2019 Annual Report

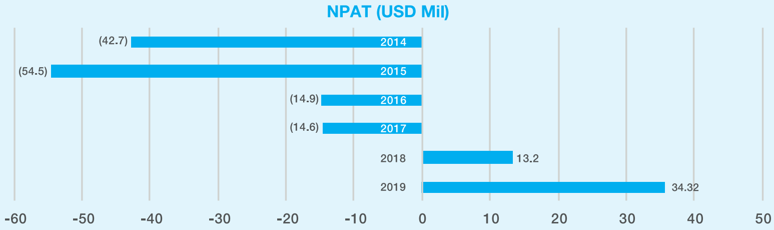
Tap Oil Limited
ABN 89 068 572 341
Annual Report for the year ended 31 December 2019

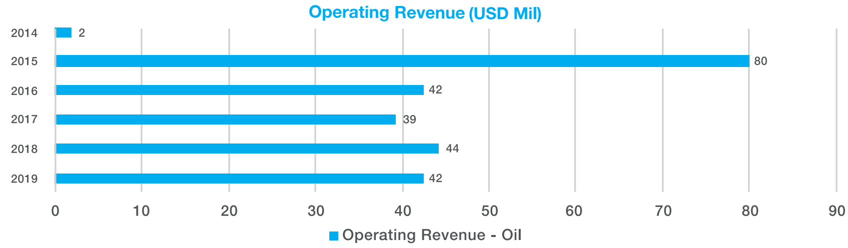
Contents

2019 Financial Highlights 1
Executive Chairman's Letter 2
Reserves & Resources Statement 12
Directors' Report 14
Auditor's Independence Declaration 40
Auditor's Report 41
Directors' Declaration 46
Consolidated Statement of Profit or Loss and Other Comprehensive Income 47
Consolidated Statement of Financial Position 48
Consolidated Statement of Changes in Equity 49
Consolidated Statement of Cash Flows 50
Notes to the Financial Statements 51
Additional ASX Information 96
Permit Schedule 99
Glossary 100
Corporate Directory 101

$160%

Net profit
after tax 2019
$34.32 million



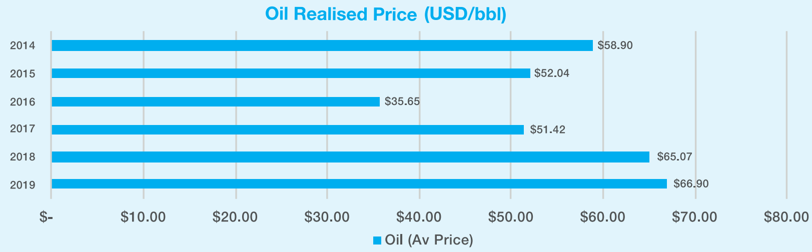


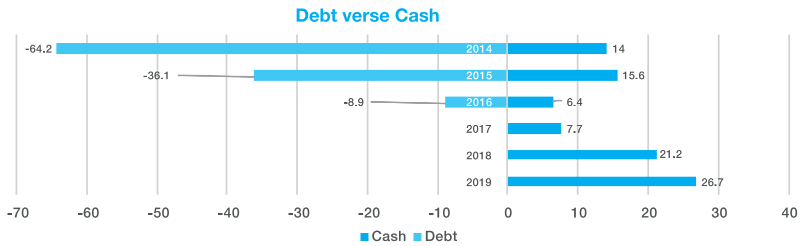
Operating revenue
2019
$41.98 million

5%

3%

Realised Price
2019
$66.90 per bbl



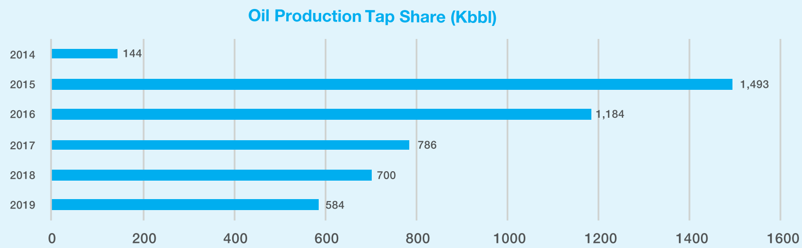


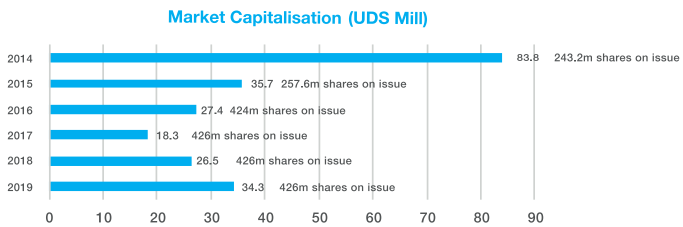
Debt verse
Cash
$26.70 million

26%

17%

Oil Production
2019
584,987 bbl



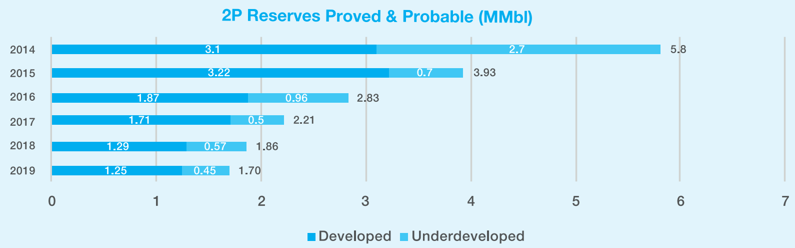


Market
Capitalisation
34.30 million

29%

9%

2P Reserves
Proved & Probable
1.7 MMbbl



Dear Shareholders

I am pleased to present to you the 2019 Annual Report for Tap Oil Limited (Tap). I am happy to report that for the third consecutive year, the Company has continued to successfully implement its clear "Resources to Value Strategy", designed to deliver Tap shareholders value from its long held portfolio.

This strategy has, during the year, seen Tap complete its exit from its Australian and New Zealand portfolio, while continuing to reinvest in the Company's key production asset, its 30% interest in the Manora Oil Field, located within the G1/48 concession in Thailand ("**Manora**"); and further reduce general & administration (G&A) costs.

The success of this strategy is clearly evidenced at the Company level through continued profitability, cash flow generation, the strength of the balance sheet; and to shareholders through a 105.7% Total Shareholder Return over the year, including a maiden and fully franked dividend of A$0.025 per share.

Summary

The key achievements of the 2019 financial year, along with some of the disappointments, which are inevitable in an intrinsically high risk business, are included in the table below. It is clear that the Board has established a track record of delivery against strategy and is intent on continuing this strategy, which is delivering value for all stakeholders.

2019 ACHIEVEMENTS

- Paid a maiden and fully franked dividend of A$0.025 per share.
- Achieved 66.5%* share price appreciation over the year, delivering 105.7% Total Shareholder Return over 2019.
- Generated US$21.5 million of operating cash flow from production of 1,603 bopd net to Tap, growing year end cash balance to US$26.66 million after paying US$7.45 million in dividends.
- Delivered US$34.3 million in Net Profit after Tax.
- Completed the strategic exit from the Australian and New Zealand portfolio via a sale that monetised residual assets and transferred residual obligations.
- Successfully drilled first horizontal wells in the Manora Oil Field, developing first oil production in the Manora 300 sands.
- Continued a successful trend of Manora drilling cost reductions.
- Successful Manora development drilling and production optimisation delivered a 129% (1P) and 73% (2P) Reserve Replacement Ratio.
- Maintained Manora's record of zero lost time injuries, and zero oil spills into the sea from field discovery to present.
- Further reduced corporate G&A costs.
- Reduced the size of the Company's board, consistent with the needs of a Manora-only focused company.
- Revised hedging strategy protected oil price downside without the significant hedging losses of past years.
- New Manora Oil Marketing strategy delivered enhanced premiums against Dubai benchmark.

2019 DISAPPOINTMENTS

- Achieved technical but no commercial success in three well Manora nearfield exploration program, which tested multiple prospects and horizons at an after-tax cost to Tap of less than US$1.0 million.
- The MNA-22 development well encountered over 56m of net oil pay, however a poor cement bond behind casing meant the well could not be completed for production and will likely have to be re-drilled in 2020.
- Continued poor Manora electric submersible pump "ESP" performance resulted in production being approximately 20% below potential.
- Oil price decline in 2H 2019 resulted in 2019 average realisation (pre-commodity price derivatives) of $66.49 / bbl, approximately 8.5% below 2018 levels.

**30 day VWAP from 31 December 2018 to 31 December 2019.*

Introduction

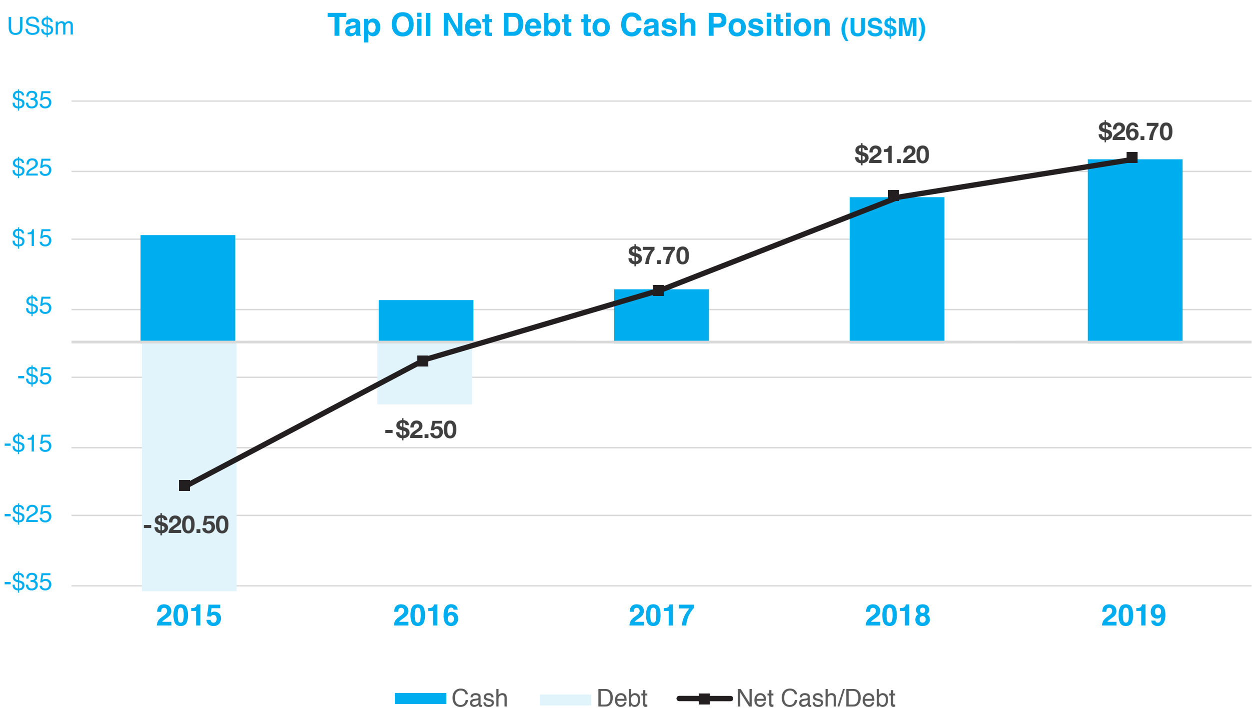
Ongoing oil market volatility and operational constraints at the Manora Oil Field (ESP failures in particular), continued to challenge the Company during 2019. However, successful 2019 development drilling and continuous production optimisation restricted the overall Manora oil production decline to 16.5% year on year. Whilst 2019 production of 0.58 million barrels (net to Tap) was 54% of 2018-year end 1P reserves, field management activities delivered a 129% 1P Reserves Replacement Ratio ("**RRR**") while the 2P RRR was also an impressive 73%.

Consistent with our clearly articulated strategy, Tap completed its exit from its residual Australian and New Zealand portfolio during the year, enabling it to focus its capital and capability on Manora production optimisation and reinvestment opportunities. The high Manora RRR indicates the strategy is working and that the Board has established a track record of delivering against that strategy.

Having re-established Tap as a profitable oil company in 2018, underlying profitability from Manora production continued and profit from continuing operations after tax increased 163% to $34.7 million. However, this profit result in part was due to the completion of the Australia/NZ portfolio asset sale that monetised residual assets and transferred residual obligations resulting in a gain of $29.4 million. Of this $29.4 million gain, $26.6 million is non-cash that relates to the cumulative recycling of foreign currency translation reserve related to the disposal of subsidiaries. Excluding the portfolio sale impact, underlying profitability decreased slightly driven by a 5% revenue decline on the back of a 16.5% production decline.

It is especially pleasing that the continued cash generative production and corporate profitability enabled the Board to declare a maiden dividend of A$0.025 (2.5 Australian cents) per share. This was fully franked and realised value from Taps franking credits which stood at A$65.1 million at year end, after payment of the dividend of $7.45 million in total (A$10.65 million) on 31 December 2019.

Despite the dividend payment, and continued Manora capital reinvestment ($4.81 million), Tap's cash balance (including joint operation cash held by the Manora Operator) increased by $3.72 million over the year from $22.98 million at 31 December 2018 to $26.70 million at 31 December 2019. Cost management and balance sheet discipline has delivered a much stronger Tap balance sheet at the end of 2019.



Note the cash balances in the table above includes Tap's share of joint operation cash.

Manora focus pays off in 2019, with an active 2020 planned

At Manora, all operations were executed safely and the commendable Health, Safety and Environment ("**HSE**") record was maintained, including a further year without any lost time injuries. Similarly, the record of zero oil discharges into the sea was maintained and all produced water was reinjected into producing reservoirs. All produced gas is utilised for platform power generation, further reducing Manora's environment footprint. This HSE performance is a priority for Tap, as are the investments with local communities to ensure all stakeholders benefit from operations and sustainability is enhanced.

Manora oil production for 2019 began with a January average of 5,088 bopd gross, peaking at 6,091 bopd gross in February before declining to 4,717 bopd in June as a result of drilling operations from the production platform. Production climbed back to 5,709 bopd gross in October 2019, after the successful 300 series reservoir development drilling programme, and started the new year at 5,655 bopd gross in January 2020, as the results of the year end workover program started to become evident. This resulted in net production to Tap for the 2019 financial year averaging 1,602 bopd, some 13% above our 2P forecast, despite significant ESP downtime.

This resulted in net production to Tap for the 2019 financial year averaging 1,602 bopd, some 13% above our 2P forecast, despite significant ESP downtime.

At year end, the Manora Oil Field had produced a total of 16.31 MMstb gross, or 4.89 MMstb net to Tap. This is comfortably above the booked proven (1P) Reserves when Tap made its final investment decision on the Manora Oil Field development.

Manora is a medium sweet crude that trades at an increasing premium to Dubai. Eight cargos were lifted during 2019, totalling 629,706 barrels net to Tap. Cash receipts from eight cargos[1] was also received during 2019, delivering $41.2 million during the year, at an average price realisation of $66.49 /bbl before hedging, and $66.90 post hedging.

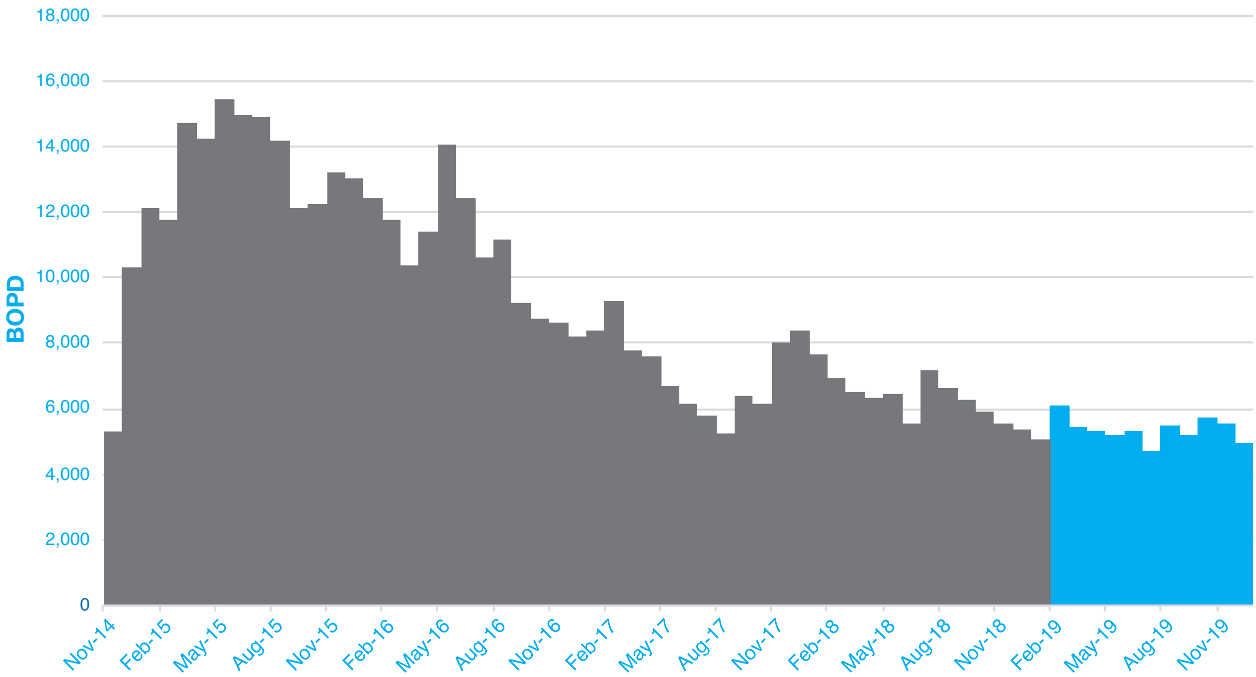
The optimised risk management strategy to manage commodity price risk, utilising more put and call options with only tactical swaps transactions, had a net cost to Tap of $0.12 million in 2019 vs $4.78m in hedging losses in 2018.

It is especially pleasing to see the Manora reinvestment strategy working, as evidenced by both production out-performance, and the 129% 1P Reserves Replacement Ratio in 2019.

During 2019, the 300 series reservoirs, discovered in 2018 by Marora-8ST, were developed and put into production with the first two horizontal wells drilled in the Manora Oil Field. The wells were drilled, completed and put into production at a gross cost of US$5.9 million and by year end had produced some 210,000 bbls gross of oil and paid out the investment two times over.

The Manora 22 (MNA-22) development well, designed to develop the 400 and 500 series sands discovered in 2017 and 2018, encountered over 56m of net oil pay and is expected to be an excellent producer. Unfortunately, a good cement bond was not achieved for the casing string and a cost benefit analysis of the various options indicates a re-drill in 2020 is the best approach to bring these reserves into production. The joint operation is now preparing for a three well, mid 2020 development drilling campaign that is anticipated to include an MNA-22 re-drill.

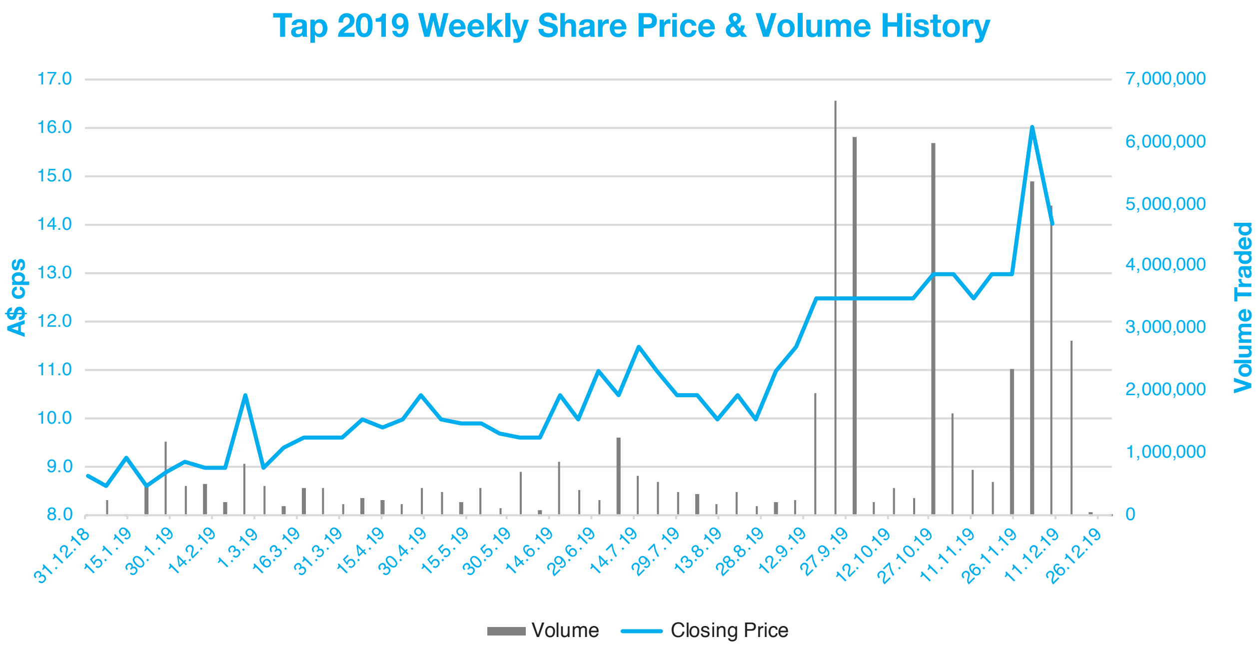
Manora Gross Monthly Oil Production



[1] *Year-end lifting and payment timing differences saw cash receipts from 2,088,906 bbls gross but revenue from liftings of 2,099,019 bbls gross during 2019*

In late 2019, Tap and the Manora Oil Field operator, Mubadala Petroleum, commenced a three well Manora nearfield exploration program, targeting the 400, 500 and 600 series sands productive at Manora. The two wells and a side-track were commercially unsuccessful, with only sub-commercial quantities of oil discovered in the 600 series sands at Yothaka-East-1. The lack of hydrocarbons in the shallow 400 and 500 sands was particularly disappointing, however the joint operation now has a much better understanding of the oil migration into these shallower reservoirs that enables a de-risking and re-ranking of the remaining nearfield exploration portfolio. The three wells were drilled at a net cost to Tap of $1.74 million, or $0.87 million after tax. I have always believed that if one is going to fail in exploration, one needs to do so quickly, cheaply and learn something that adds value to the rest of the portfolio. We did achieve all of that, however the disappointment of failed drilling remains. The joint operation has budgeted one exploration well and a sidetrack for 2020, and opportunities are now being evaluated and high-graded incorporating the ongoing learnings from the 2019 exploration drilling.

Tap’s share price responded to the operational success of 2019 by increasing 66.5% over 2019 and peaking at A$0.165 / share post the announcement of the A$0.025 / share fully franked dividend. Including the fully franked A$0.025 dividend, shareholders enjoyed a 105.7% Total Shareholder Return over 2019, which was one of the best performing small cap oil and gas companies on the ASX and put Tap in an elite club of profitable, cash generative and dividend paying small cap E&P companies.



Let me speak a little more about Tap's key value drivers in turn.

Oil Prices

The Brent oil spot price began 2019 at just over $52 / bbl and rose steadily to reach a peak of just over $72 / bbl at the end of April, when it then plunged to around $58 / bbl in early August on concerns over changing Iranian crude sanctions and an extended US – China trade war. A slow recovery followed, with Brent closing the year at around US$69 / bbl.

The volatility in 2019, like the last few years, was driven by oil demand concerns related to uncertain global economic growth outlook related to trade wars plus recessionary fears and the battle between US tight oil production and the willingness of OPEC and its non-OPEC allies to constrain supply and their own market share. In addition, events such as attacks on Saudi Arabian oil infrastructure, Venezuelan and Libyan supply disruptions, and a raft of Middle East tensions provided further volatility. Just after the end of 2019, crude prices plummeted as the global economic impact of COVID-19 became evident and resulted in real oil demand destruction in China.

