

Tappit Resources Ltd.

Oil and Gas Producer
Stock Symbol: TPT on the TSX
Investor Relations: 1-800-667-4311
Website: www.tappit.com

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NEWS RELEASE

Tappit Updates Current Work Program

82-3813

Tappit reports progress at Tatagwa on construction of its waterflood project. Drilling of 11 water injector wells will be finished within a week. Two completion rigs are currently working on completion of these wells. Flowlining is progressing nicely and is 50% complete. Construction of the injection pumping station is also well underway. The projected injection date is late November/early December.

Tappit has 70.3% of the Tatagwa waterflood unit area with current production of just under 400 Bopd net to Tappit. Production is expected to increase to 1,200 Bopd within nine months of injection with production response beginning in the 1st quarter of 2003.

In addition, a horizontal oil well is drilling at Tatagwa and should be on production by month end. A second horizontal well should begin drilling within a week. Tappit's working interest in these oil wells is 70.3%.

At Queensdale, Tappit expects to spud the first of three planned wells within the week (Tappit 50% in each well). These wells should be on production by mid-November.

Tappit's current production is 2,000 Boepd (34% gas, 66% oil).

Please visit Tappit's web site at www.tappit.com to view an updated slide show on Tappit's current and planned projects.

For further information please contact Lawrence Bintner at 1-800-667-4311.

TAPPIT RESOURCES LTD.

PER: "LAWRENCE BINTNER, PRESIDENT"

The Toronto Stock Exchange has neither approved nor disapproved the information contained herein.

CORPORATE INFORMATION

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E-mail Address: tappit@accesscomm.ca Web Site: <http://www.tappit.com>

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3rd Quarter
2002

President's Message

Third quarter oil prices of Cdn\$ 36.71 helped push our netbacks up for the third quarter whereas gas at \$ 2.47 per mcf exerted somewhat of a drag on results. Nevertheless, cashflow per share for the quarter at \$ 0.14 per share was at record levels. Going into the third quarter we are seeing gas rise to Cdn\$ 5.00/mcf and above which bodes very well for netbacks in the fourth quarter. Also encouraging is Tappit's Q3 exit production of 2,050 Boepd, which has maintained at that level for the month of October. We will be seeing a substantial increase from this level as we bring on production from six horizontal wells (3.6 net) being drilled in October and November at Queensdale and Tatagwa. Tappit's yearend exit production should be in the 2,500 Boepd range and will be generating excellent cashflows when combined with cashflow netbacks in excess of Cdn\$ 16.00.

Water injection at our newly created Tatagwa North Midale Voluntary Unit # 1 (Tappit 70.23%) will begin in December. As a result of the waterflood, production should begin increasing at Tatagwa in the first quarter of 2003. This production increase (estimated to be 800 Bopd net to Tappit by the fall of 2003) should compensate for production declines in Tappit's other properties and support the 2,500 Boepd level even if no new capital projects were to be undertaken. The fight against production decline eliminated, 2003 cashflows can be used for a balanced combination of debt reduction and production growth as we push towards the 3,000 Boepd level and beyond.

Recognition of the quality of our assets and the potential of the company has not as yet matched our successes. Tappit's stock is currently trading at less than 2 times cashflow multiple and less than 4 times enterprise to cashflow ratio based on Q3 annualized cashflow. The process of recognition, however, has begun as is evidenced by increased trading volumes over the last three months.

Lawrence J. Bintner

CORPORATE HIGHLIGHTS

THIRD QUARTER FINANCIAL (Cdn\$)	THREE MONTHS ENDED SEPT 30			NINE MONTHS ENDED SEPT 30		
	2002	2001	Change	2002	2001	Change
Petroleum Sales	4,944,429	3,287,886	50%	13,082,856	12,318,413	6%
Cash flow from operations	2,606,026	1,402,077	86%	6,626,247	5,294,108	25%
Basic cash flow per share	0.14	0.08	75%	0.37	0.29	28%
Net earnings	579,226	(287,923)		2,128,334	659,108	223%
Basic earnings per share	0.03	(0.02)		0.12	0.04	200%
Shares outstanding at period end	18,298,121	17,804,121	3%	18,298,121	17,804,121	-1%
Weighted average shares	18,524,866	17,853,392	4%	18,045,616	18,307,096	-1%
Total debt (net of working capital)	20,290,807	16,608,823	22%	20,290,807	16,608,823	22%
OPERATIONAL						
Avg daily production (Boepd) 6:1	1,841	1,569	17%	1,795	1,657	8%
Oil barrels/day	1,190	711	67%	1,105	751	47%
Gas sales mcf/day	3,910	5,150	-24%	4,138	5,436	-24%
Crude Oil (\$/bbl)	36.71	33.00	11%	32.79	34.46	-5%
Natural Gas (\$/mcf)	2.47	2.51	-2%	2.65	3.49	-24%
Avg sales price per boe	29.19	22.78	28%	26.70	27.23	-2%
Avg royalties per boe	5.72	4.36	31%	4.90	6.76	-28%
Avg operating costs per boe	5.19	5.19	-0%	4.90	5.10	-4%
Netback per boe	18.28	13.23	38%	16.90	15.37	10%
G & A cost per boe	0.82	1.08	-24%	1.53	1.69	-9%
Interest cost per boe	0.83	1.69	-51%	1.35	1.92	-30%
Capital & income taxes per boe	1.25	0.05		0.52	0.07	
Cash flow netback per boe	\$15.38	\$10.41	48%	\$13.50	\$11.69	15%

