



Tap Oil Limited

ABN 89 068 572 341

Level 1, 47 Colin Street
West Perth WA 6005
Australia

T: +61 8 9485 1000

F: +61 8 9485 1060

E: info@tapoil.com.au

www.tapoil.com.au

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The Company Announcements Platform
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Exchange Centre
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SYDNEY NSW 2000

DECEMBER 2009 QUARTERLY REPORT

Herewith is Tap Oil Limited's Quarterly Report for the quarter ended 31 December 2009.

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)
Telephone: +61 8 9485 1000
Email: info@tapoil.com.au
Website: www.tapoil.com.au

Highlights

- Harriet maintained strong production at 5,290 barrels and 90 TJ per day
- Woollybutt FPSO returned to the field and production to restart shortly
- Reached final settlement of Varanus Island insurance claim – USD 21 million
- Tap's net cash position grew to A\$60 million at the end of 2009
- Farmed in to prospective Rangkas Block, onshore Indonesia
- Technical work in T/47P led to improved prospectivity and a well likely in 2010
- Strong drilling program shaping up for 2010

Managing Director's Summary

"2010 is shaping as an exciting year for Tap, with a large potential drilling programme including both onshore and offshore wells targeting quality oil and gas prospects.

During the quarter significant progress was made on technical work in the Brunei Block M, WA-351-P and T/47P permits in order to advance the exploration of these permits into the drilling phase.

In particular in Brunei, activities are well advanced to be ready for drilling two wells in Block M commencing in the second quarter.

Harriet Joint Venture oil and gas fields produced steadily over the quarter and sales of third party gas once again contributed significantly to revenues. At Woollybutt, the scheduled FPSO life extension work program was completed and the vessel has returned to the field. Production is anticipated to resume in the next few weeks after final engineering work is completed.

Our new ventures efforts were rewarded when we secured a farm-in for a 24% interest in the Rangkas Block, onshore West Java, Indonesia. The block has the potential to deliver attractive and lower cost drilling opportunities in the 2011-12 timeframe.

Finally we were very pleased to have reached final settlement of the Varanus Island insurance claim for USD 21 million in relatively quick time." Mr Peter Stickland, Managing Director / CEO.

Enquiries to:

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Telephone:	+61 8 9485 1000
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Website:	www.tapoil.com.au

Revenue and Production

Revenue for the quarter was A\$12.4 million. Tap achieved an average of A\$92 per barrel for its liquids. The company has no commodity hedging in place.

SALES REVENUES	Sep '09 Qtr	Dec '09 Qtr	Qtly % Change	Comment
Liquids – net (\$000)	4,530	5,063	12%	2 Liftings at HJV. Woollybutt suspended from 28 April 2009.
Gas – net (\$000)	5,776	5,850	1%	
Tolling – net (\$000)	1,058	1,489	41%	Third party liquids lifted through HJV and gas processing and transport fees.
Total Oil & Gas Revenue (\$000)	11,364	12,402	9%	
Average realised oil price A\$/bbl	82	92	12%	Includes liquids tolling fee.

PRODUCTION VOLUMES – Tap Share	Sep '09 Qtr	Dec '09 Qtr	Qtly % Change	Comment
Liquids - Harriet JV (bbls)	63,173	60,328	-5%	
Liquids - Woollybutt (bbls)	-	-	0%	Production suspended 28 April 2009 for FPSO dry dock.
Total Liquids (bbls) – net	63,173	60,328	-5%	
Total Daily (bopd) – net ave.	687	656	-5%	
Gas - Harriet JV (TJ) - net	1,056	1,008	-5%	
Total Gas (TJ/D) – net	11.5	11.0	-5%	
Total production – boe	218,894	209,042	-5%	
Liquids inventory – bbls	82,367	42,264	-49%	

¹ Production of sales gas (i.e. after losses, fuel and flaring).

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

- Production rates at the Harriet Joint Venture remain higher than expected with wells optimised to allow maximum production from Bambra wells.
- Liquids production rates averaged 5,290 bopd gross for the period, with production slightly down on the previous quarter but better than anticipated.
- Sales gas production was slightly lower than the previous quarter with production currently running at approximately 90 TJ per day (gross).

Woollybutt Field (Tap 15%, ENI Operator)

- Field production was shut in on 28 April 2009 after which a final lifting was completed and the Four Vanguard FPSO sailed to a shipyard in Singapore where the shipowners completed a planned life extension work program to ensure the vessel is capable of remaining on station to the end of the field life, which Tap anticipates to be late 2013. In addition to the vessel owner's shipyard and dry dock activities, the Joint Venture Partners undertook improvements to various aspects of the vessel to further optimise future operations.

The FPSO, which has been renamed the Four Rainbow, is now back on station over the Woollybutt field and production is forecast to restart in the next few weeks once final engineering work is completed.