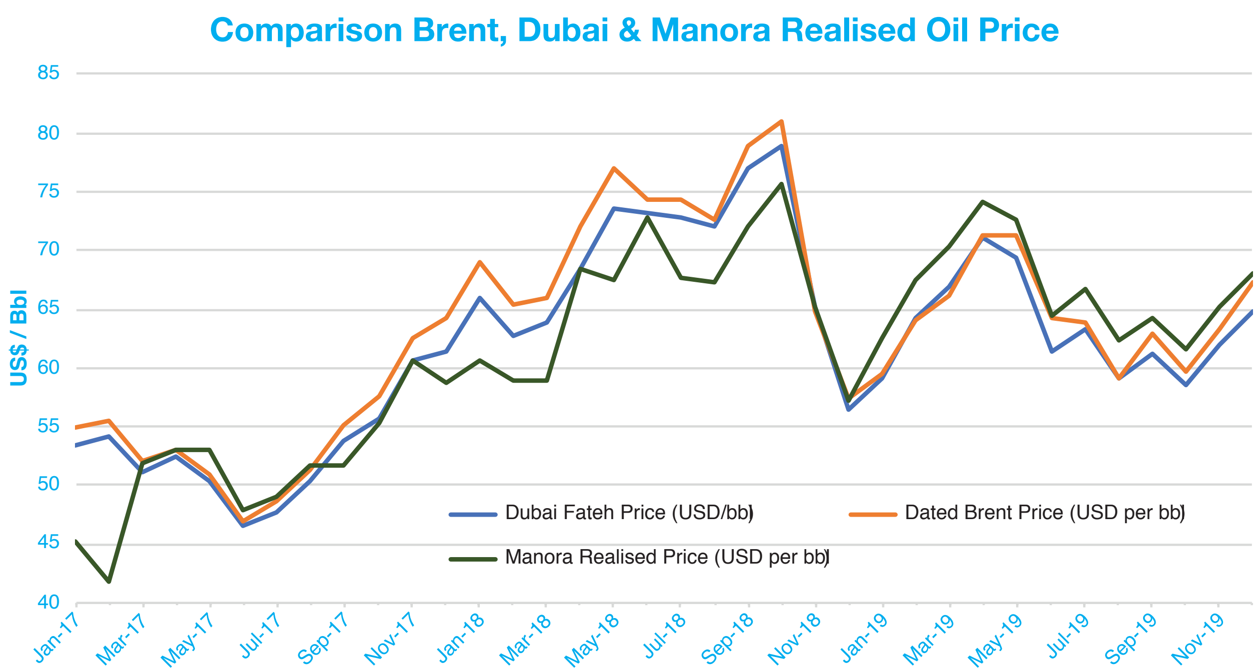
Oil prices in 2020 will likely be dictated by the speed with which the COVID-19 virus is brought under control and the subsequent economic recovery. A prolonged downturn will likely drive a significant global oil inventory build that could overhang the market and influence prices, unless OPEC+ effects material production cuts.

Manora crude traded at a $3.28 / bbl premium to Platts Dubai crude during 2019, which in turn traded at a $0.84 / bbl discount to Brent. The net result was that Manora crude traded at a $2.43 / bbl premium to Brent over 2019.

At the end of 2018, Tap signed a new Manora Crude Offtake Agreement for 2019 at a much improved premium to Platts Dubai and in late 2019, Tap and Mubadala formulated a new oil marketing strategy involving co-lifting and spot cargos reaching out to ultimate end users of Manora crude. This strategy is proving successful with even larger premiums to Dubai being achieved. This higher value for Manora crude reflects increasing market recognition for Manora crude after 5 years of supply, and two structural changes in the oil market. The first is being driven by the International Maritime Organization, which enforced a lower sulphur content cap on fuel for shipping on 1 January 2020, and the second is an oversupply of light sweet crude (driven by US shale oil supply growth), leading to increased demand for medium grade crudes like Dubai. Manora's medium gravity, sweet, and low sulphur crude characteristics, plus it high-middle distillate yield, is benefiting from these changes and is in higher demand for refining and blending purposes by customers in Asia.

Last year I predicated a combination of the low Brent – Dubai differential, the CME futures curve[2] and the higher anticipated Manora – Dubai premium, would see Manora crude trade at an effective premium to Brent in 2019. Pleasingly, this is exactly what eventuated.

The Tap Board began executing strategic commodity price risk management in Q2 2019 when spot Brent first exceeded $70 / bbl and the forward market, although backwardated, looked attractive. The strategy was to hedge up to 50% of anticipated 2019 lifting by buying put options to place a $60 / bbl floor under prices, and simultaneously selling call options to reduce the net cost of the puts. Short term tactical swaps were also deployed opportunistically throughout the year.



Source: Index Mundi Data Portal (Bloomberg, Energy Intelligence ,World Bank,Manora sales data)

[2] *Brent Crude Oil vs. Dubai Crude Oil (Platts) Futures Quotes (CME Group)*

The strategy was to protect cashflow and Manora Oil Field reinvestment capacity while retaining oil price upside for equity investors. The strategy worked well, paying out when oil prices dipped below $60 / bbl and not giving away upside when prices rose. The net cost of the hedging was immaterial compared to hedging losses of previous years ($4.8 million loss in 2018), when swaps were the dominant instrument used in the derivatives strategy.

As oil prices rose above $65 / bbl in December 2019, Tap opportunistically put derivatives in place for its February 2020 and April 2020 liftings, where it had schedule certainty. This covered some 50% of those liftings with an average Dubai floor price of $64.36 / bbl, which should see realisations of at least $68.5 / bbl for the hedged volumes.

Manora Pricing	Units	2019	2018	2017
Brent [1]	US$/ bbl	$64.06	$72.26	$55.00
Dubai [2]	US$/ bbl	$63.22	$69.91	$53.39
Brent-Dubai Differential	US$/ bbl	-$0.84	$2.35	$1.61
Manora Pre hedge	US$/ bbl	$66.49	$71.26	$54.53
Manora Pre hedge-Brent Differential	US$/ bbl	$2.43	-$1.00	-$0.47
Manora Post hedge	US$/ bbl	$66.90	$65.07	$51.40

Note (1) Brent average price shown on the table is the average Brent price in the months that Tap Oil lifts a cargo. The 2019 average price for Brent crude was $64.35/bbl
Note (2) Dubai average price shown on te table is the average Dubai price in the months that Tap Oil lifts a cargo. The 2019 average price for Dubai crude was $63.25

Production and Reserves

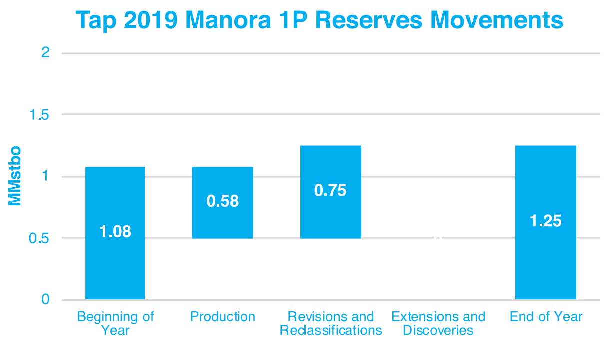
2019 Manora gross production averaged 5,342 bopd (1,603 bopd net), a 16.5% decrease on 2018 production.

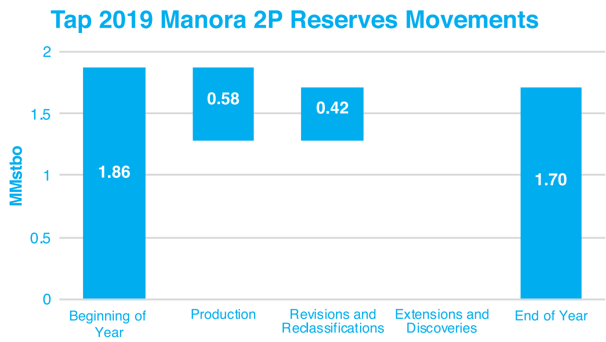
Gross production and liftings during 2019 were 1,949,958 barrels and 2,099,019 barrels respectively, being 584,987 barrels and 629,706 barrels respectively net to Tap.

Tap Net		2019	2018	2017
Production	bopd	1,603	1,919	2,152
Production (Barrels)	barrels	584,987	700,484	785,400
Lifting (Barrels)	barrels	629,706	678,984	762,000
Year End Reserves (1P/2P)	MMStbo	1.25/1.70	1.08/1.86	1.45/2.21
Realised Price (post hedging)	US$/bbl	$66.90	$65.07	$51.40
Cash receipts (post hedging)	US$M	$41.2	$44.8	$39.1

The successful development and production optimisation program did make a positive contribution to Reserves replacement. The 1P and 2P Reserve Replacement Ratio (**RRR**) was 129% and 73% respectively, meaning 1P Reserves ended the year 0.17 MMstb above 2018 year end, despite production of 0.58 MMstb.

Manora gross 1P and 2P Economic Ultimate Recovery (EUR) increased 13.7% and 6.7% respectively to 20.5 and 22.0 MMstb from 2018 year end levels, indicative of on-going good field and reservoir management practices from daily optimisation initiatives, workovers and new drilling.





Field Operating Costs

Tap Board and management again worked very closely with the Operator of the Manora Oil Field, Mubadala Petroleum, in 2019 to bring down Manora operating and investment costs, without compromising an excellent health, safety and environmental track record.

With the majority of Manora operating costs being fixed through the Manora Floating Storage and Offloading (**FSO**) unit rental, and associated logistical services, maintaining or increasing production was a key to optimising unit operating costs in 2019. The joint operation plans more drilling and workover investments in 2020.

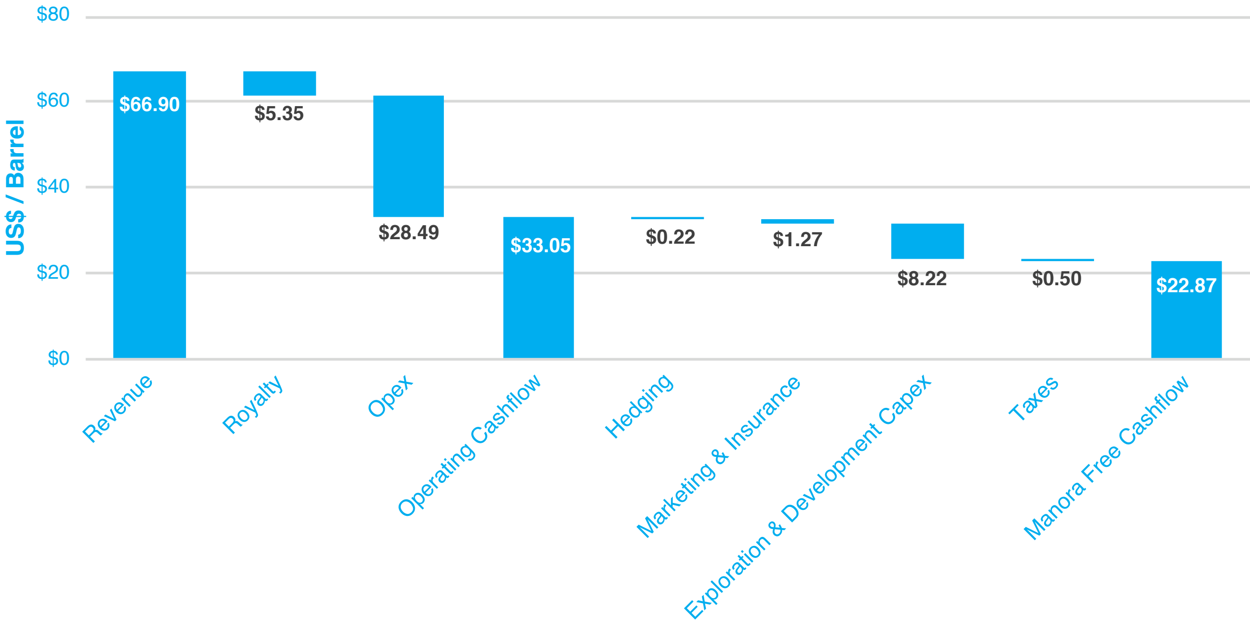
One of the variable costs that has received acute focus is workover costs associated with ESP failures. These failures reduced Manora production by approximately 20% in 2019 and are a cause for concern in terms of cost and production deferment. A cross functional team of Operator personnel, external experts and service contractors is working systematically through the issues to seek to improve performance and address this key driver of operating costs.

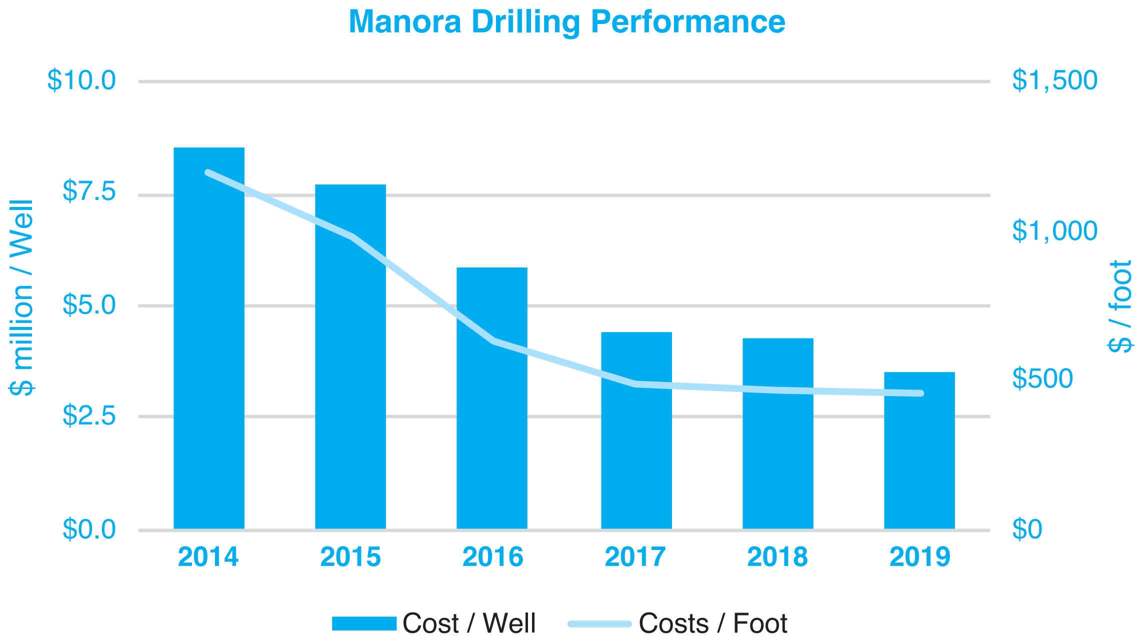
Manora Oil Field cash operating costs averaged $28.49 / bbl in 2019 or $33.84 / bbl (post Thai government royalties). With revenue per barrel sold being $66.90 / bbl (after hedging) cash generation per bbl sold in 2019 was $33.06 / bbl, or $32.84 / bbl after hedging costs.

The post hedging margins declined 13.7% below 2018 levels reflecting lower production and prices, partially offset by lower hedging losses

Components of the Manora Operating and Free Cash Flow / bbl are detailed in the chart below.

Manora Cash Flow / Barrel





Manora Drilling Costs

Given the reinvestment strategy, an equally important cost metric for Manora is drilling and completion costs. Pleasingly, 2019 saw a continuation of the drilling and completion cost reduction trend. Drilled and completed well costs averaged $3.5 million per well in 2019, down from $8.6 million per well in 2014 (when development drilling commenced), reflecting cost and operational efficiencies achieved by the Operator. This was particularly pleasing given the MNA-23 and 24 wells were the first horizontal wells drilled and completed in the Manora Oil Field.

These declining well costs obviously enhance free cash flow and also drive down the minimum economic development pool size to circa 100,000 barrels of oil, which in turn enhances the development drilling opportunity set and investment returns.

The three well exploration drilling campaign comprising Inthanin-1, Yothaka East-1 and Yothaka East-2 well drilled to a cumulative total measured depth of 32,075 feet in 27.3 days for a total gross cost of $5.78 million This is $1.74 million net to Tap or $0.87 million after tax.

Tap G&A costs

The Board has maintained its acute focus on the costs it can control, specifically corporate general and administrative (G&A) costs. These have been cut from $8.0 million in the 2016 financial year to just under $2.0 million net in the 2019 financial year. This has been achieved by a reduction in head count, a reduction in total Directors' fees, some strategic outsourcing, and a clear strategy to rationalise the Company's Australian and New Zealand portfolio and focus on Manora. The Australian and New Zealand portfolio rationalisation was not just about redirecting capital and capability to the Manora reinvestment opportunity set, but about reducing the complexity and costs of Tap's corporate structure. For example, at the beginning of 2019 Tap had 22 companies in its corporate structure, all with regulatory obligations and associated compliance costs in five jurisdictions. Tap will, by mid-2020, have less than a handful of companies in two jurisdictions with much lower associated administration and compliance costs. This reduced complexity and risk translates into lower costs and higher value retention.

Strategy

In early 2018, the Board developed and communicated a strategy to deliver value from the Tap portfolio[3]. The key elements of that strategy included focusing capital and capability on Manora reinvestment opportunities, rationalising and monetising the Australian and New Zealand portfolio, and reducing capital, operating and G&A costs.

In 2019, the exit from the Australian and New Zealand portfolio was completed and realised value for residual Contingent Resource assets (WA-72-R) and payment for the expected balance of WA-25-L decommissioning costs. This delivered value in the transaction metrics and in the reduced holding and management costs that came with a non-strategic portfolio.

Tap is now completely focused on Manora with a slimmed down and fit for purpose organisation and Board.

The Board strongly believes this strategy has delivered value for shareholders in terms of profitability, cashflow, share price and dividends.

[3] *http://www.tapoil.com.au/site/PDF/2781_2/Presentation*

Opportunities for value creation and delivery

The 2018 and 2019 operating and development drilling investments in the Manora Oil Field confirmed the hypothesis that shareholder value could be delivered from a suite of ongoing reinvestment opportunities. While the 2019 exploration drilling investment was commercially unsuccessful, the learnings have helped de-risk and high-grade the residual exploration portfolio.

I believe that careful capital allocation through excellence in investment decision quality has led to the cashflow generation and improved balance sheet position of Tap at the end of 2019, and it is this discipline which enabled the payment of the maiden fully franked dividend that also realised value from Tap's substantial franking credit balance.

In late 2019, Tap and the Manora Oil Field operator, Mubadala Petroleum, reviewed insights and opportunities from production operations plus successful 2018 drilling, geological and geophysical activities. A portfolio of incremental Reserves and production enhancement opportunities was inventoried, analysed, high-graded and eventually budgeted for 2020. Investments prioritised include workovers, development drilling, and exploration drilling, which are all designed to add to production, cash flow as well as extend the economic life of the Manora Oil Field.

Budgeted opportunities include three development wells, various workover opportunities, and facilities investment to enhance fluid handling capacity and further optimise production performance.

Final investment decisions on these development drilling opportunities is expected to be made in early Q2 2020 for first drilling planned in late Q2 2020.

A portfolio of exploration opportunities is also currently being analysed, inventorised and high-graded for potential drilling in Q3 2020. The joint operation has budgeted one exploration well plus a sidetrack for 2020 drilling with a final investment decision to be made in Q2 2020.

The strategy continues to focus on opportunities that can be developed quickly from existing facilities with minimal incremental operating costs, therefore offering high capital productivity, robust returns and rapid cashflow payback.

An attractive Thai operating environment and fiscal terms, while leveraging existing infrastructure, knowledge and relationships, makes incremental brownfield oil investment at Manora strategically and financially compelling.

Other Opportunities

Upstream oil and gas opportunity providers, aware of Tap's cash balance and cash generative production, frequently bring asset and corporate investment opportunities to Tap. The Board is not averse to compelling growth opportunities. Such opportunities need to compete with the Manora reinvestment strategy from a cost, risk and benefit perspective. To date, the Manora strategy returns have been considered more rewarding.

Recent Developments

Recent material demand and supply side shocks to the global oil markets have seen spot Brent crude prices fall over 50% to date in 2020. Clearly if current sub $30 / bbl levels are maintained throughout the year, the 2019 profitability and cash flow generation from Manora are not repeatable which would have an impact on the carrying value of capitalised development expenditures. All costs and discretionary capital investments are under review.

Conclusion

The strategy to deliver value from the Tap portfolio is working, as evidenced by the key metric, Total Shareholder Return exceeding 105% in 2019, driven by the rising cash balance, Reserve additions, profitability, share price appreciation, and dividend payments.

It is pleasing to see the 2019 YE NTA/ Share of $0.11 (A$0.16 / share) the same as 2018 YE, despite a year of production and the maiden dividend payment.

While the strategy is not without its challenges, I look forward to continuing to work with our highly functioning and experienced Board and management team to execute the strategy, to reinvest in Manora and, oil price permitting, extend our cash generation to deliver more value to you.

I recognise the loyalty and patience of our shareholders, and your ongoing belief in and commitment to the Company by retaining your shares throughout 2019. I am pleased your patience has been rewarded.

I am also pleased that Tap's small team of committed and dedicated employees were also rewarded for their efforts and performance at the end of 2019 through the vesting of certain Performance Rights.

I anticipate reporting further progress to you on strategy, operations, financials, and further value delivery during 2020.

I further look forward to your support, and hopefully meeting you at the AGM scheduled for 21 May 2020.

Chris Newton
Executive Chairman

RESERVES & RESOURCES STATEMENT

The following summarises Tap's Proved Reserves (1P), Proved plus Probable Reserves (2P), Proved plus Probable plus Possible (3P) and Contingent Resources (2C) estimates as of the evaluation date of 31 December 2019. Unless otherwise stated, all estimates are quoted as net Tap share.

Reserves at 31 December 2019 (MMbbl)

Thailand	Proved Oil (1P)	Proved plus Probable Oil (2P)	Proved plus Probable plus Possible Oil (3P)
Developed	0.95	1.30	1.64
Undeveloped	0.29	0.41	0.55
Total	**1.25**	**1.70**	**2.19**

Reserves Reconciliation (MMbbl)

Thailand	Proved Oil (1P)	Proved & Probable Oil (2P)
Reserves at 31 December 2018	1.08	1.86
Revisions & reclassifications	0.76	0.43
Production	-0.58	-0.58
Reserves at 31 December 2019	**1.25**	**1.70**

Deterministic and probabilistic methods have been used to evaluate Reserves. Reserves are not adjusted for risk.

2C Contingent Resources at 31 December 2019 (MMbbl)

Summary

	2C (MMbbl)		
Category	Oil (MMbbl)	Gas (PJ)	Condensate (MMbbl)
Thailand	1.0	0.0	0.0
Australia	0.0	0.0	0.0
Total	**1.0**	**0.0**	**0.0**

By Field

		2C (MMbbl)		
Category	Tap interest	Oil (MMbbl)	Gas (PJ)	Condensate (MMbbl)
Thailand G1/48	30%	1.0	0.0	0.0
Total		**1.0**	**0.0**	**0.0**

2C Contingent Resources Reconciliation (MMbbl)

	2C (MMbbl)		
Category	**Oil (MMbbl)**	**Gas (PJ)**	**Condensate (MMbbl)**
Contingent Resources at 31 December 2018	0.80	128.8	0.40
Conversion to Reserves	-0.07	0	0
Revisions	0.26	0	0
Extensions & Discoveries	0	0	0
Acquisition & Divestments	0	-128.8	-0.40
Contingent Resources at 31 December 2019	**1.0**	**0.00**	**0.00**

The decrease in Contingent Resources during the financial year was due to the Company's divestment of its Australian portfolio, specifically the Tallaganda gas field in WA-72R and the relinquishment of the Prometheus and Rubicon gas field (WA-34-R). Both deterministic and probabilistic methods at the field level have been used to estimate Contingent Resources. Contingent Resources are not adjusted for risk. Numbers may not add due to rounding.

Reserves and Contingent Resource Estimates - Governance

The Company's Reserves and Contingent Resource estimates are prepared in accordance with the SPE Petroleum.

Qualified Petroleum Reserves and Resources Evaluator Statement

The information in this Annual Report relating to net (30 percent) oil Reserves and Contingent Resources for the Manora Oil Field, Gulf of Thailand as of 31 December 2019 for the G1/48 joint operation is based on information in the Netherland, Sewell & Associates, Inc. (NSAI) report dated 13 February 2020 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 Annual Report and to this Reserves and Resources Statement as a whole 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.

These Reserve and Contingent Resource estimates were prepared in accordance with the 2018 Petroleum Resource Management System (PRMS) approved by the Society of Petroleum Engineers (SPE).

The governance arrangements for the reporting of hydrocarbon Reserves and Resources are based on the Company's Reserves Committee Charter and Terms of Reference (available for viewing on the Company's website).

Reserves and Contingent Resources have been estimated using both deterministic and probabilistic methods. Reserves and Contingent Resources are aggregated by arithmetic summation by category. Reference point for measurement of Reserves is the point of sales which is the sales meter on the Manora Princess FSO.

