

3D OIL LIMITED
ABN 40 105 597 279

**HALF YEAR FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**



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Directors	Noel Newell (Executive Chairman) Ian Tchacos (Non-Executive Director) Leo De Maria (Non-Executive Director)
Company secretaries	Melanie Leydin Stefan Ross
Registered office	Level 18, 41 Exhibition Street Melbourne, VIC 3000 Telephone: (03) 9650 9866
Principal place of business	Level 18, 41 Exhibition Street Melbourne, VIC 3000
Share register	Computershare Investor Services Pty Ltd 452 Johnston Street Abbotsford Victoria 3067 Telephone: (03) 9415 5000
Auditor	Grant Thornton Audit Pty Ltd Collin Square Tower 5 727 Collins Street Melbourne VIC 3008
Solicitors	Baker McKenzie Level 19, 181 William Street Melbourne Victoria 3000
Stock exchange listing	3D Oil Limited shares are listed on the Australian Securities Exchange (ASX code: TDO)
Website	www.3doil.com.au

REVIEW OF OPERATIONS

Key Points

- **T/49P (Otway Basin):**
 - Executed farm-out agreement with ConocoPhillips Australia comprising of A\$5m cash payment, fully-funded 3D seismic survey (1580km²) and carry up to the first US\$30m of costs for an exploration well (if elected)
- **WA-527-P (Bedout Sub-basin):**
 - Environmental Plan for the Sauropod 3D seismic submitted, with farm-in discussions with multiple majors progressing well
- **VIC/P74 (Gippsland Basin):**
 - Initial perspectivity analysis underway

Exploration

T/49P, Otway Basin, offshore Tasmania

3D Oil currently holds 100% interest in the T/49P exploration permit, which covers 4,960km² of the strategic offshore Otway Basin. The permit is located adjacent to the producing Thylacine and Geographe gas fields (100% owned by Beach Energy Limited (ASX: BPT)).

3D Oil finalised its farm-out campaign for T/49P with the execution of a Farmout Agreement (“FOA”) with ConocoPhillips Australia SH1 Pty Ltd (“ConocoPhillips Australia”) on 18 December 2019. ConocoPhillips Australia’s wealth of offshore exploration knowledge and experience will be highly valuable in progressing the T/49P exploration programme. The beginning of this relationship represents an important step towards 3D Oil’s overarching strategy, to provide much needed natural gas to the starved east coast gas market.

The main terms of the FOA are summarised as follows: ConocoPhillips Australia will take operatorship of T/49P and will be transferred a 75% interest in the permit. In exchange for the transfer:

- 3D Oil will receive a A\$5m cash payment in recognition of previous permit expenditure;
- ConocoPhillips Australia will undertake the acquisition of 1580km² of 3D seismic survey at no cost to 3D Oil (currently planned for 3Q CY2020); and
- ConocoPhillips Australia may elect to drill an exploration well upon completion of the acquisition, processing and interpretation of the 3D seismic survey. If elected, 3D Oil will be carried for up to the first US\$30m of costs, after which it will contribute 25% of costs in line with its interest in the permit.

At the time of this report, the FOA remains conditional on the agreement and signing of a Joint Operating Agreement (“JOA”) by both parties and required government approvals.

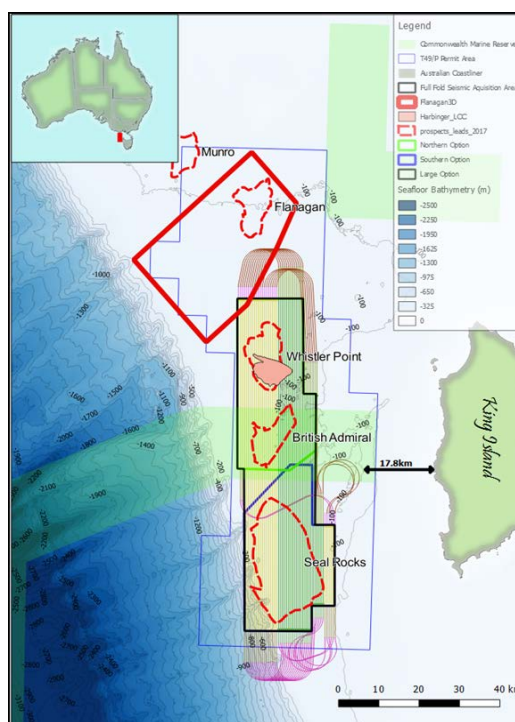
Additional activity during the six months includes the award of a 12-month suspension and extension for Permit Year 5, which will now expire on 21 February 2021. The Year 5 work programme commitment of the acquisition, processing and interpretation of a minimum 750km² of 3D seismic data will be satisfied as part of the 1,580km² of 3D seismic planned under the FOA. The survey will cover remaining leads in the central and southern sections of the T/49P acreage and will allow for the generation of a permit-wide prospect Seriatim that will inform the best possible drilling location.

Table 1: T/49P Prospective Resource Estimate (TCF) Recoverable Gas
(ASX ann. 27-Jul-17)

Location	Status	Low	Best	High
Flanagan	Prospect	0.53	1.34	2.74
Munro (T/49P Part)	Lead	0.04	0.19	0.57
Whistler Point	Lead	0.82	2.04	8.95
British Admiral	Lead	0.37	1.03	4.45
Seal Rocks	Lead	0.95	4.64	10.64
Harbinger	Lead	0.33	0.79	1.43
T/49P Arithmetic Total		3.04	10.03	28.77

The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons

Figure 1: Location Map of the Dorrig 3D Marine Seismic Survey shown with Leads and Prospects



WA-527-P, Roebuck Basin, offshore Western Australia

3D Oil holds 100% interest in the WA-527-P exploration permit, which covers 6,500km² of the offshore Bedout Sub-basin. The permit is located adjacent to oil and gas/condensate discoveries at Roc, Phoenix South and Dorado (Figure 2). Throughout the quarter, the Company continued to host data rooms for multiple E&P companies and progressed with plans for the Sauropod 3D MSS.

