91%	(246)	77%
Administration Expenses	**(3,198)**	(2,954)	(3,844)	(244)	8%	646	-17%
Recurring EBITDAX[1]	**15,423**	8,626	15,853	6,797	79%	(430)	-3%
Non-recurring items							
Varanus Island repairs and Woollybutt dry-dock	**593**	(5,939)	(6,346)	6,532	-110%	6,939	-109%
Other Income	**-**	23,654	-	(23,654)	-100%	-	
EBITDAX[1]	**16,016**	26,341	9,507	(10,325)	-39%	6,509	68%
Exploration write-off	**(19,595)**	5,467	(7,651)	(25,062)	-458%	(11,944)	156%
EBITDA	**(3,579)**	31,808	1,856	(35,387)	-111%	(5,435)	-293%
Depreciation and amortisation	**(12,806)**	(11,715)	(10,963)	(1,091)	9%	(1,843)	17%
EBIT	**(16,385)**	20,093	(9,107)	(36,478)	-182%	(7,278)	-80%
Foreign exchange gains/(losses)	**75**	339	(3,386)	(264)	-78%	3,461	102%
Interest income/(exp)	**1,305**	648	241	657	101%	1,064	441%
Finance costs	**(670)**	(478)	(347)	(192)	40%	(323)	93%
Profit before tax	**(15,675)**	20,602	(12,599)	(36,277)	-176%	(3,076)	-24%
Income tax benefit/(expense)	**(2,210)**	(8,974)	7,646	6,764	-75%	(9,856)	129%
Net profit after tax	**(17,885)**	**11,628**	**(4,953)**	(29,513)	-254%	(12,932)	-261%
Cashflows from operations	**13,647**	18,891	12,797	(5,244)	-28%	850	7%

[1] Earnings before interest, tax, depreciation, amortisation and exploration write-offs

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ABN 89 068 572 341

Appendix 4D
Half-Year Report
Six months ended 30 June 2010

Results for announcement to the market

					A$'000
2.1	Revenue from ordinary activities	Down	0.4%	to	34,678
2.2	Loss after tax attributable to members	Up	261.1%	to	17,885
2.3	Loss for the period attributable to members	Up	261.1%	to	17,885

	Dividends (distributions)	Amount per security	Franked amount per security
2.4	Dividends	Nil	Nil
	Previous corresponding period	Nil	Nil
2.5	Record date for determining entitlements to the dividend	N/A no dividends have been declared or paid.	

	NTA backing	30 June 2010	31 December 2009
3.	Net tangible asset backing per + ordinary security	$0.80	$0.76

+ Net assets excluding deferred exploration expenditure.

4. Details of controlled entities

4.1 Control gained over entities having material effect

Name of entity (or group of entities)	No entities were acquired during the half-year period
Date from which control was gained	N/A
Profit after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A

4.2 Control lost over entities having material effect

Name of entity (or group of entities)	No entities were disposed of during the half-year period
Date from which control was lost	N/A
Contribution to consolidated profit from sale of interest leading to loss of control	N/A

Tap Oil Limited
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Appendix 4D
Half Year Report
Six months ended 30 June 2010
Continued

5.	**Details of dividends**	No dividends have been declared or proposed
6.	**Details of dividend reinvestment plans**	N/A
7.	**Details of associate and joint venture entities**	Full list included in the Annual Report of Tap Oil Ltd for the year ended 31 December 2009. Since 31 December 2009 Tap secured a 40% interest in the Accra Joint Venture in Ghana and decreased its interest in WA-290-P from 20% to 10%.
8.	**Foreign entities**	Foreign entities' financial reports were compiled based on International Financial Reporting Standards (IFRS).
9.	**Details of audit dispute or audit qualification**	N/A
10.	**Other significant information**	Refer to the attached reviewed Half Year financial report
11.	**Commentary on results for the period**	Refer to the attached Directors' Report included in the Half Year financial report
12.	**Audited accounts**	The report is based on the attached Half Year financial report which has been reviewed by Tap's auditors

TAP OIL LIMITED

ABN 89 068 572 341

FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 30 JUNE 2010

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The directors of Tap Oil Limited ("Tap" or "the Company") submit herewith the financial report for the half-year ended 30 June 2010. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of the directors of the Company during or since the end of the half-year are:

- N F Taylor (Independent Non-Executive Director and Chairman)
- P J Stickland (Managing Director/CEO)
- P B Lane (Independent Non-Executive Director)
- M J Sandy (Independent Non-Executive Director)
- D W Bailey (Independent Non-Executive Director)

The above named directors held office during and since the end of the half-year.