DIRECTORS’ REPORT

The Directors present their report together with the consolidated financial statements of the Group comprising Tap Oil Limited (**Tap** or the **Company**) and its subsidiaries for the year ended 31 December 2019, and the auditor’s report thereon. The Remuneration Report for the year ended 31 December 2019 forms part of the Directors’ Report.

1. Directors

The Directors of the Company at any time during or since the end of the financial year are:

Name	Committee Memberships	Qualifications and Experience
Mr Chris Newton *Executive Chairman* Appointed Non-executive Director 31 January 2018. Appointed Chairman 23 February 2018. Resigned 25 May 2018. Re-appointed Non-executive Director 27 August 2018. Appointed Executive Chairman 15 October 2018. (Previously Alternate Director for Mr Thomas Soulsby from 1 January 2016 to 31 January 2018)	Reserves Committee (disbanded 5 December 2019)	Chris Newton has had a 40-year career in oil and gas covering the spectrum of the industry – from exploration, development, production and petroleum economics to strategic planning, business development and senior leadership. Chris has spent more than 25 years in leadership and senior resource industry roles in South East Asia. Roles included Managing Director for Fletcher Challenge Petroleum in Brunei, President and GM for Santos in Indonesia and CEO of Indonesian listed Energy Mega Persada. Chris was an active Director of the Indonesian Petroleum Association (IPA) between 2003 to 2008, including serving as President from 2004 to 2007. Chris is an oil and gas adviser to the Jakarta-based Castle Asia Group. Mr Newton is also a director of Lion Energy Limited (ASX:LIO).. Mr Newton holds a Bachelor in Geology from Durham University, England, Mr Newton also holds a Grad Dip in Applied Finance and Investment from the Securities Institute of Australia (SIA). Directorships of other listed companies in the 3 years prior to the end of the Financial Period: Lion Energy Limited.
Mr Kamarudin Baba *Non-executive Director* Appointed 6 February 2018	Reserves Committee (disbanded 5 December 2019)	Mr Baba holds a Bachelor of Laws Degree from the University of London and was also admitted as Associate of The Institute of Chartered Secretaries and Administrators, United Kingdom. He was issued a certificate of Legal Practice from the Legal Profession Qualifying Board Malaysia and was admitted to practice as Advocate and Solicitor in the High Court of Malaya, Peninsular Malaysia. Mr Baba has over 30 years’ experience as a company secretary, in private legal practice and in-house counsel. He is currently the General Counsel of the Northern Gulf Petroleum Group (NGP). Directorships of other listed companies in the 3 years prior to the end of the Financial Period: Nil.

Name	Committee Memberships	Qualifications and Experience
Dr David King *Non-executive Director* Appointed 18 October 2018		Dr King was a founder and director of Eastern Star Gas Ltd, Gas2Grid Ltd and Sapex Ltd. He has substantial natural resource related experience, having previously served as managing director of North Flinders Mines Ltd and CEO of Beach Petroleum Ltd and Claremont Petroleum Ltd. Dr King is a Fellow of the Australian Institute of Company Directors, a Fellow of the Australasian institute of Mining and Metallurgy and a Fellow of the Australian Institute of Geoscientists. Dr King is currently non-executive Chairman of Cellmid Ltd (ASX:CDY) and a non-executive Director of Galilee Energy Limited (ASX:GLL), Litigation Capital Management Ltd (AIM:LIT) and Renergen Limited (ASX:RLT). Dr King brings strong oil and gas technical and management skills and combined with his extensive board experience will enhance the overall Tap Board capability. Dr King holds a PhD in Seismology from the Australian National University, is a Fellow of The Australian Institute of Company Directors, and a Fellow of the Australian Institute of Geoscientists. Directorships of other listed companies in the 3 years prior to the end of the Financial Period: Petronor E&P (formerly African Petroleum Corporation).
Mr Zane Lewis *Non-executive Director* Appointed 25 September 2018		Mr Lewis is a principal and joint founder of corporate advisory firm SmallCap Corporate which specialises in corporate advice and compliance administration to ASX listed companies. Mr Lewis is a Non-Executive Director of Lion Energy Limited (ASX:LIO), Kingsland Global (ASX:KLO), Vital Metals (ASX:VML) and Flamingo AI Limited (ASX:FGO). Mr Lewis provides the Board with a wealth of knowledge obtained from his diverse financial and corporate experience in previous appointments. Mr Lewis holds a Bachelor of Economics from the University of Western Australia and is a Fellow of the Governance Institute of Australia. Directorships of other listed companies in the 3 years prior to the end of the Financial Period: Fraser Range Metals: resigned 24 December 2019, and 8Vic Limited: resigned 23 May 2019.
Dr Govert van Ek *Non-executive Director* Appointed 31 January 2018 Resigned 23 October 2019	Reserves Committee (Chair) up to resignation date.	Dr Govert van Ek started his upstream oil and gas career at Shell in 1996 having graduated from The University of Manchester with a Ph.D in total technology. He then worked for a number of investment banks becoming responsible for signing off technical matters for loans in the upstream oil sector. He became managing director of a number of upstream E&P companies including Spyker Energy Plc which later sold its Dutch operations to a Barclays bank subsidiary in 2012. He was briefly Sun Resources Managing Director before co-founding a number of successful software technology companies where he remains active.

Company Secretary

Shannon Coates was appointed as Joint Company Secretary, effective 24 August 2017 and sole Company Secretary from 19 October 2018. Shannon has over 20 years' experience in corporate law and compliance. She is currently Company Secretary to a number of ASX listed companies and has provided company secretarial and corporate advisory services to boards across a variety of industries, including mining and oil & gas exploration and development, financial services, manufacturing and technology both in Australia and internationally. Shannon is a qualified lawyer, Chartered Secretary and graduate of the Australian Institute of Company Director's (AICD) Company Directors course.

Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of committees of the Board of Directors of Tap Oil Limited) held during the financial year and which each Director of the Company was eligible to attend and the number of meetings attended by each Director of the Company.

	Board of Directors		Reserves Committee[2]	
Directors	Held	Attended	Held	Attended
C Newton	11	11	1	1
K Baba	11	11	1	1
Dr D King	11	11	n/a	1[1]
Z Lewis	11	11	n/a	n/a
Dr G van Ek	8	8	1	1

[1] *Attended by invitation.*

[2] *The Reserves Committee was disbanded on 5 December 2019. The full Board is now responsible for the activities previously undertaken by the Reserves Committee, in accordance with the Reserves Committee Charter.*

Directors' Interests

The relevant interest of each Director in the shares and rights issued by the Company as notified by the Directors to the ASX in accordance with s205G(1) of the Corporations Act 2001, at the date of this report are as follows:

Directors	Fully paid ordinary shares	Rights
C Newton	Nil	4,192,346
G van Ek	Nil	Nil
K Baba	Nil	Nil
D King	Nil	Nil
Z Lewis	Nil	Nil

2. Principal Activities

The Group's principal activities during the period were oil and gas exploration and production. There were no significant changes in the nature of the Group's principal activities during the period.

3. Consolidated Results

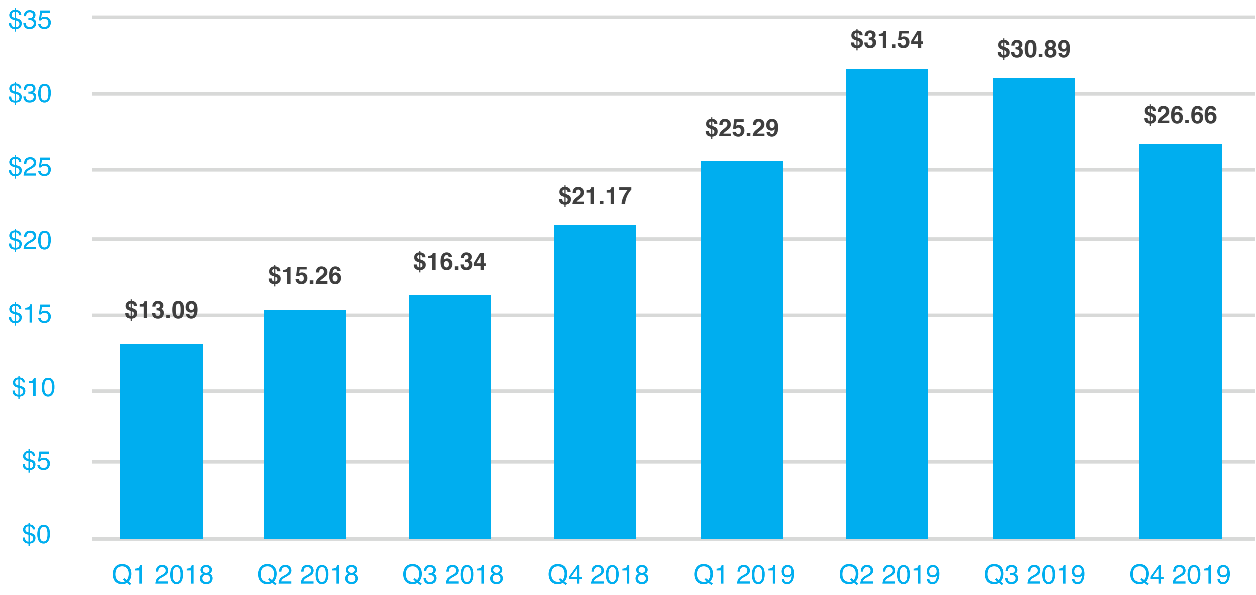
Tap's revenue for 2019 was $41,986,000 (2018: $48,384,000). Gross profit was $10,717,000 (2018: $9,974,000). Impairment losses and write-downs of $2,732,000 (2018: $1,601,000). Net profit after tax of $34,318,000 (2018: $13,247,000) of which US$26,604,000 is a non-cash gain that relates to the cumulative recycling of foreign currency translation reserve related to the disposed of subsidiaries. Net cash inflows from operations were $28,420,000 (2018: $17,657,000 inflow).

4. Dividends

Tap paid a maiden fully franked dividend of AU$0.025 (2.5 cents) per share during the financial year for a total cost of $7,452,136 (2018: Nil). In the 2018 financial year there was no dividend paid or declared.

The Directors of the Company have not recommended the paying of a final dividend for the financial year.

Tap Oil Quarterly Cash Position 2018 - 2019 (US$ Million)



5. Review of Operations

Overview

The 2019 financial year saw Tap deliver on its "Resources to Value Strategy" through a 105.7 % Total Shareholder Return over the year, including a maiden and fully franked dividend of A$0.025 / share.

During 2019, Tap generated $28,420,000 of operating cash flow from production of 1,603 bopd (net to Tap). The end of 2019 cash balance was $26,663,000 after paying $7,452,000 in dividends to Tap shareholders.

Tap also recorded $34,318,000 in Net Profit after Tax. This profit result in part was due to the completion of the Australia/NZ portfolio asset sale that monetised residual assets and transferred residual obligations resulting in a gain of $29,413,000 however of this gain $26,604,000 is non-cash that relates to the cumulative recycling of foreign currency translation reserve related to the disposed of subsidiaries.

Subject to oil prices, the cash build is expected to continue based on strong cash flow generation from Tap's Manora asset. The chart below shows Tap's quarterly cash position from 2018 to 2019. Despite the dividend payment ($7,452,000) and continued Manora capital reinvestment ($3,839,000) Tap's cash balance continued to increase by $5,548,000 over the year from $21,186,000 at 31 December 2018 to $26,663,000 at 31 December 2019.

With no debt, Tap maintains a cost discipline to keep overhead costs low and has rigorous investment processes to maintain investment decision quality. Investments prioritised in 2020 include workovers, development drilling and exploration drilling. All these activities are designed to add to, production, cash flow and extend the economic life of the Manora Oil Field.

ASSET REVIEW

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

The Manora Oil Field is located in the G1/48 concession offshore in the Gulf of Thailand and operated by Mubadala Petroleum (Thailand) Ltd (Mubadala). The Field is located approximately 80 kilometres offshore of Prachuap Khiri Khan Province.

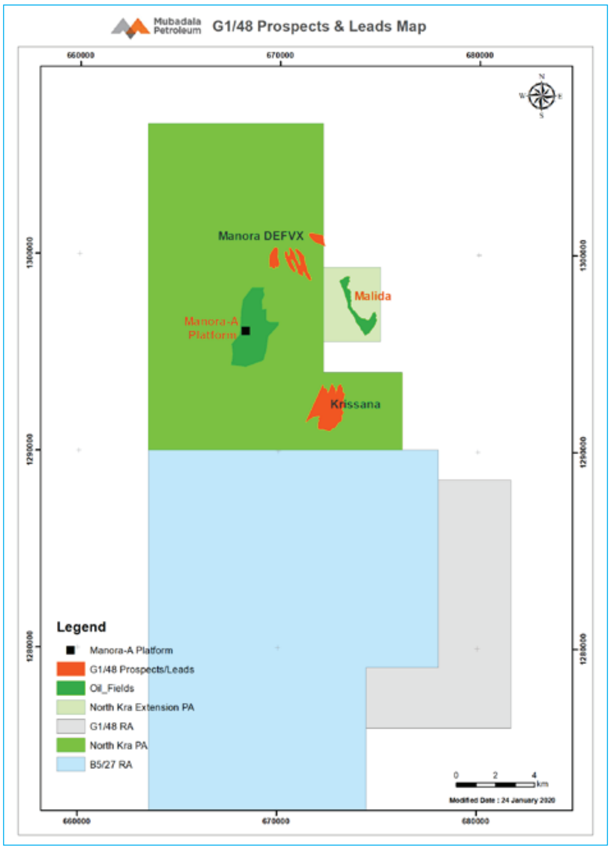
The Manora facilities include a wellhead processing platform with oil stored in a floating storage and offloading (FSO) vessel and exported via shuttle tanker. The FSO stores the crude oil and also serves as the accommodation hub.

Manora Production

2019 Manora gross production averaged 5,342 bopd (1,603 bopd net), a 16.5% decrease on 2018 production of 6,397 bopd (1,919 bopd net).

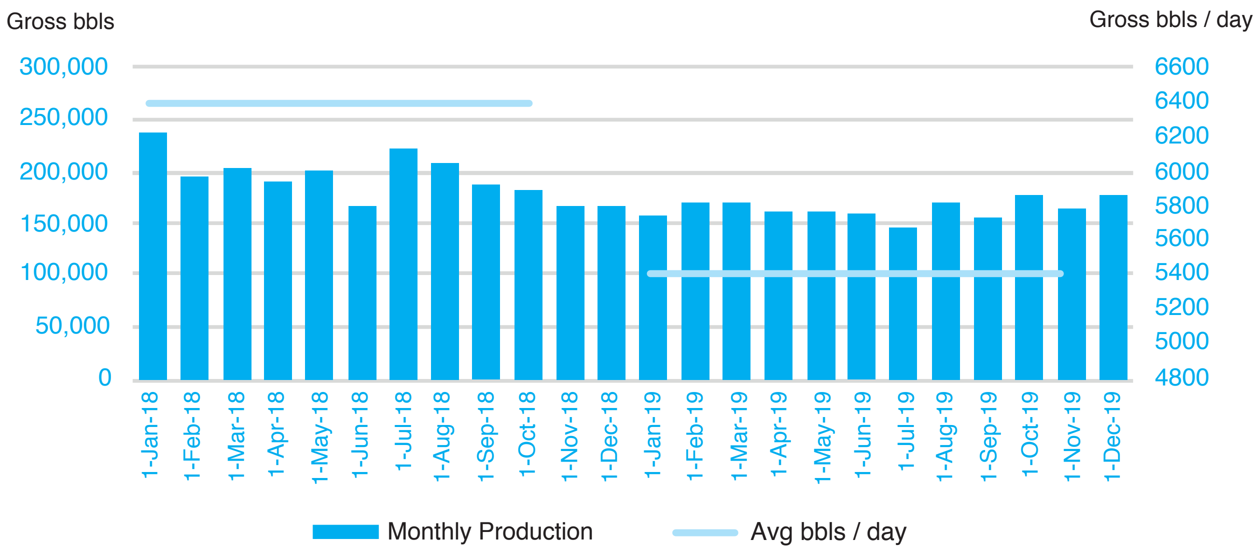
Gross production during 2019 was 1,949,958 barrels being 584,987 barrels net to Tap.

Cumulative field production to 31 December 2019 was 16.31 MMstb gross (Tap share 4.89 MMstb).



Location Map of Manora Production Licence and G1/48 Reservation Areas

Historical Manora Monthly Production 2018-2019



Manora Operations

During 2019, two horizontal development wells (MNA-23 and MNA-24) were drilled, completed and brought into production. These were the first horizontal wells drilled in the Manora Oil Field and the first-time production was established from the 300 series sands. It should be noted that the wells in production during the year did not increase due to MNA 7 and MNA 8 wells not producing in 2019.

	2015	2016	2017	2018	2019
Producer wells completed	3	3	2	2	2
Injector wells completed	4				
Producers converted to injectors				1	
Wells in production during year	7	10	12	14	14
Injectors operating during year	4	4	4	4	5
Workovers during year	3	3	7	4	5
Gross Oil (bopd)	13,628	10,787	7,173	6,397	5,342
Gross BSW (Water Cut%)	14.4%	46.9%	72.0%	77.5%	80.30%
Average Facilities Uptime	92.10%	94.90%	96.50%	92.40%	94.40%

ESP failures experienced on a number of wells had a significant effect on well availability in 2019.

On a more positive side, production from the 300 series sands started during mid-2019 and pressure build up analysis confirmed high sand permeability with a strong water drive. 2019 Manora production outperformed Tap's forecast 2P production profile by 13.3%.

Manora Sales and Marketing

Eight cargoes were lifted during 2019 that were mainly sold to buyers in China, Thailand and Malaysia. Total volume lifted net to Tap was 629,706 barrels.

Revenue sales, including commodity derivatives, from Manora totalled $41,986,000 at an average realised price (after hedging) of $66.90/bbl.

In late 2019 Tap and Mubadala formulated a new oil marketing strategy involving co-lifting and spot cargos to sell to ultimate end users of Manora crude. This strategy to date is proving successful with even larger premium to Dubai being achieved.

Production and Sales

	2019 '000 bbls	2019 $'000	2018 '000 bbls	2018 $'000
Production (net to Tap):				
Oil – Manora	585		700	
Sales (net to Tap):				
Oil – Manora	630	41,906	679	48,384
Commodity hedge gain/(loss)		80		(4,200)
Total sales		41,986		44,183
Average realised oil price		$66.90/bbl		$65.07/bbl

Note: Average realised oil price shown above is calculated on cash basis rather than an accrual basis.

Manora Development

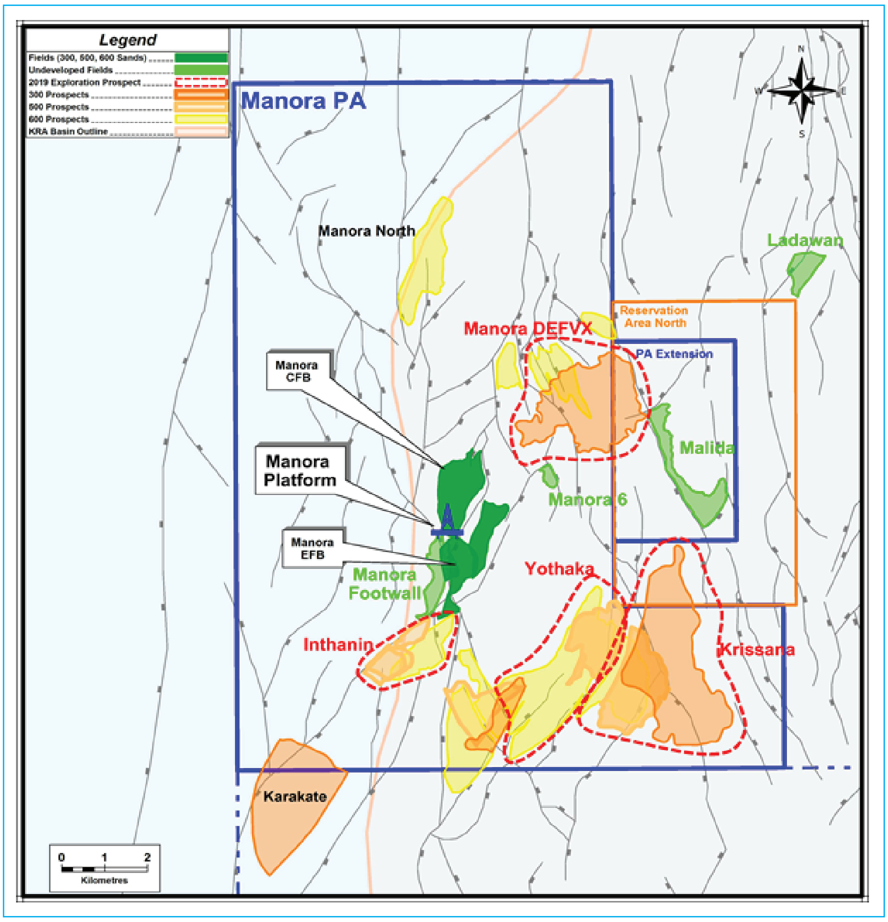
During 2019, the 300 series reservoirs discovered in 2018 were successfully developed and put into production with horizontal wells drilled in the Manora field (MNA 23 and MNA 24 wells). The wells were drilled, completed and put on production at a gross cost of $5,780,000 ($1,740,000 net to Tap).

The Manora 22 (MNA-22) development well in the 490-60 reservoir encountered over 56m of net oil pay. Unfortunately, a good cement bond was not achieved for the casing string and as a result, the MNA-22 well was suspended. Discussions to date between the joint operation parties suggest that a re-drill in 2020 might be the best approach to bring these reserves into production.

Manora Exploration

In late 2019, Tap and the Manora Oil Field operator, Mubadala Petroleum, commenced a 3 well Manora near field exploration program targeting the 400, 500 and 600 series sands productive at Manora. The planned drilling sequence was:

1. Inthanin
2. Yothaka East A
3. Krissana
4. Yothaka East B (contingent)



An exploration drilling program in G1/48 commenced with the drilling of the Inthanin 1 well. The well spudded on 20 November 2019 targeting 400-600 series sands that are productive in the Manora Oil Field, 3km to the northeast and reached a total depth of 2528m on 24 November 2019.

Target objectives in the well were intersected within 15m of pre-drill prognosed depths however no significant shows were encountered while drilling and evaluation of log data indicated no zones of interest in the well. It was noted that the prognosed sandstone reservoir targets in the deeper "600" section were very poorly developed.

The next well in the program, Yothaka East-1, spudded on 28 November 2019 and reached a total measured depth of 3,367m on 3 December 2019. Target objectives in the well were intersected within 17m of pre-drill prognosed depths. No significant shows were encountered while drilling the well-developed 400 and 500 series fluvial sands. The 600 series lacustrine sands were thinner than anticipated with 2 to 3m of net oil pay identified on logs and in cuttings while drilling. The pay section correlates with the 620 series sands that are a major producer in the Manora Field 3.2 km to the northwest. Pressure data indicates the 620 series lacustrine sands at Yothaka East are in pressure communication with Manora via the aquifer.

After drilling Inthanin and Yothaka East, the joint operation partners made a decision not to drill Krissana and instead drill a down dip appraisal well to test the 600 series oil accumulation found in Yothaka East -1. This would involve a sidetrack from the Yothaka East-1 well bore to a location approximately 1km to the north to help delineate the extent of the oil accumulation and determine if thicker, oil bearing sands were located in a downdip location. The Yothaka East-2 appraisal well commenced on 5 December 2019 and the well reached a total measured depth of 3,881m on 11 December 2019.

The primary objective 600 series sands, were intersected within 4m of pre-drill prognosed depths and approximately 60m down dip of the discovery well, Yothaka-East-1. Weak shows were encountered while drilling and logs indicated while the main target sands was slightly better developed, they were water bearing in the Yothaka-East-2 location. Logs indicated approximately 4m of net (water bearing) sand in the equivalent interval to the main pay sand in Yothaka East-1. Some inconclusive pressure data was acquired, and the well was subsequently plugged and abandoned.

In summary, the two wells and a side track were commercially unsuccessful with only sub-commercial quantities of oil discovered in the 600 series sands at Yothaka-East-1. The lack of hydrocarbons in the shallow 400 and 500 sands was particularly disappointing, however the joint operation now has a much better understanding of the oil migration into these shallower reservoirs that enables a de-risking and reranking of the remaining nearfield exploration portfolio.

The three wells were drilled at a net cost to Tap of $1,740,000, or $870,000 after tax. Detail AFE costings for each well are shown in the table below.

