



3D Oil Limited

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3D Oil Limited

QUARTERLY ACTIVITIES REPORT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2012

Overview

- 3D Oil farms out 50.1% of VIC/P57 to Malaysian company Hibiscus Petroleum.
- Hibiscus will contribute \$27 million to underpin the commencement of the West Seahorse development.
- 3D Oil receives \$2 million in subscription funds from Hibiscus Petroleum.
- Location application over the West Seahorse oilfield submitted as a precursor to applying for a production licence.
- VIC/P57 Sea Lion prospect targeted for exploration drilling by new joint venture.
- Bass Basin permit T/41P relinquished.
- Dr Ken Pereira, Hibiscus Petroleum MD, joins the 3D Oil board as non-executive director.

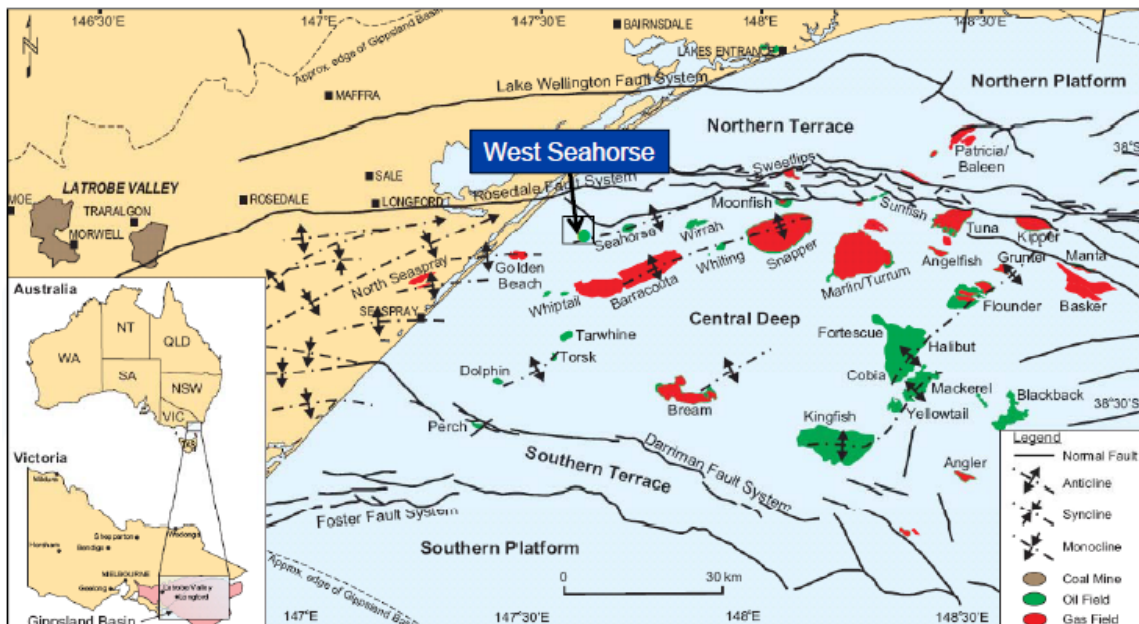
Exploration

VIC/P57, Gippsland Basin, offshore Victoria

Hibiscus Petroleum Farm-in and West Seahorse Development

During the September quarter 3D Oil entered into a conditional farm-in agreement with Hibiscus Petroleum in relation to petroleum exploration permit VIC/P57. Under the farm-in agreement, a new joint venture will be formed and Hibiscus Petroleum will acquire a 50.1% interest in VIC/P57. Hibiscus will invest up to A\$27million in three tranches to fund joint operations on the permit to initiate the development program for West Seahorse field. Hibiscus Petroleum will preferentially receive 74.9% of petroleum produced from the permit until the sale revenue equals the amount funded by Hibiscus Petroleum. Thereafter, each party will receive cash flows equivalent to their participating interest in the producing asset.

The West Seahorse field lies 14km offshore from Ninety Mile Beach in 39 metres of water, 18km SSE of the Gippsland town of Loch Sport. The area hosts existing oil and gas infrastructure, with West Seahorse located 38km east of the onshore Esso Longford Gas Plant and 11km from Esso's offshore Barracouta platform.