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 of operations

Exploration

During the half-year Tap's exploration strategy continued to focus on moderate risk exploration activities which have the potential to add significant value. The Board recognises that a quality exploration portfolio will be the foundation for the future performance of the Company. No exploration wells were drilled during the half-year.

Australia - Carnarvon Basin

The Zola prospect in WA-290-P (Tap 10%, Apache Operator) will be drilled in 2010 after Tap entered into an agreement with Apache during the half-year period to farmout a 10% interest in WA-290-P in consideration for Apache paying a promoted share of the costs of the Zola-1 well. Tap retains a 10% interest in the permit. The permit is immediately south of the giant Gorgon gas field and the Zola prospect is estimated by Tap to contain recoverable gas volumes of between 0.2 and 2.0 Tcf with a mean volume of approximately 1 Tcf.

In WA-351-P (Tap 25%, BHP Operator) the Designated Authority approved a relinquishment and renewal work program (which includes a well in the first 3 years) as submitted by the Operator. The retained area includes all of the high graded features in the permit.

The Harriet Joint Venture (Tap 12.2229%, Apache Operator) has had an exploration success rate of over 40% since inception and is seeking to continue this impressive strike rate. During the quarter work commenced on a 3D seismic reprocessing project over a large part of the HJV area to be completed in the first quarter of 2011.

Brunei

In Block M (Tap 39%, Operator) Tap is pursuing parallel strategies of appraising the Belait field and assessing the wider potential of this 3,011km^2 onshore block. During the half-year Tap completed the maturation of a number of prospects based on the seismic acquired in 2009. Planning, logistics and construction work was then commenced for the two well drilling program and a second 3D seismic survey. Drilling of the Mawar-1 well commenced on 26 August 2010.

Australia – Bass Basin

In T/47P (Tap 75%, Operator) geological and geophysical work continued with the Craigow and Glenbothy prospects maturing to be commercially attractive. Craigow has been selected as the prospect with the best risk-reward characteristics and is the first drilling candidate. The current forward program is for Craigow-1 to be drilled by the Kan Tan IV rig in the fourth quarter of 2010.

Ghana – West Africa Transform Margin

In March, Tap entered into a Petroleum Agreement to secure an interest in the Offshore Accra Contract Area (Tap 36%, Operator). The Offshore Accra Contract Area covers an area of 2,000km^2 and is located to the southeast of Accra, the capital of the Republic of Ghana, in water depths ranging from less than 50m to greater than 2,500m. Ghana ranks as one of the most financially and politically stable, truly democratic countries in Africa.

Tap has begun an active exploration program in Ghana by gathering available technical data, purchasing recently acquired 2D seismic data over the deepwater portion of the block and initiating the reprocessing of the existing 3D seismic data. Interpretation of existing data and planning for the acquisition of a new seismic survey has commenced.

Production & Sales Summary

	Half-year ended 30 June 2010		Half-year ended 30 June 2009	
	'000 boe	$'000	'000 boe	$'000
Production (net to Tap):				
Liquids - HJV	104		96	
Oil - Woollybutt	119		144	
Total Liquids	223		240	
HJV Sales Gas - 1,954 TJ (2009: 1,606 TJ)	292		237	
Total Production	515		477	
Sales (net to Tap):				
Liquids	203	16,816	304	21,524
HJV Gas Sales - 1,876 TJ (2009: 2,001 TJ)	277	3,155	295	2,875
Third Party Gas Sales - 2,142 TJ (2009: 1,247 TJ)	316	12,180	184	8,792
Tolling		1,222		1,393
Total Sales	796	33,373	783	34,584
Average Realised Oil Price		A$82.84/bbl		A$70.69/bbl

Harriet Joint Venture Fields (Tap 12.2229%, Apache Operator)

The Harriet Joint Venture liquid production rates averaged 4,700 bopd gross for the period, 8% higher than the previous corresponding period and slightly better than anticipated. Gas production was 22% higher than the previous period at approximately 88TJ per day (gross).