During the six months, 3D Oil assessed and responded to key matters raised from a 30-day public comment period that ended in August 2019, and subsequently submitted the Environmental Plan ("EP") to NOPSEMA for assessment, which is ongoing.

As the EP has not yet been awarded and seismic vessel availability for 1Q CY2020 is limited, the Company has applied for a 21-month suspension and extension for the primary work programme. This will extend the expiry of the programme to 21 December 2021, allowing the Company to acquire and process the Sauropod survey (minimum 510km²) in the next available window of 1Q CY2021.

The Sauropod 3D MSS is primarily aimed at determining the potential for traps associated with a Triassic erosional channel system analogous to that which provides the trapping mechanism for the nearby Dorado discovery (Figure 3). The survey is also intended to provide further insight on the size of the Whaleback and Salamander leads and the potential of the Palaeozoic petroleum system in the north-east of the acreage.

Figure 2: Map showing the Milne and Dorado-Apus channel system which provides the trapping mechanism for the Dorado discovery and the location of a similar channel system within WA-527-P

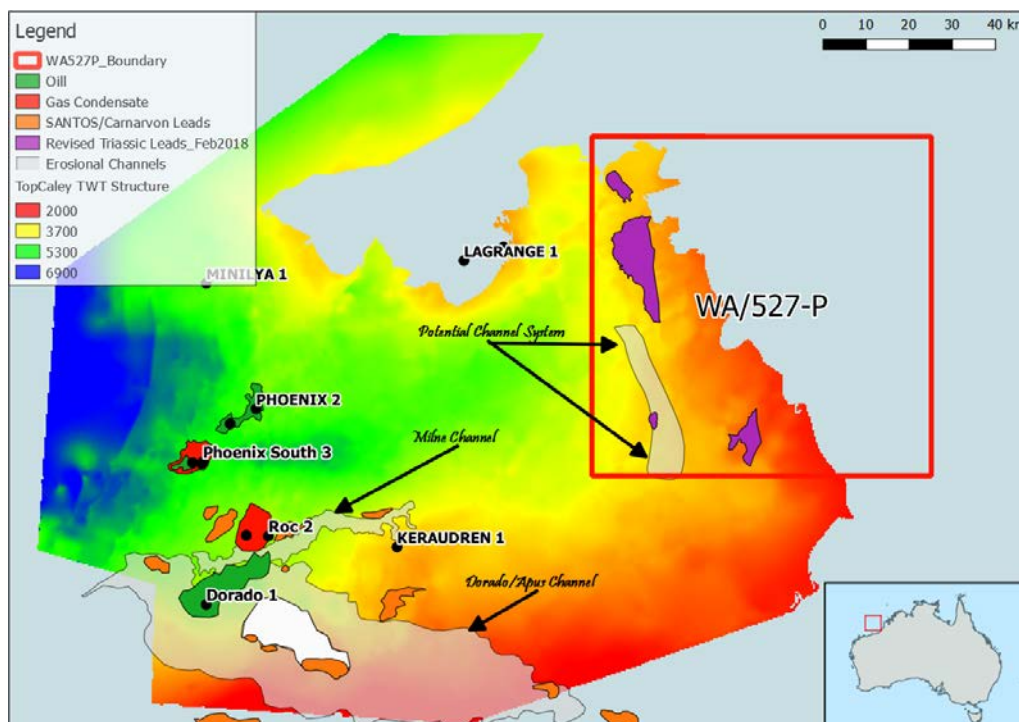


Figure 3: Location of Environmental Planning Area

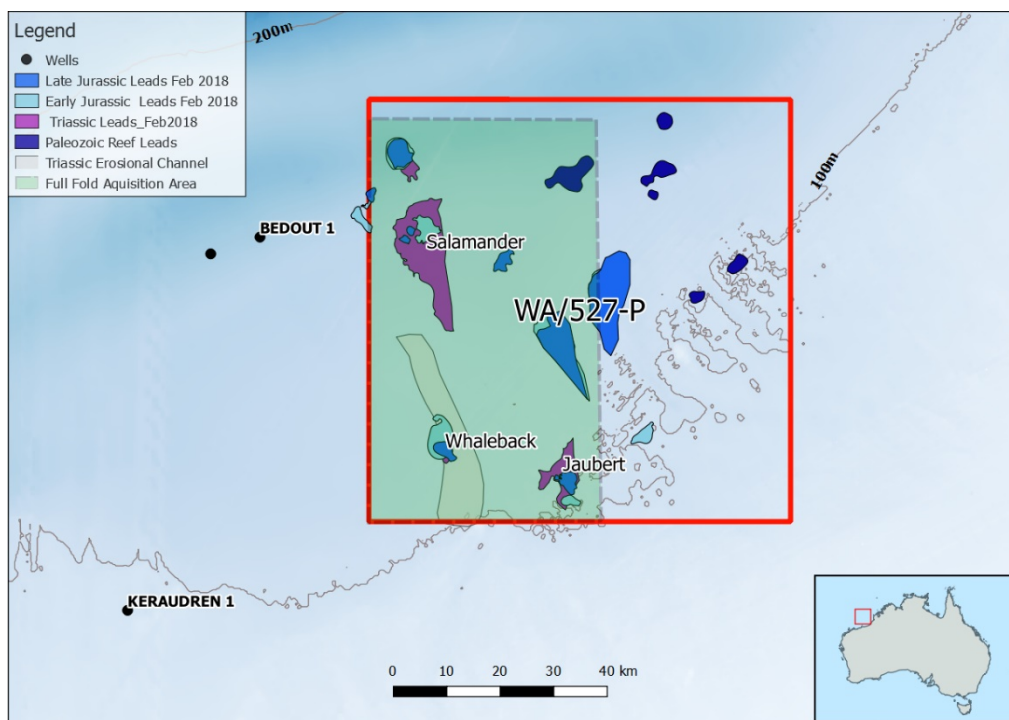


Table 2: WA-527-P Prospective Resource Estimate (MMbbls) Recoverable Oil
(ASX ann. 26-Feb-18)

