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3D Oil Limited

QUARTERLY ACTIVITIES REPORT
FOR THE THREE MONTHS ENDED 31 DECEMBER 2013

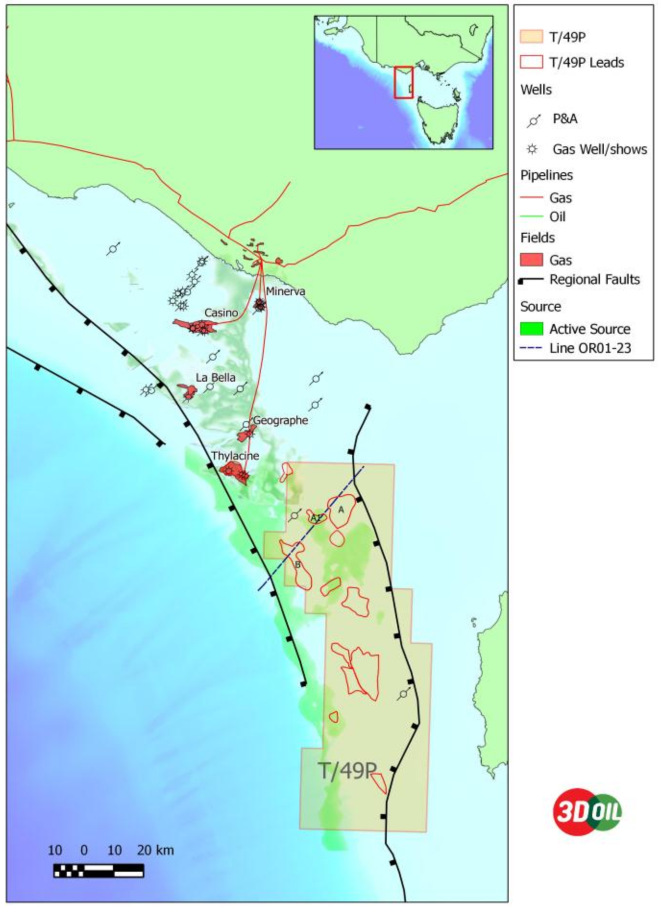
Overview

- Production Licence VIC/L31 granted for the West Seahorse Oil Field.
- West Seahorse Field Development Plan approved.
- Independent Reserves Assessment completed for West Seahorse Oil Field.
- Environmental approval for West Seahorse project received under the EPBC Act.
- Update on prospectivity and indicative economics of T/49P released.

Exploration

T/49P, Otway Basin, offshore Tasmania

Exploration permit T/49P was awarded to TDO in May 2013. The permit is located in the offshore Otway Basin of Tasmania and covers an area of 4,960 km^2 in water depths generally no greater than 100m. It is lightly explored and lies adjacent to the Thylacine and Geographe gas fields which are in production and have a combined gas in place (“GIP”) of over 2 TCF.



T49/P Location map

To date at least 10 leads have been identified from mapping of the existing 2D seismic data. These range from medium to large structures by world standards. The combined gas in place for these leads is in the order of 20 TCF.

TDO's highest ranked lead, Flanagan, has the potential to contain up to 6 TCF GIIP. The optimistic view of its prospectivity is based on its proximity and geological similarity to the Thylacine and Geographe fields.

The commercial attractiveness of exploring for gas in eastern Australia has been boosted by a strongly improving gas pricing environment for producers.

Scoping economics for standalone T/49P developments undertaken by TDO indicates that a gas price of $6/GJ provides a robust project for field sizes greater than 400 BCF. At $8/GJ the analysis indicates NPVs of approximately A$450 million and A$1.3 billion for field sizes of 800 BCF and 1400 BCF respectively.

TDO notes that the timing of any T/49P discovery and production would likely coincide with spare capacity in existing facilities such as Thylacine, Minerva and Casino and the potential for tie-in options and therefore potentially stronger economics, could be explored at that time.

In addition, TDO's analysis did not include the value of associated condensate. Based on known condensate/gas ratios (CGR) in Thylacine and Geographe, 15 mmbbl of condensate could be produced from a hypothetical gas field of 1 TCF.

T/49P represents an attractive exploration opportunity and, as previously indicated, TDO has commenced discussions with potential farmin partners to the permit.

