ANNUAL REPORT 2013

3D OIL

FIRST OIL IS ON THE HORIZON

FINAL INVESTMENT DECISION FOR WEST SEAHORSE DEVELOPMENT IS TARGETED WITHIN 6 MONTHS

HIGH QUALITY PARTNER

Hibiscus Petroleum, A$200m+ Malaysian company, is our JV operating partner and 13% shareholder

DRILL RIG SECURED

JV has purchased $15m rig to convert to MOPU

FAST DEVELOPMENT PAY BACK

Strong free cash flows anticipated within 6 months of development

EXCITING MEDIUM TERM POTENTIAL IN PROVEN FAIRWAYS

VIC/P57 contains low risk high impact oil features

T/49P contains large gas features

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MANAGING DIRECTOR'S REPORT

A lot can happen in a year and certainly the last one has proved to be eventful for 3D Oil.

At the time of writing this letter last year the company had just secured the farmin of Hibiscus Petroleum into VIC/P57 which underpinned the commencement of the development of the West Seahorse oil field. The farmin, which committed A$27 million to the development and A$2 million subscription to 3D Oil, commenced a very exciting 12 months.

Our first achievement was to have a Location declared over the West Seahorse oil field, a precursor to a Production Licence, in November 2012.

Early in 2013 a development concept was selected and WorleyParsons was awarded the Front End Engineering and Design (FEED) contract. The selection followed a comprehensive review of a variety of alternatives. The Joint Venture ultimately selected an offshore solution for the exploitation of West Seahorse based on a cost effective approach and minimum time to first oil. The decision to install stand-alone production facilities offshore reflected the inability to negotiate access to third party facilities and also the potential risks to the project schedule inherent in the onshore approvals process.

Our development choice consists of production via a leased Mobile Offshore Production Unit (MOPU) in to a leased tanker serving as a Floating Storage and Offloading (FSO) Vessel which will enable crude oil sales both locally and internationally. The field life is anticipated to be 4 to 5 years with initial production rates expected to be as high as 12,000 barrels of oil per day. This choice was a clear decision after failing to negotiate access to third party facilities and the onshore approvals process potentially delaying the project a further year.

Also early in 2013 a preliminary Field Development Plan (FDP) was submitted for comment to NOPTA. Following a favourable response, the Joint Venture moved quickly moved to submit both the final FDP and the application for the West Seahorse Production Licence. Submitting an application for a Production Licence was a significant step toward bringing the West Seahorse oil field into production. We are expecting the granting of this licence shortly; a landmark in 3D Oil's short history.

In July of this year the Joint Venture showed its commitment to the West Seahorse development, prior to FID, with the purchase of the Britannia jack up rig. The rig, which will be converted to a MOPU, secures a vital element of infrastructure for the West Seahorse project and enhances the Joint Venture's fast-track development potentially accelerating the schedule to first oil production. The Joint Venture plans for the Britannia to be sold, potentially this year, and leased back for the life of the West Seahorse oil field.

The purchase of the Britannia is an innovative step which provides many advantages to the development of West Seahorse which ultimately will accelerate first oil. Importantly it increases our control over the project schedule and should improve the critical path of safety case approval and reduce the capital and drilling costs.

I believe the most exciting aspect of the West Seahorse development plan is that it allows for tie-ins of any nearby future discoveries, or even for the relocation of the production infrastructure elsewhere in VIC/P57 in the event of further discoveries. For example, it is our intention to drill the highly prospective Sea Lion feature prior to drilling the production wells on West Seahorse. In the event of a discovery Sea Lion can be easily tied into to the West Seahorse development which would significantly improve the economics of both fields. Further if we make a discovery at say Felix down the track, then the infrastructure could be moved once West Seahorse production is completed.

Over the coming months the Joint Venture is planning on reaching FID. In anticipation of this event we have commenced discussions with the major Australian banks in relation to debt funding. To date we have had very favourable responses. This project is particularly attractive to banks as the high initial production rates mean that the payback period is very short.

As I stated in my letter last year I am optimistic we can finance a significant component of capital expenditure through debt while seeking to minimise the equity component. To this end we will also consider the sell-down of a minority interest in the VIC/P57 permit in order provide capital and reduce exposure. Arguably this can achieve much better value and significantly less shareholder dilution in the project compared to what would be a significant issuing of new shares.

Since the inception of 3D Oil it has always been our intention to be a gas explorer and ultimately a gas producer. Strategically, gas sales can provide a hedge against oil price volatility as they are typically locked into long term contracts. Further we are finally seeing higher gas prices on the east coast as has been predicted for some years now. Historically the gas markets in the eastern states have been isolated, while Victoria in particular has had low gas prices. Pipeline inter-connections between eastern states have now been established allowing domestic trade between producing and consuming regions. CSG to LNG projects in Queensland will soon begin exports which will expose the eastern gas market to international pricing.

CHAIRMAN'S LETTER

Three factors are expected to underpin an increase in eastern Australia gas prices: First, the unwinding of major low cost, long term gas contracts, second, exposure to international pricing through LNG exports and third, increasing cost of exploration and development for new gas sources. Evidence from recent transactions in the eastern Australian market supports the current market consensus view that gas prices will rise to $6 to $9 / GJ by 2015/16. Several recent gas supply deals provide evidence for this increasing price environment in eastern Australia.

