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

### **TAP OIL LIMITED INVESTOR NEWSLETTER**

Please find attached a copy of the “Tapping the Future” investor newsletter providing an update on the strategies and directions of the company.

This will be mailed to shareholders over the next few days.

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## New Strategies, New Opportunities.



Deputy CEO Peter Stickland (centre) with your new management team.

Welcome to our new investor newsletter aimed at keeping our more than 10,000 investors up-to-date with the strategies and directions of the company.

Over the past 18 months the board and senior management have been busy implementing a range of strategic and operational changes to our business with the goal of delivering growth and value to our shareholders.

The changes we have implemented have been extensive and cover all areas of our business – from the recruitment of high calibre and experienced exploration and development staff, dropping non prospective acreage, investments in new and leading edge seismic and analytical technology, through to expanding Tap's

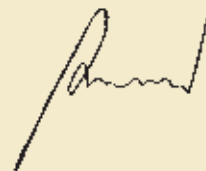
exploration footprint throughout the Australian and the Asia-Pacific region.

One of our key decisions has been the announcement in February this year of the choice of my successor, former BHP geoscientist and Exploration team leader Peter Stickland to the position of Chief Executive Officer at the end of this year.

Following the successful implementation of both the strategic and operational changes to the company over the past two years, I feel the time is right for me to be handing over to a new highly energised and experienced team. I have planned for this succession to ensure a smooth transition to the new CEO to ensure that our new strategies and initiatives are not interrupted.



I can assure all investors and shareholders that in Peter and the team, Tap will be in very safe, talented and experienced hands going into the future.



Paul Underwood  
Managing director and CEO

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# Changes that will lead to a secure future.

Our vision at Tap has always been to be a company that offers its shareholders exceptional growth over the medium to long term.

Over the past decade Tap has grown to become a mid-sized exploration and production company with cash reserves of about \$100 million, a tight capital base, ongoing production revenues and an inventory of outstanding exploration prospects. We believe we have the ingredients to achieve the growth we aspire to.

Despite our strong financial position we know that our vision means we must consistently achieve strong performance at exploring, developing and producing oil and gas.

We know that success in the current competitive business environment requires effective change across all aspects of the company, and we are pleased to say that we have reached significant milestones in the pursuit of our new strategic direction.

Most notable among these includes the capture of a quality new permit in the Philippines, where we have since acquired a large 3D seismic survey and the completion of the recruitment of key management positions that strengthens the existing team, increases our technical rigour and broadens our experience on wider focus areas. Another quality permit was captured in the Bass Basin of Victoria where 2D and 3D seismic surveys and two wells are already in planning. Numerous other exciting new ventures are being progressed.

On the management team, we are particularly pleased to welcome to Tap, Richard Aden as Finance Manager, Robert Hall as Exploration Manager and Bob Cassie as New Ventures Manager. All bring a new breadth and depth of business and exploration skill and experience to Tap and complement our existing management team.

## Future Success

Tap Oil is a company that offers almost unparalleled opportunities in oil and gas exploration, development and production among mid-tier explorers.

With a strong balance sheet and financial resources we are able to fund a sizeable exploration team and pursue a balanced and diverse, multi-well program, a luxury not often available to junior explorers.

Over the past 18 months we have set ourselves the goal of drilling better quality prospects, reviewed our operations and implemented a new business approach aimed at reducing the risk to our operations and increasing the likelihood of successful discoveries. Our strategy is to ensure that exploration activities are closely aligned to our business goal of achieving at least 25 per cent share growth each year over the long-term.

To achieve this growth in practical terms our operational strategies and plans have been changed to focus on:

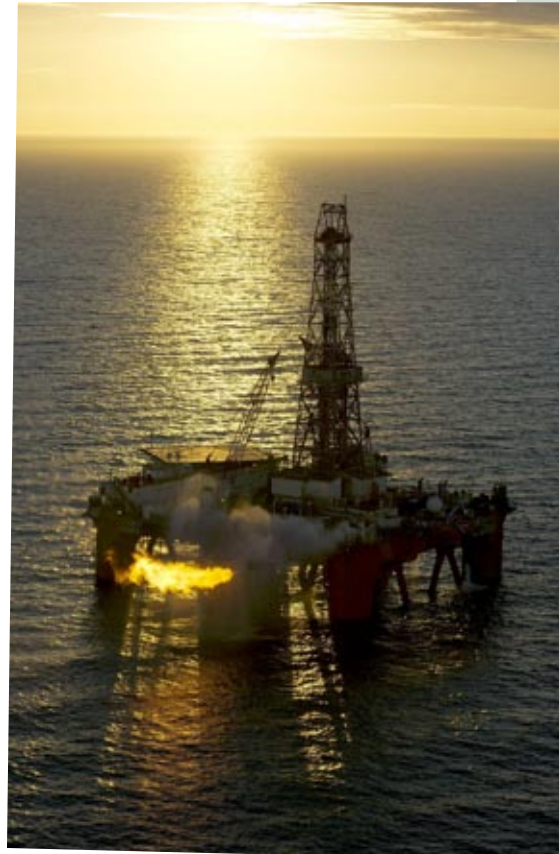
- Drilling fewer but better quality and higher impact prospects;
- More rigorous Pre-Drill Assessments;
- Improved Technology;
- New team of experienced and seasoned oil and gas professionals; and
- A wider and more diverse areas of interest

## Future Prospects

Successful exploration and production is the key drivers in Taps future.