Prospect	Status	Low	Best	High
Salamander	Lead	57	191	713
Jaubert	Lead	17	72	205
Whaleback	Lead	16	87	219
WA-527-P Arithmetic Total		90	349	1,138

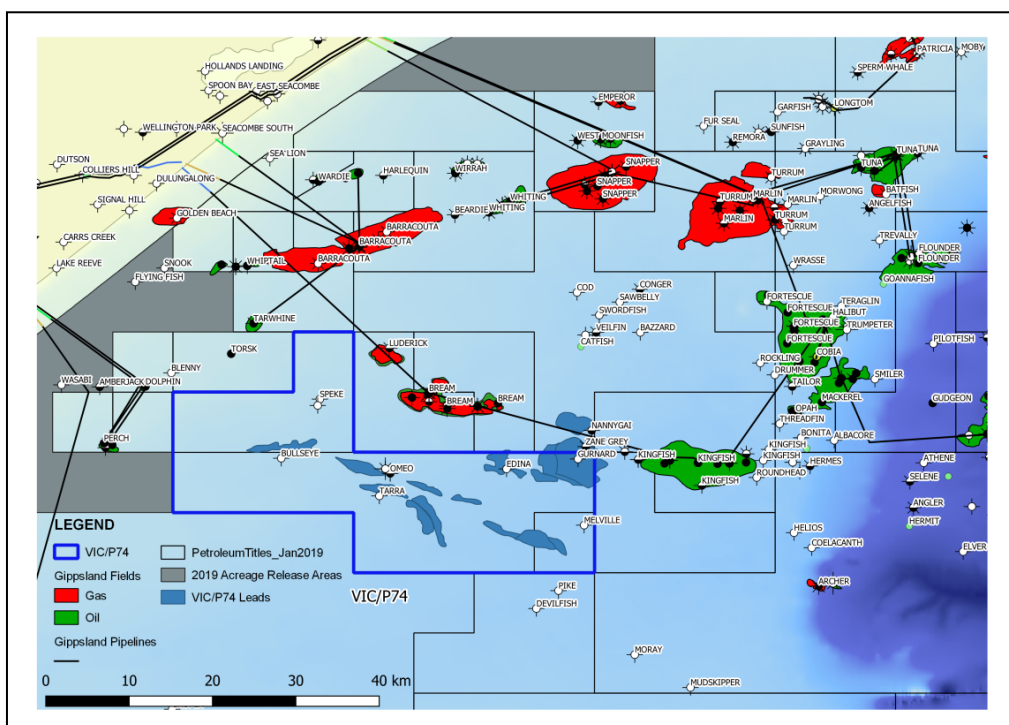
The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

VIC/P74, Gippsland Basin, offshore Victoria

In October 2019, 3D Oil announced that Carnarvon Hibiscus Pty Ltd ("CHPL"), an indirect wholly-owned subsidiary of Hibiscus Petroleum Berhad, elected to enter into a joint venture agreement, by acquiring a 50% interest in the permit. Upon completion of the transaction, 3D Oil and CHPL will enter into a joint operating agreement whereby 3D Oil will remain as operator and retain 50% equity in the permit. The permit covers 1,009km² of the southern side of the Gippsland Basin, adjacent to the giant Kingfish Oil Field, the largest oil field ever discovered in Australia having produced over one billion barrels of oil to date.

During the six-month period, 3D Oil performed data consolidation and the initial stages of a prospectivity review. The primary work programme for VIC/P74 is low cost and is carefully designed to identify missed opportunity through analysis of modern seismic data, which is currently being reprocessed by service company CGG.

Figure 4: VIC/P74 Location



VIC/P57, Gippsland Basin, offshore Victoria

TDO holds 24.9% interest in the VIC/P57 exploration permit in the offshore Gippsland Basin with joint venture (“JV”) partner and operator, Hibiscus Petroleum. 3D Oil acts as technical adviser to the JV. During the six-month period, 3D Oil continued with a farm-out campaign. The JV’s technical evaluation of the permit has revealed two candidates for drilling including low risk oil & gas prospect at Felix and an AVO supported gas prospect at Pointer.