This scenario provides the back drop to the acquisition of our new permit T/49P. As a geologist who has worked the North West Shelf for many years I am attracted by the similarities of the petroleum geology in this area to the western gas margin containing many giant fields. However T/49P offers the advantages of shallow water (jack up territory), shallow drilling targets, minimal previous exploration and a location close to infrastructure and the eastern states gas market. To secure an equivalent block on the NW Shelf would require a significantly larger bid level than our commitment to a 3D seismic survey in T/49P. The new permit has already attracted the attention of some larger companies who have effectively 'cold called' expressing their interest and it is our intention to secure a partnership with an eastern states gas player. I look forward to achieving this outcome in the short term.

On behalf of the company, I thank the Board and 3D Oil team for their endeavours and commitment over the last year. They are an integral part of realising our ambition of becoming an Australian oil and gas producer.

During the last year 3D Oil has taken some large steps towards its goals, with the consequence that first oil is now truly in our sights.

Noel Newell
Managing Director

PROGRESS

The year 2013 saw 3D Oil take advantage of the opportunity provided by the farm out to knuckle down and make considerable progress towards achieving our commercial objectives as well as adding an exciting new dimension to its business.

There were three key developments in our business which represent significant steps forward in 2013. The first is the selection of the offshore development plan which accelerates first oil as well as removing what were proving to be insurmountable obstacles onshore. The purchase of the Britannia jack up rig following an exhaustive search provides the much greater control over the drilling schedule as well as giving the project greater flexibility and reduced costs. The application for the West Seahorse Production Licence is an important step for 3D Oil.

This year marked the first year of Hibiscus Petroleum's involvement with in the development of VIC/P57 with both companies pulling out all stops to ensure that the final investment decision and first oil become a reality. As well as providing necessary capital for the project, Hibiscus as operator has assembled an impressive team of project managers and petroleum engineers with international experience. This together with our company's intimate local knowledge of the Bass Strait oil fields means that the joint venture has a great deal of commercial and technical expertise at its disposal. There is a sense of urgency about the need to get the project up and running by the earliest possible date.

The Board are delighted about the acquisition of T/49P. Its location gives it a number of advantages and there is significant upward pressure in gas prices in the Eastern states. It is good business practice to have a diverse portfolio of assets and this has been something that the directors have been conscious of for some time. The fact that Noel has been contacted by a number of well known companies keen to farm into the permit shows that that the decision to bid for this permit was an inspired one.

I have been impressed by the management team this year and in particular by the way that they have with Noel reported the company's operations to the board and driven the business. I thank them as I do all those who have helped us advance our progress and develop our asset base including other employees, contractors, consultants and my fellow non executive directors. Philippa Kelly will be leaving us this year after three years service and I thank her on behalf of the board for her contribution particularly during the farm out.

I thank shareholders for their support and look forward to a successful 2014.

Campbell Horsfall

Campbell Horsfall
Chairman

REVIEW OF OPERATIONS

3D Oil Limited has a 49.9% interest in the offshore Gippsland Basin permit VIC/P57 (non operator) and a 100% interest in the offshore Otway Basin permit T/49P (Figure 1).

During the past year 3D Oil has made significant progress in the development of the West Seahorse oil field. On 15 August 2012 the Company announced that it had entered into a farm-in agreement with Carnarvon Hibiscus Pty Ltd ('Carnarvon') and Hibiscus Petroleum Berhad ('Hibiscus') that will provide funding for the progress of the development of the West Seahorse oil field and potentially facilitate the drilling of an exploration well at Sea Lion prospect, both in permit VIC/P57 in the offshore Gippsland Basin. On the 8 January 2013 it was announced the farmin deal had been completed with a commitment of A$27 million towards the West Seahorse development.

This key event opened a new chapter in the Company's operations with the Joint Venture moving rapidly on the development of West Seahorse since completing the farmin. The commitment by the Joint Venture to the development was illustrated with the announcement on 19 July 2013 of the purchase of the Britannia jack-up rig which will be converted to a Mobile Offshore Production Unit (MOPU). The Joint Venture plans for the Britannia to be sold and leased back for the life of the West Seahorse oil field. The purchase secures a vital element of infrastructure for the West Seahorse project and enhances the Joint Venture's fast-track development potentially accelerating the schedule to first oil production.

The announcement of the award of T/49P permit, adjacent the Thylacine/Geographe gas fields on 24 May 2013 was a great example of the company leveraging its competitive knowledge in the region to broaden our portfolio. Gaining a foothold in the eastern Australian gas markets has long been a strategic goal for 3D Oil and this was a significant step towards this goal. This acquisition strongly complements our West Seahorse oil development and the related oil-focused exploration in our VIC/P57 permit.