We believe that exploration is a business, not a gamble and that success comes from consistently drilling good quality prospects.

That's why over the past 18 months we have significantly raised the bar in terms of the quality of prospects



we are prepared to invest in. Our new benchmarks for prospects include wells that have a better than 20 per cent chance of success; a higher degree of equity for Tap (25 to 50 per cent) and greater material volumes and value.

In a break with past practices, we are now focussed on drilling fewer but better prospects with plans to drill between four and six high impact, high chance of success wells each year.

As part of this strategy, Tap has acquired a majority interest in SC 41 in the Sandakan Basin in the Philippines and we have expanded our offshore presence in the Bass Basin, Australia. We have recently acquired 3D seismic data in the Philippines and this data is expected to yield a number of high quality prospects towards the end of this year This will be a very exciting development for Tap, with the potential to transform the company.

## More Rigorous Pre-drill Assessment

Ensuring we drill better prospects has meant that we have to reject marginal and unattractive opportunities early in the process.

At Tap we want to be tough on our prospects in the workroom – not with the drill bit or with shareholders funds.

To achieve this rigour we have introduced a thorough, consistent peer review process which helps focus in on the critical risk issues and has created an approach resulting in greater professional integrity and higher chances of success.

We find ourselves taking a more conservative view of prospects compared to our peers.

## Better Technology

Leading edge technology increases the chances for success and ensures our experienced team of geoscientists have the best tools at their disposal in assessing prospects.

That is why we have invested nearly \$1 million over the past year in new seismic interpretation technology that is among the most advanced in the world. We are also investing heavily in acquiring and processing 3D seismic surveys, which we recognise as a key to enabling us to drill better prospects. Recently we completed the acquisition of the largest operated 3D seismic survey in Tap's history, located in the Philippines.

We have also boosted our geophysics capability by entering into a close working and strategic relationship with Subiaco-based company DownUnder GeoSolutions, who are highly regarded internationally.

These are fundamental steps to ensure our team is equipped as well as possible for the challenging task of looking for and characterising quality exploration targets.

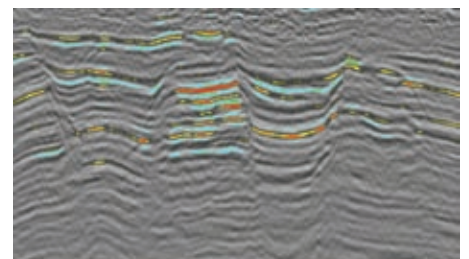
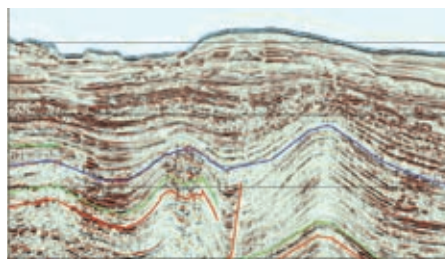
Senior Geophysicist Silvano Pagnozzi says Paradigm has meant magnitude gains in interpretation functionality – the ability to view and interrogate data – which has led to more robust and faster interpretations.

“Paradigm enables us to generate numerous ‘value added’ products, which lead to a better assessment of geologic risk,” he says.

“This suite of software is right up there compared to other commercially available products. Voxelgeo is world class for amplitude interpretation capabilities and Stratimagic is world class too.”



*Paradigm technology has led to magnitude gains in interpretation.*



## Expanding Our Horizons

Expanding our operations beyond Australia is a key aspect of Tap's future strategy for success.

We have moved beyond our original operations in the Carnarvon Basin and our recent operations and future prospects cover Australia, New Zealand, and Asia. This broader horizon enables us to see more opportunities and so be more ruthless at selecting quality exploration and development assets for Tap.

According to senior geologist Dr John Jong, the Sandakan basin is one of the last jewels amongst the frontier basins of SE Asia.

"The one prior deep water well, Wildebeest-1, proved the petroleum system," he says.

"The challenge for us is to map the sedimentary fairways. I think there is a good chance of a commercial discovery – it will take some sound technical work and a little bit of luck!"

John says the upside potential of the deep water area is high. "There are good analogs on the other side of Borneo, where the discoveries in the slope environment are 40-50 millions of barrels while the deeper water discoveries are 100's of millions of barrels."