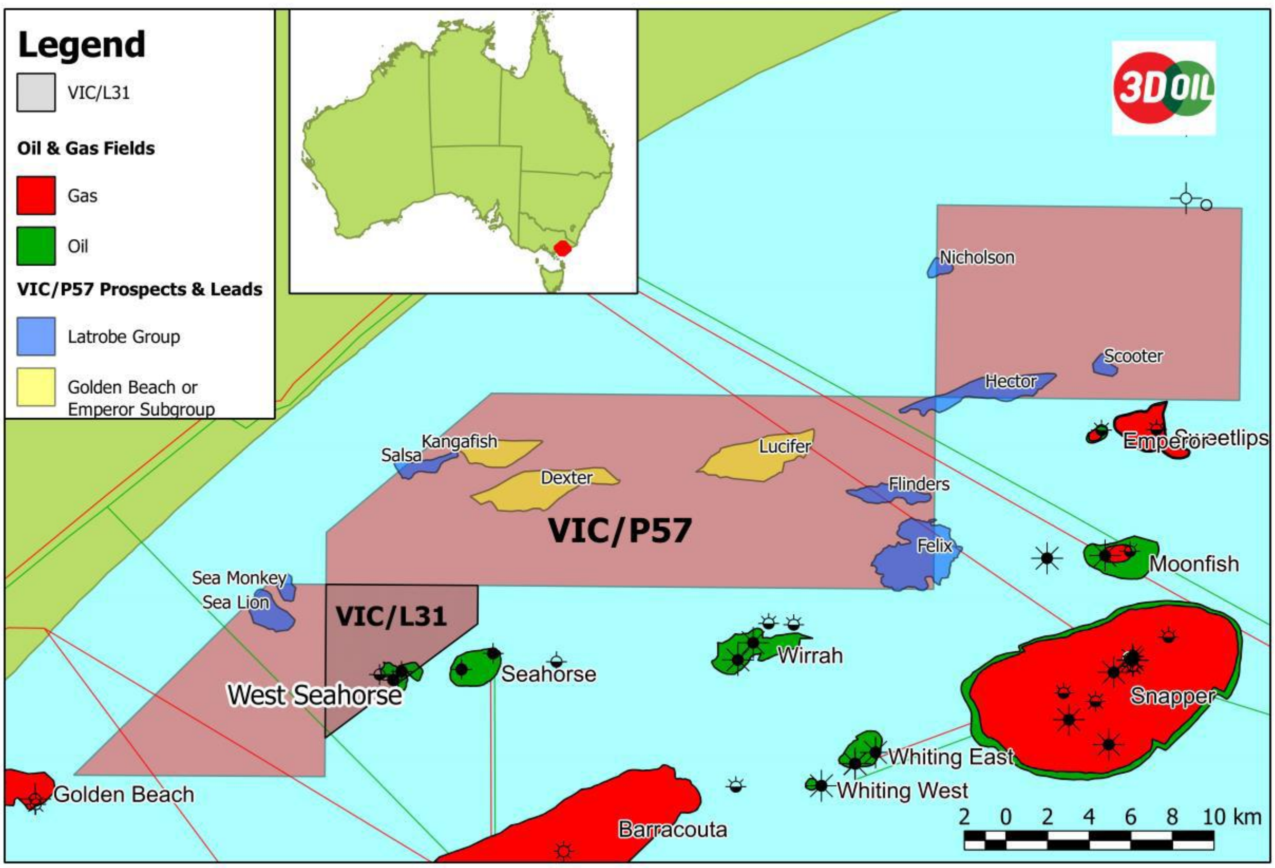
VIC/P57, Gippsland Basin, offshore Victoria

The West Seahorse (WSH) Oil 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.

West Seahorse (WSH) is being developed for production in early 2015 by a joint venture (JV) comprised of TDO 49.9% and Carnarvon Hibiscus Pty Ltd (Hibiscus), a wholly owned subsidiary of Hibiscus Petroleum Berhad (KLSE: HIBISCS), as Operator with 50.1%.

<u>Production Licence and approvals progress</u>
Several important aspects of the West Seahorse (WSH) regulatory approval process were finalized during the quarter.

On 5 December 2013, the National Offshore Petroleum Titles Administrator (NOPTA) granted the JV a Production Licence, VIC/L31, over the WSH Oil Field in the offshore Gippsland Basin. VIC/L31 is in effect excised from VIC/P57 exploration permit which continues in force with unchanged ownership and commitments.



Location map showing the West Seahorse Production Licence VIC/L31

NOPTA also accepted the WSH Field Development Plan (FDP) on 13 November 2013. The FDP details the field and its reservoirs as well as the proposed development and production facilities.

A key environmental milestone in the WSH regulatory approval process was also achieved during the quarter when the JV received approval for the project under the Environment Protection and Biodiversity Conservation (EPBC) Act on 18 October 2013

Taken together, these three approvals represent significant progress for the JV towards its goal of early 2015 oil production from the WSH field.

During the quarter, the JV largely completed the Front End Engineering and Design (FEED) work for the WSH project. This work was led by Melbourne-based engineering firm WorleyParsons and carried out in conjunction with Carnarvon Hibiscus Pty Ltd and TDO.