Financial Review:

- Revenue increased approximately 50% to \$4,944,429 from \$3,287,886 in the 3rd quarter 2001. For the first nine months in 2002, revenue was up 6% to \$13,082,856 from \$12,318,413 in 2001. Production was up in the 3rd quarter 17% to 1,841 boe from 1,569 boe last year and nine month production was up 8% to 1,795 boe from 1,657 boe last year.
- Cash flow in the third quarter increased 86% to \$2,606,026 (\$0.14 per share versus \$0.08 per share in 2001) from \$1,402,077 last year. Cash flow in the nine months increased 25% to \$6,626,247 (\$0.37 per share versus \$0.29 per share in 2001) from \$5,294,108. Operating expenses for the nine month period were up 4% to \$2,403,603 but down on a per boe basis (\$4.90 per boe) from \$2,305,421 (\$5.10 per boe) due to the increase in production.
- Royalty costs, net of ARTC and Saskatchewan Resource Surcharge, were down considerably (21%) to \$ 2,399,588 in the nine months 2002 versus \$ 3,055,790 in 2001 as gas prices were 30% higher in the nine months of 2001 versus 2002. As well, a gas hedge held by Tappit in 2001 caused an increase in royalties paid in the first nine months of 2001 as royalties were charged as a percentage of the much higher Alberta Reference price rather than on the lower contracted price which Tappit was receiving.
- Net general and administrative costs were slightly lower at \$751,921 in the nine months as compared to \$764,011 in 2001.
- Interest expenses were down 24% to \$661,241 in 2002 versus \$867,757 in the nine months 2001 due to lower effective interest rates year over year as well as the repayment of the high interest debenture at the end of 2001.
- Depletion, depreciation and amortization expenses increased to \$3,260,000 (\$6.65 per boe) in the nine months from \$3,050,000 (\$6.74 per boe) in 2001. Tappit's net earnings were up 223% to \$2,128,334 versus \$659,108 in 2001.
- A \$ 200,000 provision for cash income taxes payable was made in the third quarter of 2002 reflecting our analysis of our potential taxable situation

STATEMENT OF OPERATIONS AND DEFICIT

<i>Third Quarter, 2002 (unaudited)</i>	<u>3 months ended September 30</u>		<u>9 months ended September 30</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Production Revenue				
Petroleum sales	4,944,429	\$3,287,886	13,082,856	\$12,318,413
Less: Royalties	916,374	564,712	2,262,642	2,863,613
Saskatchewan Resource Surcharge	53,007	64,059	136,916	192,177
	3,975,048	2,659,115	10,683,298	9,262,623
Expenses				
Production and operating	877,023	848,753	2,403,603	2,305,421
General and administrative	139,578	156,417	751,921	764,011
Interest on bank indebtedness	140,445	244,029	661,241	867,757
Depletion and depreciation	1,220,000	1,020,000	3,260,000	3,050,000
Provision for site restoration	10,000	10,000	45,000	30,000
Unrealized foreign exchange (gain)loss	271,800	245,000	(23,800)	315,000
Write-down temporary investment	0	100,000	(95,467)	100,000
	2,658,846	2,624,199	7,002,498	7,432,189
Earnings before income taxes	1,316,202	34,916	3,680,800	1,830,434
Provision for income taxes - current	(211,976)	(7,839)	(252,466)	(31,326)
-future	(525,000)	(315,000)	(1,300,000)	(1,140,000)
	(736,976)	(322,839)	(1,552,466)	(1,171,326)
Net earnings for the period	579,226	(\$287,923)	2,128,334	\$659,108
Deficit beginning of year	(1,543,010)	(2,724,823)	(3,092,028)	(2,820,730)
Share repurchase (note 3)	(171,548)	(85,315)	(171,638)	(936,439)
Deficit, end of period	(1,135,332)	(3,098,061)	(1,135,332)	(\$3,098,061)
Basic earnings per share (note 3)	\$0.03	(\$0.02)	\$0.12	\$0.04
Diluted earnings per share	\$0.03	(\$0.02)	\$0.11	\$0.04

BALANCE SHEET

As at September 30, 2002 (unaudited)

	<u>September 30/2002</u>	<u>December 31/2001</u>
ASSETS		
Current assets		
Accounts receivable	\$4,783,188	\$2,772,427
Temporary Investments	235,000	613,000
	5,018,188	3,385,427
Property and equipment	35,112,420	32,388,452
	40,130,608	35,773,879
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	5,225,497	4,487,754
Bank indebtedness (note 2)	20,083,498	20,240,178
	25,308,995	24,727,932
Future income taxes	6,874,315	5,574,315
Current taxes payable	200,000	-
Future site restoration costs	493,722	448,722
	32,877,032	30,750,969
SHAREHOLDERS' EQUITY		
Share capital (note 3)	8,388,908	8,114,938
Deficit	(1,135,332)	(3,092,028)
	7,253,576	5,022,910
	\$40,130,608	\$35,773,879

STATEMENT OF CASH FLOWS

Third Quarter, 2002 (unaudited)