## Experience and Talent Lead to Success

Successful oil and gas exploration and production is based on a combination of experience and talent.

Over the past 18 months, Tap has embarked on an extensive recruitment campaign to attract some of the best geoscience and geophysics talent that has both local and international experience.

Along with the successful recruitment of former BHP Exploration team leader Peter Stickland, Tap has recruited Robert Hall as Exploration Manager and Bob Cassie as New Ventures Manager.

Oil and gas experience among the team has been broadened and deepened with many of the new members of the team bringing significant international experience in Tap's new areas of operations and prospects.

## Near Term High Impact Events

We believe that the steps outlined above will ensure the long term growth of the company. However one of the strengths of Tap is the breadth of its portfolio. This portfolio continues to yield high impact near term opportunities:

- **Maitland Gas Flow Test Appraisal Well spudding this month.**

Maitland (Tap 22.47 per cent) is large discovered gas field (estimated 260 PJ) located 45km from Varanus Island gas processing facilities. The upcoming well will determine the gas flow rate for the reservoir, and thus drive the commercial development of the field. Such a result would be very material for Tap, as this is our largest unbooked resource.

- **Woollybutt South Development, Woollybutt-6 – September 07.**

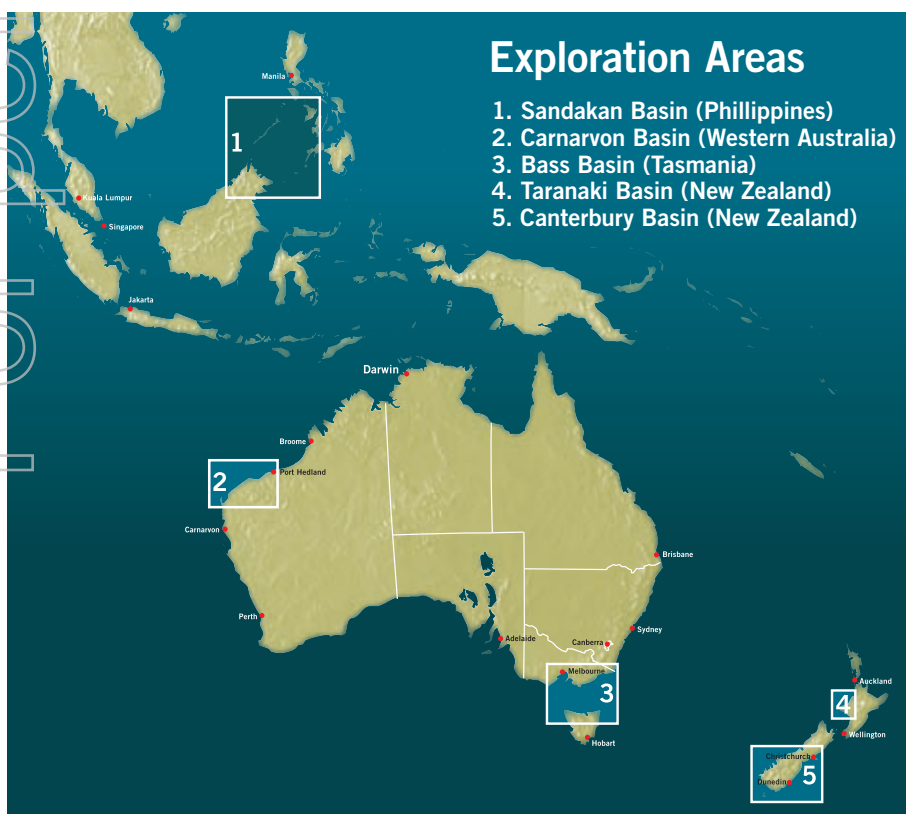
The development of an additional 10 mmstb at Woollybutt is progressing on schedule with the drilling due to commence in September. Woollybutt-6 is an appraisal well which, if successful would add a further 2 to 3 mmstb to the development. First production from Woollybutt South is expected early in 2008.

- **An active field development programme is continuing in the Harriet Joint Venture.**

Recently we brought Wonnich Deep-1 on stream at over 50 mmscf per day. The development drilling of the Bambra field has now been completed with Bambra-8H now on production. This will result in an overall increase of oil production at Harriet. Our attention is now focussed on developing the Bambra East gas field, with Bambra East-3 now underway.

- **Marley-2 – Drilling late 07.**

Tap's own assessment has increased the chance of success at this large, deep gas prospect located under Harriet Joint Venture gas infrastructure. The Joint Venture has now secured the necessary long lead drilling equipment and will be testing this prospect towards the end of 2007.



### Exploration Areas

1. Sandakan Basin (Phillippines)
2. Carnarvon Basin (Western Australia)
3. Bass Basin (Tasmania)
4. Taranaki Basin (New Zealand)
5. Canterbury Basin (New Zealand)

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