Figure 5: Prospects and Leads, VIC/P57

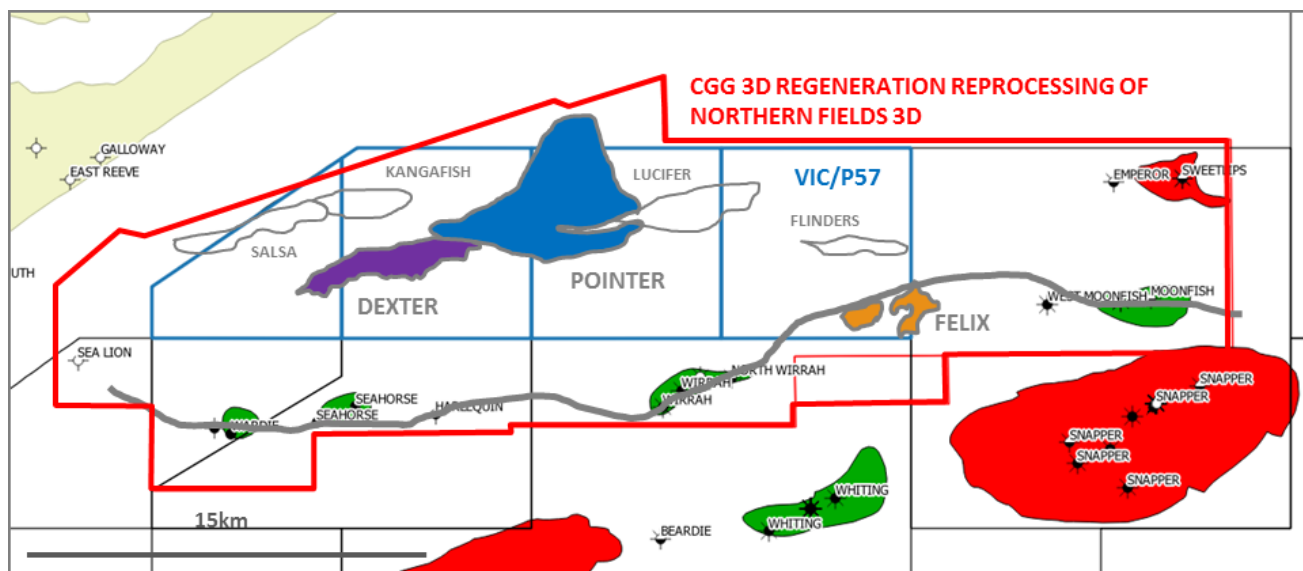


Figure 6: Pointer Prospect Response on Offset Stacks.

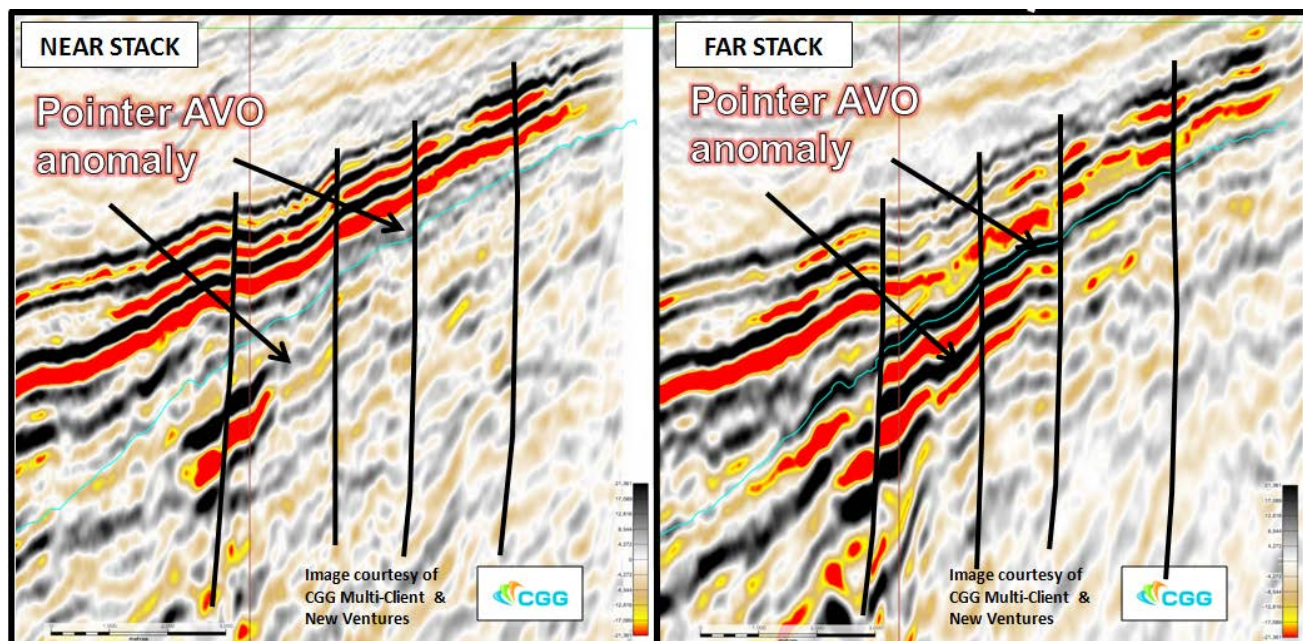


Table 3: VIC/P57 Prospective Resources Estimate (MMbbls) Recoverable Oil
(ASX ann. 27-Jul-17)

Location	Status	Low	Best	High
Felix	Prospect	6.8	15.9	26.9
Salsa	Lead	10.7	15.1	20.6
VIC/P57 Arithmetic Total		17.5	31.0	47.5

Table 4: VIC/P57 Prospective Resource Estimate (BCF) Recoverable Gas

Location	Status	Low	Best	High
Pointer	Prospect	140.1	235.3	364.9
Dexter	Lead	37.0	132.0	259.1
VIC/P57 Arithmetic Total		177.1	367.2	624.0

The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Corporate

As at the end of December 2019, the Company held cash reserves of approximately \$835K, which excludes the A\$5m cash payment to be received as part of the T/49P farm-out to ConocoPhillips.