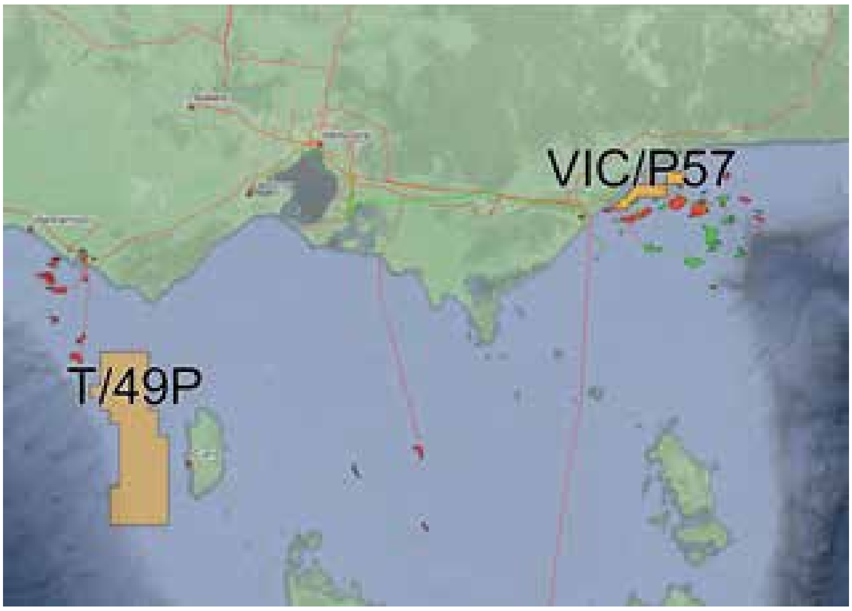


Figure 1: 3D Oil Limited current permits

VIC/P57, GIPPSLAND BASIN, OFFSHORE VICTORIA

BACKGROUND

Exploration permit VIC/P57 is located in the north-west of the offshore Gippsland Basin (Figure 2). It is the foundation asset for 3D Oil and contains the undeveloped West Seahorse oil field and several other prospects and leads. VIC/P57, which is proximal to shore and in shallow water depths, comprises approximately 483 square kilometres. The minimum work requirements for the permit include the drilling of one exploration well before August 2014 and another before August 2016.

During the year to 30 June 2013, 3D Oil Limited farmed-out an interest in VIC/P57 in a deal that has enabled a new phase of activity and put the West Seahorse oil field on the path to production.

The $27 million VIC/P57 farm-out to Hibiscus was signed on 15 August 2012 and was formally completed on 8 January 2013. 3D Oil now retains a 49.9% working interest in VIC/P57 while Hibiscus holds a 50.1% interest and is Operator of the new VIC/P57 joint venture.

As VIC/P57 Operator, Hibiscus quickly established a Melbourne-based West Seahorse development project team. The team is comprised of personnel from Hibiscus Petroleum, 3D Oil, engineering firm WorleyParsons and other specialists and has finalized the development concept and is well advanced with Front-end Engineering and Design (FEED) studies, as well as regulatory and approvals work.

3D Oil has retained a significant role within the joint venture and the West Seahorse project team. 3D Oil is responsible for exploration within the permit and for the subsurface (geoscience) aspects of the West Seahorse development, as well as some commercial and administrative aspects. This arrangement makes effective use of the complementary strengths of Hibiscus in field development and project management and the local knowledge and geoscience capability of 3D Oil.

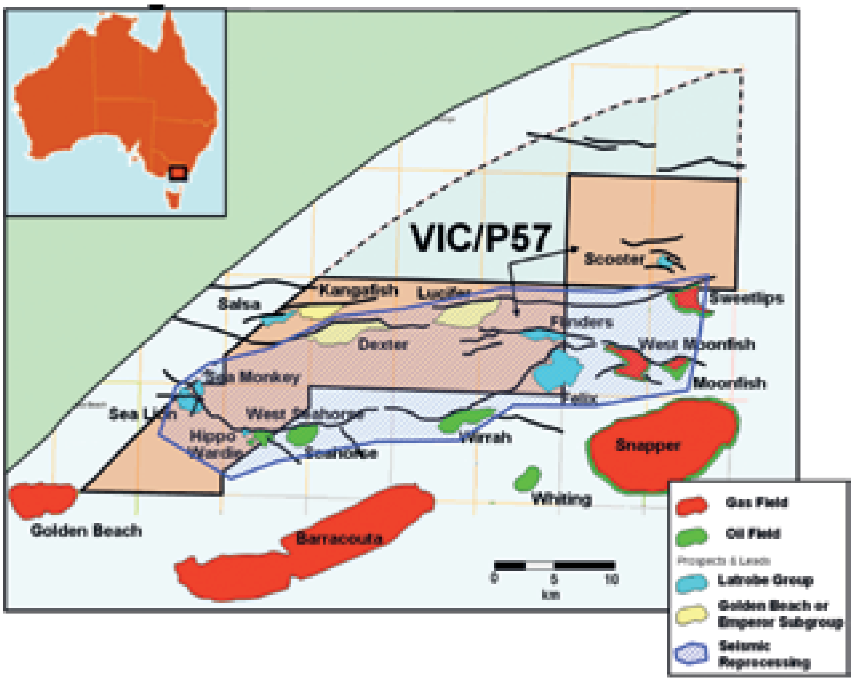


Figure 2: Exploration permit VIC/P57, showing prospects and leads and the approximate area over which 3D seismic data is being reprocessed. (Note; dashed outline shows area of original permit which has been relinquished).

WEST SEAHORSE PROJECT PROGRESS

The joint venture has adopted an aggressive project schedule with the objective of producing oil by early 2015. Since its formation, the West Seahorse project team has consistently achieved significant milestones towards this goal. These milestones include:

- The National Offshore Petroleum Titles Administrator (NOPTA), following a submission by the joint venture, declared a Location over the West Seahorse oil field on 2 November 2012. This is a necessary step towards the granting of a Production Licence.
- The Preliminary Field Development Plan for the West Seahorse oilfield was completed and submitted to NOPTA for initial review in January 2013. The Final Field Development Plan, incorporating comments from NOPTA, was submitted on 13 May 2013.
- Approval of the farmin transaction by the Foreign Investment Review Board was obtained as announced on 5 October 2012.
- The VIC/P57 joint venture was formally established on 8 January 2013 and the full $27 million of farmin funding has been contributed by Hibiscus.
- The joint venture finalized the selection of an offshore development concept for West Seahorse. This decision followed a comprehensive review of alternatives and was announced on 16 April 2013. The final concept is described in detail below.
- The Front End Engineering and Design (FEED) contract was awarded to Melbourne-based engineering firm Worley Parsons and work is continuing, following on from the firm's conceptual engineering and planning for the project.