	<u>3 months ended September 30</u>		<u>9 months Ended September 30</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Operating Activities				
Net earnings for the period	\$579,226	(\$287,923)	\$2,128,334	\$659,108
Items not affecting cash				
Investment – (gain) loss	0	100,000	(83,287)	100,000
Unrealized foreign exchange (gain) loss	271,800	245,000	(23,800)	315,000
Provision for site restoration costs	10,000	10,000	45,000	30,000
Future income taxes	525,000	315,000	1,300,000	1,140,000
Depletion and depreciation	1,220,000	1,020,000	3,260,000	3,050,000
Cash flow from Operations	2,606,026	1,402,077	6,626,247	5,294,108
Net Change in non-cash working capital	(2,141,901)	(720,909)	(1,029,217)	(975,758)
	464,125	681,168	5,597,030	4,318,350
Financing activities				
(Decrease) Increase in bank indebtedness	1,207,463	(753,442)	(156,680)	3,433,826
Common shares issued	385,000	4,500	442,600	228,580
Repurchase of common shares	(339,758)	(170,575)	(340,269)	(1,567,195)
	1,252,705	(919,517)	(54,349)	2,095,211
Investment activities				
Investment in oil & gas properties	(2,996,830)	(561,651)	(5,983,968)	(4,013,561)
Net change in non-cash working capital	1,280,000	800,000	(20,000)	(2,400,000)
Other Investments	0	0	461,287	0
	(1,716,830)	238,349	(5,542,681)	(6,413,561)
Cash, beginning and end of period	0	0	0	0
Basic cash flow per common share	\$0.14	\$0.08	\$0.37	\$0.29
Diluted cash flow per common share	\$0.13	\$0.07	\$0.33	\$0.26
Cash outlay for interest during the period	140,445	244,029	661,241	867,757
Capital tax and provincial resource surcharge	64,983	71,898	189,382	222,503

Notes to the Financial Statements

1. Significant accounting principles

These interim financial statements are prepared in accordance with Canadian generally accepted accounting principles. Except as disclosed in note 2, these interim financial statements have been prepared following the same accounting policies used in the financial statements for the year ended December 31, 2001. The disclosures provided below are incremental to those included with the annual financial statements and these interim financial statements should be read in conjunction with the financial statements and the notes thereto in the Company's annual report for the year ended December 31, 2001.

2. Changes in accounting policies

On January 1, 2002, the company adopted the new CICA Handbook Section on "Stock-based Compensation and Other Stock-Based Payments". As permitted by the section, the company has chosen not to adopt the fair value based method for accounting for stock options. No compensation expense is recognized when stock options are issued to employees, officers, and directors (also see note 3). Any consideration paid by the employees on exercise of stock options is credited to share capital.

Effective January 1, 2002, the company has classified its revolving demand bank indebtedness as a current liability in both its current and comparative balance sheets in compliance with the conclusions of the Canadian Institute of Chartered Accountants' Emerging Issues committee Abstract 122 "Balance Sheet Classification of Callable Debt Obligations and Debt Obligations Expected to be Refinanced". There have been no changes in the terms of the company's bank indebtedness since year end.

In 2001, the Company retroactively adopted the new Canadian Institute of Chartered Accountants earnings per share standard. The new standard, which had no impact on reported per share amounts, relates to the computation, presentation and disclosure of per share amounts and requires the use of the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments.

3. Common shares and options

The Company's share capital consists of an unlimited number of common shares.

Issued and outstanding common shares:	Number of Shares	\$
Balance at January 1, 2002	17,768,621	8,114,938
Stock options exercised	930,000	442,600
Shares repurchased	(400,500)	(168,630)
Balance at September 30, 2002	<u>18,298,121</u>	<u>8,388,908</u>

The weighted average number of common shares outstanding year to date was 18,045,616 (2001 – 18,307,096).

The Company has a stock based compensation plan that allows certain employees and directors the option to purchase common shares of the Company. The weighted average remaining life of options outstanding at September 30, 2002 was 4.06 years.

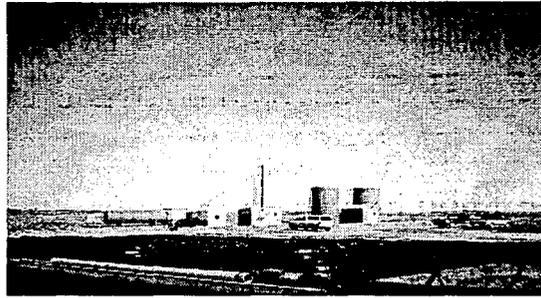
Continuity of stock options:	Number of options	Weighted Average Exercise Price (\$)
Outstanding at January 1, 2002	2,073,500	0.49
Granted	1,430,000	0.68
Exercised	(930,000)	0.48
Forfeited	(525,500)	0.48
Outstanding and exercisable at September 30, 2002	<u>2,048,000</u>	<u>0.63</u>

As discussed in note 2, the company does not recognize compensation costs when stock options are issued to employees, officers and directors. Had compensation cost been determined on the basis of fair values, net earnings for the quarter would have been reduced by \$184,965 (\$0.01 per share) to \$394,261. The \$184,965 reduction represents the fair value of options granted in the quarter, all of which vested immediately upon being granted. The fair value of common share options granted is estimated as at the grant date using the Black-Scholes option pricing model, using the following assumptions:

Dividend yield	nil
Risk-free interest rate	3.12%
Expected life	5 years
Expected volatility	26%

For further information, please contact Lawrence Bintner, President at 1-800-667-4311.