- Production from the Woollybutt field was in line with production targets prior to the shut in on 28 April 2009 and is anticipated to resume at similar rates of 8-9,000 barrels per day (gross).

Other Gas Sales - Third Party Gas Contracts (Tap 100%)

- Gas sales from the resale of John Brookes gas continued to make a strong contribution to revenues during the quarter.
- Tolling fees include charges for the use of Harriet Joint Venture gas processing and transport facilities.

Financial & Corporate

Tap's cash position continues to be strong at A\$60 million with no debt at the end of December 2009.

Cash Position	Mar '09 \$000	Jun '09 \$000	Sep '09 \$000	Dec '09 \$000
Cash on hand *	52,406	53,370	48,143	60,072
Debt	-	-	-	-
Net Cash/(Debt)	52,406	53,370	48,143	60,072

* Cash on hand includes estimated cash held in Joint Ventures to Tap's account.

At the end of the December 2009 quarter Tap had 156,485,921 ordinary shares on issue. There were no share issues during the quarter.

At 31 December 2009, Tap had on issue a total of 8,172,428 options to acquire fully paid shares with option expiry dates varying from 1 February 2010 through to 15 July 2013 and exercise prices in the range \$0.61 to \$2.75. All of these options are held by current or former Tap executive directors and employees. No options were issued and a total of 156,319 options were cancelled or expired during the quarter.

Board Change

On 11 November 2009 Mr Douglas Bailey was appointed as a director of Tap Oil Limited. Mr Bailey has over 30 years experience in the resources sector, having held Senior Executive and Directorship positions with Ashton Mining Limited including Chief Executive Officer, and was formerly the Chief Financial Officer at Woodside Petroleum Limited. Mr Bailey is currently a non-executive director of St Barbara Limited.

Settlement of Varanus Island Insurance Claim

During the quarter Tap reached an unconditional final settlement and release with its insurers in relation to Tap's business interruption and property damage insurance claims stemming from the incident which occurred on Varanus Island in June 2008.

The total net settlement of USD 21.07 million represents compensation for the impact of the incident on oil and gas production and sales as well as the cost to repair the damage to the Varanus Island facilities.

Tap had previously received three separate interim payments in relation to its insurance claims. These payments totaling USD 11 million were included in the settlement amount noted above leaving USD 10.07 million which was received in December 2009.

With settlement being achieved in 2009, the full USD 21.07 million of proceeds from this claim will be recognised as revenue by Tap in its financial statements for the year ending 31 December 2009.

Tap acknowledges the support of its panel of insurers led out of the Singapore market and its insurance advisor, Marsh, in resolving these claims.

Exploration, Development, Operating and Other Expenditures

	Tap Oil Share		
	Sep '09 Qtr \$000	Dec '09 Qtr \$000	Comments
Exploration & Appraisal	8,845	495	<i>Major activity was the seismic processing and interpretation in Brunei.</i>
Development, Plant & Equipment	409	266	
Total Capital Expenditure	9,254	761	
Production Operating Costs *	5,932	10,379	<i>Includes Varanus Island repairs and Woollybutt dry dock costs.</i>
Production Royalties and PRRT	694	340	
Total Production Expenditure	6,626	10,719	

* excludes depreciation and amortisation charges. Includes third party gas purchases and inventory movements.

Appraisal and Development Activities

Tap did not participate in any drilling during the December quarter.

Bambra field (within the Harriet Joint Venture) reservoir studies are ongoing to better understand this key field. Further development drilling is being considered.

In WA-191-P (Tap 8.2%, Santos Operator), evaluation of the marginal Fletcher oil discovery is ongoing.

Exploration Activities

In WA-351-P (Tap 25%, BHP Billiton Operator), Carnarvon Basin Australia, interpretation of the Aragon 3D seismic has confirmed the presence of a large number of leads representing several different play types. The majority of the permit is covered by the Aragon 3D seismic survey which was acquired in 2008 and processed in early 2009. An assessment of the leads inventory is expected to be completed during the first quarter of 2010. A three month permit suspension has been granted to 5 April 2010 to enable the completion of the permit's technical assessment and determination of the 50% relinquishment pattern required at permit renewal.

In Brunei Block M (Tap 39%, Operator), Tap is pursuing parallel strategies of appraising the existing Belait field and assessing the wider potential of this 3,011 km² onshore block. Acquisition of 60 line km of 2D seismic and 118 km² of 3D seismic over the central Belait trend was completed on 27 August 2009. Processing of this seismic data was completed during the 4th quarter of 2009, with data quality exceeding expectations. Seismic interpretation is advanced and expected to be completed early Q1 2010. Drilling of two wells in the central Belait area is anticipated in the second quarter of 2010.