The West Seahorse oil reservoir is approximately 1400 metres below sea level in some of the same high-productivity sandstones that have historically contributed to the prolific oil fields of the Gippsland Basin. Initial oil production rates are expected to be over 10,000 barrels of oil per day. The nature of the reservoirs dictates a quick decline in production rates and economic field life for West Seahorse is estimated at approximately 3 to 5 years.

Independent experts have determined a best estimate of 9.2 million barrels of recoverable oil from West Seahorse (2C Contingent Resources). The joint venture is adopting an aggressive project schedule for the West Seahorse development and is targeting first oil production for mid 2014. While the development concept is expected to be finalised by early 2013, the current base case comprises the following infrastructure:

- a Mobile Offshore Production Unit (MOPU) fixed to the seabed at West Seahorse will have processing facilities to produce stabilised the crude oil. Two production wells will connect the West Seahorse reservoir to the MOPU.

- a Crude Oil Storage and Road Tanker Load-out Terminal located onshore. Road tankers will transport the stabilised crude oil to local Victorian refineries.
- A pipeline connecting the MOPU to the onshore terminal, comprised of a 24km offshore section, a 3.5km subsurface shoreline crossing installed by horizontal directional drilling and approximately 6km of onshore pipeline. Onshore sections of the pipeline are to be routed within existing easements wherever possible to minimise environmental impacts.

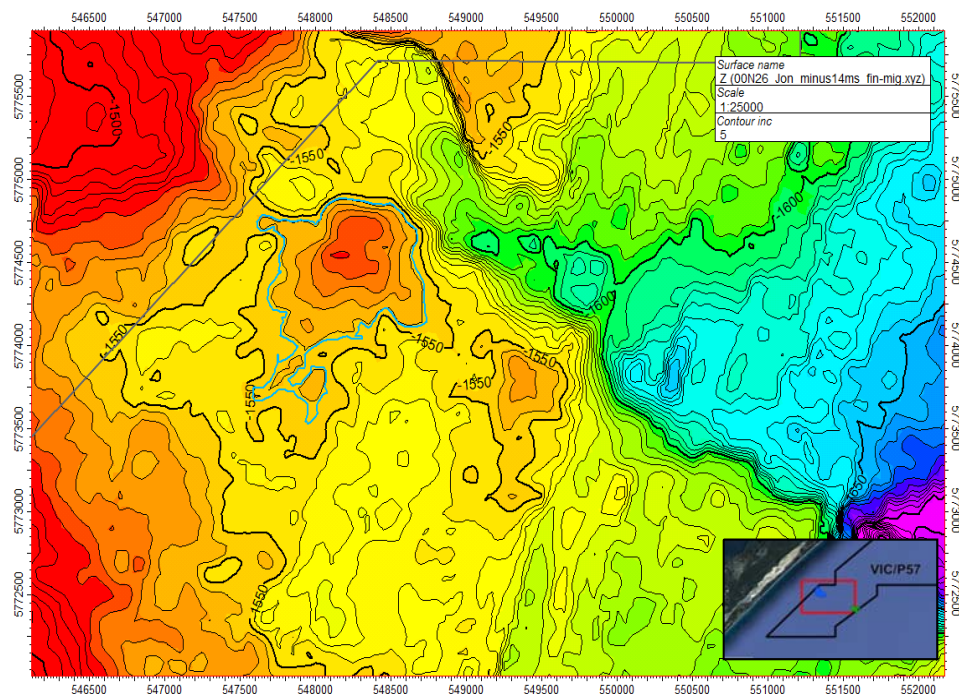
A project team has been established in Melbourne with Hibiscus Petroleum, 3D Oil, engineering firm WorleyParsons and other specialists to carry out concept and Front-end Engineering and Design (FEED) studies.

3D Oil has submitted an application for the declaration of a location over the West Seahorse oilfield and is also well advanced in preparing a production licence application.

VIC/P57 exploration and prospects and leads

The new VIC/P57 joint venture will also target the drilling of Sea Lion prospect. During the quarter 3D Oil continued its geological studies including revised structural mapping and amplitude analysis of the middle and deeper levels of the Sea Lion and Felix prospects.