WSH Reserves Certification

On 14 January 2014, TDO announced that independent expert Gaffney, Cline & Associates (GCA) had completed its Reserves and Contingent Resources Statement for the West Seahorse oil field. The main highlights of GCA's report are:

- Proved plus Probable (2P) Oil Reserves of 6.5 million barrels for the West Seahorse Field as at 31 December, 2013.
- Independent assessment of WSH Reserves provides certainty for project financing and major contracts.
- WSH project Development Plan and economics reviewed as part of GCA assessment.
- Mid Case Stock Tank Oil Initially In-Place (STOIIP) of 10.3 million barrels with estimated un-risked 2C Contingent Resources of 1.5 million barrels in secondary 'Gurnard' reservoirs

GCA's assessment updated its earlier work on WSH and incorporated revised field mapping by TDO based on reprocessed 3D seismic. GCA also reviewed the JV's progress on the WSH development project, including economics, and recognised the recent production licence and environmental and regulatory approvals. TDO performed extensive reservoir simulations studies, which were reviewed by GCA and used to define a set of oil production profiles that formed the basis for the economic analysis tests to determine Reserves.

GCA's assessment of Reserves provides the foundation for finalising the WSH financing plan and the JV will now move as quickly as possible towards Final Investment Decision which is anticipated in early 2014.

The full range of undeveloped Oil Reserves for WSH as at 31st December, 2013 are:

Reservoir	Gross 100% Field			TDO share within VIC/L31		
	1P	2P	3P	1P	2P	3P
Main Reservoirs N1u/N1/N2-6	4.0	6.5	11.5	1.9	2.9	4.9

TDO Petroleum Tenement Holdings

As at 31 December 2013, TDO petroleum tenement holdings were:

Tenement and Location	TDO beneficial interest at 30Sep13	Beneficial interest acquired / (disposed)	TDO beneficial interest at 31Dec13
VIC/P57 offshore Gippsland Basin, Victoria	49.9%	n/a	49.9%
VIC/L31 offshore Gippsland Basin, Victoria	-	WSH Production Licence granted	49.9%
T/49P offshore Otway Basin, Tasmania	100%	n/a	100%

Corporate Matters

During the quarter Ms Philippa Kelly resigned as a non-executive director of TDO.

3D Oil's Chairman Mr Campbell Horsfall said "The board acknowledges and appreciates her significant contribution over a four year period particularly in relation to the farm out and financial management and wishes her all the best in her future endeavours."

Rule 5.3

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	Quarter ended ("current quarter")
40 105 597 279	31 December 2013

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A	Year to date (6 months) $A
1.1	Receipts from product sales and related debtors	5,262	8,770
1.2	Payments for		
	(a) exploration and evaluation (net of refunds)	-	-
	(b) development	(535,233)	(1,103,140)
	(c) production	-	-
	(d) administration	(348,739)	(658,965)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	13,663	24,314
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	R&D Tax Rebate	-	-
1.8	Refund of expenditure from Joint Venture	265,003	808,782
	Net Operating Cash Flows	**(600,044)**	**(920,239)**
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a)prospects/farmins	-	-
	(b)equity investments	-	-
	(c) other fixed assets	-	(17,741)
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	**-**	**(17,741)**
1.13	Total operating and investing cash flows (carried forward)	**(600,044)**	**(937,980)**

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	**(600,044)**	**(937,980)**
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares	-	-
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	**-**	**-**
	Net increase (decrease) in cash held	**(600,044)**	**(937,980)**
1.20	Cash at beginning of quarter/year to date	1,787,819	2,125,755
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter**	**1,187,775**	**1,187,775**

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	96,100
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 December 2013 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	2,300
4.2	Development	-
4.3	Production	-
4.4	Administration	300
	Total	*2,600

**: These outflows will be partially reimbursed by the VIC/P57 joint venture.*

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	129	360
5.2	Deposits at call	1,011	1,381
5.3	Bank overdraft	-	-
5.4	Other – Bank Guarantee	47	47
	Total: Cash at end of quarter (item 1.22)	1,187	1,788

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	-	-	-	-
6.2	Interests in mining tenements acquired or increased	-	-	-	-

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** *(description)*	-	-	-	-
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3	**+Ordinary securities**	237,523,000	237,523,000	-	-
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** *(description)*	-	-	-	-
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	- -	- -	- -	- -
7.7	**Options** *(description and conversion factor)*	64,000 150,000 200,000 78,000 495,000 300,000 250,000	- - - - - - -	*Exercise price* $0.25 $0.40 $0.40 $0.18 $0.16 $0.1055 $0.12	*Expiry date* 30 June 2014 30 November 2014 31 January 2015 7 October 2015 30 November 2015 30 November 2016 29 November 2016
7.8	Issued during quarter	250,000	-	*Exercise price* $0.12	*Expiry date* 29 November 2016
7.9	Exercised during quarter	-	-	-	-
7.10	Expired/lapsed during quarter	100,000		*Exercise price* $0.16	*Expiry date* 22 December 2013
317.1 1	**Debentures** *(totals only)*	-	-	-	-
7.12	**Unsecured notes** *(totals only)*	-	-	-	-

+ 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: 31 January 2014

Director and 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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+ See chapter 19 for defined terms.