Woollybutt Field (Tap 15%, ENI Operator)

The Woollybutt field recommenced production on 7 March 2010 after the FPSO returned to the field having undergone a planned life extension work program. The field had been shut in since 28 April 2009. The field came back on line at approximately 8,000 barrels a day (gross) and production has since declined naturally, averaging approximately 7,000 barrels a day from 7 March to 30 June 2010.

Third Party Gas Contracts (Tap 100%)

During the half-year several gas customers struggled with operational issues, reducing their consumption of gas. Take-or-pay obligations were enforced on these customers and hence the cash was still received for minimum obligations, but for accounting purposes the revenue is deferred and recognised as a liability. The liability amount will be recognised as revenue at a future date when the gas is delivered. Hence revenue from gas sales is lower than expected, even though the cash has been received.

Tap also concluded a series of transactions during the period involving the restructure of some of the third party gas arrangements and additional sales resulting in a substantial increase in value.

Financial Summary

The Consolidated Entity's gross profit for the half-year is $7.684 million (2009: $9.293 million). The net loss for the half-year is $17.885 million (2009: $4.953 million). Cash generated from operating activities was $13.647 million (2009: $12.797 million) and cash at 30 June 2010 was $66.289 million (2009: $53.881 million).

The average realised oil price per barrel of oil for the half-year ended 30 June 2010 was A$82.84 (2009: A$70.69). There was no hedging in place for the reporting period or for the 2009 comparable period.

The Consolidated Entity's result for the reporting period includes the following:

- Tap's share of oil production from Woollybuttt for the half-year was lower than the corresponding 2009 half-year period by 25,000 bbls (17%). Woollybutt production resumed on 7 March 2010 having undergone a planned life extension program. In the half-year ended 30 June 2010 there was only one lifting and hence the volume of oil sold was 88,371 bbls compared to 184,231 bbls sold in the 30 June 2009 half-year period. Correspondingly the inventory levels were higher at 30 June 2010.

- Tap's share of oil and gas production from Harriet for the half-year was higher by 8,000 bbls (8%) of oil and 348TJ (22%) of gas compared to the 2009 half-year period. Although the volume of gas sales decreased, the gas sales value increased due to a higher USD exchange rate. Harriet production costs increased by $734,000, in line with the higher production levels, from $4.458 million to $5.192 million compared to the half-year period ended 30 June 2009.

- Exploration impairment losses of $19.595 million (2009: $5.636 million) reflecting Tap's ongoing evaluation of its exploration portfolio. The impairment loss relates to the relinquishment of the SC41 permit in the Philippines on 9 August 2010; resulting in the exploration carrying value of SC41 being reduced to nil.

- Foreign exchange gains of $75,000 (2009: loss of $3.386 million) as the Australian dollar weakened against the United States Dollar over the period.

- An income tax expense of $2.210 million (2009: benefit of $7.646 million) reflects Tap's current tax payable position, as well as the movement in the deferred tax balances. Tap's estimated current tax liability at 30 June 2010 is $1.622 million.

Cash flows, liquidity and funding

Revenue receipts from operations totalled $33.474 million (2009: $31.993 million) and net cash flows from operations were $13.647 million (2009: $12.797 million). Cash balances increased in Australian dollar terms and at period close was $66.289 million (31 December 2009: $59.438 million), with no debt.

Risk management and corporate governance

The Consolidated Entity's risk management and corporate governance statements were included in the 2009 annual report. These statements remain current.

The principal financial risks include oil price (USD) movements and USD/AUD foreign exchange movements, both of which are actively managed by the Board. Currently these risks are unhedged.

Changes to equity

No employee share options were exercised during the half-year ended 30 June 2010 or during the half-year ended 30 June 2009. No options were issued during the half-year and none will be issued in the future due to the cessation of the share option schemes. Total number of options on issue at 30 June 2010 was 6,024,554.

At the Annual General Meeting held on 30 April 2010, the Tap Oil Share Rights Plan ("Plan") was approved by shareholders. A total of 2,997,869 employee share rights were issued under the Plan during the half-year ended 30 June 2010. These are the only share rights on issue and none had lapsed at 30 June 2010.