TDO Petroleum Tenement Holdings

As at 31 December 2019, 3D Oil's petroleum tenement holdings were:

Tenement and Location	Beneficial interest at 30 Sep 2019	Beneficial interest acquired / (disposed)	Beneficial interest at 31 Dec 2019
VIC/P57	24.9%	nil	24.9%
Offshore Gippsland Basin, VIC			
T/49P	100%	nil	100% ¹
Offshore Otway Basin, TAS			
WA-527-P	100%	nil	100%
Offshore Roebuck Basin, WA			
VIC/P74	100% ²	nil	100%
Offshore Gippsland Basin, VIC			

¹ On 18 December 2019, 3D Oil executed a FOA for T/49P with ConocoPhillips Australia, whereby 3D Oil will retain 25% interest in the permit. The FOA is conditioned on the agreement and signing of a JOA by both parties and required government approvals.

² On 4 October 2019, 3D Oil announced that Hibiscus Petroleum Berhad had elected to enter into a Joint Venture with 3D Oil in the newly awarded offshore Gippsland Basin permit VIC/P74. TDO will remain as operator with 50% equity when a JOA is signed by both parties and required government approvals.

Qualified Petroleum Reserves and Resources Evaluator Statement

The Prospective Resources estimates in this release are based on, and fairly represent, information and supporting documents prepared by, or under the supervision of Dr David Briguglio, who is employed full-time by 3D Oil Limited as Exploration Manager. He holds a BSc.Hons and PhD in Petroleum Geoscience and has been practicing as a Petroleum Geoscientist for 10 years. Dr Briguglio is qualified in accordance with ASX listing rule 5.41 and has consented in writing to the inclusion of the information in the form and context in which it appears.

Prospective Resources

The estimates have been prepared by the company in accordance with the definitions and guidelines set forth in the Petroleum Resources Management System, 2011 approved by the Society of Petroleum Engineer. Prospective Resource estimates are for recoverable volumes and unless otherwise stated this report quotes Best Estimates and gross volumes. The estimates are un-risked and have not been adjusted for both an associated chance of discovery and a chance of development. The Prospective Resources have been estimated with both probabilistic and deterministic methods.

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity') consisting of 3D Oil Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 31 December 2019.

Directors

The following persons were Directors of 3D Oil Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

Mr Noel Newell
Mr Ian Tchacos
Mr Leo De Maria

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of exploration and development of upstream oil and gas assets.

Review of operations

The loss for the Consolidated Entity after providing for income tax amounted to \$559,785 (31 December 2018: \$508,145).

Refer to the detailed Review of Operations preceding this Directors' Report.

Financial Position

The net assets decreased by \$553,920 to \$11,188,823 at 31 December 2019 (30 June 2019: \$11,742,743) mainly due to operating losses during the period. During the period the Consolidated Entity also spent a net amount of \$347,079 on exploration and evaluation.

The Consolidated Entity's working capital position at 31 December 2019, being current assets less current liabilities, was a deficiency of \$66,234, a decrease of \$969,281 since 30 June 2019. The cash and cash equivalents balance as at 31 December 2019 was \$835,281 (30 June 2019: \$934,458).

On 18 December 2019, the Company announced that its wholly owned subsidiary, 3D Oil T49P Pty Ltd, had executed a Farmout Agreement (FOA) with ConocoPhillips Australia SH1 Pty Ltd in relation to the offshore Tasmanian Permit T/49P.

Under the terms of the agreement, ConocoPhillips Australia will be transferred a 75% interest in the permit and becoming operator, with 3D Oil retaining a 25% interest. The FOA is conditioned on the agreement and signing of a JOA by both parties and required government approvals. In exchange for the transfer, 3D Oil will receive a A\$5m cash payment in recognition of previous permit expenditure. See announcement of 18 December 2019 for further details.

Based on the above the Directors believe the Company is in a stable position to continue to pursue its current operations.

Significant changes in the state of affairs

On 26 July 2019, the Company announced that it was awarded the VIC/P74 permit in the offshore Gippsland Basin. The permit covers approximately 1006km² and the primary work programme is modest and largely consists of purchase of reprocessed 3D seismic data.

On 4 October 2019, the Company announced that Hibiscus Petroleum Berhad had elected to enter into a Joint Venture with 3D Oil in the newly awarded offshore Gippsland Basin permit VIC/P74. TDO will remain as operator with 50% equity when a JOA is signed by both parties and required government approvals.

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At the time of this report, the FOA remains conditional on the agreement and signing of a Joint Operating Agreement ("JOA") by both parties and required government approvals.

There were no other significant changes in the state of affairs of the Consolidated Entity during the financial period.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



Noel Newell
Executive Chairman

13 March 2020
Melbourne

Auditor's Independence Declaration

To the Directors of 3D Oil Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the half-year review of 3D Oil Limited for the period ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



B L Taylor
Partner – Audit & Assurance

Melbourne, 13 March 2020

3D Oil Limited
Statement of profit or loss and other comprehensive income
For the period ended 31 December 2019



	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
Revenue		
Interest	6,890	16,264
Expenses		
Corporate expenses	(181,538)	(157,511)
Administrative expenses	(46,604)	(47,992)
Employment expenses	(263,324)	(223,202)
Occupancy expenses	(11,526)	(49,547)
Depreciation and amortisation expense	(55,103)	(22,998)
Exploration costs written off	-	(19,740)
Foreign exchange loss	-	(3,419)
Finance costs	(8,580)	-
Loss before income tax expense	(559,785)	(508,145)
Income tax expense	-	-
Loss after income tax expense for the period attributable to the Owner of 3D Oil Limited	(559,785)	(508,145)
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income for the period attributable to the Owner of 3D Oil Limited	(559,785)	(508,145)
	Cents	Cents
Basic earnings per share	(0.21)	(0.20)
Diluted earnings per share	(0.21)	(0.20)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