Tappit Resources Ltd.



Oil and Gas Producer

TAPPIT RESOURCES LTD.

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Presentation Summary

- Core Areas
- Current Activities
 - **Tatagwa:** Waterflood & development drilling
 - **Queensdale:** development drilling
- Current Situation & Future Outlook
 - Production
 - Cashflow
 - Cashflow/share
 - Reserves

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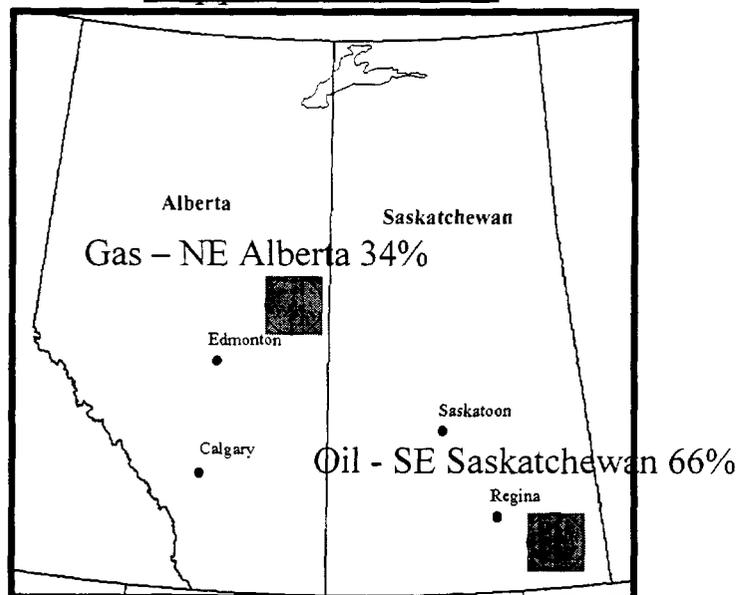
Synopsis

- Current Production: **2,050 Boepd**
- **Drill program at Queensdale & Tatagwa**
 - on production Q4
- **Tatagwa waterflood** - injection begins Q4
 - response begins Q1/03
- **Exit 2002 at 2,500 Boepd**
- **2003 Production forecast: Average 2,500 Boepd**
with **no new capital** investment required

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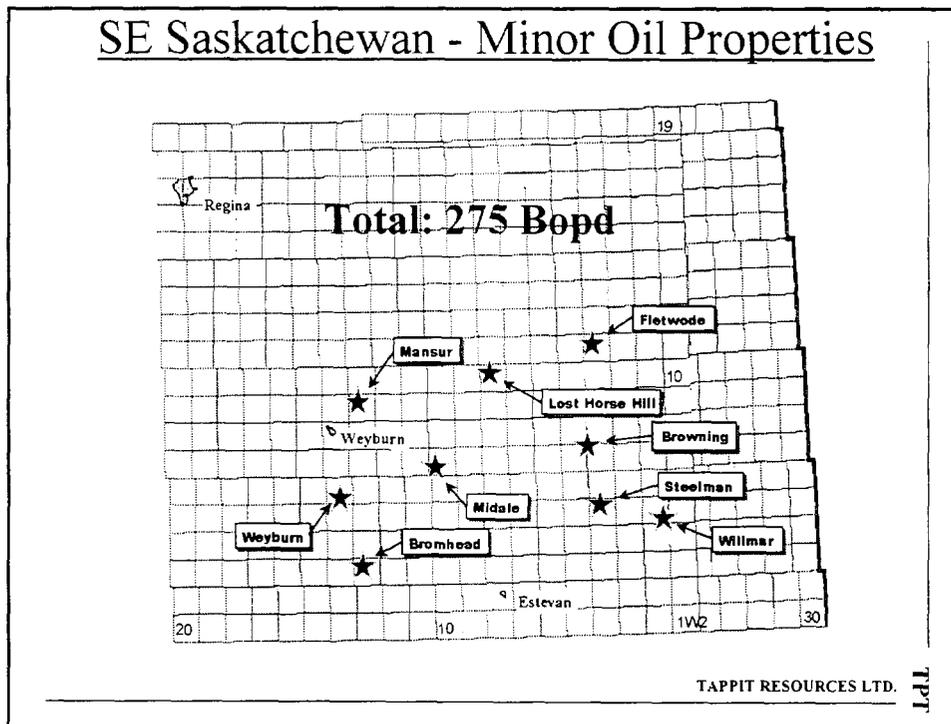
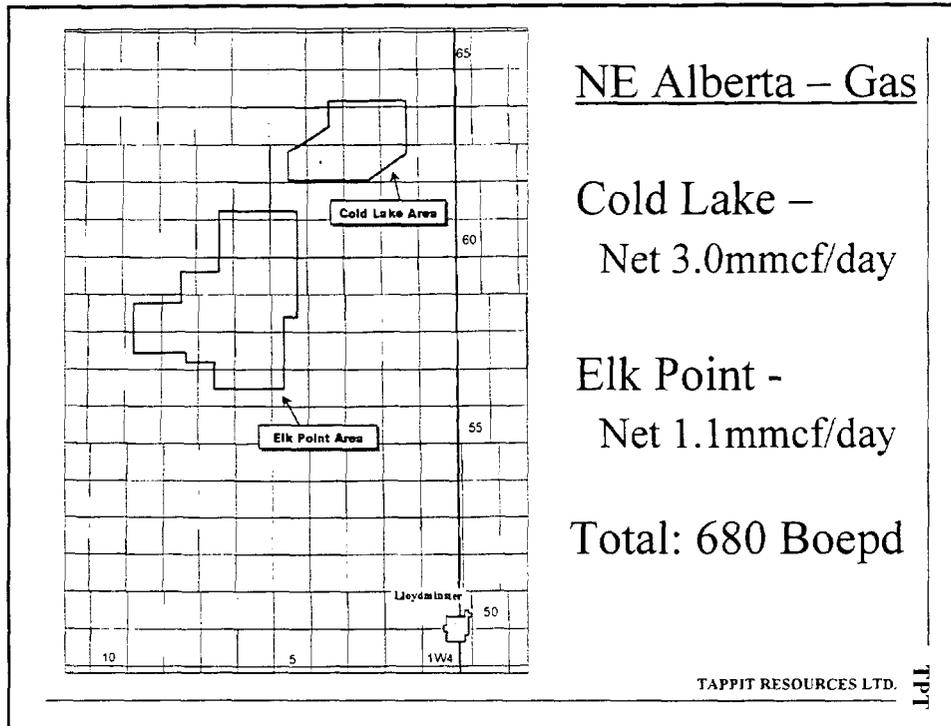
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Tappit Core Areas