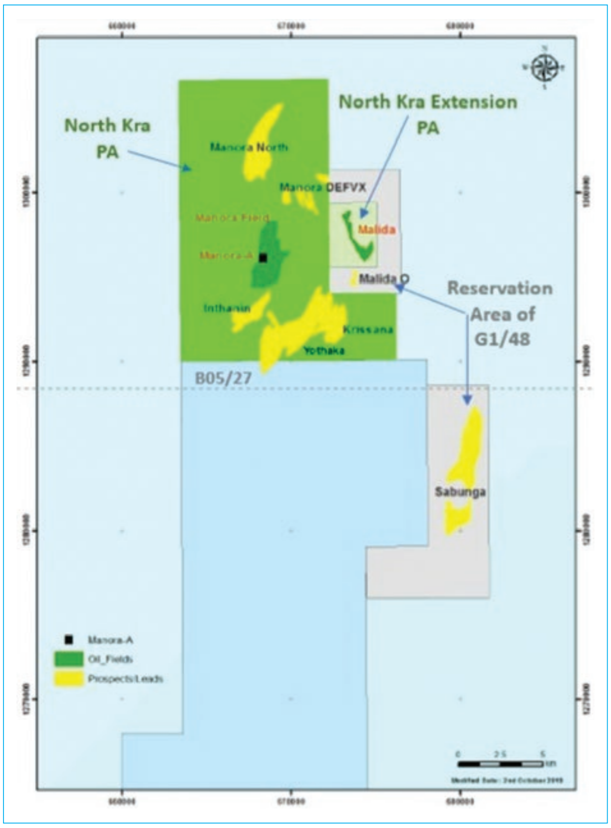
2019 Manora Satellite Exploration Program

	AFE	Final Cost	Variance		Tap Share of final cost
	US$M	US$M	US$M	%	
Inthanin-1	$2.43	$2.02	($0.41)	(17%)	$0.60
Yothaka East-1	$2.25	$2.20	($0.05)	(1%)	$0.67
Yothaka East-2	$1.56	$1.56	$0.00	0%	$0.47
Krissana-1	-	-	-	-	-
Total	**$6.24**	**$5.78**	**($0.46)**	**(7%)**	**$1.74**
Post Tax Cost					**$0.87**

Manora G1/48 Reservation Area

During 2019, The Thailand State Petroleum Committee agreed to extend the North Kra (Manora) Production Area by 10.75Km^2 to incorporate the Malida oil discovery for possible future development. Total Production area is therefore now 171.75 Km^2.

The Exploration Reservation Area stood at 77.07 km^2 after the extension to the Production Area. At the end of 2019, the G1/48 joint operation partners agreed to relinquish the Exploration Reservation Area around the North Kra Extension area (Malida) thereby reducing the Reservation area to 56.96 Km^2. This area will expire in December 2020 unless commerciality can be demonstrated.



Myanmar (95% interest)

Block M-7 is located in the gas and condensate prone Moattama basin, offshore Myanmar. Tap has met its exit obligations and is proceeding to close down the corporate subsidiaries that held Tap’s interests in Myanmar.

WA-34-R (12% interest)

WA-34-R is a Retention Lease in the offshore Bonaparte Basin, Western Australia. The Retention Lease contains the Prometheus/Rubicon Gas fields and covers 418 km^2.

The joint surrender of WA-34-R by all joint operation parties was confirmed by the National Offshore Petroleum Titles Administrator (NOPTA) at the end of December 2019.

CORPORATE REVIEW

Australia and NZ Portfolio Asset Sale

On the 13 September 2019, Tap completed a sale and purchase agreement (SPA) with Kensington Energy Pty Ltd (**Kensington Energy**), a privately-owned Australian oil and gas investment company, to sell its residual Australian and New Zealand portfolio. The transaction involved Tap selling the following assets through a sale of wholly owned subsidiaries:

- A 20% participating interest in the BHP operated WA-72-R, which contains the Tallaganda gas discovery.
- A 15% participating interest in the ENI operated WA-25-L including the shut-in Woollybutt Oil Field where abandonment activities are tentatively scheduled between 2020 & 2021.
- A 5% oil, gas and condensate overriding royalty interest (ORRI) over 66.67% of NZ PMP 38748 that includes the producing Sidewinder oil and gas field.

The effective date of the sale was 31 March 2019 (**Effective Date**), with the economic benefit and obligations passing as of that date.

The SPA includes terms and conditions normal for a transaction of this type, with the purchase price and post Effective Date adjustments resulting in a cash payment of $3,209,000. As a result of the sale, Tap has passed on any field abandonment costs associated with Woollybutt. The final profit on sale for the transaction was $29,413,000, of which $26,604,000 is a non-cash gain that relates to the cumulative recycling of foreign currency translation reserve related to the disposed of subsidiaries.

Financial

Tap's revenue for 2019 was $41,906,000 (2018: $48,384,000). Gross profit was $10,717,000 (2018: $9,974,000). There was a gain on disposal of subsidies of $29,413,000, of which $26,604,000 is a non-cash gain that relates to the cumulative recycling of foreign currency translation reserve related to the disposed of subsidiaries. After exploration impairment losses and write-downs of $2,732,000 (2018: $1,601,000), the net profit before tax was $33,412,000 (2018: $10,255,000); and the net profit after tax was $34,318,000 (2018: net profit $13,247,000).

Net cash inflows from operations were $28,420,000 (2018: $17,657,000).

Manora oil sales were lower because of a decrease in production volumes however the realised average sales price slightly increased during 2019. Manora production volumes were approximately 16.4% lower compared to 2018, with a corresponding 7.2% reduction in liftings during the year. The average selling price for 2019 was US$66.90 / bbl (2018: US$65.07 / bbl).

Total cost of sales was $31,269,000 (2018: $34,210,000) relates to the Manora asset. Included in cost of sales was depreciation of $14,392,000 (2018: $13,966,000), all of which relates to the Manora asset.

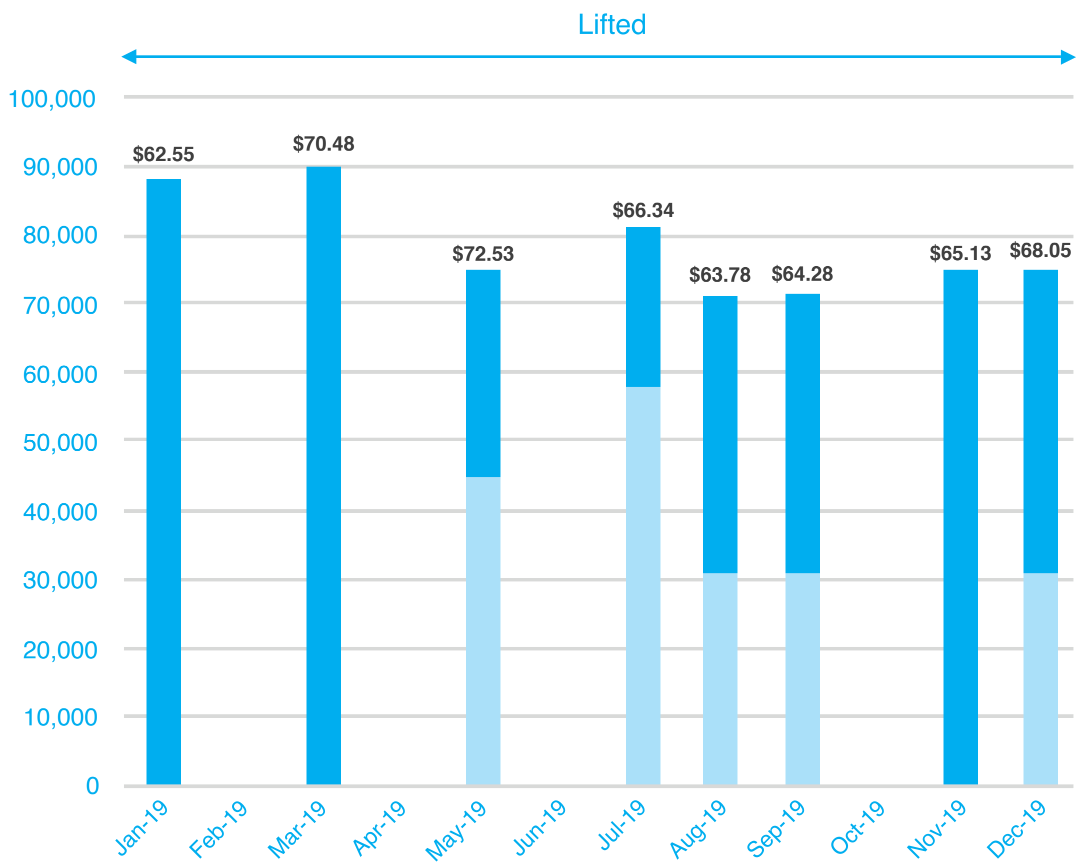
Exploration impairment losses and write-downs recorded as at 31 December 2019 were $2,732,000 (2018: $1,601,000). The impairment loss relates to the write off of Manora exploration expenditure of $2,732,000

Administration costs were lower for the year at $1,969,000 (2018: $2,169,000), following efforts during 2019 to reduce the Company's cost base.

Commodity price risk management strategy

Tap executed strategic derivative management in Q2 2019 when spot Brent first exceeded $70 / bbl and forward market prices looked attractive. The strategy was designed to protect cashflow and Manora field reinvestment, capacity while retaining oil price upside for equity investors.

The chart and table below show the underlying volume of derivates placed against each lifting during 2019.



Underlying Bbls	
May-19	45,000
Jul-19	58,125
Aug-19	30,938
Sep-19	30,938
Dec-19	30,938

In reviewing the strategy in retrospect, the strategy worked well paying out when oil prices dipped below $60 / bbl and not giving away upside when prices rose. The overall net settlement of derivatives during 2019 resulted in a commodity gain of $80,600.

Dividend

On 6 December 2019, Tap Oil announced a maiden fully franked dividend of A$0.025 per share for a total payment of $7,452,000 (A$10,637,000) which was paid to shareholders on 31st December 2019.

Change of Auditors

On 12 December 2019, Tap Oil appointed Ernst & Young as the Company's auditors after accepting the resignation of Deloitte Touche Tohmatsu. The Board's decision to change auditors was made following a consultative process. The Board chose Ernst & Young on the basis of their reputation and experience and to give efficiencies across the audits of the Company and its controlled entities.

6. Changes in State of Affairs

No significant change in the state of affairs of the Group occurred during the period other than already referred to elsewhere in this report.

7. Subsequent Events

Impact of the Coronavirus (COVID-19) outbreak and oil price decline

Subsequent to end of the financial year, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020 and negotiations between Russia and OPEC have both resulted in a fall in global oil prices.

The recent decline in oil price will have a significant impact on the Company's revenues in the near term and will impact the longer term operations of the Company. However, the outbreak and the response of Governments in dealing with the pandemic is likely to interfere with general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain as at the date of this report however they will have an impact on our earnings, cash flow and financial condition.

It is not possible to estimate the impact of the outbreak's near-term and longer effects or Governments' varying efforts to combat the outbreak and support businesses. As set out in on our disclosures in note A(a) we are confident our current financial position allows the company to operate as a going concern, however, we note that the value of property, plant and equipment recorded in the statement of financial position, assessed for impairment triggers at 31 December 2019 may have materially changed by the date of this report. Note C1 does set out some of the assumptions carried out with respect to impairment and the impact of some sensitivity those assumptions have on carrying values.

The financial statements have been prepared based upon conditions existing at 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the worldwide outbreak of COVID-19 occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19.

On 4 February 2020, 1,515,606 shares were issued upon the vesting of Performance Rights on issue and 139,892 Performance Rights lapsed unvested.

8. Future Developments

The Group's likely developments in its operations in future financial years and the expected results of those operations have been included generally in the Operation and Financial Review. Other than as disclosed elsewhere, disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed.

9. Environmental Regulations

The Group is subject to significant environmental regulation in each jurisdiction in which it operates. In Australia, the environmental obligations are regulated under both State and Federal law.

The Board is not aware of any significant breaches of any environmental regulations during the period covered by this report.

10. Share Rights

At the date of this report, the details of share Performance Rights on issue are as follows:

Performance Rights		Retention Rights	
Number	Expiry date of rights	Number	Expiry date of rights
713,807	01-Jan-25		
472,361	25-Feb-26	715,698	25-Feb-26
1,383,474	15-May-26	2,096,173	15-May-26
312,923	10-Feb-27	312,923	10-Feb-27
2,882,565		3,124,794	

All rights vest over a three-year period, expire after seven years and have a nil exercise price.

For more details, please refer to section 15.6 of this report.

11. Indemnification of Officers and Auditors

The Company has agreed to indemnify all current Directors and Officers of the Company and its controlled entities against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

During the year, the Company paid a premium in respect of a policy insuring the Directors and Officers and any related body corporate against a liability incurred as such a Director or officer to the extent permitted by the Corporations Act 2001. The policy of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

12. Non-Audit Services

During the period the Company's auditors, Ernst & Young, provided taxation services to the Group.

The Board of Directors is satisfied that the provision of non-audit services, totaling $9,106, during the year by the Company's auditors is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reason:

- The nature of the services provided do not compromise the general principles relating to auditor's independence as set out in the APES 110 (Code of Ethics for Professional Accountants).

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note F10 to the financial statements.

13. Auditor's Independence Declaration

The auditor's independence declaration is included on page 40 of the financial report.

14. Rounding off

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

15. Remuneration Report – Audited

This Remuneration Report is presented in the following sections:

15.1 Introduction
15.2 Governance
15.3 Existing Remuneration Arrangements for Directors and Executives
15.4 Elements of Remuneration related to Performance
15.5 KMP Remuneration related to Performance
15.6 Other Elements of Director and Executive Remuneration

15.1 Introduction

The Directors present their Remuneration Report for Tap Oil Limited for the year ended 31 December 2019. This Remuneration Report outlines the remuneration strategy, policies and practices as it relates to the Directors and other Key Management Personnel (KMP), in accordance with the requirements of the Corporations Act 2001 and its Regulations. In accordance with section 308(3C) of the Corporations Act 2001, the Remuneration Report has been audited and forms part of the Directors' Report.

Key Management Personnel (KMP) includes all Directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company and the Group.

Tap's Remuneration Policy is designed to ensure that the level and form of compensation achieves certain objectives, including:

(a) attraction and retention of employees and management to pursue the Company's strategy and goals;
(b) delivery of value-adding outcomes for the Company;
(c) fair and reasonable reward for past individual and Company performance; and
(d) incentive to deliver future individual and Company performance.

Remuneration consists of base salary, superannuation, short term incentives and long-term incentives. Remuneration is determined by reference to market conditions and performance. Performance is evaluated at an individual level as well as the performance of the Company as a whole.

15.2 Governance

15.2.1 Remuneration

The Board's role is to review and recommend remuneration for KMP, review remuneration policies and practices, Company incentive schemes and superannuation arrangements in accordance with the Nomination and Remuneration Committee Charter.

The ASX Listing Rules and the Constitution require that the maximum aggregate amount of remuneration to be allocated among the Non-Executive Directors be approved by shareholders in general meeting. The current maximum amount of remuneration to be allocated is $500,000, which was approved by shareholders in 2010. In proposing the maximum amount for consideration by shareholders, and in determining the allocation, the Board takes account of the time demands made on Directors and such factors as fees paid to non-executive directors in comparable Australian companies.

Remuneration arrangements for Directors and Executives are reviewed by the Board. The Board considers external data and information and may engage independent advisers where appropriate to establish market benchmarks.

Remuneration arrangements are determined in conjunction with the annual review of the performance of Directors, Executives and employees of the Company. These evaluations take into account criteria such as the achievement toward the Company's performance benchmarks and the achievement of individual performance objectives.

15.3 Existing Remuneration Arrangements for Directors and Executives

15.3.1 Overview of Executive Remuneration Structure

The remuneration arrangements for Directors and Executives of the Company for the year ended 31 December 2019 are summarised below.

The remuneration structure in place for 2019 applies to all employees, including the Executive Director and Executives of the Company. The Company’s remuneration structure has five elements:

(a) FAR;
(b) STI;
(c) LTI;
(d) retention incentives which encourage new employees to remain in employment for at least three years; and
(e) special awards which reward individuals for meritorious achievements or retain individuals who are involved in a critical task that will extend more than one year.

Each of the STI, LTI, retention incentives and special awards are at risk. The elements are described below.

A. Base Salary or Fixed Annual Remuneration (FAR)

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits), as well as employer contributions to superannuation funds.

When fixed compensation is reviewed, the Company compiles competitive salary information on companies of comparable size in the oil and gas industry from various sources. Information is obtained from surveys conducted by independent consultants and national and international publications. In the past, the Board has engaged independent advisers to review the remuneration levels paid to the Company’s KMP. BDO was retained in 2019 to review the remuneration structures. The review was commissioned and managed by Govert van Ek, former independent Director, who then made a recommendation to the Board based on BDO’s recommendations. Chris Newton was excluded from the Board meeting where this was considered and resolved. The Board were satisfied that the recommendation was free from undue influence. BDO also provided accounting valuation services to value the Performance Rights and Retention Rights that were issued in 2019. The Company incurred a fee of AU$5,250 from BDO for the review of the Executive Chairman’s remuneration and AU$5,600 for the accounting valuation services.

FAR will be paid in cash and is not at risk other than by termination. Individual FAR is set each year based on job description, competitive salary information sourced by the Company and overall competence in fulfilling the requirements of the particular role.

B. Short Term Incentive Awards (STI)

An STI award is assessed by a performance-based factor multiplied by a benchmark award for the individual’s level in the Company, multiplied by the individual’s FAR. The STI award is usually made in cash and the amount of the payment is calculated by the following formula:

Performance Factor x STI Organisational Level Benchmark x Individual’s FAR

An individual employee’s performance factor is assessed against both the individual’s performance and the Company’s performance over the preceding year. A rating for individual performance is determined on a scale of 1 to 5 based on how well the individual performs against the individual’s annual goals. The Company’s performance is assessed against a set of corporate goals, which are in the form of KPIs, which are set by the Board for a given year.

In 2019, the KPIs included the achievement of key strategic objectives set for the year, financial management and targets including performance against budget and cashflow, asset management and stakeholder management (refer to section 15.4). Each KPI is given a relative weighting and is assessed against threshold, good (target) and excellent benchmarks. The Board will vary KPIs each year to suit prevailing circumstances.

Three STI organisational level benchmarks have been established as percentages of individual FARs. These three levels reflect the increased involvement at each level in the organisation's pursuit and achievement of the Company's goals. These benchmarks are set out below.

Organisational Level	Managing Director/CEO	Management	Professional, Technical & Support
STI Organisational Benchmarks	20%	15%	12.5%

Any award will be subject to the Company exceeding one or more fundamental performance hurdles determined by the Board on an annual basis. While a positive STI award might be assessed under a previously prescribed set of KPIs, circumstances within the year might see a reduction in the Company's ability or desire to pay such an award (for example due to an unexpected material reduction in the Company's cash flow or significantly poor share price performance). The Board, at its absolute discretion, reserves the right to withhold the making of any STI awards if it finds itself in such a position.

As at the date of this report, the Board completed a review of performance for the 2019 year, and an award of $133,048 was made in February 2020.

C. Long Term Incentive Awards (LTI)

The Company believes that encouraging its employees to become shareholders is the best way of aligning their interests with those of its shareholders.

LTI awards are made in the form of rights to shares which will have a vesting timeframe over three years. The number of rights that vest will be based on the Company's performance over the same three years.

An LTI award will be made by way of the grant of Performance Rights and/or Retention Rights as soon as practicable after each year-end. Grants of rights will be made each year with effect from 1 January.

In consultation with advisers to the Company with respect to the formation of the LTI to meet those objectives, in 2019 a combination of Performance Rights and Retention Rights were issued.

An LTI in the form of rights was selected by the Company to give those individuals a stake in the financial success of the Company, as well as align the rewards to achieve challenging but realistic targets aligned with Company strategy set by the Board and deliver long-term growth for the company and its shareholders.

Performance Rights

The number of Performance Rights to be granted annually to each employee is calculated by the following formula:

LTI Organisational Level Benchmark x Individual's FAR ÷ Share Price

The maximum LTI organisational benchmarks (Benchmark) have been established as percentages of individual FARs. These levels were reviewed and adopted by the Board in both February 2020 and February 2019 to reflect the increased involvement of each level in pursuing and achieving the Company's goals. These benchmarks are set out in the following table.

Organisational Level	Managing Director/CEO	CFO	Management	Professional, Technical & Support
Benchmark	150%	80%	25 to 40%	20 to 33%

The total number of Performance Rights granted is subject to being reduced proportionately so that the total number of Performance Rights is within:

(a) the Board's determined cap on the total number of Performance Rights which are issued as LTI awards in a given year; and
(b) any discretionary cap on the total number of rights on issue at any given time.

The calculation will use the 30-day volume-weighted average share price (VWAP) of the Company's shares preceding the first day of each measurement period.

The Board has established an initial guideline that the total number of Performance Rights to be issued in a single year will be capped at 1.5% of the fully paid issued capital of the Company as at the end of the prior year. In the event that the potential total number of Performance Rights exceeds the cap then all awardees receive a pro-rata reduced number of Performance Rights. This cap is at the discretion of the Board and may be altered depending on the prevailing context.

In February 2019, the Board approved the issue of 3,174,394 Performance Rights for the 2019 LTI award. 1,078,221 rights were issued on 11 March 2019 and 2,096,173 on 15 May 2019.

In February 2020, 1,515,606 Performance Rights on issue had met their performance hurdle and were converted into shares in Tap Oil Limited and 312,923 new 2020 LTI Performance Rights were issued to staff.

The Board has also set a discretionary cap on the total number of rights on issue at any given time. This cap is currently set at 6% of the number of issued fully paid shares in the Company.

In February 2019, the Board adopted a revised performance benchmark for vesting as it relates to the 2019 awards. Vesting of up to 75% (2018: 50%) of the Performance Rights granted will be measured against the Company's annualised Absolute Total Shareholder Return (ATSR) and vesting of 25% (2018: 50%) of the Performance Rights granted will be measured against the Company's Relative Total Shareholder Return (RTSR), as defined below.

The Performance Rights will have three measurement dates for vesting:

- 34% of the Performance Rights granted will be measured on 31 December 2019,
- 33% of the Performance Rights granted will be measured on 31 December 2020; and
- the remaining 33% of the Performance Rights granted will be measured on 31 December 2021.

Any Performance Rights available for vesting but that do not vest at the relevant measurement date shall be re-tested for vesting at the end of the next evaluation period, up to the third evaluation period.

ATSR

ATSR is calculated using the 30-day VWAP of the Company's shares to 31 December in the applicable measurement period.

The "Starting Point" is the 30-day VWAP to 31 December 2018 of A$0.091096 per share.

Performance Rights measured against ATSR:

- if ATSR increases by less than 10%p.a from the Starting Point, none of the applicable Performance Rights will vest;
- if ATSR increases between 10%p.a. and <25%p.a. from the Starting Point, the applicable Performance Rights will vest pro rata;
- if ATSR equals or exceeds 25%p.a. from the Starting Point, 100% of the applicable Performance Rights will vest.

The annualised ATSR will be calculated as the total ATSR over the relevant period divided by the number of years during such relevant period.

RTSR

RTSR is calculated based on the Company's percentile position against TSR of a Peer Group approved by the Board. The peer group for FY2019 consists of: Buru Energy Group, Central Petroleum Limited, Cue Energy Resources Limited, Horizon Oil Limited, Kina Petroleum Limited, Lion Energy Limited, Otto Energy Limited, Petsec Energy Limited, Senex Energy Limited, Strike Energy Limited, Sundance Energy Australia Limited.

For Performance Rights measured against RTSR:

Relative TSR	% Vesting in each year
<50th percentile	0%
=50th percentile	30%
>50th to <90th percentile	pro-rata
=>90th percentile	100%

TSR is commonly used as a relative measure, where the number of shares that vest is dependent upon on the Company's TSR over a stated performance period relative to that of its peers. The calculations under this standard approach are transparent and straight forward, based on a simple ranking method to assess the level of outperformance.

Vesting characteristics of the Performance Rights are as follows:

(a) performance measurement period is over three years, which is consistent with the typical time cycle for an exploration program;
(b) performance is based on differences in RTSR as measured from the end of one preceding period to the end of the current (three years) assessment period. The RTSR uses the 30-day VWAP of the Company's shares up to and including the last day of each measurement period; and
(c) RTSR will be assessed against a peer group of like companies determined by the Board before the start of each assessment period or as soon as practical thereafter. In February 2019, the Board determined a peer group of 12 petroleum industry companies which are listed on the ASX and whose market capitalisation ranged from approximately A$7 million to A$398 million (at 31 December 2018).