Auditor's independence declaration

The auditors independence declaration is included on page 6 of the half-year report.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the directors

Neale F. Taylor

N F Taylor
Chairman
Perth, 26 August 2010

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

26 August 2010

Dear Board Members

Tap Oil Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Tap Oil Limited.

As lead audit partner for the review of the financial statements of Tap Oil Limited for the half- year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ross Jerrard
Partner
Chartered Accountants

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

We have reviewed the accompanying half-year financial report of Tap Oil Limited, which comprises the condensed consolidated balance sheet as at 30 June 2010, and the condensed consolidated statement of comprehensive income, the condensed consolidated cash flow statement and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 21.

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, we have become aware of any matter that makes us 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 consolidated entity's financial position as at 30 June 2010 and its 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 Tap Oil Limited, 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.

Auditor's Independence Declaration

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Tap Oil Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its 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*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ross Jerrard
Partner
Chartered Accountants
Perth, 26 August 2010

TAP OIL LIMITED
DIRECTORS' DECLARATION

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporation Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated Entity.

Signed in accordance with a resolution of directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the directors

N F Taylor
Chairman
Perth, 26 August 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2010

	Note	Consolidated Half-year ended 30 June 2010 $'000	30 June 2009 $'000
Revenue	2	34,678	34,825
Cost of sales	3	(26,994)	(25,532)
Gross profit		7,684	9,293
Administration expenses		(3,198)	(3,844)
Finance costs		(670)	(347)
Exploration write-downs/impairment losses	4	(19,595)	(7,651)
Other expenses	4	104	(10,050)
Loss before tax		**(15,675)**	**(12,599)**
Income tax (expense)/benefit		(2,210)	7,646
Loss for the period		**(17,885)**	**(4,953)**
Other comprehensive income		-	-
Total comprehensive income for the year		**(17,885)**	**(4,953)**
Earnings per share:			
Basic loss (cents per share)		(11.43)	(3.17)
Diluted loss (cents per share)		(11.43)	(3.17)

Notes to the financial statements are included on pages 14 to 21.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	Consolidated 30 June 2010 $'000	Consolidated 31 December 2009 $'000
Current Assets			
Cash and cash equivalents		66,289	59,438
Trade and other receivables		9,014	9,885
Inventories		7,038	6,210
Other	5	10,374	9,329
Total current assets		92,715	84,862
Non-current assets			
Property, plant and equipment	6	106,539	117,451
Deferred exploration expenditure	7	100,497	113,911
Total non-current assets		207,036	231,362
Total assets		**299,751**	**316,224**
Current liabilities			
Trade and other payables	8	19,320	18,411
Current tax liability		1,622	2,716
Provisions		519	318
Total current liabilities		21,461	21,445
Non-current liabilities			
Deferred tax liabilities		44,943	45,231
Provisions		27,326	25,871
Total non-current liabilities		72,269	71,102
Total Liabilities		**93,730**	**92,547**
Net assets		**206,021**	**223,677**
Equity			
Issued capital		89,758	89,758
Employee equity benefits reserve		4,481	4,252
Retained earnings		111,782	129,667
Total equity		**206,021**	**223,677**

Notes to the financial statements are included on pages 14 to 21.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2010

	Issued Capital $'000	Employee equity benefits reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2009	**89,758**	**3,512**	**122,992**	**216,262**
Loss for the period	-	-	(4,953)	(4,953)
Total comprehensive income for the period	-	-	(4,953)	(4,953)
Recognition of share-based payments	-	663	-	663
Balance at 30 June 2009	**89,758**	**4,175**	**118,039**	**211,972**
Balance at 1 January 2010	**89,758**	**4,252**	**129,667**	**223,677**
Loss for the period	-	-	(17,885)	(17,885)
Total comprehensive income for the period	-	-	(17,885)	(17,885)
Recognition of share-based payments	-	229	-	229
Balance at 30 June 2010	**89,758**	**4,481**	**111,782**	**206,021**

Notes to the financial statements are included on pages 14 to 21.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2010