The Sea Lion prospect has also recently been the subject of an independent resource assessment as part of the Hibiscus Petroleum farm-in process. This assessment reviewed 3D Oil's seismic interpretation and mapping and then calculated probabilistic volumetrics using West Seahorse analogues for reservoir parameters. The three main target reservoirs at Sea Lion are the Gurnard, N1 and N2.6 levels, with recognised upside potential in the N2.2, N2.3 and P1 levels. The combined probabilistic sum for the three main levels was 11.0 mmbbl of oil P50 (most likely) prospective resource. The probability of success was assessed at 37% for the Gurnard and 42% for each of the N1 and N2.6 levels.



Latest mapping over the Sea Lion Prospect, N2.6 horizon RMS depth conversion

T/41P, Bass Basin, offshore Tasmania

During the quarter, 3D Oil announced that it had decided to relinquish exploration permit T/41P in the Bass Basin following the completion of its initial six-year term. The permit had been held 100% by 3D Oil Limited since mid-2005. An extensive technical programme culminating in the Dalrymple 3D seismic survey was completed in May 2012.

Despite this investment, the large permit area remains sparsely explored and renewal of the permit required the drilling of an exploration well in the next three years of the permit. Based on the existing suite of mapped prospects, the company could not justify the high technical and commercial risk inherent in committing to an exploration well in the renewal term.

The relinquishment of T/41P is consistent with 3D Oil's strategy to focus on more advanced economic opportunities.

Corporate Matters

3D Oil received \$2 million in subscription funds from Hibiscus Petroleum in conjunction with the farmin. 3D Oil will issue shares to Hibiscus Petroleum upon their shareholder approval in early December 2012.

Dr Kenneth Pereira, Managing Director of Hibiscus Petroleum and experienced petroleum industry executive, has joined the 3D Oil board as a non-executive director.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

3D OIL LIMITED

ABN

40 105 597 279

Quarter ended ("current quarter")

30 September 2012

Consolidated statement of cash flows

		Current quarter \$A	Year to date (3 months) \$A
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	5,261	5,261
1.2	Payments for		
	(a) exploration and evaluation (net of refunds)	(119,329)	(119,329)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(417,217)	(417,217)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	29,380	29,380
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	R&D Tax Rebate	695,894	695,894
1.8	Refund of exploration deposit	-	-
Net Operating Cash Flows		193,989	193,989
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects/farmins	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		-	-
1.13	Total operating and investing cash flows (carried forward)	193,989	193,989

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	193,989	193,989
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares *	2,043,558	2,043,558
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – Capital raising costs	-	-
	Net financing cash flows	2,043,558	2,043,558
	Net increase (decrease) in cash held	2,237,547	2,237,547
1.20	Cash at beginning of quarter/year to date	1,674,875	1,674,875
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	3,912,422	3,912,422

*: Shares to be issued following shareholder approval at AGM

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

	Current quarter \$A
1.23 Aggregate amount of payments to the parties included in item 1.2	69,078
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Director's fees and salaries paid to directors during the September 2012 quarter.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	727
4.3 Production	-
4.4 Administration	402
Total	1,129

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,361	143
5.2 Deposits at call	1,504	1,484
5.3 Bank overdraft	-	-
5.4 Other – Bank Guarantee	47	47
Total: Cash at end of quarter (item 1.22)	3,912	1,674

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	T/41P	Permit - relinquished	100%	0%
6.2 Interests in mining tenements acquired or increased	-	-	-	-

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>	-	-	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 +Ordinary securities	206,560,000	206,560,000	-	-
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs (c) Released from ASX restriction	- - -	- - -	- - -	- - -
7.5 +Convertible debt securities <i>(description)</i>	-	-	-	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	- -	- -	- -	- -
7.7 Options <i>(description and conversion factor)</i>	64,000 465,000 554,700	- - -	<i>Exercise price</i> \$0.25 \$0.40 \$0.18	<i>Expiry date</i> 30 June 2014 30 November 2014 17 October 2015
7.8 Issued during quarter	-	-	<i>Exercise price</i> -	<i>Expiry date</i> -
7.9 Exercised during quarter	-	-	-	-
7.10 Expired/lapsed during quarter			<i>Exercise price</i>	<i>Expiry date</i>
317.1 Debentures <i>(totals only)</i>	-	-	-	-
7.12 Unsecured notes <i>(totals only)</i>	-	-	-	-

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 30 October 2012

Company Secretary

Print name: MELANIE LEYDIN

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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