In Philippines Block SC41 (Tap 50%, Operator), several different independent play types have been identified in the permit, with individual prospects having the potential for 100-200 MMstb of oil. Although Tap believes that SC41 has the potential to host commercial hydrocarbons and could be a “game changer” for the company, it has commenced a farmout campaign on behalf of the Joint Venture to facilitate further drilling. ExxonMobil has recently announced a hydrocarbon find in the Dabakan–1 well located approximately 6 kms to the north of SC41. This discovery bodes well for the exploration potential of SC41. In January 2010 ExxonMobil commenced drilling a second well in SC56, Banduria-1.

In T/47P (Tap 40%, Operator) technical evaluation is ongoing. To date one commercially attractive prospect has been advanced and other leads are being evaluated within the 525 km² Labatt 3D seismic survey (acquired by the JV during late 2007 to early 2008). Dependant on the final technical analysis, the JV is likely to drill at least one well commencing during the 4th quarter of 2010. Tap notes and is encouraged by the recent oil and gas discovery at Rockhopper-1 in the T/18P permit immediately to the south of T/47P.

In the Harriet JV (Tap 12.2229%, Apache Operator) Tap is evaluating up to 6 exploration prospects for potential drilling in the 3rd and 4th quarters, 2010. Acquisition of a 520 km² 3D seismic survey is also under consideration to help mature further exploration targets.

During the quarter Tap farmed-in to the Rangkas Block in Indonesia, acquiring a 24% interest from Lundin Petroleum, the block Operator (the agreement is subject to approval by the Indonesian Government). The Rangkas Block covers an area of 3,977 km² and is located onshore west Java, southwest of Jakarta. Previous exploration seismic and drilling in the block, along with the presence of surface oil seeps, indicates the presence of an active petroleum system. Recent reviews of the block, including seismic reprocessing, resulted in Tap and its joint venture partners concluding that the previous wells were not valid tests of the prospectivity and that there is significant untested potential, including previously unrecognised deep targets analogous to proven production in adjacent blocks. A number of leads have been identified on the existing 2D seismic data and these will be the target of a seismic survey of up to 500 km in the first half of 2010. Based on the results of this seismic survey the joint venture may commit to additional seismic and drilling in 2011-2012.

Wells drilled or drilling since 1 October 2009

No wells were drilled by Tap Oil in this quarter.

Upcoming Key Events

Tap has several key events in the forthcoming quarter as follows:

- ▶ Re-commencement of production from the Woollybutt field.
- ▶ Completion of prospectivity assessment in WA-351-P, Block M (Brunei) and T/47P in the Bass Basin.
- ▶ Conclusion of WA-290-P farmout.
- ▶ Finalisation of seismic contracts and specifications at Rangkas for commencement of acquisition in the second quarter.

The indicative forward Drilling Schedule for the next 12 – 15 months is as follows:

Well	Permit	Tap Share %	Well type & estimated gross pre-drill size (recoverable)
Gas Exploration wells	WA-351-P	25	Possible gas exploration wells (LNG scale).
Zola-1	WA-290-P	20	Possible gas exploration well (1 TCF).
Mawar-1 (Belait appraisal)	Brunei Block M	39	Oil/gas appraisal well (1-2 mmstb).
Mawar-2 (Belait appraisal)	Brunei Block M	39	Oil/gas appraisal well (1-2 mmstb).
HJV Development well	Harriet JV	12.2229	Oil development well
HJV Exploration wells	Harriet JV	12.2229	1 to 6 exploration wells
Prospects 1 & 2	T/47P	40	Oil exploration (10-50 mmstb)
Wahoo	SC41	50	Oil exploration (100-200 mmstb)

Note Tap's indicative exploration drilling program is detailed in the above table. Timing is subject to rig availability, joint venture and regulatory approvals. Volume size ranges represent approximate pre-drill estimates within a range of outcomes. Estimated recoverable volumes may change as interpretations are progressed. Other prospects are also currently being considered for drilling in the near to medium term. Please refer to Tap's website (www.tapoil.com.au) for the latest information on the forward drilling program.

Abbreviations and Definitions

Please refer to Tap Oil Limited's Annual Report Glossary or Glossary and Definitions on Tap's website for explanations of any abbreviations used in this report.

Investor Relations

Information contained on Tap's website is regularly updated and includes recent ASX announcements and investor presentations. We encourage all interested stakeholders to visit www.tapoil.com.au or for further information please contact the Managing Director / CEO, Mr Peter Stickland by phone (+61 8 9485 1000) or email info@tapoil.com.au.

Disclaimer

This report contains some references to forward looking assumptions, estimates and outcomes. These are uncertain by the nature of the business and no assurance can be given by Tap that its expectations, estimates and forecast outcomes will be achieved.