	Note	Consolidated Half-year ended 30 June 2010 $'000	Consolidated Half-year ended 30 June 2009 $'000
Cash flows from operating activities			
Receipts from customers		33,474	31,993
Payments to suppliers and employees		(16,845)	(25,967)
Provisional insurance receipts		-	6,798
Government royalties paid		(661)	(217)
Interest received		1,271	190
Income tax paid		(3,592)	-
Net cash provided by operating activities		**13,647**	**12,797**
Cash flows from investing activities			
(Payments)/refunds for property, plant & equipment		(860)	629
Payments for exploration expenditure		(6,535)	(10,018)
Payments for restoration expenditure		-	(113)
Net cash used in investing activities		**(7,395)**	**(9,502)**
Cash flows from financing activities		**-**	**-**
Net increase in cash and cash equivalents		**6,252**	**3,295**
Cash and cash equivalents at the beginning of the half-year		59,438	54,045
Effects of exchange rate changes on the balance of cash held in foreign currencies		599	(3,459)
Cash and cash equivalents at the end of the half-year		**66,289**	**53,881**

Notes to the financial statements are included on pages 14 to 21.

1 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 Australian dollars, unless otherwise noted.

Tap Oil Limited (the "Company" or "Tap") is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

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 2009 annual financial report for the financial year ended 31 December 2009, except as disclosed below.

From 1 January 2010 the Consolidated Entity has adopted the following Standards and Interpretations:

- AASB 3 Business Combinations (2008), AASB 127 Consolidated and Separate Financial Statements (2008), AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 and AASB 2008-11 Amendments to Australian Accounting Standard - Business Combinations Among Not-for-Profit Entities
- AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project
- AASB 2008-8 Amendments to Australian Accounting Standards - Eligible Hedged Items
- AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Process
- AASB 2009-7 Amendments to Australian Accounting Standards
- Interpretation 17 Distributions of Non-Cash Assets to Owners and AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 Distributions of Non-Cash Assets to Owners

The adoption of these standards and interpretations did not have any effect on the financial position or performance of the Consolidated Entity.

The Consolidated Entity has not elected to early adopt any new standards or amendments.

	Consolidated Half-year ended 30 June 2010 $'000	Consolidated Half-year ended 30 June 2009 $'000
2 Revenue		
Sales of oil and gas	32,151	33,191
Other revenue - tolling fees	1,222	1,393
Interest received	1,305	241
	34,678	34,825
3 Cost of sales		
Depreciation of production facilities	1,739	1,366
Depreciation of capitalised development costs	11,067	9,597
Government royalties	661	217
Other production costs (i)	13,527	14,352
	26,994	25,532
4 Other expenses		
Exploration expenditure write-downs	-	2,015
Exploration impairment losses	19,595	5,636
	19,595	7,651
Foreign exchange (gains)/losses	(75)	3,386
Varanus Island repairs (i)	(593)	4,513
Woollybutt FPSO life extension costs (ii)	-	1,833
Other	564	318
	(104)	10,050

(i) Relates to the repairs of the Varanus Island operating facilities which were damaged as a result of the incident on 3 June 2008. These expenses were included in cost of sales (Other Production Costs) in the 30 June 2009 financial half-year and have been reclassified to other expenses to reflect the non-recurring nature of the expenses. The reclassification had no impact on the overall loss for the half-year ended 30 June 2009.

(ii) Relates to the Woollybutt FPSO dry-dock costs (inclusive of FPSO operating lease payments during the dry dock period). These expenses were included in cost of sales in the 30 June 2009 financial half-year and have been reclassified to other expenses to reflect the non-recurring nature of the expenses.

	Consolidated 30 June 2010 $'000	Consolidated 31 December 2009 $'000
5 Other current assets		
Prepayments	2,464	1,394
Prepaid gas	7,910	7,935
	10,374	9,329

	Consolidated 30 June 2010 $'000	Consolidated 31 December 2009 $'000
6 Property, plant and equipment		
Oil & gas facilities		
Gross carrying amount - at cost:		
Opening balance	42,477	41,968
Additions	118	509
Closing balance	42,595	42,477
Accumulated depreciation		
Opening balance	(28,941)	(25,904)
Depreciation	(1,739)	(3,037)
Closing balance	(30,680)	(28,941)
Net Book Value	11,915	13,536
Development expenditures		
Gross carrying amount - at cost:		
Opening balance	300,980	296,615
Additions	1,361	3,756
Transfer from exploration expenditure	478	609
Closing balance	302,819	300,980
Accumulated depreciation		
Opening balance	(197,750)	(178,517)
Depreciation	(11,067)	(19,233)
Closing balance	(208,817)	(197,750)
Net Book Value	94,002	103,230
Office improvements, furniture & equipment		
Gross carrying amount - at cost:		
Opening balance	3,657	3,971
Additions	117	227
Asset write-offs	(118)	(541)
Closing balance	3,656	3,657
Accumulated depreciation		
Opening balance	(2,972)	(3,065)
Asset write-offs	109	501
Depreciation	(171)	(408)
Closing balance	(3,034)	(2,972)
Net Book Value	622	685
Total - net book value	**106,539**	**117,451**