- An application for a Production Licence over West Seahorse was submitted to NOPTA on 29 April 2013. NOPTA has confirmed that no further data is required in relation to the Application. This secures significant credits for the project under the Petroleum Resource Rent Tax regime.
- On 19 July 2013, the VIC/P57 Joint Venture announced that it had purchased a jack up drilling rig to be converted to Mobile Offshore Production Unit (MOPU) for the West Seahorse oil field. The US$12 million purchase secures a key element of project infrastructure and will accelerate first oil production from the West Seahorse. The JV plans to sell the Britannia to a MOPU contractor at or before the West Seahorse project Final Investment Decision (FID). The MOPU contractor will undertake the conversion to the West Seahorse and then lease back the Britannia MOPU for the life of the WSH field.
- The joint venture has submitted the referral for West Seahorse under the Environment Protection and Biodiversity Conservation (EPBC) Act. This was submitted to the Department of Sustainability, Environment, Water, Population and Communities (SEWPaC) on 20 August 2013.

  These milestones demonstrate 3D Oil's ongoing commitment to the West Seahorse development. Engineering and geoscience work is continuing in conjunction with commercial and regulatory approval processes. This effort will lead to the Final Investment Decision (FID) for the West Seahorse project which is expected in the fourth quarter of 2013.

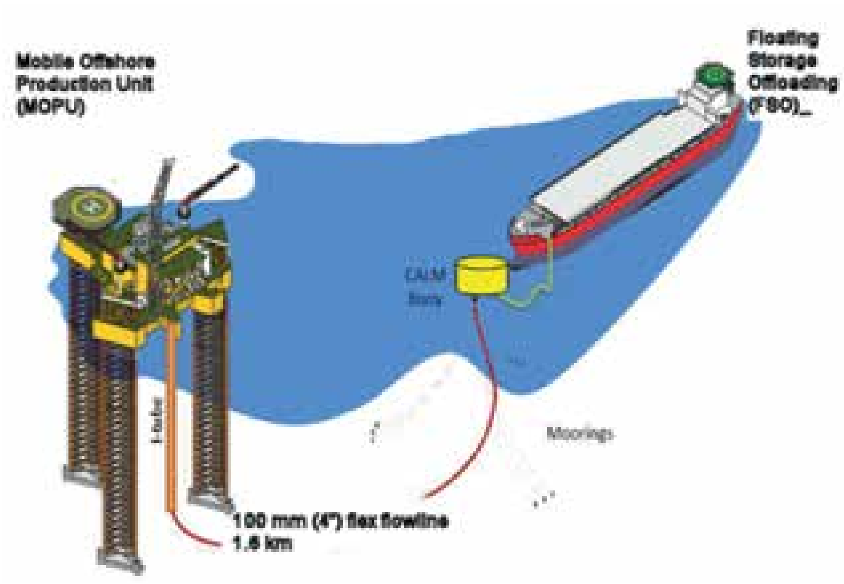


Figure 3: Schematic illustration of the West Seahorse development

WEST SEAHORSE DEVELOPMENT CONCEPT

The development concept consists of production via a leased (MOPU) in to a leased tanker serving as a Floating Storage and Offloading (FSO) Vessel. This will enable crude oil sales both locally and internationally. The field life is anticipated to be 4 to 5 years, dependent on a number of factors including operating costs and oil price. Initial production rates are expected to be as high as 12,000 barrels of oil per day.

The West Seahorse Development Concept is described as follows (refer Figure 3):

- Two production wells will be drilled and completed via a self-contained de-mountable modular drilling rig temporarily installed on the MOPU. The size of the Britannia allows the use of a modular rig thereby eliminating the need to contract a separate offshore drilling unit as had been previously considered. Two production wells will be connected directly to the MOPU through the use of surface completions.
- The Britannia jack-up rig will be refurbished and modified for duty as a (MOPU). It will be fixed to the seabed at West Seahorse field location for the life of the project. The MOPU will include processing facilities to remove associated gas and water, to stabilise the crude oil, and export the stabilised crude. Produced gas will be processed and utilized for fuel gas and enhanced recovery (gas lift) with the remaining gas being flared. Produced water will be treated to regulatory requirement quality and disposed overboard.
- The stabilised oil will be produced via a 1.6km 4-inch flexible flowline to a catenary anchor leg moored (CALM) buoy and flexible hose to a Floating Storage Offloading (FSO) vessel. The FSO can then either load to another vessel in tandem mooring or shuttle the crude to a refinery.

THE WEST SEAHORSE OIL FIELD

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 as high as 12,000 barrels of oil per day.

Gaffney Cline & Associates (GCA), independent experts engaged by 3D Oil, have determined a best estimate of 9.2 million barrels of recoverable oil from West Seahorse (2C Contingent Resources). GCA's 2011 estimates remain current at this time and are detailed in the table below.

WEST SEAHORSE FIELD CONTINGENT RESOURCES (MMBBL)

	Gross 100% Field		
Reservoir	1C	2C	3C
Main Reservoirs Nlu/Nl/N2.6	4.2	7.4	10.6
Secondary reservoir Gurnard	0.0	1.8	3.6
Total West Seahorse Field	**4.2**	**9.2**	**14.5**

1 As part of the approvals and funding process for the West Seahorse development, GCA has been engaged to update this work on the basis of newly available re-processed seismic data over the field and to take in to account the progress that the joint venture has made towards commercializing the West Seahorse field. This is expected to result in the reclassification of some of these volumes from resources into reserves. The updated GCA estimates will be reported when they become available.