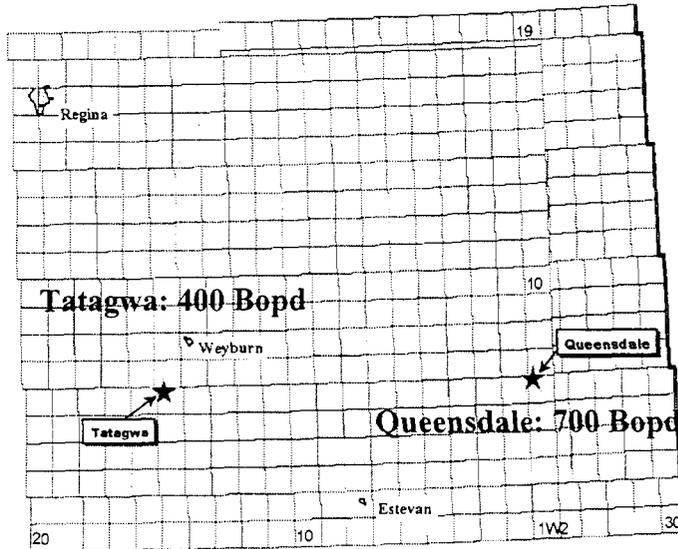


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TPL



SE Saskatchewan – Major Oil Properties



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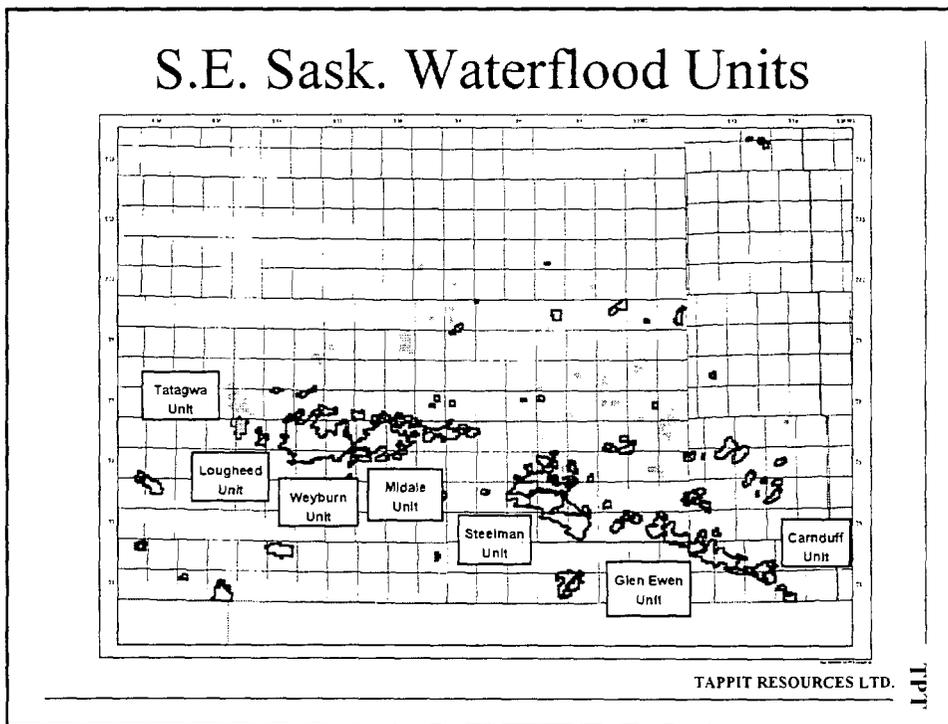
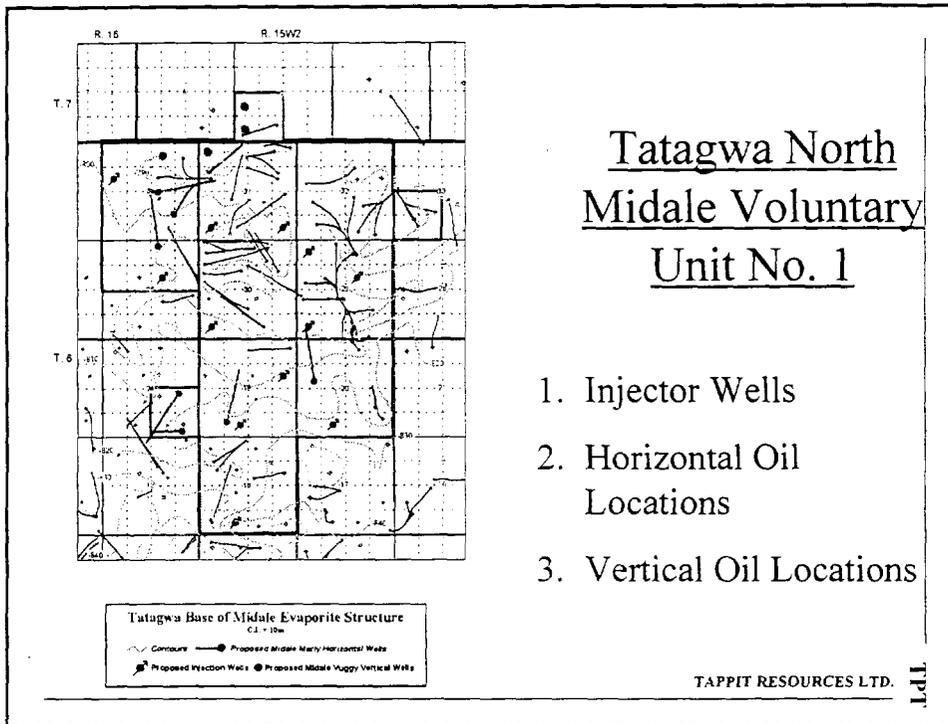
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Tatagwa Field