	Consolidated 30 June 2010 $'000	Consolidated 31 December 2009 $'000
7 Deferred exploration expenditure		
Exploration and/or evaluation phase		
At cost	156,746	150,565
Less: impairment provisions	(56,249)	(36,654)
Net carrying value	100,497	113,911
Reconciliation of movement:		
Opening balance	113,911	100,336
Current period exploration expenditure	6,659	16,368
Exploration expenditure write-downs	-	(2,052)
Exploration impairment losses	(19,595)	(132)
Transfer to development expenditures	(478)	(609)
	100,497	**113,911**

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.

	Consolidated 30 June 2010 $'000	Consolidated 31 December 2009 $'000
8 Trade and other payables		
Trade payables	4,126	6,953
Share of joint venture payables	4,893	4,753
Goods and services tax (GST) payable	1,405	644
Income received in advance (i)	8,896	6,061
	19,320	18,411

(i) Where take-or-pay obligations are enforced on gas customers, cash is received for minimum obligations with the amount being recorded as income in advance until the gas is ultimately delivered. Upon delivery the amount will be transferred to revenue.

9 Subsequent events

During July 2010, Tap increased its stake in T/47P from 40% to 75%. This came via a transaction whereby Tap assumed the 35% working interest of Singapore Petroleum Company (SPC) in return for being compensated for the increased share of the Joint Venture's drilling obligations. The 35% working interest was obtained through the purchase of SPC Bass Pty Ltd, which owned the 35% interest in the T/47P permit. The purchase of of SPC Bass Pty Ltd, which owned the 35% interest in the T/47P permit. The purchase of SPC Bass Pty Ltd will not be treated as a business combination for accounting purposes, but will be recognised as an asset purchase.

Tap initiated the relinquishment of the SC41 exploration permit in the Philippines on 9 August 2010. The relinquishment of the permit led to the impairment of the SC41 exploration asset, reducing the value of the exploration asset to nil at 30 June 2010.

Other than those listed above there have been no matters or circumstances arising since the end of the financial period, not otherwise dealt with in the financial statements that has or may significantly affect the operations of Tap, the results of those operations or the state of affairs of Tap in future financial years.

10 Contingencies and commitments

Gas Sale Agreement with Burrup Fertilisers

On 28 December 2006, Tap (Harriet) Pty Ltd, together with the other Harriet Joint Venture (HJV) sellers, issued a notice of force majeure in relation to the gas reservation requirements of the HJV under the Gas Sale Agreement with Burrup Fertilisers Pty Ltd (Burrup Fertilisers) entered into in December 2001 (GSA). Tap has a 12.2229% interest in the HJV and a corresponding interest as a gas seller under the GSA. At present, the HJV has not identified sufficient proven reserves of gas in order to supply its contracted share of all of the requirements of Burrup Fertilisers for the remaining duration of the GSA (approximately 20 years). The events described in the notice of force majeure include the failure of exploration and development wells.

The HJV continues to supply gas in accordance with the terms of the GSA and anticipates being able to continue to supply its share of gas to Burrup Fertilisers under the GSA for a further period of approximately 3 to 4 years. The actual duration and extent of supply is subject to uncertainties such as field performance and ongoing exploration and development activities in the Harriet area.

Under the GSA the effect of force majeure is to suspend the affected party’s obligations under the agreement to the extent that party is unable to perform the same. A party affected by force majeure is not liable for any failure or liability to perform obligations in circumstances of force majeure.

Tap has filed proceedings in the Supreme Court of Western Australia seeking a declaration to confirm that in the event it is determined that there was no force majeure event, any potential future liability for a shortfall in supply under the GSA is limited to the liquidated damages set out in that agreement. Burrup Fertilisers has filed a defence and counterclaim in relation to this matter disputing force majeure and for breach of contract seeking general damages in certain circumstances where there is a shortfall in gas supply.