Retention Rights

Retention Rights are issued to employees pursuant to the terms of the share rights plan to encourage continued employment and are a part of employees' annual remuneration. Whilst the Retention Rights have no ongoing performance conditions, the Board believe that the service conditions of the Retention Rights are sufficient when mixed with the incentive strategy of the Performance Rights. Such rights vest if the employee remains employed by the Company at set measurement dates over three years. The number of Retention Rights to be issued to a new employee is set at one of three levels reflecting the organisational level appropriate for the employee's initial job grade. These levels are outlined in the following table:

Organisational Level	Managing Director/CEO	Management	Professional, Technical & Support
Organisational Level Benchmarks (Retention)	Subject to employment contract negotiations	25 to 40%[1]	20 to 33%[1]

[1] *As a percentage of the staff members FAR.*

In February 2019, the Board approved the issue of 3,174,394 Retention Rights for the 2019 LTI award. 1,078,221 rights were issued on 11 March 2019 and 2,096,173 on 15 May 2019.

In February 2020, 312,923 new 2020 LTI Retention Rights were issued to staff.

D. Special Awards

The Board has the discretion to make special awards each year. Special awards can be in the form of cash, and/or Performance Rights and/or Retention Rights. Special awards are granted to individual employees or Executives who are judged by the Board to have made an extraordinary contribution to the current or future performance of the Company or who are expected to play a critical role in one of the Company's activities that could take two to three years to complete, and where retention of the individual's services is seen as an important determinant of the success to that activity.

There were no special awards made for the 2019 year.

E. Accounting for Options and Rights Granted to Employees

The values of the rights and options are expensed to profit and loss over the vesting period. No options were granted in 2019 and there are none on issue.

Performance Rights granted in 2019 are valued at the date of grant using a Monte Carlo Simulation model to determine the probability of the absolute return performance hurdles and the relative return performance hurdles being achieved. Retention Rights granted in 2019 are valued using the Black Scholes model at the date of grant. No cash benefit is received by KMP of the Company until the sale of the resultant shares, which cannot be done unless and until the rights or options have vested and the shares issued.

F. Key Management Service Agreements

Executive Director's Service Contract

As at 31 December 2019, Mr Chris Newton was the only Executive Director on the Board.

Mr Newton commenced as Executive Chairman on 19 October 2018 pursuant to a consultancy agreement.

The key terms of Mr Newton's consultancy agreement are as follows:

(i) Employment arrangements effective from 1 October 2018 until such later date as agreed in writing between the parties;
(ii) Mr Newton will devote at least 14 days per month of his time, attention and skill to the performance of his duties both during normal business hours and at other times as reasonably necessary;
(iii) The consulting fee of $21,500 from 1 May 2019, previously to this date the fee was $19,000 per each 30-day period;
(iv) The Agreement can be terminated at any time (and automatically if he ceases to be a Director of the Company) by giving not less than 90 calendar days' written notice to the other party and will terminate automatically at the expiration of the Term unless the parties agree any extension in writing.

The Board considered independent expert advice in negotiating the revised terms of Mr Newtons revised consultancy agreement during 2019.

The Company has entered into a Deed of Indemnity, Insurance and Access with Mr Newton whereby the Company will maintain an appropriate level of directors' and officers' indemnity insurance and provide access to Company records.

Director's Agreements

Directors remuneration arrangements for Messrs Newton, King, Baba and Lewis include compensation in the form of annual Directors' fees in accordance with their relevant letters of appointment. The Directors may also from time to time receive incentive compensation in the form of share-based payments (as approved by Shareholders).

The key terms of the letters of appointment are:

(i) For the year ended 31 December 2019, all Directors received a base fee of $AUD60,000 plus statutory superannuation.
(ii) The letters of appointment are for an indefinite term, subject to the provisions of the Company's Constitution, the ASX Listing Rules and the Corporations Act 2001 (Cth),

G. Non-executive Directors' Remuneration

In line with the ASX Corporate Governance Council's principles and recommendations, Non-executive Directors of the Company are remunerated solely by way of fees and statutory superannuation. The annual fee is set to reflect current market levels based on the time, responsibilities and commitments associated with the proper discharge of their duties as members of the Board. All Directors of the Company are encouraged to apply a proportion of their fees to purchase shares in the Company. The maximum total pool of available fees is set by shareholders in general meeting and is currently A$500,000.

The maximum total pool of available fees has not increased since 2010.

Other than statutory superannuation, Non-executive Directors of the Company are not entitled to any retirement benefits upon retirement from office.

The terms of engagement provide that the Company will maintain an appropriate level of directors' and officers' insurance and provide access to Company records in accordance with the terms of deeds of indemnity, insurance and access entered into between the Company and each of the Non-executive Directors.

The remuneration payable by the Company to Non-executive Directors is shown in the relevant tables.

15.4 Elements of Remuneration related to Performance

The Corporations Act requires disclosure of the Company's remuneration policy to contain a discussion of the Company's earnings and performance and the effect of the Company's performance on shareholder wealth in the reporting period and the four previous financial years. The table below provides a five-year financial summary to 31 December 2018. Note all monetary figures are in USD.

12 months ended	Dec 19	Dec 18	Dec 17	Dec 16	Dec 15	Notes
Net Profit/ (Loss) After Tax	34.3	13.2	(14.6)	(14.9)	(54.5)	
EPS (loss) (cents) Basic	8.1	3.1	(3.4)	(4.1)	(22.3)	1
EPS (loss) (cents) Diluted	8.1	3.1	(3.4)	(4.1)	(22.3)	1
Share price (US$) - start of the year	0.088	0.04	0.07	0.14	0.34	
Share price (US$) - end of the year	11.5	0.088	0.04	0.07	0.14	
Shares on Issue (million)	425.5	426.0	426.0	424.0	257.6	
Market Capitalisation (US$million)	34.3	26.5	18.3	27.4	35.7	

[1] *No dividends were paid the 2018, 2017, 2016 and 2015 financial years.*

Key Performance Indicators (KPI) Assessment for 2019

For the 2019 year, the Board determined a set of Company KPIs, reflecting the Company's strategies, business plan and budget. The 2019 KPIs and the performance set against them are set out below.

1. **Performance against key strategic objectives set for the year**
   This measure is concerned with the Company's strategic and qualitative objectives, which are subjective to measure. The emphasis here is on the effectiveness of the process rather than outcomes. Some key objectives include improved effectiveness in identifying production and development opportunities, developing strategies for core assets, divestments of non-core permits and effective joint operation and other key relationships.

2. **Performance against financial targets**
   Under this measure, the Board set specific financial management targets for the year which included further cost reductions throughout the organisation including minimising overall corporate G&A costs and ensuring appropriate funding is in place to enable the Company strategy to be delivered.

3. **Performance against asset management goals**
   Under this measure, the Board considers improvements in the management of Tap's portfolio of assets. The assessment of performance against this KPI was focused on achievement of efficient management of Tap's interest in Manora, including working closely with the Operator to maximise production and seek further growth through asset acquisitions.

15.5 KMP Remuneration related to Performance

FAR for all employees is based on comparisons to similar positions in peer companies and is reviewed annually. An individual's performance will have a strong influence on any annual increase, as will any changes in job responsibilities.

The elements of remuneration shown in the columns labelled "Bonus" and "Share-based payment equity settled" (excluding Retention Rights) in the tables below are related to Company and individual performance. The elements of remuneration shown in the remaining columns are not performance related. The performance conditions used in the determination of performance-based remuneration for Executive Directors and Executives of the Company are explained in detail in the discussion on remuneration policy in this Remuneration Report.

The value of options, shares and rights shown in the tables below are the accounting costs accrued in the financial year for grants in the financial year or in previous financial years. No cash benefit is received by KMP of the Company until the sale of the resultant shares, which cannot be done unless and until the rights or options have vested and the shares issued. No cash bonus awards were forfeited because the person did not meet the relevant service or performance conditions.

15.6 Other Elements of Director and Executive Remuneration

Remuneration packages contain the following key elements:

(a) Short term employee benefits – salary/fees, bonuses and non-monetary benefits, such as car parking.
(b) Post-employment benefits – including superannuation and termination benefits

The remuneration of the KMP of the Group and the Company is set out below:

Key Management Personnel - Compensation summary

Details of the nature and amount of each major element of remuneration of each director of the Company, and other KMP of the Group are:

	Short-term employee benefits				Post-employment		Share-based payment		
2019	Salary & fees $	Bonus $	Non-monetary $	Other (ii) $	Super-annuation $	Termination benefits $	equity settled rights (i) $	Total $	% Proportion of remuneration performance related
Non-executive Directors – current									
K Baba	45,675	-	-	-	-	-	-	45,675	-
D King	41,712	-	-	-	3,963	-	-	45,675	-
Z Lewis	41,712	-	-	-	3,963	-	-	45,675	-
Non-executive Directors – former									
G Van Ek	38,776	-	-	-	3,684	-	-	42,460	-
Executive Director – current									
C Newton	293,675	61,920	-	-	-	-	114,919	470,513	37.6%
	461,550	**61,920**	**-**	**-**	**11,610**	**-**	**114,919**	**649,998**	**-**

2018	Short-term employee benefits Salary & fees $	Bonus $	Non-monetary $	Other (ii) $	Post-employment Super-annuation $	Termination benefits $	Share-based payment equity settled rights (i) $	Total $	% Proportion of remuneration performance related
Non-executive Directors – current									
G Van Ek[10]	42,431	-	-	-	4,031	-	-	46,462	-
K Baba[11]	44,223	-	-	-	-	-	-	44,223	-
D King[12]	9,009	-	-	-	856	-	-	9,865	-
Z Lewis[13]	11,898	-	-	-	1,130	-	-	13,028	-
Non-executive Directors – former									
A Hall [1]	4,838	-	-	-	460	-	-	5,298	-
P J Mansell[2]	4,838	-	-	-	460	-	-	5,298	-
T L Soulsby[4]	2,649	-	-	-	-	-	-	2,649	-
S Sreesangkom[5]	6,602	-	-	-	-	-	-	6,602	-
B M Ulmer[8]	8,975	-	-	-	853	-	-	9,828	-
Executive Director – current									
C Newton[3]	171,137	-	-	-		-	-	171,137	-
Executive Director – former									
D Neaves[9]	18,329	-	-	-	1,741	-	-	20,070	-
J G Menzies[6]	33,252	-	-	-	-	56,093	-	89,345	-
Executives – former									
C J Bath[7]	233,598	-	7,234	-	12,605	-	(64,290)	189,147	-
	591,778	**-**	**7,234**	**-**	**22,136**	**56,093**	**(64,290)**	**612,950**	**-**

(i) Under the rights column, Performance Rights have been valued using a Monte Carlo Simulation model and Retention Rights have been valued using the Black Scholes model. Negative amounts represent a reversal of amounts previously expensed. Further details of the Tap Oil Limited Share Rights Plan are contained in note F7 to the financial statements.

(ii) These amounts relate to payments due under contracts for accrued leave, in lieu of notice and contractual obligations.

1 *A Hall appointed 18 October 2016 (resigned 31 January 2018).*
2 *P J Mansell appointed 27 May 2016 (resigned 31 January 2018).*
3 *C B Newton appointed 1 January 2016, (resigned 25 May 2018), appointed 27 August 2018.*
4 *T L Soulsby appointed 1 January 2016 (resigned 31 January 2018).*
5 *S Sreesangkom appointed 27 May 2016. (resigned 6 February 2018).*
6 *J G Menzies appointed as a Non executive Director on 27 May 2016 and subsequently appointed Executive Chairman on 15 December 2016 (resigned 31 January 2018).*
7 *C Bath appointed 25 May 2016, resigned 19 October 2018.*
8 *B Ulmer resigned 13 April 2018*
9 *D Neaves resigned 25 September 2018*
10 *G Van Ek appointed 31 January 2018*
11 *K Baba appointed 6 February 2018*
12 *D King appointed 18 October 2018*
13 *Z Lewis appointed 25 September 2018*

Rights over Equity Instruments Granted

Details on rights over ordinary shares in the Company that were granted as compensation to each KMP during the reporting period are set out below. Note that Non-executive Directors are not able to participate in the current Tap Oil Limited Share Rights Plan and have not been issued any rights over ordinary shares and are therefore excluded from the table:

2019	Number of performance rights granted during 2019	Number of retention rights granted during 2019	Grant date (performance rights)	Grant date (retention rights)	Weighted average fair value per performance right at grant date A$	Fair value per retention right at grant date	Value of rights granted during the year A$	Financial year in which rights vest
Executives – current								
C Newton	2,096,173	2,096,173	15-May-2019	15-May-2019	0.068	0.1	353,027	2019, 2020, 2021

The maximum amount to be recognised in future period of rights is equal to $238,108.

2018	Number of performance rights granted during 2018	Number of retention rights granted during 2016	Grant date (performance rights)	Grant date (retention rights)	Fair value per performance right at grant date A$	Fair value per retention right at grant date	Value of rights granted during the year A$	Financial year in which rights vest
Executives – former								
C J Bath	3,001,935	-	01-Jan-18	-	0.043	-	129,083	2021

The Tap Oil Limited Share Rights Plan was last approved by Shareholders on 15 May 2019. All rights to shares have a vesting period of three years. Each right granted entitles the holder to one share in the Company upon vesting, have no exercise price, are exercisable from the date of vesting and the details of vesting periods are set out in note F7 to the financial statements. All rights expire on the earlier of their expiry date or termination of the individual's employment. There were 2,096,173 Performance Rights granted to KMP of which 534,524 vested during the reporting period (2018: Nil) and nil of the Performance Rights granted to KMP lapsed in 2019 (2018: 5,964,550 lapsed). There were 2,096,173 Retention Rights granted to KMP nil vested during the reporting period (2018: nil) and nil Retention Rights granted to KMP lapsed during the reporting period (2018: 1,024,544 lapsed).

No cash benefit is received by KMP of the Company until the sale of the resultant shares, which cannot be done unless and until the rights have vested and the shares issued.

Value of Rights that have vested or lapsed

The following table summarises the number and value of rights that have vested or lapsed during the financial year. Note that Non-executive Directors are not able to participate in the current Tap Oil Limited Share Rights Plan and have not been issued any rights over ordinary shares and are therefore excluded from the table:

2019	Number of performance rights vested	Number of rights lapsed	Number of ordinary shares issued as a result of vesting	Amount paid	Amount unpaid
Executives – current					
C Newton	534,524	-	534,524[1]	-	-
	534,524	-	534,524	-	-

[1] *These shares were formally issued to Mr C Newton on 4 February 2020.*

2018	Number of rights vested	Number of rights lapsed	Number of ordinary shares issued as a result of vesting	Amount paid	Amount unpaid
Executives – former					
C J Bath	-	6,989,094	-	-	-
	-	6,989,094	-	-	-

Value of Rights – Basis of Calculation

The value of Performance Rights at the grant date is calculated as the fair value of the rights at grant date, using the Monte Carlo Simulation model, multiplied by the number of rights granted.

The value of Retention Rights at the grant date is calculated as the fair value of the rights at grant date, using the Black Scholes model, multiplied by the number of rights granted.

The value of rights included in remuneration for the year is calculated in accordance with Australian Accounting Standards. This requires the value of rights to be determined at grant date and thereafter included in remuneration for the year based proportionately on the vesting period. Where the rights vest fully in the year of grant, the full value of the rights is recognised in remuneration for that year. When a right holder resigns from Tap the rights are immediately lapsed.

No adjustment is made to the value included in remuneration or the financial results where the right ultimately has a lesser or greater value than as at the date of grant. The inputs into the fair value calculation of the rights granted are set out in note F7 to the financial statements.

Key Management Personnel Equity Holdings

The following table summarises the fully paid ordinary shares of Tap Oil Limited held by KMP:

	Balance at 1/1/18	Received on issue of shares / vesting of rights	Net other change	Balance held directly & indirectly at 31/12/19	Balance held nominally (indirectly)
2019	No.	No.	No.	No.	No.
Non-executive Directors – current					
K Baba	-	-	-	-	-
D King	-	-	-	-	-
Z Lewis	-	-	-	-	-
Non-executive Directors – former					
G Van Ek	-	-	-	-	-
Executive Director – current					
C Newton	-	-	-	-	-
	-	-	-	-	-

	Balance at 1/1/18	Received on issue of shares / vesting of rights	Net other change	Balance held directly & indirectly at 31/12/18	Balance held nominally (indirectly)
2018	No.	No.	No.	No.	No.
Non-executive Directors – former					
P J Mansell	1,000,000	-	(1,000,000)[1]	-	-
Executive Director – former					
J G Menzies	4,000,000	-	(4,000,000)[1]	-	-
	5,000,000	-	(5,000,000)	-	-

[1] *These were the balances held at time of resignation.*

Key Management Personnel – movement in rights

The following table summarises the movement in rights in ordinary shares of Tap Oil Limited. Note that Non-executive Directors are not able to participate in the current Tap Oil Limited Share Rights Plan and have not been issued any rights over ordinary shares and are therefore excluded from the table:

2019	Balance at 1/1/18 No.	Granted as remuneration No.	Vested during the year No.	Lapsed during the year No.	Balance at 31/12/19 No.
Executives - current					
C Newton	-	4,192,346	534,524	-	4,192,346
	-	4,192,346	534,524	-	4,192,346

2018	Balance at 1/1/18 No.	Granted as remuneration No.	Vested during the year No.	Lapsed during the year No.	Balance at 31/12/18 No.
Executives - former					
C J Bath	3,987,159	3,001,935	-	(6,989,094)	-
	3,987,159	3,001,935	-	(6,989,094)	-

Equity Instruments Granted

Details on ordinary shares in the Company that were granted as compensation to each key management person during the reporting period are set out below:

No shares were issued as compensation to key management personnel in 2019 or 2018.

Other transactions with Key Management Personnel

There were no other transactions with key management personnel during the year, other than:

The Company appointed SmallCap Corporate Pty Ltd, a company associated with Non-executive Director Mr Zane Lewis, to provide consultant CFO services. The total fees charged to the Company relating to these services were $85,198 (2018: $20,169). The Company notes that fees payable pursuant to the consulting agreement are at commercial market rates and the consulting agreement can be terminated by either party on 30 days' notice.

Discretionary Cap on Total Number of Rights

The Board maintains a discretionary cap on the total number of all Performance and Retention Rights on issue to employees and Executives. Currently the Board has set this cap at 6% of the number of issued fully paid shares in the Company. This cap provides a margin to cover the issue of rights above the 4.5% maximum level of rights that may be issued over the three-year vesting period of such rights at the guideline maximum rate of 1.5% per annum. The Board will inform shareholders of exceptions or changes to these guidelines should they occur.

The Board is of the view that such a cap significantly reduces the potential for material dilutionary effects of issues of rights at low share prices.

A total of 3,174,394 Performance Rights and 3,174,394 Retention Rights were issued during the year, effective 1 January 2019, being the award of LTI Performance Rights for the year ended 31 December 2019.

The total number of Performance and Retention Rights on issue at 31 December 19 was 7,037,011, which is 1.65% of shares on issue at 31 December 2019 and under the policy guideline cap of 6%.

On 4 February 2020, 1,515,606 Performance Rights vested and were converted to shares. On 18 February 2020 312,923 Performance Rights and 312,923 Retention Rights to employees as part of the 2020 LTI package.

Variation between 4E and the Annual Report

Tap Oil released its 31 December 4E results on 2 March 2020. They differed from the audited financial report presented as a result of the following adjustments made in the annual report:

- An audit adjustment arising from an error in the foreign currency translation reserve recycled on disposal of Australian subsidiaries during the period. Decreasing profit after tax by $1.25 million and not impacting net assets.
- The reassessment of the existence of an embedded sublease on adoption of AASB 16 relating to the FSO utilised in the Manora joint operation. This had the effect of recognising lease assets and lease liabilities from 1 January 2019 of $19.64 million previously only disclosed as commitments to the joint operation.

Both of these adjustments are non-cash and have had no impact on the underlying financial position or performance of the Company.

This Directors Report is signed in accordance with a resolution of the Directors:

Chris Newton
Chairman

Perth, Western Australia
30 March 2020

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Building a better working world

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

As lead auditor for the audit of the financial report of Tap Oil Limited for the financial year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Darryn Hall
Partner
27 March 2020

DH:DA:TAP:008

Building a better working world

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Tap Oil Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter: Subsequent Events – Impact of the Coronavirus (COVID-19) Outbreak

We draw attention to Note F12 of the financial report which notes the World Health Organisation’s declaration of the outbreak of COVID-19 as a global pandemic subsequent to 31 December 2019 and how this has been considered by the Directors in the preparation of the financial report. As set out in Note F12 no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Building a better working world

2

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Impairment of Manora Cash Generating Unit (CGU

Why significant	How our audit addressed the key audit matter
As at 31 December 2019, the Group held oil and gas assets totaling US$24.5 million, relating entirely to the Manora CGU. Australian Accounting Standards require the Group to assess whether there are any indicators that non-current assets may be impaired. If any indicator exists, the Group must estimate the recoverable amount of the asset. At year end, the Group concluded that there were no indicators of impairment of the Manora CGU, with the exception of the carrying value of the Group's net assets exceeding its market capitalisation at 31 December 2019. The Group acknowledged this fact, however is cognisant the majority of the shares in the Company are closely held by a small group of investors, indicating this may be a misleading signal alone and more reflective of the illiquid nature of the shares. Field performance, markets and commodity prices did not suggest any specific triggers for impairment relating to the Manora cash generating unit ("CGU") at 31 December 2019. The assessment of indicators of impairment is judgmental and includes assessing a range of external and internal factors that could impact the recoverable amount of a CGU. Accordingly, this matter was considered to be a key audit matter.	We considered the Group's assessment of impairment indicators, including the review of the project modelling calculations for the assessment of whether indicators of impairment were present. The Group concluded that no such indicators existed. Our Valuations specialists were involved to assess the reasonableness of certain underlying assumptions, including but not limited to: • Oil price • Discount rates • Inflation rates We sensitised the model outcomes based upon a range of changes to assumptions regarding discount rates, commodity prices and foreign exchange rates. This included assessing, in conjunction with our valuation specialists, any significant changes in discount rates and commodity prices and the impact this would have on the conclusions drawn by the Group based on the impairment assessments of previous years. Our assessment of commodity prices made reference to market prices and market research.

DH:DA:TAP:007

Building a better working world

3

Why significant	How our audit addressed the key audit matter
	We considered the qualifications, competence and objectivity of the experts used by the Group with respect to the hydrocarbon reserve assumptions used in the Group's assessment of movements in reserves in its impairment indicator considerations. We considered the, the scope and appropriateness of their work and whether key reserves economics assumptions were consistent with other operational information. We also focused on the adequacy of the financial report disclosures regarding the assumptions, key estimates and judgements applied by management for the Group's assessment of indicators of impairment. These have been disclosed in Note C.1.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

DH:DA:TAP:007

Building a better
working world

4

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DH:DA:TAP:007

Building a better
working world

5

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 27 to 38 of the directors' report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of Tap Oil Limited for the year ended 31 December 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Darryn Hall

Darryn Hall
Partner
Perth
30 March 2020

DH:DA:TAP:007

1. In the opinion of the directors of Tap Oil Limited (the Company):

   (a) the consolidated financial statements and notes that are set out on pages 47 to 95 and the Remuneration Report in section 15 in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:

      i. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the financial year ended on that date; and

      ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

   (c) the financial statements and notes are in accordance with International Financial Reporting Standards, as stated in Note A to the financial statements; and

   (d) the Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors:

Chris Newton
Chairman

Perth, Western Australia
30 March 2020

	Note	2019 US$'000	2018 US$'000
Continuing operations			
Revenue	B1(a)	41,906	48,384
Derivative/hedge gain/(loss)		80	(4,200)
Cost of sales	B1(c)	(31,269)	(34,210)
Gross profit		10,717	9,974
Other income	B1(b)	29,976	3,063
Administration expenses	B1(d)	(1,969)	(2,169)
Finance costs	B1(e)	(2,219)	(866)
Impairment losses and write-downs	B1(f)	(2,732)	(1,601)
Restoration provision (increase)/decrease		(10)	2,515
Other expenses	B1(g)	(351)	(661)
Profit before tax		**33,412**	**10,255**
Income tax benefit	B3(a)	906	2,992
Profit for the year		**34,318**	**13,247**
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Unrealised loss on cash flow hedge		-	2,242
Foreign currency translation differences - foreign operations		455	(237)
Foreign exchange differences reclassified to profit and loss on disposal of subsidiaries		(26,604)	-
Total comprehensive income for the year		**8,169**	**15,252**
Earnings per share from continuing operations:			
Basic (cents per share)	F3	8.1	3.1
Diluted (cents per share)	F3	8.1	3.1

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements.