VIC/P57 EXPLORATION

Work by 3D Oil in VIC/P57 throughout the tenure of the permit has identified a strong inventory of leads and prospects (Figure 2).

During the year 3D Oil has focused on the West Seahorse development and so the VIC/P57 exploration effort has concentrated on nearby prospects with the potential to be developed in conjunction with West Seahorse. The Hippo & Wardie leads are within the West Seahorse Production Licence application area and the Sea Lion prospect is approximately 8kms to the north. Success at any of these targets could potentially be brought to market via the planned West Seahorse facilities allowing enhanced economics for all the related projects.

3D seismic data reprocessed using post stack depth migration (PSDM) was interpreted over the West Seahorse project area and the Sea Lion prospect.

The Sea Lion Prospect (Figure 4) is a robust closure at the top of the Latrobe group, with closures also at multiple reservoir levels deeper in the structure. Similar to West Seahorse, and most other top-Latrobe discoveries, the Sea Lion structure is the product of reverse movements on deep-seated faults. Sea Lion is also augmented by the compaction of coals and shales around prominent channel sand bodies that appear in the seismic data (Figure 5). This has resulted in a structure with strong positive relief and with no faulting observed in the top seal. Undrilled closed anticlines of this type in the Gippsland Basin are highly prospective. Evidence for good channel sands comes directly from seismic data and is consistent with the West Seahorse -1 and 2 wells.

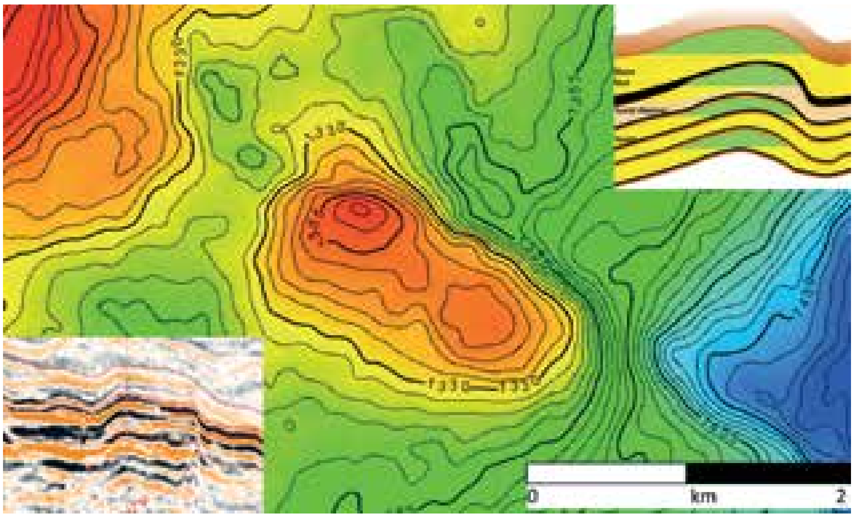


Figure 4: Depth map of top of the Latrobe Group at Sea Lion, (insets seismic image and reservoir model showing stacked reservoirs)

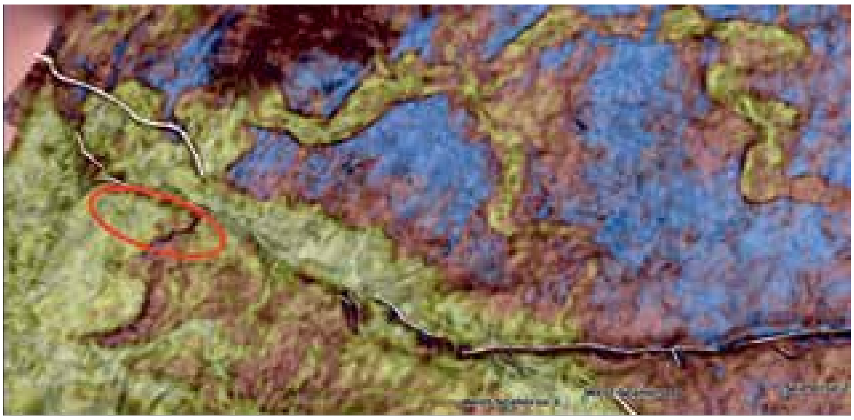


Figure 5: seismic amplitude and coherency map at the N1 reservoir showing clear evidence of large channel sands at Sea Lion.

Work related to Sea Lion and Hippo/Wardie in the area to the northwest of West Seahorse has provided evidence for good shore-face reservoir sands at the top Latrobe Group. These sands are present in nearby wells and can be interpreted into VIC/P57 on the seismic data (Figure 6).

The combination of prominent mapped depth structure and the likely presence of thick high quality reservoir sands overlain by the regional Lakes Entrance Formation seal makes Seal Lion uniquely prospective in VIC/P57. The Sea Lion prospect has been proposed to the VIC/P57 Joint Venture as the preferred option for the exploration well required under the work programme for VIC/P57.