In June of 2010, the Court granted an application for an early trial of issues dealing with certain core aspects of the dispute. Such issues include the way the liquidated damages regime under the GSA is to be applied (if required) and are at the centre of the action brought by Tap. The issues largely involve matters of contractual construction and will be able to be dealt with by the Court in an expedient manner. The trial of these issues has been set for a period of 4 days commencing on 14 June 2011. Judgment is expected to be reserved and handed down sometime thereafter. Determination of these issues will go a long way to providing the parties with commercial certainty.

10 Contingencies and commitments (cont'd)

Tap maintains that it has no liability for any shortfall in relation to reserves or any future shortfall in relation to delivery as a consequence of force majeure. However, in the event that force majeure is successfully disputed, the GSA contains a schedule which provides for annual liquidated damages 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 is payable in the event of a total shortfall in gas supply. Based on current reserves, Tap's maximum liability for liquidated damages would be approximately US$20 – 25 million in total.

Varanus Island Incident

On 3 June 2008, a gas pipeline ruptured on Varanus Island causing an extended disruption to gas deliveries from the facilities. Each of the licensees in the HJV (including Tap) have been charged by the Department of Mines and Petroleum with failing to maintain the gas pipeline. Tap has pleaded not guilty to this charge, which carries a maximum individual penalty of $10,000. Tap is vigorously defending this charge.

Civil claims from third parties may arise from the incident. To date, Tap has not been notified of any such claims and as such, these matters cannot be quantified. Tap maintains third party liability insurance which may be relevant to any claims which may arise.

Commitments

In March Tap entered into a Petroleum Agreement to secure an interest in the Offshore Accra Contract Area (Tap 36%, Operator). Tap's share of exploration commitments under the Petroleum Agreement is $10.222 million, which must be satisfied within 2.5 years from the date the Petroleum Agreement was entered into.

Other than the items listed above, since the last annual report, there has been no material change in contingent liabilities or capital commitments.

11 Segment Information

The Consolidated Entity has adopted AASB 8 Operating Segments and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 8 with effect from 1 January 2009. 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. In contrast, the predecessor Standard (AASB 114 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, following the adoption of AASB 8, the identification of the Consolidated Entity's reportable segments has changed.

The Third party gas segment was not disclosed as a reportable segment in the 30 June 2009 half-year financial report, as it was aggregated in the Oil & gas production and development segment. The inclusion of the Third party gas segment as a reportable segment has no impact on the financial result for the half-year ended 30 June 2009.

11 Segment Information (cont'd)

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 profit Half-year ended	
	30 June 2010 $'000	30 June 2009 $'000	30 June 2010 $'000	30 June 2009 $'000
Oil & gas production and development	20,380	25,792	(1,070)	(2,443)
Oil & gas exploration	-	-	(20,778)	(8,762)
Third party gas	12,993	8,792	5,955	3,674
	33,373	34,584	(15,893)	(7,531)
Interest revenue			1,305	241
Net central administration costs			(1,162)	(1,923)
Foreign exchange gains/(losses)			75	(3,386)
Profit before tax			(15,675)	(12,599)
Income tax (expense)/benefit			(2,210)	7,646
Consolidated segment revenue and loss for the period	**33,373**	**34,584**	**(17,885)**	**(4,953)**

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

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 gains/(losses) and income tax benefits.

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

	Assets Half-year ended	
	30 June 2010 $'000	31 December 2009 $'000
Oil & gas production and development	116,336	128,132
Oil & gas exploration	102,582	117,017
Third party gas	10,149	9,466
Total segment assets	**229,067**	**254,615**
Unallocated assets	70,684	61,609
Total assets	**299,751**	**316,224**

12 Dividends

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

13 Equity securities issued

There have been no issuances, repurchases and repayments of ordinary share capital during the half-year.

A total of 2,997,869 employee share rights were issued during the half-year ended 30 June 2010 (2009: 2,872,344 share options). These are the only share rights on issue and none had lapsed at 30 June 2010. Total number of share options on issue at 30 June 2010 was 6,024,554 (2009: 8,623,747).