Consolidated statement of financial position
as at 31 December 2019

	Note	2019 US$'000	2018 US$'000
Current assets			
Cash and cash equivalents	F6	26,663	21,186
Trade and other receivables	C5	5,957	5,689
Inventories	C6	4,975	7,856
Current tax assets		66	-
Other current assets		368	251
Total current assets		38,029	34,982
Non-current assets			
Property, plant and equipment	C1	24,503	30,466
Exploration and evaluation assets	C7	-	281
Deferred tax assets	B3(c)	5,905	9,449
Lease asset	C8	15,520	-
Total non-current assets		45,928	40,196
Total assets		**83,957**	**75,178**
Current liabilities			
Trade and other payables	C4	7,482	5,129
Current tax liability		-	15
Provisions	C2	62	1,345
Lease liabilities	C8	4,513	-
Total current liabilities		12,057	6,489
Non-current liabilities			
Provisions	C2	12,698	21,275
Lease liabilities	C8	10,967	-
Total non-current liabilities		23,665	21,275
Total liabilities		**35,722**	**27,764**
Net assets		**48,235**	**47,414**
Equity			
Issued capital	D1	141,591	141,624
Share options reserve		3,526	3,526
Share rights reserve	F2	3,508	3,371
Foreign currency translation reserve	F2	30,499	56,648
Profit reserve	F2	65,488	72,940
Accumulated losses		(196,377)	(230,695)
Total equity		**48,235**	**47,414**

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements.

	Note	Issued capital US$'000	Share options reserve US$'000	Share rights reserve US$'000	Cash flow hedge reserve US$'000	Foreign currency translation reserve US$'000	Profit reserve US$'000	Accumulated losses US$'000	Total US$'000
Balance at 1 January 2018		**141,624**	**3,526**	**3,289**	**(2,242)**	**56,885**	**72,940**	**(243,942)**	**32,080**
Profit for the year		-	-	-	-	-	-	13,247	13,247
Other comprehensive income/(loss) for the year		-	-	-	2,242	(237)	-	-	2,005
Total comprehensive income/(loss) for the year		-	-	-	2,242	(237)	-	13,247	15,252
Recognition of share-based payments		-	-	82	-	-	-	-	82
Balance at 31 December 2018		**141,624**	**3,526**	**3,371**	**-**	**56,648**	**72,940**	**(230,695)**	**47,414**
Profit for the year		-	-	-	-	-	-	34,318	34,318
Other comprehensive income for the year		-	-	-	-	(26,149)	-	-	(26,149)
Total comprehensive income for the year		-	-	-	-	(26,149)	-	34,318	8,169
Unmarketable parcel buy-back		(33)	-	-	-	-	-	-	(33)
Payment of dividend		-	-	-	-	-	(7,452)	-	(7,452)
Recognition of share-based payments		-	-	137	-	-	-	-	137
Balance at 31 December 2019		**141,591**	**3,526**	**3,508**	**-**	**30,499**	**65,488**	**(196,377)**	**48,235**

(i) For a description of the nature and purpose of Reserves refer to note F2.

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Consolidated statement of cash flows

for the financial year ended 31 December 2019

	Note	2019 US$'000	2018 US$'000
Cash flows from operating activities			
Receipts from customers		41,330	49,188
Payments to suppliers and employees		(13,420)	(30,795)
Interest received		478	14
Income taxes received/(paid)		32	(750)
Net cash provided by operating activities	F6	28,420	17,657
Cash flows from investing activities			
Proceeds from sale of permits		68	643
Payments for property, plant and equipment		(3,839)	(3,635)
Payments for exploration assets		(2,519)	(1,751)
Payments for restoration expenditure		(181)	(422)
Payments for disposal of subsidiaries	E1	(3,209)	-
Net cash used in investing activities		(9,680)	(5,165)
Cash flows from financing activities			
Payment of share buy-back		(33)	-
Repayment of lease liability		(5,706)	-
Payment of dividends		(7,452)	-
Net cash used in financing activities		(13,191)	-
Net increase in cash and cash equivalents		5,549	12,492
Cash and cash equivalents at the beginning of the financial year		21,186	7,753
Effects of exchange rate changes on the balance of cash held in foreign currencies		(72)	941
Cash and cash equivalents at the end of the financial year		**26,663**	**21,186**

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements.

Note	Contents
A	Statement of compliance and basis of preparation
B	Results for the year
B1	Profit for the year from operations
B2	Segment information
B3	Income taxes
C	Operating assets and liabilities
C1	Property, plant and equipment
C2	Provisions
C3	Interests in joint operations
C4	Trade and other payables
C5	Trade and other receivables
C6	Inventories
C7	Exploration and evaluation assets
C8	Leases
D	Capital structure and financing costs
D1	Issued capital
D2	Financial instruments
E	Group structure
E1	Subsidiaries
E2	Parent entity disclosures
F	Other items
F1	Other accounting policies
F2	Reserves
F3	Earnings per share
F4	Commitments for expenditure
F5	Leases
F6	Notes to the cash flow statement
F7	Share-based payments
F8	Key management personnel compensation
F9	Related party transactions
F10	Remuneration of auditors
F11	Contingencies
F12	Subsequent events

REPORTING ENTITY

Tap Oil Limited (the Company) is a for profit company listed on the Australian Stock Exchange and incorporated and domiciled in Australia.

The Company's registered office is Level 2, 190 St Georges Terrace, Perth WA 6000. These consolidated financial statements for the year ended 31 December 2019 comprise of the Company and its subsidiaries (together referred to as the Group). The Group is primarily involved in oil and gas exploration and production in the Gulf of Thailand and Carnarvon Basin in the northwest of Western Australia.

A. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board, and the Corporations Act 2001.

The consolidated financial statements comply with Australian Accounting Standards (AASB) and International Financial Reporting Standards (IFRS).

The financial statements have been prepared on a going concern basis. The Directors are of the belief that the Company is in a strong financial position to weather the macro-economic uncertainty associated with the global health issues in relation to the COVID-19 outbreak along with a rapid fall in oil price subsequent to year end (refer to Note F12). Given the cash and cash equivalents at 31 December 2019 of $26,663,254 (2018: $21,186,229) and net current assets of $25,971,104 (2018: $28,494,038), the company is confident it is well positioned to address those challenges. It notes this may include ongoing consideration of fundamental changes in the operations. The company has considered some of those operational changes and the Directors are of the belief that the going concern assumption is appropriate.

The financial statements were authorised for issue by the Board of Directors on 30 March 2019.

(b) Functional and presentation currency

These consolidated financial statements are presented in United States Dollars as that presentation currency most reliably reflects the global business performance of the Group as a whole and is more comparable with our peers. The functional currency of all the entities in the Group is Australian dollars except for Tap Energy Thailand Pty Ltd, Tap Energy (SE Asia) Pte Ltd and Tap Energy (M-7) Pte Ltd which have a functional currency of United States dollars.

Refer to F1 for the policy on foreign currency transactions and translations.

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2 'Share-based Payment', and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 'Inventories' or value in use in AASB 136 'Impairment of Assets'.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

A. BASIS OF PREPARATION (CONT'D)

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

Apart from changes in accounting policies noted in section F1, the accounting policies adopted are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2018. When the presentation or classification of items in the financial report is amended, comparative amounts are reclassified unless the reclassification is impracticable.

(d) Use of estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements and key estimates relating to the following matters can be found in the following areas of this report:

- Joint arrangements – Refer note C3,
- Impairment – Refer note C1,
- Leases – Refer note C8, and
- Restoration costs – Refer note C2.

B1. PROFIT FOR THE YEAR FROM OPERATIONS

	Consolidated 2019 US$'000	Consolidated 2018 US$'000
(a) Revenue from contracts with customers		
Oil sales[i]	41,906	48,384
Revenue from contracts with customers	41,906	48,384
(b) Other income:		
Royalties received	44	131
Interest received calculated using the effective interest rate method	519	46
Settlement with third party contractor[ii]	-	1,419
Gain on sale of projects	-	757
Gain on sale of subsidiaries[iii]	29,413	-
Foreign Exchange gain	-	710
	29,976	3,063

(i) *All oil sales in 2019 and 2018 were from the Group's Manora G1/48 development asset in Thailand.*

(ii) *During the prior year the operator for the Woollybutt joint operation settled an outstanding legal dispute between the JV and a third-party contactor of which the JV was the claimant.*

(iii) *Profit on sale of subsidiaries includes a cumulative US$27.85 million recycled from foreign currency translation reserve. Refer Note E1.*

(c) Cost of sales

	2019 US$'000	2018 US$'000
Production costs net of inventory movements – Manora	10,146	16,859
Depreciation of capitalised development costs	14,392	13,966
Government royalties	3,187	3,637
Other production costs - Manora[i]	3,544	(252)
	31,269	34,210

B1. PROFIT FOR THE YEAR FROM OPERATIONS (CONT'D)

	Note	Consolidated 2019 US$'000	Consolidated 2018 US$'000
(d) Administration expenses			
Profit before income tax has been arrived at after charging the following:			
Employee benefit expenses:			
Post-employment benefits:			
Superannuation contributions		82	105
Share-based payments:			
Equity settled share-based payments		137	(14)
Other		726	1,021
		945	1,112
Depreciation of office fixed assets		16	19
Lease rental payments		86	124
Other expenses		922	914
		1,969	2,169
(e) Finance costs			
Notional interest from unwinding discount on restoration provisions		580	866
Interest expense from lease accounting		1,639	-
		2,219	866
(f) Impairment losses and write-downs			
Exploration impairment losses[(i)]	C7	2,732	1,601
Exploration expenditure write-downs		-	-
		2,732	1,601
Property, plant and equipment impairment losses	C1	-	-
		2,732	1,601

[(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. Refer Section C7 for further information.*
The exploration impairment losses/write-downs are included in the oil & gas exploration segment.

	Consolidated 2019 US$'000	Consolidated 2018 US$'000
(g) Other expenses		
Takeover/Defense expenditure	-	618
Foreign exchange losses	179	-
Woollybutt and Airlie operating costs	-	22
Other	172	20
	351	661

B1. PROFIT FOR THE YEAR FROM OPERATIONS (CONT'D)

(h) Depreciation

Depreciation charges are included above in cost of sales (b) and administration expenses (c). Total depreciation for the Group is $14,392,000 (2018: $13,966,000).

Accounting policies

Revenue recognition

Revenue from contracts with customers - sale of goods

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Company's performance obligation is primarily comprised of the delivery of oil at a delivery point. Each barrel of oil is separately identifiable and represents a distinct performance obligation to which the transaction price is allocated. Performance obligations are satisfied at a point in time once control of the product has been transferred to the customer through delivery of oil at time of lifting.

Interest revenue

Interest revenue is recognised on a proportional basis using the effective interest rates method.

Derivative and hedge accounting

Accounting for derivatives when hedge accounting is not applied

The Consolidated Entity uses derivative financial instruments, such as options or forward commodity contracts, to hedge its commodity price risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Hedge accounting

Hedge accounting was not applied in 2019.

At the inception of a hedge relationship, the Consolidated Entity formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Consolidated Entity will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Consolidated Entity actually hedges and the quantity of the hedging instrument that the Consolidated Entity actually uses to hedge that quantity of hedged item.

Cashflow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Consolidated Entity uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognised as other expense and the ineffective portion relating to commodity contracts is recognised in other operating income or expenses.

B1. PROFIT FOR THE YEAR FROM OPERATIONS (CONT'D)

The Consolidated Entity designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

B2. SEGMENT INFORMATION

The Group derives its revenue from the sale of oil & gas.

Information reported to the Group's chief operating decision maker for the purposes assessment of performance is focused on the separate divisions managed by each individual member of senior management. Based on this, the Group's reportable segments under AASB 8 are as follows:

- Oil & gas production and development; and
- Oil & gas exploration.

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, as well as those projects that have been fully exploited and are in preparation for abandonment. This segment primarily incurs the exploration expenditure in the Group.

Segment result is measured based on net profit after tax as it relates to that segment.

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 Group level, interest revenue, foreign exchange losses and income tax benefits.

The revenue represents oil & gas sales to external customers with no intersegment sales during the period. $41,906,000 (2018: $48,384,000) oil revenue were sold to one customer under contract in the year.

B2. SEGMENT INFORMATION (CONT'D)

The following is an analysis of the Group's revenue and results by reportable operating segment:

	Revenue from external customers		Segment result	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Oil & gas production and development	41,906	48,384	8,592	9,595
Oil & gas exploration	-	-	26,446	2,356
Third party gas	-	-	-	-
	41,906	48,384	35,038	11,951
Interest income			519	46
Central administration costs			(1,794)	(1,834)
Foreign exchange gain/ (loss)			(179)	710
Takeover/Defence expenditure			-	(618)
Other expenses			(172)	-
Profit before tax			33,412	10,255
Income tax benefit			906	2,992
Profit for the year from continuing operations			34,318	13,247

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable operating segment for the periods under review:

	Assets		Liabilities	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Oil & gas production and development	64,517	53,072	35,467	16,573
Oil & gas exploration	549	4,904	5	10,979
Third party gas	-	-	-	-
Total segment assets and liabilities	65,066	57,976	35,471	27,552
Unallocated assets and liabilities	18,891	17,202	251	212
Consolidated total assets and liabilities	83,957	75,178	35,722	27,764

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.

B2. SEGMENT INFORMATION (CONT'D)

Other segment information

	Depreciation and amortisation		Impairment losses and write-downs		Additions to non-current assets	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Oil & gas production and development	14,392	13,966	-	-	4,399	3,589
Oil & gas exploration	-	-	2,732	1,601	2,451	1,768
Unallocated	16	19	-	-	23	1,781
	14,408	13,985	2,732	1,601	6,873	7,138

In addition to the depreciation and amortisation expense reported above, exploration expenditure write-downs/impairment losses of $2,732,000 (2018: $1,601,000) were recognised in respect of exploration and evaluation assets. No impairment losses were recognised in respect of property, plant and equipment (2018: nil). 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 based on location of assets

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

	Revenue from external customers		Non-current assets	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Australia	-	-	592	4,293
Asia	41,906	48,384	45,336	35,903
	41,906	48,384	45,928	40,196

B3. INCOME TAXES

	Consolidated	
	2019 US$'000	**2018 US$'000**
(a) Income tax recognised in profit or loss		
Tax (benefit)/expense comprises:		
Current tax (benefit)/expense	(7,044)	1,217
PRRT benefit	(102)	(839)
Adjustments recognised in the current year in relation to the current tax of prior years		
- Under/(over) provision for previous year	(14)	23
Deferred income tax relating to the origination and reversal of temporary differences	6,254	(3,393)
Total income tax expense/(benefit) from continuing operations	(906)	(2,992)
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:		
Profit before tax	33,412	10,260
Income tax expense / (benefit) calculated at 30%	10,024	3,078
Expenses not deductible for tax purposes	386	12,364
Gain on disposal of subsidiaries not assessable	(8,824)	-
Deferred tax assets previously not recognised now utilised	(1,694)	(28,415)
Other assessable income	30	56
Effect of higher foreign tax rate	1,159	10,352
Foreign exchange impact on tax expense	(2,355)	415
PRRT related tax credit	(102)	(839)
Unders/overs of prior periods	(14)	23
Other	484	(26)
Income tax (benefit)	(906)	(2,992)

B3. INCOME TAXES (CONT'D)

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

	Consolidated	
	2019 US$'000	2018 US$'000
(b) Current tax assets and liabilities		
Current tax asset/ liabilities:		
Tax receivable/ (payable)	66	(15)
(c) Deferred tax asset/(liability) balances		
Deferred tax assets comprise:		
Temporary differences – refer below	5,905	9,449

	Temporary differences 2019 US$'000	Temporary differences 2018 US$'000	Recognised in the income statement 2019 US$'000	Recognised in the income statement 2018 US$'000
Deferred exploration	-	-	-	-
Development	2,539	5,128	(2,589)	3,286
Lease asset/liability	-	-	-	-
Inventory	94	-	94	-
Restoration provisions	-	4,321	(4,321)	107
Others	562	-	562	-
	3,195	9,449	(6,254)	3,393
Income tax losses	2,710	-	2,710	-
Closing Amounts	5,905	9,449	(3,544)	3,393

B3. INCOME TAXES (CONT'D)

	Consolidated	
	2019 US$'000	2018 US$'000
Unrecognised deferred tax balances		
The following deferred tax assets, have not been brought to account as assets:		
Tax losses – revenue [i]	2,184	1,941
Temporary differences	7,812	12,372
	9,996	14,313

[i] *Tax losses relate both to Australia, New Zealand and Thailand, which do not expire and can be carried forward indefinitely.*

	Consolidated	
	2019 AU$'000	2018 AU$'000
(d) Franking account balance		
On a tax paid basis	65,080	69,638

Tax consolidation Australia

Relevance of tax consolidation to the Group

The Company and its wholly owned Australian resident entities formed a tax-consolidated group with effect from 1 January 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Tap Oil Limited. The members of the tax-consolidated group are identified at note E1.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding and tax sharing arrangement with the head entity. Under the terms of the tax funding agreement, each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity based on the current tax liability or current tax asset of the entity calculated in accordance with the policy stated below. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

Accounting policies

Thailand Branch Tax

The Group's tax obligations relating to its Branch operations in Thailand is accounted for as an income tax under AASB 112 and Thailand income tax rate is calculated at 50% of taxable profits under applicable laws in that jurisdiction.

Petroleum Resources Rent Tax

PRRT is recognised as an income tax expense on an accruals basis when the corresponding sales are recognised, and an amount calculated in accordance with government legislative requirements will be payable on those sales.

PRRT is calculated at the rate of 40% of sales revenues less certain permitted deductions and is tax deductible for income tax purposes.

B3. INCOME TAXES (CONT'D)

Goods and services tax

Revenues, expenses and assets are recognised net of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Current tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method and is measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to the asset or liability for tax purposes.

Except as noted below, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Tax consolidation Australia

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Tap Oil Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note B3 to the financial statements. Where the tax contribution amount is recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

C1. PROPERTY, PLANT AND EQUIPMENT

Development expenditures

	Consolidated	
	2019 US$'000	2018 US$'000
Gross carrying amount – at cost:		
Opening balance	259,288	255,700
Additions	4,399	3,589
Foreign exchange	-	(2)
Closing balance	263,687	259,288
Accumulated depreciation and impairment:		
Opening balance	228,868	214,902
Depreciation	10,364	13,966
Closing balance	239,232	228,868
Net book value	24,455	30,420

Office improvements, furniture & equipment

	Consolidated	
	2019 US$'000	2018 US$'000
Gross carrying amount – at cost:		
Opening balance	564	744
Additions	23	46
Foreign exchange differences	(4)	(63)
Asset write-offs	(496)	(162)
Closing balance	87	564
Accumulated depreciation and impairment:		
Opening balance	518	705
Asset write-offs	(495)	(149)
Foreign exchange differences	(4)	(60)
Depreciation	20	23
Closing balance	39	518
Net book value	48	46
Total – net book value	24,503	30,466

C1. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Impairment of development expenditures

At 31 December 2019, the Group has assessed each cash generating unit to determine whether an impairment indicator exists.

The company in assessing indicators of impairment prepared preliminary economic models to determine if an impairment existed at 31 December 2019, noting no such indicators were present (2018: nil impairment). The oil price assumption used in the assessment is based on the average of analysts' Brent oil price forecasts at the date of assessment for 3.8 years, being the remaining economic life of the field. The average Brent price assumptions range from US$61.87 / bbl to US $64.37 / bbl for the years 2020 to 2023. The discount rate used in the assessment is 10.57% (2018: 11.5%). Sensitivities analysis on the base case key assumptions indicate an oil price decrease of up to approximately 7% - 8% would not result in an impairment. Likewise, a decrease in production rates of up to approximately 7% - 8% would not result in an impairment. The company notes the project value is most sensitive to oil price and at 31 December 2019, based on preliminary assumptions, impairment would occur when there is a greater than 8% reduction in short- and longer-term oil prices.

Critical accounting estimates and assumptions

Impairment of oil & gas assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows. For oil and gas assets, expected future cash flow estimation is based on reserves, future production profiles, commodity prices and costs. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of the oil & gas assets.

Reserves estimates

Estimates of recoverable quantities of proven and probable reserves include assumptions regarding commodity prices, exchange rates, discount rates and production and transportation costs for future cash flows. It also requires interpretation of geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact asset carrying values, the provision for restoration and the recognition of deferred tax assets, due to changes in expected future cash flows. Reserves are integral to the amount of depreciation, depletion and amortisation charged to the income statement and the calculation of inventory.

Accounting policies

Property, plant and equipment

Plant and equipment, leasehold improvements and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item, cost of replacing part of the property, plant and equipment and borrowing cost capitalised.

In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is calculated on property, plant and equipment, other than capitalised development costs and leasehold improvement costs, on a straight-line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- Office improvements, furniture & equipment — 3 – 12 years
- Development expenditure — Unit of production
- Oil & gas facilities — Unit of production

Capitalised development costs are amortised from the commencement of production on a unit of production basis over recoverable reserves. Recoverable reserves are subject to review annually. The recoverable reserves are estimates calculated from available production and reservoir data and are subject to change. A significant change in estimate could give rise to a material adjustment to the carrying amounts of assets and liabilities in the next annual reporting period.

C1. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication of triggers of impairment. If any such indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

C2. PROVISIONS

	Consolidated	
	2019 US$'000	2018 US$'000
Current		
Employee benefits	62	111
Restoration costs	-	1,234
	62	1,345
Non-current		
Employee benefits	4	2
Restoration costs	12,694	21,273
	12,698	21,275
Restoration costs provision		
Reconciliation of movement:		
Opening balance	22,507	25,451
Additional provisions raised	-	-
Increase/(decrease) resulting from re-measurement	583	(1,952)
Liability extinguishment due to sale of permit	(10,796)	(186)
Unwinding of discount	580	866
Restoration costs incurred	(181)	(422)
Foreign exchange movement	1	(1,250)
Closing balance	12,694	22,507

The provision for restoration costs primarily comprise amounts related to Manora of $12,694,000 (2018: $11,706,000) and Woollybutt $nil million (2018: $10,801,000).

The provision for restoration costs represents the present value of the Directors' best estimate of the future sacrifice of economic benefits that will be required to remove plant and equipment and abandon producing and suspended wells. The unexpired terms used in the present value calculations are various periods up to the year 2023 and relate to the Manora restoration costs.

C2. PROVISIONS (CONT'D)

Critical accounting estimates and assumptions

Restoration costs

Restoration costs will be incurred by the Group at the end of the operating life of some of the Group's facilities and properties. The Group assesses its restoration provision at each reporting date. The ultimate restoration costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure can also change. Therefore, significant estimates and assumptions are made in determining the provision for restoration. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future restoration costs required.

Accounting policies

Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required, and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured using the project unit credit valuation method.

Contributions to defined contribution superannuation plans are expensed when incurred.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past event, it is probable that the Group will be required to settle the obligation and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

A restoration provision is recognised and updated at different stages of the development and construction of a facility and then reviewed on a six-monthly basis. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related exploration and evaluation assets or development asset.

Where a restoration obligation is assumed as part of the acquisition of an asset or obligation, the liability is initially measured at the present value of the future cash flows to settle the present obligation as at the acquisition date. The unwinding of the discount implicit in the present value calculations is included in finance costs.

C3. INTERESTS IN JOINT OPERATIONS

The Group 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 Group.

	Working interest (%)	
	2019	2018
Exploration permits		
Western Australia		
WA-34-R[i]	-	12.00
WA-72-R[ii]	-	20.00
Myanmar		
M-7[iii]	-	95.00
Thailand		
G1/48	30.00	30.00
Production & Pipeline Licences		
Western Australia		
WA-22-L[iv]	-	15.00
WA-25-L[v]	-	15.00

[i] *During the year, the joint operation that holds WA-34-R received confirmation from the National Offshore Petroleum Titles Administrator that the permit WA-34-R was relinquished.*

[ii] *During the year, Tap entered into a sale and purchase agreement for the sale of subsidiary Tap (SCB) Pty Ltd that held Tap's interest in WA-72-R.*

[iii] *During the year, Tap met the last of its milestones to relinquish its interest in the M-7 Block.*

[iv] *During the year, Tap entered into a sale and purchase agreement for the sale of subsidiary Tap West Pty Ltd that held Tap's interest in WA-22-L.*

[v] *During the year, Tap entered into a sale and purchase agreement for the sale of subsidiary Tap West Pty Ltd that held Tap's interest in WA-25-L.*

Joint Operation

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

A joint operation involves the joint control, and often the joint ownership, of assets contributed to, or acquired for the purpose of, the joint operation. The assets are used to obtain benefits for the parties to the joint operation and are dedicated to that purpose. Each party has control over its share of future economic benefits through its share of the joint operation, and has rights to the assets, and obligations for the liabilities, relating to the arrangement.