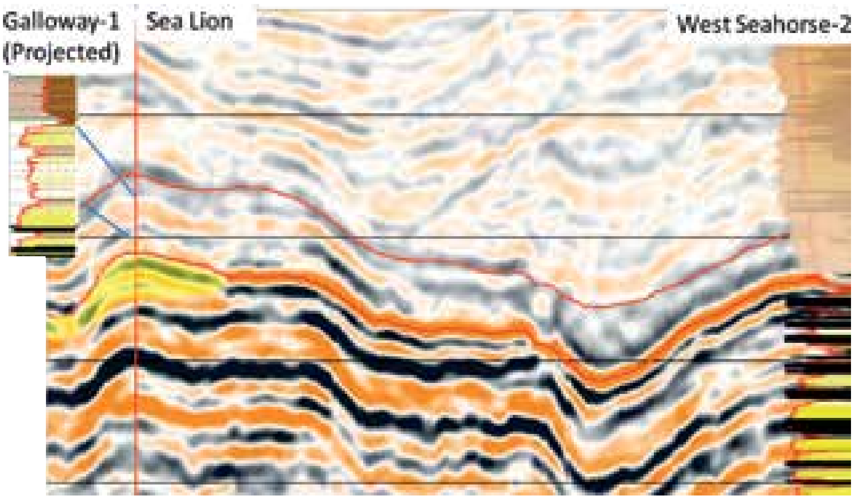


Figure 6: Detail of seismic data between Sea Lion and West Seahorse-2 showing additional reservoir section above Latrobe Group coals, and thickening due to channel sands within the upper coaly intervals.

The Sea Lion prospect was the subject of an independent resource assessment (RISC 2012) as part of the Hibiscus 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 combined probabilistic estimate of the most likely (P50) Prospective Resources for the three main target levels was 11.0 MMbbl of oil. A discovery in Sea Lion has the potential to add significant value as a tie-in to the West Seahorse development. The Sea Lion prospect also contains a deeper gas play as a secondary target.

The Hippo & Wardie prospects are within the boundaries of the Production Licence application, and as such the timing of eventual drilling is not influenced by the VIC/P57 work programme.

The Hippo feature, (Figure 7) is an anticline adjacent to (or part of) the structure that forms the West Seahorse Field. Interpretation and depth conversion of the seismic data over Hippo has previously indicated that the N1 and N2.6 reservoir sands are relatively small, with little volume above their Oil Water Contacts.

The Wardie-1 well encountered oil saturated sand stratigraphically higher than any previous reservoir on the West Seahorse structure, now classified as the N-0 sand. Seismic and well data, combined with a sequence stratigraphic review suggests that thicker, good quality sands connected to the thin oil sand at Wardie-1 are possible (Figure 8). A spill point for the N0 sand to the south west of Wardie-1 has been mapped at the same OWC as for the N1 sands in the main West Seahorse field, implying a connection between the 2 reservoirs.

Using this model, Hippo may contain up to 5 MMbbl of OOIP, with the thinner, more laterally extensive sand at Wardie possibly containing another 5 MMbbl of OOIP.