- Tappit's second largest oil producing property
- **Tappit: 70.23% Working Interest**
- **Q4 Development:**
 - **Drill 3 horizontals and 1 vertical**
 - Initial Horizontal Production: 90 - 150 Bopd
 - Initial Vertical Production: 40 - 60 Bopd
 - **Implement a waterflood to**
 - increase production in existing wells
 - and
 - provide pressure support to new wells

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Tatagwa Waterflood

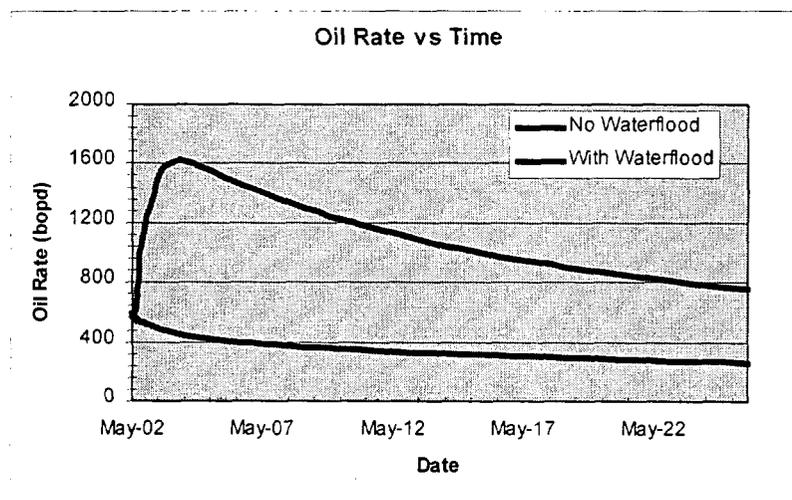
- Tappit's working interest is **70.23%**
- **Construction 70% complete, injection by Dec./02**
- **Water injection rate: 13,000 barrels per day total injection into 13 wells**
- Tappit Capital Cost: \$ 6.0 million
- \$ 2.0M spent by end Q3, \$ 4.0M in Q4
- **Simulation study predicts: 200% production increase**
- Curent Tappit Tatagwa Production: **400 bopd**
- TPT Tatagwa Production in 9 months: **1,200 bopd**

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J.d.L

Production Forecast

Oil Rate vs. Time (100% Tatagwa Unit)



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J.d.L

Tatagwa Waterflood - Reserves

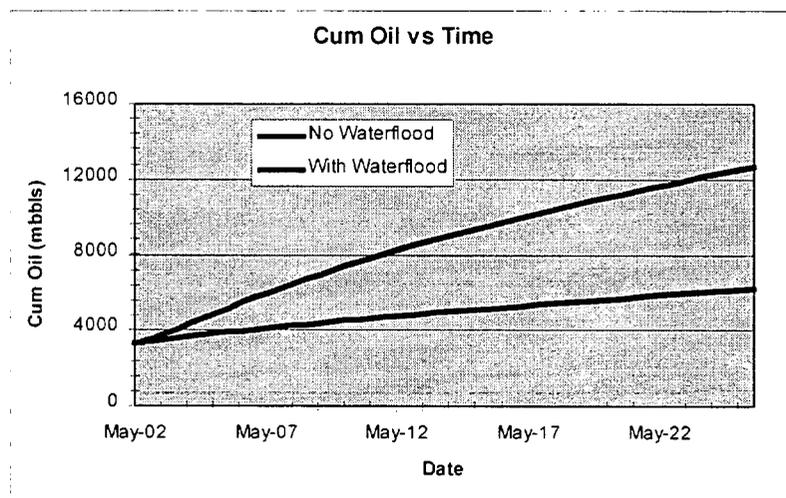
- Original Oil in Place (OOIP): 158,508,000 bbls
- Primary recovery: 6,210,000 bbls, (3.92% of OOIP)
- Increased waterflood recovery: 6,460,000 (4.00% OOIP)
- Tappit's share of increase: **4,538,000 bbls**
- Tappit's current proved producing reserves: **5,086,800 bbls** (Jan 1, 2002)
- Waterflood potential: **90% increase** in Tappit's proved producing reserves @ \$ 1.40/barrel

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T.P.L.