The interests of the Group in joint operations are brought to account by recognising the Group's share of jointly controlled assets, share of expenses and liabilities incurred, and the income from its share of the production of the joint operation.

The voting arrangements of the joint operation are such that joint control over the relevant activities of the arrangement is established by virtue that such relevant activities require voting approvals at or above 75% to proceed with any motion.

C3. INTERESTS IN JOINT OPERATIONS (CONT'D)

Joint Operations' net assets

The Group'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	
	2019 US$'000	2018 US$'000
Current assets		
Cash	6,389	4,042
Receivables	564	1,051
Inventories	4,975	7,856
Total current assets	11,928	12,949
Non-current assets		
Property, plant and equipment	24,455	30,420
Exploration and evaluation assets	-	281
Lease asset	15,520	-
Total non-current assets	39,976	30,702
Total assets	51,903	43,650
Current liabilities		
Trade and other payables	6,816	4,630
Provision for restoration	-	1,235
Lease liability	4,513	-
Total current liabilities	11,329	5,865
Non-current liabilities		
Provision for restoration	12,695	21,275
Lease liability	10,968	-
Total non-current liabilities	23,663	21,275
Total liabilities	34,992	27,140
Net assets	16,911	16,510
Revenues	41,986	48,516
Cost of sales	(31,269)	(34,232)
Other (expenses)/income	(2,124)	73
Profit before income tax	8,593	14,357

Capital commitments and contingent liabilities

The capital commitments arising from the Group's interests in joint operations are disclosed in note F4. No contingent liabilities have been identified beyond those set out in note F11.

C4. TRADE AND OTHER PAYABLES

	Consolidated	
	2019 US$'000	2018 US$'000
Trade payables [i]	666	496
Payable to joint operator	6,816	4,629
Other payables	-	4
	7,482	5,129

[i] *The credit period on purchases averages between 7 and 30 days. No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.*

Trade and other payables are recognised when the related goods or services are received, at the amount of cash or cash equivalents that will be required to discharge the obligation, gross of any settlement discount offered. Trade payables are non-interest-bearing and are settled on normal terms and conditions. The carrying amounts of trade and other payables are considered to approximate their fair values, due to their short-term nature.

C5. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2019 US$'000	2018 US$'000
Trade receivables [i]	5,312	4,450
Joint operator debtor	564	1,051
Other receivables	81	188
	5,957	5,689

[i] *Trade receivables relate to oil sales from Manora. Oil sales are on terms that result in payment 30 days from bill of lading.*

Accounting policy

Trade receivables (without a significant financing component) are initially recognised at their transaction price and all other receivables are initially measured at fair value. A receivable is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model with the objective to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For trade receivables and other receivables due in less than 12 months, the Group applies the simplified approach in calculating expected credit losses ECLs, as permitted by AASB 9. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For any other financial assets carried at amortised cost (which are due in more than 12 months), the ECL is based on the 12-month ECL. The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

C5 TRADE AND OTHER RECEIVABLES (CONT'D)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity

C6. INVENTORIES

	Consolidated	
	2019 US$'000	2018 US$'000
Oil in storage – at net realisable value	2,437	3,012
Materials and consumables – at cost	2,538	4,844
	4,975	7,856

The cost of inventories recognised as an expense in cost of sales in respect of write downs of oil inventory to net realisable value was $944,000 for the year (2018: nil).

Accounting policy

Inventories are valued at the lower of cost (on a first in first out basis - FIFO) and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

C7. EXPLORATION AND EVALUATION ASSETS

		Consolidated	
	Note	2019 US$'000	2018 US$'000
Exploration and/or evaluation phase			
At cost		39,579	80,601
Less: accumulated impairment		(39,579)	(80,319)
Net carrying value		-	281
Reconciliation of movement:			
Opening balance		281	143
Current year exploration expenditure		2,451	1,751
Exploration impairment losses/write-downs [(i)]	B1(f)	(2,732)	(1,601)
Adjustment in respect of Sale/Exit of Permits		-	(6)
Foreign exchange movement		1	(7)
Closing balance		-	281

[(i)] *Reflects unsuccessful wells drilled during the period which were demonstrated to be uncommercial.*

C7. EXPLORATION AND EVALUATION ASSETS (CONT'D)

Accounting Policy

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area; or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are moved to development expenditures and are then amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Ultimate recoupment of this expenditure is dependent upon the continuance of the Group'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.

Where individual wells are drilled and are proven to not be commercially or technically successful, they are written off when that determination is made.

C8. LEASES

	Consolidated	
	2019 US$'000	2018 US$'000
Lease assets		
At 1 January 2019	19,466	-
Depreciation	(4,027)	-
Additions	81	
Carrying value at 31 December 2019	15,520	-
At 31 December 2019		
Historical cost	19,547	-
Accumulated depreciation	(4,027)	-
Net carrying amount	15,520	-
Lease liabilities		
At 1 January 2019	19,466	-
Repayments	(5,706)	-
Accretion of interest	1,639	-
Additions	81	
Carrying amount at 31 December 2019	15,480	-
At 31 December 2019		
Current	4,513	-
Non-current	10,967	-
Carrying amount at 31 December 2019	15,480	-

The Consolidated Entity adopted AASB 16 on 1 January 2019

C8. LEASES (CONT'D)

Accounting policy applied from 1 January 2019

When a contract is entered into, the Consolidated Entity assesses whether the contract contains a lease. A lease arises when the Consolidated Entity has the right to direct the use of an identified asset which is not substitutable and to obtain substantially all economic benefits from the use of the asset throughout the period of use. The leases recognised by the Consolidated Entity predominately relates to a Floating Storage Offtake (FSO) vessel and office premises with ending lease liability amount at 31 December 2019 of $15,398,627 and $81,746 respectively.

Leases as a lessee

Lease assets and lease liabilities are recognised at the lease commencement date, which is when the assets are available for use. The assets are initially measured at cost, which is the present value of future lease payments adjusted for any lease payments made at or before the commencement date, plus and make-good obligations and initial direct costs incurred.

Lease assets are depreciated using the straight-line method over the shorter of their useful life and the lease term, which for the FSO vessel is 4.8 years from 1 January 2019. Periodic adjustments are made for re-measurement of the lease asset and for impairment losses, assessed in accordance with the Consolidated Entities impairment policies.

Lease liabilities are initially measured at the present value of future minimum lease payments, discounted using the Consolidated Entities incremental borrowing rate if the rate implicit in the lease cannot be readily determined, and are subsequently measured at amortised cost using the effective interest rate. Minimum lease payments are fixed payments or index-based variable payments incorporating the Consolidated Entities expectations of extension options and do not include non-lease components of a contract.

The lease liability is remeasured when there are changes in future lease payments arising from a change in rates, index or lease terms from exercising an extension or termination option. A corresponding adjustment is made to the carrying amount of the lease assets, with ant excess recognised in the consolidate income statement.

Short-term leases and leases of low value

Short-term leases (lease term of 12 months or less) and leases of low value assets are recognised as incurred as an expense in the consolidated income statement. Low value assets comprise plant and equipment.

Previous accounting policy – prior to 1 January 2019

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.

Lease payments of operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

C8. LEASES (CONT'D)

Key estimates and judgements:

Control
Judgement is required to assess whether a contact is or contains a lease at inception by assessing whether the Consolidated Entity has the right to direct the use of the identified assets and obtain substantially all the economic benefits from the use of that asset.

Lease term
Judgment is required when assessing the term of the lease and whether to include operational extension and termination periods. Option periods are only included in determining the lease term at inception when they are reasonably certain to be exercised. Lease terms are reassessed when a significant change in circumstances occurs.

Interest in joint operations
Judgement is required to determine the Consolidated Entities rights and obligations for lease contracts within joint operations, to assess whether lease liabilities are recognised at all or in proportion to the Consolidated Entities participating interest in the joint operation. This includes the evaluation of whether the lease arrangement contains a sublease within the joint operation.

D1. ISSUED CAPITAL

	Consolidated	
	2019 US$'000	2018 US$'000
425,471,620 fully paid ordinary shares (2018: 425,967,534)	141,591	141,624

	2019		2018	
	No. '000	US$'000	No. '000	US$'000
Fully paid ordinary shares				
Balance at beginning of financial year	425,968	141,624	425,968	141,624
Issue of shares under share-based payment schemes (note F7)	-	-	-	-
Share buy-back	(496)	(33)	-	-
Share issue costs	-	-	-	-
Balance at end of financial year	425,472	141,591	425,968	141,624

Issued Capital

Ordinary shares are classified as equity and recorded at the value of consideration received. The cost of issuing shares is shown in share capital as a deduction, net of tax, from the proceeds.

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 7,037,011 (2018: 3,659,324) outstanding Performance and Retention Rights over ordinary shares at 31 December 2019.
- A total of 717,027 Performance and nil Retention Rights vested during the year ended 31 December 2019 (2018: nil).
- A total of 2,643,416 (2018: 7,899,432) Performance and Retention Rights were forfeited during the 2019 financial year. A total of 327,685 Performance Rights lapsed during the year ended 31 December 2019 (2018: 211,497).
- The Performance and Retention Rights carry no rights to dividends and no voting rights. Further details of the share-based payment schemes are contained in note F7 to the financial statements.

D2. FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of cash at bank balance and equity attributable to equity holders, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

The Group's Board of Directors reviews the capital structure on an ongoing basis to ensure there are sufficient capital facilities in place to meet funding requirements for at least the next 12 months. As a part of this review the Board of Directors considers the cost of capital and the risks associated with each class of capital. The debt portfolio is managed by monitoring forecast liquidity against the debt portfolio, to ensure a minimum equity buffer is accessible at all times.

(b) Categories of financial instruments

	Consolidated	
	2019 US$'000	2018 US$'000
Financial assets		
Cash and cash equivalents (at amortised cost)	26,663	21,186
Trade and other receivables (at amortised cost)	5,957	5,689
Financial liabilities (at amortised cost)		
Trade and other payables	7,483	5,129

(c) Financial risk management objectives

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives.

The Group's operations expose it primarily to the financial risks of changes in crude oil prices and foreign currency exchange rates. The Group may enter into a variety of derivative financial instruments to manage its exposure to crude oil price and foreign currency risk, including:

- forward oil price contracts; and
- forward foreign exchange contracts.

(d) Oil price risk management

The Group's revenue is exposed to oil price fluctuations. Exposure to oil price risk is measured by monitoring and stress testing the Group's forecast financial position against sustained periods of low oil prices. This analysis is regularly performed on the Group's portfolio and, as required, for discrete projects and acquisitions.

Commodity hedging may be undertaken where the Board of Directors determines that a hedging strategy is appropriate to mitigate potential periods of adverse movements in commodity price. This will be balanced against the desire to expose shareholders to oil price upside. Commodity hedging may also be undertaken when there is a hedging requirement under a lending facility.

There are no commodity price derivatives outstanding at 31 December 2019 (2018: $nil). The losses (on derivatives entered into and expired during the financial year) of $0.08 million (2018: hedge loss of $4.2 million) are included on the income statement. Hedge accounting was not applied to any derivates executed in 2019 and the last time hedge accounting was applied was in contracts closed out in Q4 2018. For the policy on accounting for derivatives refer to B1.

D2. FINANCIAL INSTRUMENTS (CONT'D)

(e) Foreign currency risk management and sensitivity

Foreign exchange risk arises from future commitments, financial assets and financial liabilities that are not denominated in Australian and US dollars within the relevant functional currency entities. The majority of the Group's revenue is denominated in US dollars. Measuring the exposure to foreign exchange risk is achieved by regularly monitoring and performing sensitivity analysis on the Consolidated Entities financial position.

The Group's exposure shown below represent the USD value of foreign denominated balances compared to their functional currencies at year end:

	Consolidated			
	Assets		Liabilities	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Thai Baht	704	280	429	368
Singapore Dollars	-	-	3	10

(f) Foreign currency sensitivity

The Group is mainly exposed to Thai Baht (THB).

The following table details the Group's sensitivity to a 10% and 20% increase and decrease in the Australian dollar and Thai Baht against the US dollar. Management considers foreign exchange sensitivity when reporting foreign currency risk internally to key management personnel. Management continually monitors exchange rate forecasts and assesses the impact of possible changes in foreign exchange rates. The sensitivity analysis is based on 31 December 2019 year end foreign currency denominated monetary items and adjusts their translation at the period end for a 10% and 20% strengthening in foreign currency rates. For a 10% and 20% decrease in foreign currency rates, there would be a comparable impact on the profit and equity, and the balances below would be positive.

	Consolidated	
	US Dollar Impact	
	2019 $'000	2018 $'000
Australian Dollars:		
Profit or loss: 10%	42	63
Profit or loss: 20%	84	125
Thai Baht:		
Profit or loss: 10%	28	(9)
Profit or loss: 20%	55	(18)
Singapore Dollars:		
Profit or loss: 10%	-	(1)
Profit or loss: 20%	(1)	(2)

D2. FINANCIAL INSTRUMENTS (CONT'D)

(g) Interest rate risk management

Interest rate risk is the risk that the Group's financial position will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to long term debt obligations, cash and short-term deposits.

The Group's exposure to interest rate risk is measured by monitoring the interest on cash and cash equivalents.

(h) Interest rate sensitivity

The sensitivity analysis below has been determined based on exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the year. Varying sensitivities are used when reporting interest rate risk internally to key management personnel that represent management's assessment of the possible change in interest rates.

At the reporting date, if interest rates had been 25 basis points higher or lower and all other variables were held constant, the Group's profit or loss and equity for the year will be impacted as follows:

	Consolidated	
	Interest Rate Impact	
	2019 US$'000	2018 US$'000
Profit or loss: 25 basis points increase	84	42
Profit or loss: 25 basis points decrease	(84)	(42)

(i) Credit risk management

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument, resulting in a financial loss to the Group. Credit risk arises from the financial assets of the Group, which comprise trade and other receivables and deposits with banks and financial instruments.

The Group has adopted a policy of only dealing with creditworthy customers and counterparties. Receivable balances are monitored on an ongoing basis with the result that the Consolidate Entity's exposure to bad debts is not significant.

The Group may at times have a high credit risk exposure to a single customer in relation to oil liftings or gas sales. The above-mentioned credit risk management procedures are followed in these instances. Of the total trade receivables balance of $5.957 million in the Group at 31 December 2019 (2018: $5.689 million), $5,312 million (2018: $4.45 million) relate to the largest customer. No provision for expected credit loss was recognised given it was not material.

The credit risk on liquid funds and derivative financial instruments is limited as the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

D2. FINANCIAL INSTRUMENTS (CONT'D)

(j) Liquidity risk management

Liquidity risk is the risk that the Group will not have sufficient funds available to meet its financial commitments as and when they fall due. Liquidity is monitored and managed on an ongoing, forward-looking basis with day-to-day liquidity requirements met by drawing on internally generated cash flows, existing cash balances and existing debt facilities.

(k) Maturity profile of financial instruments

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date the Group can be required to pay. The following table details the Group's exposure to liquidity risk:

	Consolidated					
	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1–5 years	Total
	%	US$'000	US$'000	US$'000	US$'000	US$'000
2019						
Financial Assets						
Non-interest bearing - cash and trade and other receivables		14,466	-	-	-	14,466
Variable interest rate - cash	1.10%	18,121	-	-	-	18,121
Fixed interest rate - cash	1.26%	-	-	33		33
		32,587	-	33	-	32,620
Financial Liabilities						
Non-interest bearing - trade and other payables		7,483	-	-	-	7,483
Variable interest rate		-	-	-	-	-
		7,483	-	-	-	7,483
2018						
Financial Assets						
Non-interest bearing - cash and trade and other receivables		10,944	-	-	-	10,944
Variable interest rate - cash	2.33%	16,671	-	-	-	16,671
Fixed interest rate - cash	2.47%	-	-	34		34
		27,615	-	34	-	27,649
Financial Liabilities						
Non-interest bearing– trade and other payables		5,129	-	-	-	5,129
Variable interest rate		-	-	-	-	-
		5,129	-	-	-	5,129

(o) Fair value of financial instruments

Except as detailed in the following table, the directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

E1. SUBSIDIARIES

Name of entity	Country of incorporation	Ownership interest 2019 %	2018 %
Parent entity			
Tap Oil Limited (i)	Australia		
Subsidiaries (ii)			
Tap West Pty Ltd	Australia	-	100
Tap (Shelfal) Pty Ltd	Australia	-	100
Tap (New Zealand) Pty Ltd	Australia	-	100
Tap Oil (Philippines) Pty Ltd	Australia	-	100
Tap (Ghana) Pty Ltd #	Australia	-	100
Tap Energy (Rangkas) Pty Ltd #	Australia	-	100
Tap Bass Pty Ltd (iii) #	Australia	-	100
Tap Energy (Thailand) Pty Ltd	Australia	100	100
Tap (Zola) Pty Ltd (iv)	Australia	-	100
Tap (WA Gas) Pty Ltd	Australia	100	100
Tap Energy (Finance) Pty Ltd #	Australia	-	100
Tap Kendrew Pty Ltd (v) #	Australia	-	100
Tap (Shale) Pty Ltd #	Australia	-	100
Tap (Maitland) Pty Ltd (vi) #	Australia	-	100
Tap (SCB) Pty Ltd (vii)	Australia	-	100
Tap (NCB) Pty Ltd (viii)	Australia	-	100
Tap (Alpha) Pty Ltd (ix) #	Australia	-	100
Tap (Bonaparte) Pty Ltd (x)	Australia	-	100
Tap Energy (Australia) Pty Ltd	Australia	100	100
Tap Energy (SE Asia) Pte Ltd	Singapore	100	100
Tap Energy (M-7) Pte Ltd (xi)	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 Bass Pty Ltd is a wholly owned subsidiary of Tap Energy (Australia) Pty Ltd.*

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

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

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

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

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

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

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

(xi) *Tap Energy (M-7) Pte Ltd is a wholly owned subsidiary of Tap Energy (SE Asia) Pte Ltd.*

Indicates the subsidiary company is dormant.

The principal activity of all the subsidiaries is oil and gas exploration and production.

E1. SUBSIDIARIES (CONT'D)

During 2019 a predominantly dormant, non-operating or producing subsidiaries were disposed and liquidated when during the period. Included in the disposals were the sales of restoration obligations of interests previously producing but to which material abandonment activities had not yet commenced.

	Consolidated 2019 US$'000
Disposal of subsidiaries	
Consideration receipted/(paid)	(3,209)
Add	
Net (assets)/liabilities disposed*	6,018
Recycle of foreign currency translation reserve	26,604
Gain on disposal of subsidiaries	29,413

* *net liabilities disposed relate predominantly to a restoration obligation of $10,785 thousand offset by associated deferred tax assets of $4,069 thousand and other net working capital of $557 thousand.*

E2. PARENT ENTITY DISCLOSURES

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note F1 for a summary of the significant accounting policies relating to the Group.

	Parent Entity	
	2019 US$'000	2018 US$'000
Financial Position of parent entity at year end		
Assets		
Current assets	18,828	17,009
Non-current assets	130	18,437
Total assets	18,958	35,446
Liabilities		
Current liabilities	330	211
Non-current liabilities	4	2
Total liabilities	334	213
Net assets	18,624	35,233
Total equity of the parent entity comprising of:		
Issued capital	141,591	141,624
Retained earnings	(72,966)	(65,791)
Share option reserve	3,526	3,526
Share rights reserve	3,508	3,371
Foreign Currency Translation Reserve	(119,698)	(117,612)
Profit reserve	62,663	70,115
Total equity	18,624	35,233
Results of the parent entity		
(Loss)/profit for the year	(7,175)	7,058
Total comprehensive income	(7,175)	7,058

Guarantees entered into by the parent entity

Parent company guarantees are extended on a case by case basis. Tap Oil Ltd has provided a number of performance guarantees for subsidiaries under the terms of joint operations operating agreements and agreements with Governments pertaining to oil & gas exploration.

Tap Oil Limited has parent company guarantees in place which guarantee the obligations of Tap Energy (Thailand) Pty Ltd under the Petroleum Concessions for the G1/48 Permit Area, Thailand.

Tap Oil Limited has parent company guarantees in place which guarantee the obligations of Tap (WA Gas) Pty Ltd under gas sale agreements.

Tap Oil Limited has parent company guarantees in place which guarantee the obligations of Tap Energy (M-7) Pte Ltd under the Production Sharing Contract for the Block M-07 offshore Myanmar.

E2. PARENT ENTITY DISCLOSURES (CONT'D)

Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2019 other than those disclosed in note F11.

Lease commitments of the Parent entity

Leases

Leasing arrangements

The Parent Entity has non-cancellable leases for office premises (the premises lease expires on 16 January 2022) and Office equipment. These have been accounted for under AASB 16 in 2019.

	Parent Entity	
	2019 US$'000	2018 US$'000
Non-cancellable lease commitments		
Not longer than 1 year	60	82
Longer than 1 year and not longer than 5 years	-	-
	60	82

F1. OTHER ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company (the parent entity) and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

A list of subsidiaries is included in note E1 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisitions of businesses, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the Group are eliminated in full.

F1. OTHER ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect on the dates of the transactions.

At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

The individual financial statements of each group entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates. For the purposes of the consolidated financial statements, the results and financial position of each entity are expressed in US dollars, which is the presentation currency for the consolidated financial statements.

The functional currency of all the entities in the Group is Australian dollars except for Tap Energy Thailand Pty Ltd, Tap Energy (SE Asia) Pte Ltd and Tap Energy (M-7) Pte Ltd which have a functional currency of United States dollars. The financial statements of subsidiaries whose functional currency is in a currency other than United States dollar have been converted into the presentation currency as follows:

(i) assets and liabilities are translated to the presentation currency at exchange rates at the reporting date. Income and expenses are translated to the presentation currency at exchange rates at the dates of the transactions;
(ii) foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.
(iii) Foreign currency translation differences accumulated in the foreign currency translation reserve are recycled to profit or loss when the foreign operation is disposed

New and revised Standards and Interpretations affecting amounts reported and/or disclosures in the financial statement

In the current year the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and mandatorily effective for an accounting period that begins on or after 1 January 2019.

Other than those items set out below, other amendments and interpretations applied for the first time in 2019, do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Adoption of AASB 16 Leases

The Group adopted the new standard using the modified retrospective approach and applied the practical expedient whereby the lease assets and lease liabilities we recognised at the net present value of the lease liability on the transition date of 1 January 2019, thereby not impacting equity on transition. Furthermore, the Group used hindsight in determination of the lease term at the date of transition. On transition the following assets and liabilities were recognised:

	Consolidated	
	2019 US$'000	2019 US$'000
	Lease assets	Lease liabilities
1 January 2019		
Current	-	4,156
Non-current	19,636	15,480
Total	19,636	19,636

Refer to note C8 for the lease accounting policy under AASB 16.

F1. OTHER ACCOUNTING POLICIES (CONT'D)

	Consolidated 2019 US$'000
Reconciliation of opening lease commitments to lease liabilities	
FSO	14,053
Office premises	82
Commitments at 31 December 2018	**14,135**
Adjustments for revisions in determination of lease terms	9,866
Discounting of lease liability on transition to AASB 16	(4,365)
Lease liability on transition to AASB 16	**19,636**

Uncertain tax positions

The Group have applied IFRIC 23 from 1 January 2019 and it serves to clarify how to apply the recognition and measurement requirements of AASB 112 Income Taxes, when there are uncertain tax positions ("UTP"). When there is a UTP, the interpretation addresses the following:

- Recognition and measurement using either a:
  (i) 'most likely amount' methodology – when the outcome is binary or concentrated to a specific matter; or
  (ii) 'expected value' or probability-weighted methodology – when there is a range of possible outcomes;
- Additional disclosure considerations, more specifically, around the judgements and estimates/assumptions used in determining tax related balances; and
- Whether UTPs are to be assessed separately or bundled together.

The recognition, measurement and disclosure requirements of the standard have been applied to any UTPs which were under consideration for the year ended 31 December 2019. Where UTPs have required significant estimates and judgements to be made around determination of related tax balances, these will be disclosed.