3D Oil Limited
Statement of financial position
As at 31 December 2019



	Consolidated	
	31 December	
Note	2019	30 June 2019
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	835,281	934,458
Financial assets at amortised cost	16,040	58,288
Other financial assets	93,577	1,000,000
Prepayments	30,984	38,401
Total current assets	975,882	2,031,147
Non-current assets		
Property, plant and equipment	15,915	17,800
Right-of-use assets	4 208,669	-
Intangibles	84,114	94,160
Exploration and evaluation	5 11,082,971	10,735,892
Total non-current assets	11,391,669	10,847,852
Total assets	12,367,551	12,878,999
Liabilities		
Current liabilities		
Trade and other payables	819,534	1,000,333
Lease liabilities	86,346	-
Employee benefits	136,236	127,767
Total current liabilities	1,042,116	1,128,100
Non-current liabilities		
Lease liabilities	129,663	-
Employee benefits	6,949	8,156
Total non-current liabilities	136,612	8,156
Total liabilities	1,178,728	1,136,256
Net assets	11,188,823	11,742,743
Equity		
Issued capital	6 55,483,678	55,483,678
Accumulated losses	(44,294,855)	(43,740,935)
Total equity	11,188,823	11,742,743

The above statement of financial position should be read in conjunction with the accompanying notes

3D Oil Limited
Statement of changes in equity
For the period ended 31 December 2019



Consolidated	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2018	52,657,366	(42,665,694)	53,221	10,044,893
Loss after income tax expense for the period	-	(508,145)	-	(508,145)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	-	(508,145)	-	(508,145)
Expiry of performance rights	-	14,013	(14,013)	-
Conversion of vested performance rights	39,208	-	(39,208)	-
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	2,787,104	-	-	2,787,104
Balance at 31 December 2018	<u>55,483,678</u>	<u>(43,159,826)</u>	<u>-</u>	<u>12,323,852</u>
Consolidated	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2019	55,483,678	(43,740,935)	-	11,742,743
Adjustment for change in accounting policy	-	5,865	-	5,865
Balance at 1 July 2019 - restated	55,483,678	(43,735,070)	-	11,748,608
Loss after income tax expense for the period	-	(559,785)	-	(559,785)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	-	(559,785)	-	(559,785)
Balance at 31 December 2019	<u>55,483,678</u>	<u>(44,294,855)</u>	<u>-</u>	<u>11,188,823</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

3D Oil Limited
Statement of cash flows
For the period ended 31 December 2019



	Consolidated		
	31 December 2019	31 December 2018	
Note	\$	\$	
Cash flows from operating activities			
Payments to suppliers and employees	(669,337)	(640,821)	
Interest received	22,022	13,956	
	<u>(647,315)</u>	<u>(626,865)</u>	
Net cash used in operating activities			
Cash flows from investing activities			
Payments for exploration and evaluation	(319,123)	(287,650)	
Payments for Term deposits	(93,577)	(1,500,000)	
Proceeds from Term deposits	1,000,000	-	
	<u>587,300</u>	<u>(1,787,650)</u>	
Net cash from/(used in) investing activities			
Cash flows from financing activities			
Proceeds from issue of shares	6	-	3,003,035
Share issue transaction costs		-	(215,931)
Repayment of lease liabilities		(39,162)	-
		<u>(39,162)</u>	<u>2,787,104</u>
Net cash from/(used in) financing activities			
Net increase/(decrease) in cash and cash equivalents		(99,177)	372,589
Cash and cash equivalents at the beginning of the financial period		934,458	1,007,865
Cash and cash equivalents at the end of the financial period		835,281	1,380,454

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover 3D Oil Limited as a Consolidated Entity consisting of 3D Oil Limited and the entities it controlled at the end of, or during, the period. The financial statements are presented in Australian dollars, which is 3D Oil Limited's functional and presentation currency.

3D Oil Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 18, 41 Exhibition Street
Melbourne Victoria 3000

A description of the nature of the Consolidated Entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 13 March 2020. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Note 2. Significant accounting policies (continued)

Going Concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The working capital position as at 31 December 2019 of the consolidated entity results in a deficiency of \$66,234 (current liabilities over current assets) (30 June 2019: surplus \$903,047). The consolidated entity made a loss after tax of \$559,785 during the six-month period to 31 December 2019 (31 December 2018 loss: \$508,145) and had net operating cash outflows of \$647,315 (31 December 2018: \$626,865). Cash and cash equivalents as at 31 December 2019 was \$835,281 (30 June 2019: \$934,458). The continuing viability of the consolidated entity and its ability to continue as a going concern is dependent upon the consolidated entity being successful in its continuing efforts in exploration projects and accessing additional sources of capital to meet the commitments within twelve (12) months from the date of this report.

To meet these funding requirements as and when they fall due the Group will need to take appropriate steps, including a combination of:

- Raising capital by one of or a combination of the following: placement of shares, rights issue, share purchase plan, etc;
- Meeting its obligations by either farm-out or partial sale of the Group's exploration interests;
- Subject to negotiation and approval, minimum work requirements may be varied or suspended, and/or permits may be surrendered or cancelled; or
- Other avenues that may be available to the Group.

On 18 December 2019, the Company announced that its wholly owned subsidiary, 3D Oil T49P Pty Ltd, had executed a Farmout Agreement (FOA) with ConocoPhillips Australia SH1 Pty Ltd in relation to the offshore Tasmanian Permit T/49P.

Under the terms of the agreement, ConocoPhillips Australia will be transferred a 75% interest in the permit and becoming operator, with 3D Oil retaining a 25% interest. The FOA is conditioned on the agreement and signing of a JOA by both parties and required government approvals. In exchange for the transfer, 3D Oil will receive a A\$5m cash payment in recognition of previous permit expenditure. See announcement of 18 December 2019 for further details.