Cumulative Production Forecast

Cum Oil vs. Time (100% Tatagwa Unit)



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T.P.L.

Queensdale Field

- Tappit's largest oil producing property
- 700 Bopd of light 35° oil
- **Q2 drilled:** 3 horizontal wells
 - Average 175 Bopd per hz. well
- **Q4 program:** 3 horizontal wells
 - Tappit ownership: 50%

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Tappit Resources Ltd. Boepd/Cashflow & Debt Targets

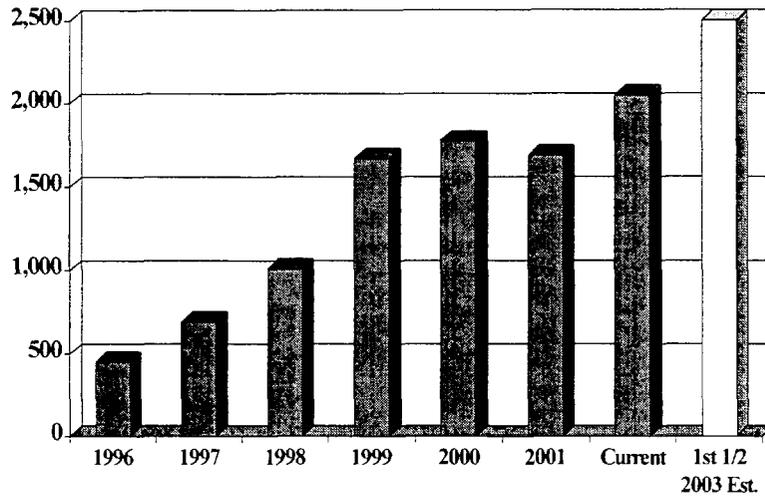
	<u>Boepd</u>	<u>Cashflow</u>	<u>Cshfl/share</u> <small>(Annualized)</small>	<u>Debt/Boepd</u>
<u>1st ½ 2002</u> Actual	1,771	\$ 4.0 mm	\$ 0.46	\$ 11,600
<u>3rd Q/02</u> Actual	1,841	\$ 2.6 mm	\$ 0.56	\$ 11,000
<u>4th Q/02</u> Est.	2,250	\$ 3.3 mm	\$ 0.72	\$ 11,100
<u>1st ½ 2003</u> Est.	2,500	\$ 7.3 mm	\$ 0.80	\$ 7,500

Assumptions: Cdn \$4.50/mcf gas, \$26 WTI oil, shares out: 18.2million
Q3 debt: \$20.2M, Exit/02 debt: \$24M

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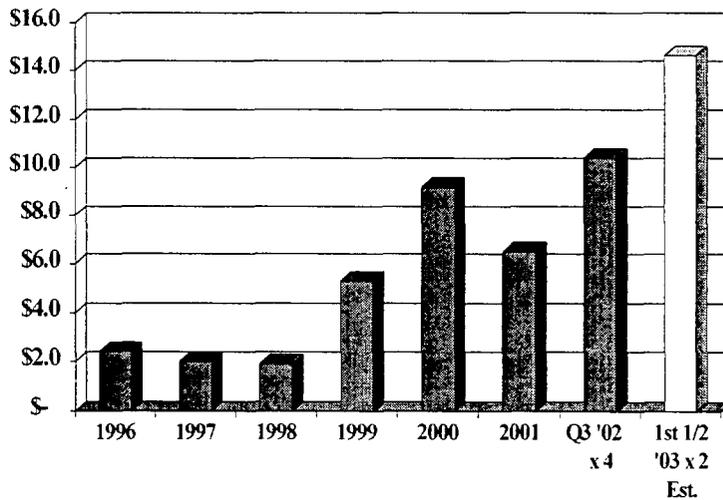
Daily Production - Boepd



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J.P.L.

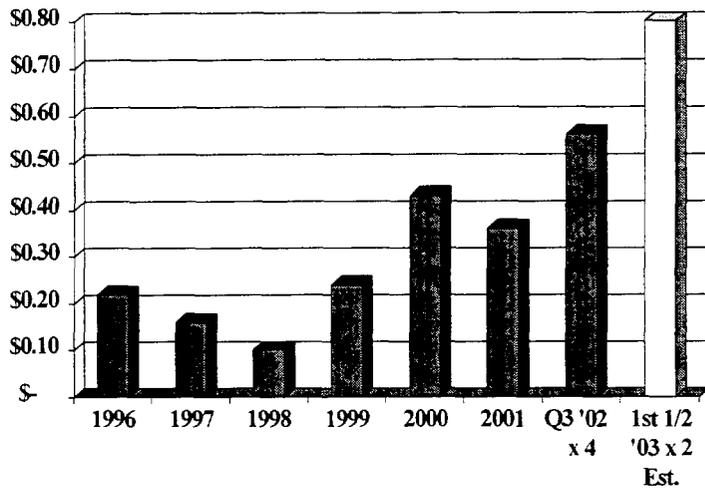
Cashflow - Million \$



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J.P.L.