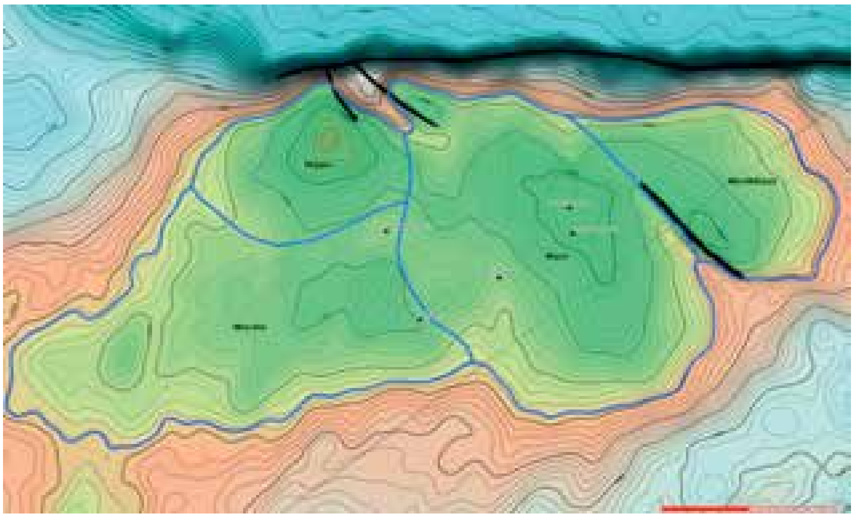


Figure 7: Top N-0 Sand

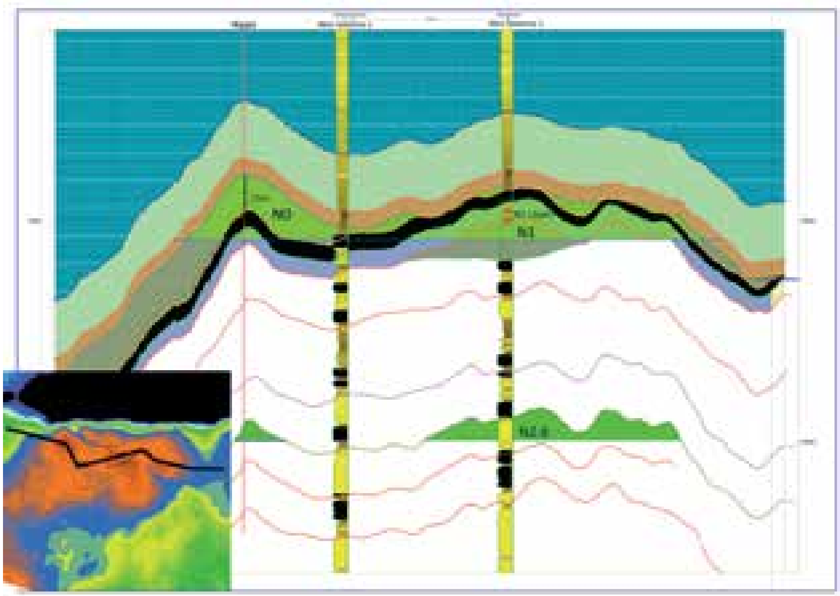


Figure 8: Cross section through West Seahorse illustrating interpreted N-0 sand

T/49P, OTWAY BASIN, OFFSHORE TASMANIA

3D Oil Limited was granted a new exploration permit in the Tasmanian part of the Otway Basin on the 22nd of May 2013. The permit, T/49P (Figure 9), has a 6 year initial term with a guaranteed work program consisting of preliminary studies followed by a 755 km^2 3D marine seismic acquisition program. Permit T/49P is situated 250 km SE of Melbourne and immediately west of King Island in water depths which are generally less than 200m. T/49P is an exceptionally attractive permit as it covers area of 4,960 km^2 within a shallow water shelf environment.

The permit is lightly explored and covered by a sparse grid of 2D seismic data of varying vintages with two early exploration wells. The Company is in the process of completing the interpretation and mapping of the 2D seismic data and has identified a portfolio of exploration leads underlying the Belfast Formation with a combined GIP estimate of over 5 TCF. The leads are on trend and of similar style to major nearby producing gas fields. The closest fields to T/49P are the Thylacine and Geographe gas fields which have a combined gas in place ('GIP') of over 2 TCF. The former is the largest gas discovery in the Otway Basin.

Figure 9: T/49P Location map

MINIMUM GUARANTEED WORK PROGRAMME

The total indicative expenditure for the proposed six (6) year work programme for Permit T/49P is $54.15 million (Figure 10). The work program is divided into three phases. In Year 1 3D Oil will undertake a regional petroleum systems analysis including sequence stratigraphy, source modeling and structural analysis to build a geological model. 3D Oil will also prepare for a 3D seismic acquisition program which is planned for Year 2 including an environmental plan.

Year	Activity	Indicative expenditure (a$ million) Gross	Cumulative
Minimum guaranteed work programme		**$**	**$**
Year 1	1. Commence approval and planning process for seismic acquisition.	0.150	
	2. G&G Studies, Seismic mapping, sequence stratigraphic study, basin modelling.	0.200	0.400
	3. Reprocess 500km of 2D seismic.	0.050	
Year 2	1. Acquire and process 755 km2 of new 3D seismic.	12.000	12.400
Year 3	1. Seismic Interpretation	0.250	13.150
	2. Geological and Geophysical studies.	0.500	
	Total		**13.150**
Secondary work programme			
Year 4	1. Drilling planning and preparation	0.500	20.500
	2. Drill 1 exploration well	20.000	
Year 5	1. Review well results	0.500	21.000
Year 6	1. Drill 1 exploration well	20.000	41.000

Figure 10: Proposed Work Programme

BACKGROUND

Two decades after the first commercial discoveries onshore and 25 years after the commencement of drilling in the offshore, the first gas discovery in the Otway Basin was made. The Minerva-1 (1993) and La Bella-1 (1994) discoveries occurred as a result of the renewed interest by BHP Petroleum in the offshore.

In the late nineties a fundamental change in the eastern Australia gas markets combined with the advent of modern 3D seismic resulted in a third wave of activity and consequently a succession of other discoveries. Woodside made significant gas discoveries with both Thylacine and Geographe (Figure 11), while further inboard Santos discovered gas in the Casino-1 well. Following these, a number of discoveries were made in this area, including Halladale, Blackwatch and Henry. This group of gas discoveries broadly defines a sweet spot with a relatively high success rate since the Minerva discovery.

The early technical evaluation of T/49P completed by 3D Oil, has incorporated a considerable knowledge base that 3D Oil has acquired as an operator of two permits in the Bass Strait region and in previous studies of the Otway Basin together with the extensive in-house experience. The assessment has addressed the principal controls on maturation, timing of generation and expulsion of hydrocarbons, gas versus oil risk, seal integrity, reservoir quality, trap configuration and integrity.

3D Oil has concluded that within T/49P there is good potential for moderate size gas discoveries in the Waarre Formation, albeit with a number of associated risks. The perceived risks in T/49P include the Prawn-1 and Whelk-1 wells which were both dry holes located on the Prawn Shelf. They are interpreted as having a lack of reservoir and/or seal. Modern seismic indicates Prawn-1 was drilled off structure and did not target the formations currently of interest. A trace of ethane and propane within the Waarre sands in Prawn-1 suggest migration to this area is possible and updip potential provides an additional target.