This financial report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. Should the Group be unable to obtain the funding as described above, there is a material uncertainty as to whether the Group will be able to continue as a going concern, and therefore, whether it will be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report. The financial report does not include any adjustment relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern. Having carefully assessed the potential uncertainties relating to the consolidated entity's ability to effectively fund exploration activities and operating expenditures, the Directors believe that the consolidated entity will continue to operate as a going concern for the foreseeable future. Therefore, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

New or amended Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

Note 2. Significant accounting policies (continued)

AASB Interpretation 23 Uncertainty over Income Tax Treatments

Interpretation 23 requires the assessment of whether the effect of uncertainty over income tax treatments should be included in the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The Interpretation outlines the requirements to determine whether an entity considers uncertain tax treatments separately, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances.

The Company has adopted Interpretation 23 from 1 July 2019, based on an assessment of whether it is 'probable' that a taxation authority will accept an uncertain tax treatment. This assessment takes into account that for certain jurisdictions in which the company operates, a local tax authority may seek to open a company's books as far back as inception of the company. Where it is probable, the company has determined tax balances consistently with the tax treatment used or planned to be used in its income tax filings. Where the company has determined that it is not probable that the taxation authority will accept an uncertain tax treatment, the most likely amount or the expected value has been used in determining taxable balances (depending on which method is expected to better predict the resolution of the uncertainty). There has been no impact from the adoption of Interpretation 23 in this reporting period.

Other accounting pronouncements which have become effective from 1 July 2019 and have therefore been adopted have not had a significant impact on the Group's financial results or position.

AASB 16 Leases

The Consolidated Entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Leases

At inception of a contract, the Consolidated Entity assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Consolidated Entity assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Consolidated Entity has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Consolidated Entity has the right to direct the use of the asset. The Consolidated Entity has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Consolidated Entity has the right to direct the use of the asset if either:
 - The Consolidated Entity has the right to operate the asset; or
 - The Consolidated Entity designed the asset in a way that predetermine how and for what purpose it will be used.

Note 2. Significant accounting policies (continued)

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

At inception or on reassessment of a contract that contains a lease component, the Consolidated Entity allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Consolidated Entity has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

As a lessee

The Consolidated Entity recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Consolidated Entity's incremental borrowing rate. Generally, the Consolidated Entity uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Consolidated Entity is reasonably certain to exercise, lease payments in an optional renewal period if the Consolidated Entity is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Consolidated Entity is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Consolidated Entity's estimate of the amount expected to be payable under a residual value guarantee, or if the Consolidated Entity changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Consolidated Entity has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Consolidated Entity recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Note 3. Operating segments

AASB 8 requires operating segments to be identified on the basis of internal reports about the components of the consolidated entity that are regularly reviewed by the chief decision maker in order to allocate resources to the segment and to assess its performance. 3D Oil Limited operates in the development of oil and gas within Australia. The consolidated entity's activities are therefore classified as one operating segment.

The chief decision makers, being the Board of Directors, assess the performance of the consolidated entity as a whole and as such through one segment.

Note 4. Non-current assets - right-of-use assets

The Consolidated Entity has lease arrangements for office space. Rental contracts are typically made for fixed periods of 12 to 36 months but may have an extension option. This note provides information for leases where the Consolidated Entity is a lessee.

Lease terms are negotiated on an individual basis and may contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Right-of-use assets and lease liabilities

The Consolidated Entity has adopted AASB 16 Leases (AASB 16) on 1 July 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

On adoption of AASB 16, the group recognised lease assets (known as "right-of-use") and liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These assets and liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 July 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Consolidated Entity has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease

The statement of financial position shows the following amounts relating to leases:

	Consolidated	
	31 December	30 June 2019
	2019	2019
	\$	\$
Land and buildings - right-of-use	251,842	-
Less: Accumulated depreciation	(43,173)	-
	<u>208,669</u>	<u>-</u>
	Consolidated	
	31 December	30 June 2019
	2019	2019
	\$	\$
Lease liabilities		
Current	86,346	-
Non-current	129,663	-
	<u>216,009</u>	<u>-</u>

Note 4. Non-current assets - right-of-use assets (continued)

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
The statement of profit or loss shows the following amounts relating to leases;		
Depreciation of right-of-use assets	43,173	-
Interest expense	8,580	-
	<u>51,753</u>	<u>-</u>

The Consolidated Entity had no short-term lease arrangements during the half year ended 31 December 2019.

On adoption of AASB 16, the Consolidated Entity recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 7.5%.

Adoption of AASB 16 affected the following items in the balance sheet on 1 July 2019:

	As at 1 July 2019
	\$
Operating lease commitments disclosed as at 30 June 2019	281,040
Impact of discount (using the incremental borrowing rate)	(29,198)
Gross value of right of use assets recognised at 1 July 2019	251,842
Transitional adjustments on right of use assets at 1 July 2019	(5,865)
Lease liability recognised at 1 July 2019	<u>245,977</u>

Note 5. Non-current assets - exploration and evaluation

	Consolidated	
	31 December 2019	30 June 2019
	\$	\$
Exploration and evaluation - at cost	<u>11,082,971</u>	<u>10,735,892</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial period are set out below:

Consolidated	Exploration and evaluation \$	Total \$
Balance at 1 July 2019	10,735,892	10,735,892
Expenditure during the half-year	347,079	347,079
Balance at 31 December 2019	<u>11,082,971</u>	<u>11,082,971</u>

Note 5. Non-current assets - exploration and evaluation (continued)

The exploration and evaluation assets relate to VIC/P57 and VIC P/74 in the offshore Gippsland Basin in Victoria, T/49P offshore Otway Basin in Tasmania and WA-527-P in Western Australia. The recoverability of the carrying amounts of the exploration and evaluation expenditure is dependent on the successful development and commercial exploitation, or alternatively the sale, of the respective areas of interest.