F1. OTHER ACCOUNTING POLICIES (CONT'D)

Adoption of new and revised Accounting Standards issued but not yet effective

At the date of authorisation of the financial report, a number of Standards and Interpretations were on issue but not yet effective:

Standard/Interpretation	Note	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2018-6 Amendments to Australian Accounting Standards -Definition of a Business		1 January 2020	31 December 2020
AASB 2018-7 Amendments to Australian Accounting Standards –Definition of Material		1 January 2020	31 December 2020
AASB 2019-1 Amendments to Australian Accounting Standards –References to the Conceptual Framework		1 January 2020	31 December 2020
AASB 2019-5Amendments to Australian Accounting Standards –Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia		1 January 2020	31 December 2020

The Directors do not consider the above would have a material impact on initial application, but the assessment of the impact is ongoing. These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning on or after the effective date of each pronouncement.

F2. RESERVES

Nature and purpose of reserves

Share options and rights reserve

The share options reserve and the share rights reserve reflect the cost of share related share-based payments – refer note F7 explaining the grant date fair value of options and rights issued to employees but not exercised.

The reserve comprises the credit to equity for equity-settled share-based payment arrangements under AASB 2 – Share-based payments. The standard requires that the expense be charged to the profit and loss component of the statement of comprehensive income, while a credit needs to be raised against equity over the vesting period.

For further information on the share-based payment schemes refer note F7.

	Consolidated	
Share rights reserve	2019 US$'000	2018 US$'000
Balance at beginning of year	3,371	3,289
Recognition of share-based payment	137	82
Balance at end of year	3,508	3,371

F2. RESERVES (CONT'D)

Foreign currency translation reserve

Used to record foreign exchange differences arising from the translation of the financial statements of foreign entities from their functional currency to the Group's presentation currency. The reserve is recognised in the Statement of Comprehensive Income when the net investment is disposed.

	Consolidated	
	2019 US$'000	2018 US$'000
Balance at beginning of year	56,648	56,885
Exchange differences arising on translating foreign operations	455	(237)
Foreign exchange differences reclassified to profit and loss on disposal of subsidiaries	(26,604)	-
Balance at end of year	30,499	56,648

Profit reserve

A profit reserve has been created in selected entities within the tax consolidated group (refer note E1). The balance represents an appropriation of amounts from retained earnings for the payment of future dividends.

	Consolidated	
	2019 US$'000	2018 US$'000
Balance at beginning of year	72,940	72,940
Dividend paid	(7,452)	-
Balance at end of year	65,488	72,940

	Consolidated	
Retained earnings	2019 US$'000	2018 US$'000
Balance at beginning of year	(230,695)	(243,942)
Profit for the year	34,318	13,247
Transfer to profit reserve	-	-
Balance at end of year	(196,377)	(230,695)

F3. EARNINGS PER SHARE

	Consolidated 2019 Cents per share	Consolidated 2018 Cents per share
Basic and diluted earnings per share	8.1	3.1

Basic earnings per share:

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2019 US$'000	2018 US$'000
Earnings used in the calculation of basic earnings per share from continuing operations	34,318	13,247

	2019 No.'000	2018 No.'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	425,760	425,967

Diluted earnings per share:

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

	Consolidated 2019 US$'000	Consolidated 2018 US$'000
Earnings used in the calculation of diluted earnings per share from continuing operations	34,318	13,247

	2019 No.'000	2018 No.'000
Weighted average number of ordinary shares for the purposes of diluted earnings per share (a)	425,760	425,967
(a) The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:		
Weighted average number of ordinary shares used in the calculation of diluted EPS	425,760	425,967

There are 7,037,011 (2018: 3,659,324) rights on issue at year end that should their vesting conditions be met, could further dilute the basic earnings per share and diluted earnings per share in future.

F4. COMMITMENTS FOR EXPENDITURE

	Consolidated	
	2019 US$'000	2018 US$'000
(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	6,208	5,096
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	6,208	5,096
Exploration expenditure		
Not longer than 1 year	1,534	1,455
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	1,534	1,455

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 Group 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.

F5. NOTES TO THE CASH FLOW STATEMENT

	Consolidated 2019 US$'000	Consolidated 2018 US$'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 operation		
Cash and cash equivalents	26,630	21,153
Restricted cash and cash equivalents(i)	33	33
	26,663	21,186

(i) This relates to a deposit for the office lease.

	Consolidated 2019 US$'000	Consolidated 2018 US$'000
(b) Reconciliation of profit for the period to net cash flows from operating activities		
Profit for the year – continuing operations	34,318	13,247
Depreciation and amortisation of non-current assets	14,392	13,989
Foreign exchange loss	472	(1,959)
Unrealised gains/losses in commodity hedges	-	(351)
Equity settled share-based payments	137	81
Exploration impairment losses/write-downs	2,732	1,601
Loss on sale of property, plant and equipment	-	(922)
Gain on disposal of subsidiaries	(29,413)	-
Rehabilitation/restoration expense adjustments	2,219	(1,080)
Changes in assets and liabilities:		
(Decrease)/increase in current tax balances	(81)	76
Increase/(decrease) in deferred tax balances	(749)	(3,393)
(Increase)/decrease in assets:		
Current receivables	(1,273)	864
Other assets	3,356	(1,587)
Increase/(decrease) in liabilities:		
Current payables	2,310	(2,909)
Net cash provided by operating activities	28,420	17,657

Accounting policy

Cash and cash equivalents comprise cash on hand, cash in banks, demand deposits, the Group's share of joint operations bank balances and investments in money market instruments. Cash equivalents are short-term, and highly liquid investments.

F6. SHARE-BASED PAYMENTS

Long Term Incentive (LTI) awards are made in the form of rights to shares which will have a vesting timeframe over three years associated with their service. The number of rights that vest will be based on the Company's performance over the same three years.

Performance Rights

In February 2019, the Board adopted a revised performance benchmark for vesting. Vesting of up to 75% of the Performance Rights granted will be measured against the Company's annualised Absolute Total Shareholder Return (ATSR) and vesting of 25% of the Performance Rights granted will be measured against the Company's Relative Total Shareholder Return (RTSR), as defined below.

The Performance Rights will have three measurement dates for vesting:

- 34% of the Performance Rights granted will be measured on 31 December 2019,
- 33% of the Performance Rights granted will be measured on 31 December 2020; and
- the remaining 33% of the Performance Rights granted will be measured on 31 December 2021.

Any Performance Rights available for vesting but that do not vest at the relevant measurement date shall be re-tested for vesting at the end of the next evaluation period, up to the third evaluation period.

Retention Rights

Retention Rights are issued to staff pursuant to the terms of the Share Rights Plan upon or as soon as practicable after commencement of employment. Such rights would vest if the employee remains employed by the Group for three years. The rights expire after seven years from the grant date. Retention Rights are valued at 100% of the 30-day volume-weighted average share price (VWAP) of the Group's shares preceding the date of grant.

F6. SHARE-BASED PAYMENTS (CONT'D)

Grant date	Number	Vesting date	Exercise price AU$	Fair value at grant date AU$
2019				
Performance Rights				
11/03/2019 – Emp. RTSR	91,649	31/12/2019	-	0.062
11/03/2019 – Emp. RTSR	88,953	31/12/2020	-	0.062
11/03/2019 – Emp. RTSR	88,953	31/12/2021	-	0.062
11/03/2019 – Emp ATSR	274,946	31/12/2019	-	0.077
11/03/2019 – Emp ATSR	266,860	31/12/2020	-	0.06
11/03/2019 – Emp ATSR	266,860	31/12/2021	-	0.034
15/5/2019 – Dir. RTSR	178,175	31/12/2019	-	0.072
15/5/2019 – Dir. RTSR	172,934	31/12/2020	-	0.072
15/5/2019 – Dir. RTSR	172,934	31/12/2021	-	0.072
15/5/2019 – Dir. ATSR	534,524	31/12/2019	-	0.089
15/5/2019 – Dir. ATSR	518,803	31/12/2020	-	0.071
15/5/2019 – Dir. ATSR	518,803	31/12/2021	-	0.041
	3,174,394			
Retention Rights				
11/03/2019 – Emp. Rights	366,595	31-Mar-20	-	0.09
11/03/2019 – Emp. Rights	355,813	31-Mar-21	-	0.09
11/03/2019 – Emp. Rights	355,813	31-Mar-22	-	0.09
15/5/2019 – Dir. Rights	712,699	31-Mar-20	-	0.1
15/5/2019 – Dir. Rights	691,737	31-Mar-21	-	0.1
15/5/2019 – Dir. Rights	691,737	31-Mar-22	-	0.1
	3,174,394			
2018				
Performance Rights				
01/01/2018	6,389,512	01/01/2025	-	0.043
Retention Rights				
	-	-	-	-

F6. SHARE-BASED PAYMENTS (CONT'D)

The volume weighted average fair value of the Performance Rights granted in 2019 is $0.07 (2018: $0.043). Performance Rights issued are valued using a Monte Carlo Simulation model. The Monte Carlo Simulation model is a computer-based technique where a large sample of iterations is performed, based on random numbers and their associated probabilities determined by a specified probability distribution function. The Monte Carlo Simulation model is used to determine the probability of the absolute return performance hurdles and the relative return performance hurdles being achieved.

The Performance Rights have no exercise price and vesting occurs after three years if the employee remains employed by the Group. Expected volatility for the ATSR performance hurdle is based on the volatility of historical 3-year performance period returns using 30-day VWAP share price data. Expected volatility for the RTSR performance hurdle is based on the volatility of historical 3-year performance period returns using 30-day VWAP share price data of Tap Oil Limited shares compared to its peer group.

The volume weighted average fair value of the Retention Rights granted in 2019 is AU$0.097 (2018: nil). Retention Rights are valued using the Black Scholes model with the life of the rights assumed to be three years, which is the same as the vesting period of the Retention Rights (based on employees remaining in the Group's employment for three years as the condition for rights vesting). The Retention Rights have no exercise price and no other performance conditions, except that the employees need to be in the Group's employment after a period of three years, resulting in the fair value of the Retention Rights being equal to the 30-day VWAP share price at the date of grant (the volatility and risk-free rate included as inputs to the Black Scholes model will be irrelevant). Expected volatility is based on the historical 30-day VWAP share price volatility over a 3-year performance period and the risk free interest rate based on the Reserve Bank of Australia's 3-year government bond rate, both as quoted on the date of grant of the Retention Rights.

Inputs into the model

Rights series (by vesting date)	Grant date share price AU$	Vesting probability	Exercise price AU$	Expected volatility	Vesting term of rights	Dividend yield	Risk-free interest rate
2019							
Performance Rights							
11/03/2019	0.09	100%	$0.00	45%	3yr	-	1.66%
11/03/2019	0.09	100%	$0.00	45%	1yr	-	1.66%
11/03/2019	0.09	100%	$0.00	45%	2yr	-	1.66%
11/03/2019	0.09	100%	$0.00	45%	3yr	-	1.66%
15/5/2019	0.1	100%	$0.00	45%	3yr	-	1.24%
15/5/2019	0.1	100%	$0.00	45%	1yr	-	1.24%
15/5/2019	0.1	100%	$0.00	45%	2yr	-	1.24%
15/5/2019	0.1	100%	$0.00	45%	3yr	-	1.24%
Retention Rights							
11/03/2019	0.09	100%	$0.00	45%	1yr	-	1.66%
11/03/2019	0.09	100%	$0.00	45%	2yr	-	1.66%
11/03/2019	0.09	100%	$0.00	45%	3yr	-	1.66%
15/5/2019	0.1	100%	$0.00	45%	1yr	-	1.24%
15/5/2019	0.1	100%	$0.00	45%	2yr	-	1.24%
15/5/2019	0.1	100%	$0.00	45%	3yr	-	1.24%
2018							
Performance Rights							
01/01/2018	0.055	N/A	$0.00	65%	3yr	-	2.13%
Retention Rights							
	-	-	-	-	-	-	-

F6. SHARE-BASED PAYMENTS (CONT'D)

The following reconciles the outstanding share rights granted at the beginning and end of the financial year:

	2019		2018	
	Number of rights	Weighted average exercise price AU$	Number of rights	Weighted average exercise price AU$
Balance at beginning of the financial year	3,659,324	-	6,529,425	-
Granted during the financial year	6,348,788	-	6,389,512	-
Forfeited during the financial year	(2,643,416)	-	(9,048,116)	-
Vested during the financial year (i)	-	-	-	-
Lapsed during the financial year	(327,685)	-	(211,497)	-
Balance at end of the financial year (ii)	7,037,011	-	3,659,324	-

(i) Vested during the financial year

956,036 Performance Rights vested during the 2019 financial year (2018: Nil). No Retention Rights vested during the 2019 financial year (2018: nil).

(ii) Balance at end of the financial year

The Performance Rights and Retention Rights outstanding at the end of the financial year had no exercise prices and had a weighted average remaining contractual life of 2,174 days (2018: 1,972 days).

(iii) Exercised during the financial year

There were no options exercised during the 2019 financial year (2018: nil).

Accounting Policy

Equity-settled share-based payments are measured at fair value at the grant date. Fair value is measured under the Black Scholes model for options and Retention Rights and the Monte Carlo Simulation Model for Performance Rights in circumstances where the value cannot be determined based on the service being delivered. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of options and shares that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share rights reserve.

F7. KEY MANAGEMENT PERSONNEL COMPENSATION

After consideration of the nature of each employee's role within the Group, in the opinion of the Board the Group had the following key management personnel during the financial year:

Executive Director – current

- C B Newton (appointed 15 October 2018)

Executive Director - former

- J G Menzies (appointed Non-executive Director 27 May 2016 and subsequently appointed Executive Chairman on 15 December 2016) (resigned 31 January 2018)

Non-executive Directors - current

- K Baba (appointed 6 February 2018)
- Z Lewis (appointed 25 September 2018)
- Dr D King (appointed 18 October 2018)

Non-executive Directors - former

- Dr G van Ek (appointed 31 January 2018) (23 October 2019)
- A Hall (appointed 18 October 2016) (resigned 31 January 2018)
- P J Mansell (appointed 27 May 2016) (resigned 31 January 2018)
- T L Soulsby (appointed 1 Jan 2016) (resigned 31 January 2018)
- S Sreesangkom (appointed 27 May 2016) (resigned 6 February 2018)
- P Panyaporn (appointed 14 March 2017) (resigned 6 February 2018)
- D Neaves (appointed 29 May 2018) (resigned 25 September 2018)
- B Ulmer (appointed 1 February 2018) (resigned 13 April 2018)

Senior Executives - former

- C J Bath (Chief Financial Officer appointed 25 May 2016) (resigned 19 October 2018)

The aggregate compensation of the key management personnel of the Group is set out below:

	Consolidated	
	2019 US$000	2018 US$000
Short-term employee benefits	523	737
Post-employment benefits	12	35
Other long-term benefits	-	-
Termination benefits	-	56
Share-based payments	115	(64)
	650	764

F8. RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

Details of key management personnel compensation are disclosed in note F8 to the financial statements and in the Remuneration Report disclosed in the Directors' Report.

(b) Transactions with other related parties

Other related parties include the parent entity, joint operations in which the entity is a venturer and subsidiaries.

Amounts receivable from and payable to parties within the Tap Oil Limited Group eliminate on consolidation. All loans advanced to and payable to related parties are unsecured, have no fixed repayment dates and are interest-free. The outstanding balances related to joint operations are disclosed in note C3 to the financial statements.

The Company appointed SmallCap Corporate Pty Ltd, a company associated with Non-executive Director Mr Zane Lewis, to provide consultant CFO services. The total fees charged to the Company relating to these services was US$85,198 (2018: US$20,169). The Company notes that fees payable pursuant to the consulting agreement are at commercial market rates based on quotes received periodically for like services and the consulting agreement can be terminated by either party on 30 days' notice.

F9. REMUNERATION OF AUDITORS

	Consolidated	
	2019 US$	2018 US$
Audit services		
Auditor of the Consolidated Group – Deloitte Touche Tohmatsu		
- Audit and review of financial reports	4,537	91,334
Auditor of the Consolidated Group – Ernst & Young		
- Audit of financial report	33,370	-
Fees for other assurance – Ernst & Young firms		
- Audit of Thailand Branch	22,690	21,522
	60,597	112,856
Other auditors for other assurance		
- Audit of financial report	8,444	34,867
	69,041	147,723
Other services		
Auditor of the consolidate Group – Ernst & Young		
- Taxation services	9,106	8,809
Other auditors		
- Taxation services	76,263	44,273
	85,369	53,082

F10. CONTINGENCIES

As at 31 December 2019 the Group did not have any contingent liabilities.

F11. SUBSEQUENT EVENTS

Impact of the Coronavirus (COVID-19) outbreak and oil price decline

Subsequent to end of the financial year, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020 and negotiations between Russia and OPEC have both resulted in a fall in global oil prices.

The recent decline in oil price will have a significant impact on the Company's revenues in the near term and will impact the longer term operations of the Company. However, the outbreak and the response of Governments in dealing with the pandemic is likely to interfere with general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain as at the date of this report however they will have an impact on our earnings, cash flow and financial condition.

It is not possible to estimate the impact of the outbreak's near-term and longer effects or Governments' varying efforts to combat the outbreak and support businesses. As set out in on our disclosures in note A(a) we are confident our current financial position allows the company to operate as a going concern, however, we note that the value of property, plant and equipment recorded in the statement of financial position, assessed for impairment triggers at 31 December 2019 may have materially changed by the date of this report. Note C1 does set out some of the assumptions carried out with respect to impairment and the impact of some sensitivity those assumptions have on carrying values.

The financial statements have been prepared based upon conditions existing at 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the worldwide outbreak of COVID-19 occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19.

On 4 February 2020, 1,515,606 shares were issued upon the vesting of Performance Rights on issue and 139,892 Performance Rights lapsed unvested.

1. Number of Security Holders and Distribution

The number and distribution of quoted securities as at 6 March 2020 was as follows:

Fully Paid Ordinary Shares

Spread of holdings	Number of holdings	Number of Units	Total Issued Capital %
100,001 and Over	177	396,939,522	92.96
10,001 to 100,000	780	24,420,264	5.72
5,001 to 10,000	592	4,736,939	1.11
1,001 to 5,000	248	857,568	0.20
1 to 1,000	120	32,933	0.01
Total	**1,917**	**426,987,226**	**100.00**

The number of shareholders holding less than a marketable parcel of ordinary shares (being 1,058,202 Shares at 6 March 2020) is 399.

The number and distribution of unquoted securities as at 6 March 2020 was as follows:

Performance Rights

Spread of holdings	Number of holdings	Number of Units	%
1–1,000	-	-	-
1,001–5,000	-	-	-
5,001–10,000	-	-	-
10,001–100,000	9	498,831	17.31
100,001 and over	5	2,383,734	82.69
Total	**14**	**2,882,565**	**100.00**

Retention Rights

Spread of holdings	Number of holdings	Number of Units	%
1–1,000	-	-	-
1,001–5,000	-	-	-
5,001–10,000	-	-	-
10,001–100,000	8	448,019	14.34
100,001 and over	3	2,676,775	85.66
Total	**11**	**3,124,794**	**100**

2. Substantial Shareholders

Substantial shareholders as disclosed in substantial shareholder notices given to the Company are as follows:

Name of Registered Holder	Shares	%
Risco Energy Investments (SEA) Limited; Suncastle Equities, Inc	193,838,462[1]	45.56
Mr Chatchai Yenbamroong and Northern Gulf Petroleum Holdings	104,503,615[2]	24.53

1. *As lodged with ASX on 4 October 2019.*
2. *As lodged with ASX on 12 December 2019.*

3. The 20 Largest Holders of Ordinary Shares as at 6 March 2020

Rank	Name	Units	% of Units
1	HAZEL RESOURCES LIMITED <RISCO ENERGY INVESTMENTS A/C>	194,458,071	45.54
2	CITICORP NOMINEES PTY LIMITED	70,031,753	16.40
3	NORTHERN GULF PETROLEUM HOLDINGS LIMITED	37,998,619	8.90
4	NEWMEK INVESTMENTS PTY LTD	10,000,000	2.34
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,887,374	2.08
6	TINTERN (VIC) PTY LTD <A & P MILLER FAMILY A/C>	5,500,000	1.29
7	MR BONSON LAM	3,720,000	0.87
8	STANBOX PTY LIMITED <THE SALEM FAMILY ACCOUNT>	3,100,000	0.73
9	WARATAH CAPITAL PARTNERS PTY LIMITED	2,750,000	0.64
10	T S RAI 2 PTY LTD <WEBSTA SUPER FUND A/C>	2,470,650	0.58
11	WESWOOD PTY LTD <PAUL UNDERWOOD FAMILY A/C>	2,287,628	0.54
12	NATIONAL NOMINEES LIMITED	2,227,213	0.52
13	ROYAL SUNSET PTY LTD	1,859,639	0.44
14	MR TROY JOHN HAYDEN	1,710,403	0.40
15	MISS ANNA CZARNOCKA	1,680,000	0.39
16	MR DAVEN KURL	1,537,895	0.36
17	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,336,563	0.31
18	MR EDWARD MARIAN CZARNOCKI	1,200,000	0.28
19	MRS SATWANT KAUR RAI	1,000,000	0.23
20	MR PETER JOSEPH LEY	900,000	0.21
	TOTAL	**354,655,808**	**83.06**

4. Voting Rights

Ordinary Shares

In accordance with the Company's Constitution, on a show of hands every shareholder present in person or by proxy, attorney or representative of a shareholder has one vote, and on a poll every shareholder present in person or by proxy, attorney or representative of a shareholder has in respect of fully paid shares, one vote for every share held.

Performance Rights and Retention Rights

There are no voting rights attached to the Performance Rights and Retention Rights.

Options

There are no options on issue at the date of this Annual Report.

5. Securities Exchange Quotation

The Company's ordinary shares are listed on the Australian Securities Exchange (Code: TAP). The Home Exchange is Perth.

6. Buy Back

There is no current on-market buy-back.

7. Corporate Governance

The Company's Corporate Governance Statement for the 2019 financial year and to the date of this Annual Report can be accessed at http://www.tapoil.com.au/site/our-company/corporate-governance

The following summarises Tap's exploration, production and pipeline interests as at 31 December 2019. The interests shown may be subject to certain conditions, including regulatory approvals.

Licence/Permit	Field	Hydrocarbon	(%)	Operator
EXPLORATION PERMITS				
Thailand				
G1/48 Concession (excluding Production Area)			30.00	Mubadala Petroleum (Thailand) Ltd
PRODUCTION LICENCES				
Thailand				
G1/48 North Kra Production Area	Manora	oil	30.00	Mubadala Petroleum (Thailand) Ltd

AUD or A$	Australian dollars
bbls	barrel of oil, 42 US gallons
Bcf	Billion of standard cubic feet
Boepd	Barrels of oil equivalent per day
BOE or boe	Barrels of oil equivalent
Bopd	Barrels of oil per day
EBITDA	earnings before interest, tax, depreciation and amortisation
EBITDAX	earnings before interest, tax, depreciation, amortisation and exploration expense
FSO	Floating Storage Offloading
Group	Tap and its subsidiaries
Hydrocarbons	oil, condensate and natural gas
LNG	liquefied natural gas
Mmbbls	million barrels
Mmboe	million barrels of oil equivalent
Mmstb	million stock tank barrels
PJ	petajoules (10^{15} joules); 1,000 TJ
TJ	Terajoules (10^{12} joules); 1,000 Gigajoules
USD or US$ or $	United States dollars

Directors

Christopher Newton
Executive Chairman

David King
Independent, Non-executive Director

Zane Lewis
Independent, Non-executive Director

Kamarudin Baba
Non-executive Director

Company Secretary

Shannon Coates

Registered Office

Level 2, 190 St Georges Terrace
Perth WA 6000
Telephone: +61 (8) 9485 1000
Email: info@tapoil.com.au
Website: www.tapoil.com.au

Share Registry

Link Market Services Limited
Level 4, 152 St Georges Terrace
Perth WA 6000
Telephone: 1300 554 474

Auditors

Ernst & Young
11 Mounts Bay Road
Perth WA 6000
Telephone: +61 (8) 9429 2222
Fax: +61 (8) 9429 2432

Stock Exchange Listing

Australian Securities Exchange Limited
ASX Code – TAP

Bankers

BNP Paribas
#34-01 Ocean Financial Centre,
10 Collyer Quay Singapore 049315

Commonwealth Bank of Australia
Level 14A, 300 Murray St
Perth WA 6000

Tap Oil

www.tapoil.com.au