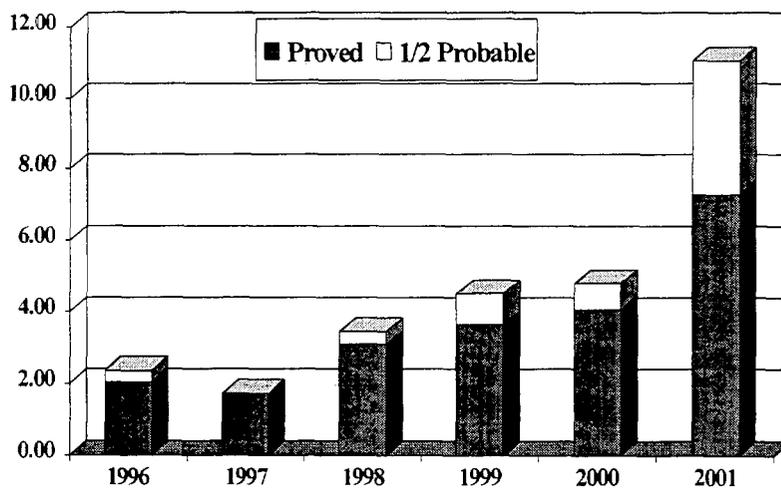
Cashflow per share



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Reserves - Millions of Boe - Jan./02



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Reserve Life Index (years)

	<u>Gas</u>	<u>Oil</u>	<u>Total</u>
Proved	5.5	9.2	7.7
Total Proved	5.5	14.4	10.8
Established (P+1/2P)	5.5	23.7	16.3

TAPPIT RESOURCES LTD.

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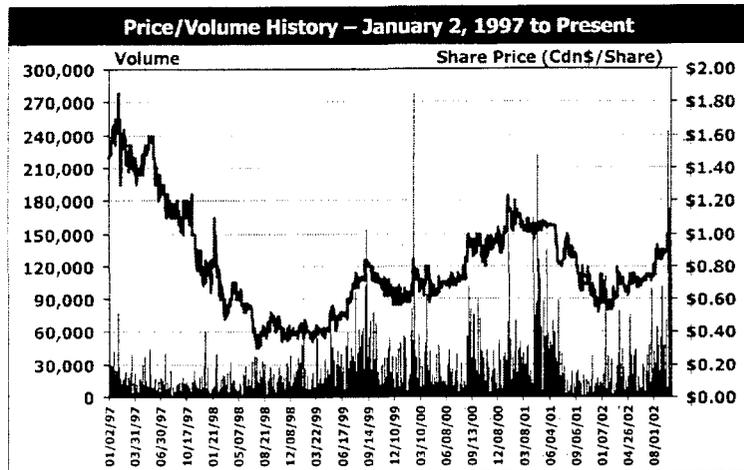
Tappit Reserves – Jan./02

Proved reserves (Boe)	7,293,100
Discounted cash flow at 12%	\$42,285,000
Discounted cash flow at 10%	\$47,245,000
 Proved plus 1/2 probable reserves	 11,027,600
(Boe) Discounted cash flow at 12%	\$62,227,000
Discounted cash flow at 10%	\$70,278,000

TAPPIT RESOURCES LTD.

J.d.L.

Tappit Resources Ltd. Recent stock chart



Proved RLI: 10.8 years
 P + ½ P RLI: 16.3 years

	<u>Tappit</u> <u>Trailing Q3</u>	<u>Peer Group</u> <u>Trailing Q2</u>	<u>Tappit</u> <u>'03 1st 1/2,</u>
Cashflow Multiple	1.8x	4.0x	1.3x
Enterprise Value/Cshfl	3.7x	6.0x	2.5x

Share price used: \$ 1.00

TAPPIT RESOURCES LTD. **TPT**

Conclusion

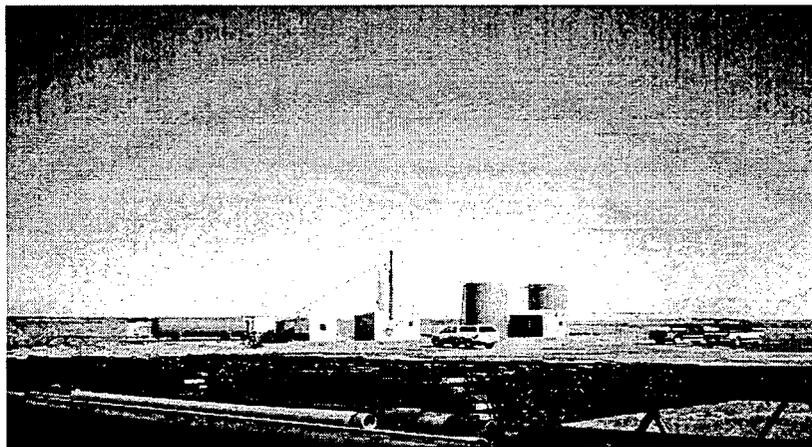
Tappit shareholders will profit as:

- Drilling & Waterflood increase Production, Cashflow and Net Asset Value
- Investment community recognition develops
- Tappit moves to peer group cashflow averages

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