The Company has carried out an impairment review of the carrying amount of its exploration expenditure in relation to VIC/P57, VIC/P74, T/49P and WA-527-P following the end of the financial half-year as at 31 December 2019.

Farm-outs - exploration and evaluation phase

The consolidated entity does not record any expenditure made by the farminee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements, but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farminee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

Note 6. Equity - issued capital

	Consolidated			
	31 December 2019 Shares	30 June 2019 Shares	31 December 2019 \$	30 June 2019 \$
Ordinary shares - fully paid	<u>265,188,372</u>	<u>265,188,372</u>	<u>55,483,678</u>	<u>55,483,678</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 7. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial period.

Note 8. Contingent liabilities

There were no contingent liabilities as at 31 December 2019.

Note 9. Commitments

	Consolidated	
	31 December 2019	30 June 2019
	\$	\$
<i>Exploration Licenses - Commitments for Expenditure</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	920,000	1,840,000
One to five years	1,844,444	2,177,778
More than five years	600,000	600,000
	<u>3,364,444</u>	<u>4,617,778</u>

In order to maintain current rights of tenure to exploration tenements, the consolidated entity is required to outlay rentals and to meet the minimum work requirements and associated indicative expenditure of the National Offshore Petroleum Titles Administrator ('NOPTA'). Minimum commitments may be subject to renegotiation and with approval may otherwise be avoided by sale, farm out or relinquishment. These obligations are therefore not provided for in the financial statements as payable.

The Company has included its commitments for indicative expenditure in the above note partly relating to Exploration Permit T/49P up to year 4 as outlined in the permit documentation. Commitments from year 5 onwards are confirmed on a year-by-year basis dependent on the Company agreeing to proceed. If the Company was to proceed beyond year 4 in relation to T/49P, the current indicative expenditure commitment for Years 5-6 is currently gross \$30 million.

During the half-year ended 31 December 2019, 3D Oil's wholly owned subsidiary, 3D Oil T/49P Pty Ltd executed a Farmout Agreement (FOA) with ConocoPhillips Australia SH1 Pty Ltd on 18 December 2019.

The main terms of the FOA are summarised as follows:

ConocoPhillips Australia will take operatorship of T/49P and will be transferred a 75% interest in the permit. In exchange for the transfer:

- 3D Oil will receive a A\$5m cash payment in recognition of previous permit expenditure;
- ConocoPhillips Australia will undertake the acquisition of 1580km² of 3D seismic survey at no cost to 3D Oil (currently planned for 3Q CY2020); and
- ConocoPhillips Australia may elect to drill an exploration well upon completion of the acquisition, processing and interpretation of the 3D seismic survey. If elected, 3D Oil will be carried for up to the first \$30m of costs, after which it will contribute 25% of costs in line with its interest in the permit.

At the time of this report, the FOA remains conditional on the agreement and signing of a Joint Operating Agreement ("JOA") by both parties and required government approvals. Additional activity during the period includes the award of a 12-month suspension and extension for Permit Year 5, which will now expire on 21 February 2021. The Year 5 work programme commitment of the acquisition, processing and interpretation of a minimum 750km² of 3D seismic data will be satisfied as part of the 1,580km² of 3D seismic planned under the FOA.

In relation to VIC/P57, the joint venture applied to NOPTA in September 2017 for a further 5-year tenure. The program includes minor, but high impact and carefully designed work commitments including state-of-the-art reprocessing of the 3D seismic data covering the permit. The Company announced on 7 March 2018 the renewal of the permit by NOPTA for a further five years.

In relation to WA-527-P, the Company has included its commitments for indicative expenditure in the above note relating to WA-527-P up to Year-4. Commitments from Year-5 onwards are confirmed on a year-by-year basis dependent on the Company agreeing to proceed. If the Company was to proceed beyond Year-5 in relation to WA-527-P, the current indicative expenditure commitment for Years 5-6 is currently gross \$30.5 million and this would be occurring in 2022-2023 years.

Note 9. Commitments (continued)

On 26 July 2019, the Company was awarded VIC/P74 tenement. The Company has included its commitments for indicative expenditure in the above note relating to VIC/P74 up to Year-5. Commitments from Year-6 onwards are confirmed on a year-by-year basis dependent on the Company agreeing to proceed. If the Company was to proceed beyond Year-6 in relation to VIC/P74, the current indicative expenditure commitment for Years 6-7 is currently gross \$40.3 million and this would be occurring in 2024-2025 years.

Note 10. Events after the reporting period

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Note 11. Earnings per share

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
Loss after income tax attributable to the Owner of 3D Oil Limited	<u>(559,785)</u>	<u>(508,145)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>265,188,372</u>	<u>253,884,381</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>265,188,372</u>	<u>253,884,381</u>
	Cents	Cents
Basic earnings per share	(0.21)	(0.20)
Diluted earnings per share	(0.21)	(0.20)



In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read "Noel Newell", written over a horizontal line.

Noel Newell
Executive Chairman

13 March 2020
Melbourne

Independent Auditor's Report

To the Members of 3D Oil Limited

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of 3D Oil Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of 3D Oil Limited does not give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss of \$559,785 during the half-year ended 31 December 2019 and had net operating cash outflows of \$647,315. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half year financial report

The Directors of the Company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of 3D Oil Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Grant Thornton Audit Pty Ltd
Chartered Accountants



B L Taylor
Partner – Audit & Assurance

Melbourne, 13 March 2020