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ASX Release

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Transaction Documents signed with Joint Venture Partner Hibiscus Petroleum and HiRex

3D Oil Limited (ASX: TDO) is pleased to advise that, following the execution of the Heads of Agreement as announced on 13 May 2014, the Company has executed binding agreements with Carnarvon Hibiscus Pty Ltd (CHPL), Althea Corporation Limited, and HiRex Petroleum Sdn Bhd (HIREX) in relation to the restructuring of the funding and ownership of its interests in offshore Gippsland Basin tenements VIC/P57 and VIC/L31. CHPL is a wholly owned subsidiary of Hibiscus Petroleum Berhad (Hibiscus) (KLSE: HIBISCS) and is JV Operator holding 50.1%.

Key Points

The key points under the binding agreements are:

- CHPL to pay TDO US\$7.5 million for the Company's interest in the Britannia Rig and a 5% interest in VIC/P57.
- The proceeds will be used to meet Year 3 funding commitments for VIC/P57.
- US\$2 million will be paid in advance to TDO to assist with short term funding.
- US\$1.94 million of funding owing to the Operator of the VIC/L31 JV will be offset against a transfer to CHPL of a [6.07%] interest in VIC/L31.
- An option has been granted to CHPL to purchase the remaining interest in VIC/L31 at fair market value.
- An option has been granted to HIREX to earn a 20% interest in VIC/P57.
- As CHPL is a substantial holder for the purposes of ASX Listing Rule 10.1, the Company is required to obtain Shareholder approval to complete the matters set out in the transaction documents. The Company will shortly be issuing a Notice of Meeting to Shareholders, together with an Independent Expert's Report, convening a meeting to consider and if thought fit approve these matters.

Background on the West Seahorse project

West Seahorse (WSH) is being developed for oil production in 2015 by the JV. In the last year and a half, with CHPL leading the project and TDO providing subsurface expertise, the JV has made strong progress towards the development of the WSH field. The JV was granted VIC/L31, achieved Field Development Plan and EPBC (environmental) approvals and has completed FEED engineering and design work with Worley Parsons. Independent expert Gaffney, Cline & Associates (GCA) has also reviewed and certified the oil reserves at WSH.

From late 2013 the JV has been holding discussions with Australian and international banks in relation to project finance for the West Seahorse project. However, despite the progress noted above, debt markets have been challenging. TDO has also held related discussions with potential providers of equity finance and mezzanine debt for the project.

As a result of the slower than anticipated progress on funding and the commitment of JV funds to purchase and hold the Britannia Rig, TDO's capacity to meet ongoing JV cash requirements has been compromised. Consequently, TDO and CHPL have negotiated the transaction agreements whereby the Company's 49.9% interest in the Britannia Rig will be sold to CHPL and the funds will be used towards TDO's funding obligations under the P57 JOA including the drilling of an exploration well.

The JV is currently reviewing the forward strategy for the WSH project in light of these new arrangements. In the near term, focus will include the drilling a new high-impact exploration well which will satisfy the VIC/P57 Year 3 commitment. It is anticipated that this well will be drilled in mid-2015 with a conventional jack-up rig.

Material Agreements

To implement the transactions, the parties have entered into the following Transaction Documents:

- the Umbrella Agreement which co-ordinates the various transactions;
- the Asset Sale Agreement for the sale to CHPL of a 5% interest in VIC/P57 and the Company's 49.9% interest in the Britannia Rig;
- the VIC/L31 Transfer Agreement for the transfer of a [6.07]% interest in VIC/L31 to CHPL;
- the VIC/L31 Option Deed governing the grant of an option to CHPL to purchase the remaining [43.83%] interest in VIC/L31 for [US\$14.05 million]; and
- the VIC/P57 Farm-out Agreement where HIREX has an option to earn a 20% interest in VIC/P57.

The Umbrella Agreement seeks to co-ordinate the implementation of the transactions contemplated by the Transaction Documents. It provides generally for the timing of completion and interconditionality of each of the other Transaction

Documents. It provides that the completion of each of the Asset Sale Agreement, L31 Transfer Agreement, L31 Option Deed and the HiRex Farm-in Agreement are interconditional.

The Asset Sale Agreement sets out the obligations of the parties and the terms and conditions of the sale to CHPL of a 5% interest in VIC/P57 and the Company's 49.9% interest in the Britannia Rig. The consideration payable to the Company by CHPL under the Asset Sale Agreement is US\$7,500,000. Payment of the consideration is divided into three tranches:

- US\$600,000 which was paid to the Company on 13 May 2014;
- US\$1,400,000 which is to be paid to the Company within 5 business days of the execution of the agreement; and
- US\$5,500,000 which is to be paid on behalf of the Company into the VIC/P57 joint bank account for VIC/P57 within 5 business days of receipt of Shareholder approval for the transaction.

The VIC/L31 Transfer Agreement provides for the transfer to CHPL of a [6.07]% interest in VIC/L31 against the set off the amount of US\$[1.945 million] being the amount that the Company owed to the Operator in relation to the VIC/L31 cash calls as at 31 May 2014.

Under the L31 Option Deed the Company has agreed to grant CHPL an option to acquire from the Company all of the interest that CHPL does not hold in VIC/L31. The option may be exercised by CHPL during the period of 5 business days following receipt of Shareholder approval. The consideration payable is based on the fair market value of VIC/L31 as set out in a report prepared by Deloitte Touche Tohmatsu, jointly appointed by the Company and CHPL as independent financial valuer. If the option is exercised, the remaining [43.83]% in VIC/L31 the Company holds will be sold to CHPL in return for US\$[14.05 million].

Under the HiRex Farm-in Agreement HIREX has been granted the option to earn a 20% interest in VIC/P57 directly from the Company in return for the provision of data analysis for VIC/P57 using the HIREX virtual drilling technology. The option to farm-in is exercisable within 1 month following receipt of all condition precedents identified below.

Status of Conditions Precedent

The conditions precedent for the completion of the transactions under each of the Transaction Documents include:

- Shareholder approval for the transaction; and
- Completion of each of the other Transaction Documents.
- Approval of the Foreign Investment Review Board;
- Australian government regulatory approval for the transfer of the relevant interests in VIC/P57 and VIC/L31;

The conditions precedent relating to the approval of Shareholders must be satisfied by 17 August 2014 otherwise CHPL may terminate each of the Transaction

Documents and all current outstanding cash calls owed by the Company under the P57 JOA will become immediately due and payable, and the abovementioned US\$2,000,000 down payment will need to be repaid to CHPL.

For further information please contact:

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