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24 February 2012

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

INVESTOR UPDATE

Please find attached a copy of an Investor Update dated which is being dispatched to shareholders today.

A copy of this Investor Update is available at the ASX and can be viewed on the Company's website www.tapoil.com.au under the heading "Investor Centre".

Enquiries to:

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Tap Oil

INVESTOR UPDATE

23 February 2012

Dear Fellow Shareholder,

I am very pleased to provide you an update on Tap Oil's progress since September 2011. When I last wrote to you in September last year, we had made discoveries at Zola and Finucane earlier in the year and had commenced rationalising our asset portfolio with the sale of Block M in Brunei. I also outlined the near-term upside potential and the status of the Burrup Fertilisers court case. At that time the Tap share price was around $0.60.

Since that time, we have met significant milestones and we have announced the sale of our Harriet Joint Venture interest. Following the sale, Tap will no longer be involved in any litigation concerning the Harriet Joint Venture, which has been weighing down the share price and deterring new investors for years. In addition, we are now on the cusp of drilling our long-anticipated, highly prospective Tallaganda-1 well in WA-351-P.

Below is the list of significant events from the September 2011 investor update and what has occurred since:

- **Thailand** – The field development concept was defined for the Manora field, resulting in the booking of 6.1 million barrels of 2P oil reserves (Tap share). Furthermore, the ultimate potential field size increased 30% to 31 million barrels gross recoverable, supporting our confidence in making the acquisition in late 2010.
- **Finucane/Fletcher** – At the time of the last update, Tap was participating in the Fletcher Finucane development process with a view to reaching FID and booking reserves in early 2012. While we would have preferred to produce profitable barrels from the project, final commercial terms put forward by the Mutineer Exeter joint venture were not acceptable to Tap. Therefore, rather than risk a sub-optimal economic return for the project, we decided to pursue a sale strategy which led to an immediate crystallisation of our value in the asset and delivered A$21.7m in cash to Tap.

  The sale price implied a price per barrel of around $18 for 2P reserves, which we believe is well above recent comparable deals. The sale price also compares favourably with the published valuations of independent stockbroking analysts who cover Tap. Furthermore, our internal modelling indicated that the price received was attractive with no development, production, price, cost or reservoir risk to manage over the life of the project.
- **Zola** – The Independent Expert, RPS, confirmed the Zola-1 well delineated a mean Contingent Resource of 378 Bcf and, in addition, estimated mean Prospective Resources of 2.3 Tcf in the Greater Zola Structure. We are conscious that if this is a LNG development, there will be a 7-10 year wait for first revenue, and a high degree of uncertainty on development cost and timetable. Consequently, we are determining the market price for this asset, which will lead us to discover at which point we can generate maximum value from Zola. As the Company has sufficient cash and debt capacity to meet all of our commitments until Manora's first production in early 2014, we are not rushing into this decision.
- **Ghana** - In Ghana, mapping now shows multiple large prospects in both the post-rift Upper Cretaceous fan sands (the same play type as Jubilee) and in the pre-rift Lower Cretaceous rotated fault blocks (the same play type as the Espoir and Baobab oil fields). To date, ten leads and prospects have been mapped with unrisked prospective resources greater than 3 billion barrels. The high-reward, high-risk profile of this project dictates we manage the risk by farming out a portion of our equity.

HJV sale to remove all litigation risk, bolster financial strength

After many years of legal actions and media speculation, I am very pleased to confirm that Tap will no longer be involved in any Harriet Joint Venture (**HJV**) court actions after the sale of our subsidiary, Tap (Harriet) Pty Ltd, to Apache for US$10 million is completed. This sale includes our 12.2229% interest in the HJV and the transfer to Apache of all litigation risk associated with HJV, including the Burrup Fertilisers gas contract dispute, Alcoa claim and pipeline prosecution.

We have retained the third party gas contracts which will deliver $30 million of revenue a year until the end of 2016.

For further information regarding **Tap Oil Limited** please contact:

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The sale of the HJV interests provides a better long-term value proposition for our shareholders than our continuing participation in them. Production has been declining over the last few years; thus the production costs per barrel have increased, making production unprofitable for us. In addition, the restoration and abandonment liability to Tap was estimated at $28 million.

This transaction will eliminate the prolonged legal uncertainty which has weighed significantly on our Company's share price for some time, and should now provide renewed confidence to current shareholders and attract new investors to Tap.

Exciting upcoming exploration with Tallaganda-1 about to spud

At the time of writing we are eagerly anticipating our first drilling activity for the year at the highly prospective Tallaganda-1 exploration well in WA-351-P in the Carnarvon Basin. Tap has a 20% interest in WA-351-P, which is a uniquely high level for a mid-sized oil and gas company to own in such a highly prospective permit in the Carnarvon Basin. The well has an assessed possibility of success of more than 60%.

The well will target 0.8 to 1.3 Tcf (mean to P10) of gas within WA-351-P (note the structure extends into the adjoining permit), making it one of the most prospective gas wells to be drilled this year in Australia. This high chance of success for an exploration well is due to the strong seismic amplitudes and good Amplitude Versus Offset (AVO) support within closure, which are indicative of reservoir and gas.

Tap's well costs are covered up to US$10 million. Our Joint Venture partner and Operator BHP Billiton Petroleum has secured the Atwood Eagle semi-submersible drilling rig to drill the well, and Tallaganda-1 is the next slot in the schedule after the current well.

Board renewal brings fresh expertise

The directors of Tap are conscious of the need to ensure proper succession at Board level. To this end one of Tap's founding directors, Mr Peter Lane, recently retired and Dr Douglas Schwebel was appointed as a non-executive director. Also, Chairman Dr Neale Taylor has advised he will be retiring on 31 March 2012 and will be replaced as Chairman by current non-executive director Mr Douglas Bailey. From 1 April 2012, the Board will consist of Douglas Bailey, Michael Sandy, Douglas Schwebel and myself.

Exciting outlook for 2012

We anticipate that 2012 will be a year of exciting developments for Tap, especially given our very strong financial position. The Company maintains a diverse suite of high-impact upstream assets in Australia, Ghana and Thailand, and has the balance sheet capacity to fund exploration and development.

In terms of exploration, we have Tallaganda-1 commencing shortly, up to three wells in Thailand in the second half of 2012 and the high-risk, high-reward Ghana well. In addition, we are actively assessing new oil and gas ventures and business development opportunities across Australia and South-East Asia as we continue our strong commercial focus and active management of the Company's asset portfolio.

In terms of production, the current levels of HJV and Woollybutt production will be more than replaced by the commencement of new production from the Manora field in early 2014.

On behalf of everyone at Tap, I thank you for your continued support and look forward to reporting to you with positive news on Tallaganda-1 and other ventures in the coming months.

Yours sincerely

Troy Hayden
Managing Director and Chief Executive Officer

Important notice. *This letter contains some references to forward looking assumptions, representations, estimates, budgets, and outcomes. These are uncertain by the nature of the business. No assurance can be given by Tap Oil Limited that its expectations, estimates, budgets and forecast outcomes will be achieved and actual results may vary materially from those expressed herein.*

Person compiling information about hydrocarbons. *The reserve and contingent resource information in this letter is based on information compiled by Mr Denis Bouclin B.A.Sc (Hons), M.A.Sc (Engineering), P.Eng., who has consented to the inclusion of such information in this letter in the form and context in which it appears. The prospective resource information in this letter is based on information compiled by Mr Milton Schmedje B.Sc (Hons), who has consented to the inclusion of such information in this letter in the form and context in which it appears. Each is a full-time employee of the Company, with more than 25 years relevant experience in the petroleum industry.*