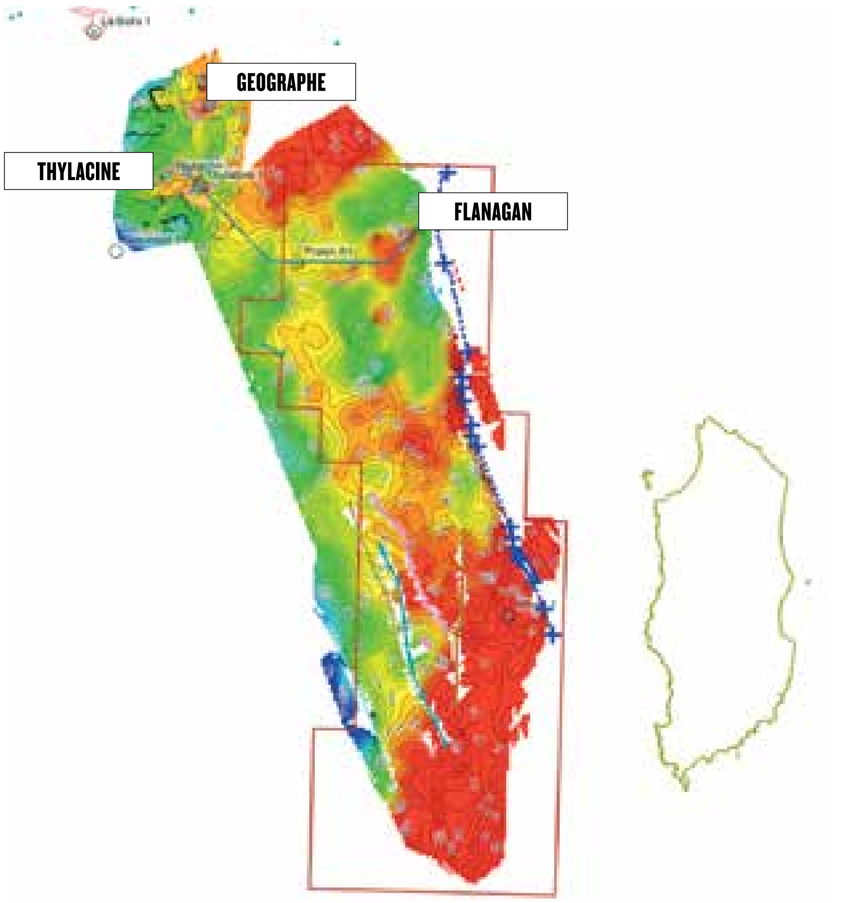


Figure 11: Time structure base seal

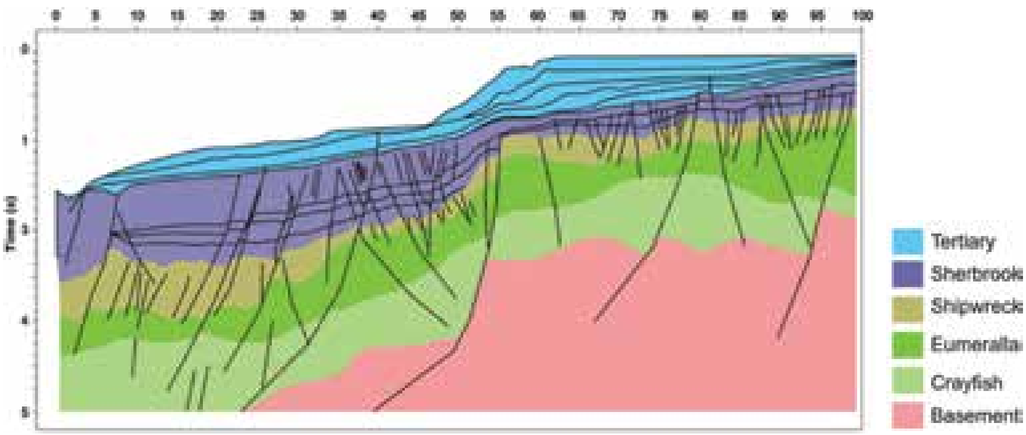


Figure 12: Schematic cross section through T/49P

PRIMARY PLAY CONCEPT

A petroleum system is interpreted to be active within T/49P and has been proven in adjacent permits. A thick accumulation of sediments to the east of several leads suggests the possibility for the location for a second generative source. Estimates of barrels of oil equivalent indicate potential resources in excess of a billion barrels.

The perceived geological prospectivity is underpinned by several key factors. The presence of a thick 'Tertiary wedge' (Figure 12) located approximately coincident with the shelf-break edge in a largely north-south orientation. This feature is consistent with successful plays further to the north and west along the offshore Otway and is also analogous to productive areas on the Northwest Shelf and many other examples around the world. While seismic coverage is sparse, this feature can clearly be seen within the western sector of T/49P. 3D Oil considers that the rapid recent burial evidenced by this build-up of sediment will have caused late stage hydrocarbon generation from the Eumeralla Formation and potentially other formations along this margin. This qualitative view is one area that 3D Oil will address more formally with a comprehensive modelling study during Year 1 of the new permit.

Seismic facies interpretation in the area indicates areas of good seal based upon a low acoustic signature sequence which has been correlated with the Belfast Mudstone and adjacent units. This sequence overlies a complexly faulted sequence of higher amplitude seismic events interpreted to be the Waarre Formation and its equivalents. 3D Oil interprets this as potentially analogous to the reservoir and seal combinations that are successful in the known Otway basin gas fields to the north. Though no associated amplitude anomalies have been recognised in Area T/49P, these are often associated with the established northern gas fields (Figure 13).

In terms of structuring, the presence of a prevailing NNW-SSE normal fault trend provides the mechanism to create fault-related traps segmented by zones of accommodation. However mapping this complexity requires much greater spatial resolution than offered by the existing 2D seismic grid and consequently 3D Oil's bid includes a significant 3D seismic acquisition program.

The proposed exploration program is designed to rapidly mature one or more prospects. To achieve this, 3D seismic acquisition will be required over the most promising group of identified leads followed by detailed seismic attribute analysis. Due to the environmental sensitivity of this region, this acquisition has been programmed for the second year to provide sufficient time for regulatory approvals and stakeholder consultation.

Commitment to the secondary program will be dependent on the results of the 3D seismic in conjunction with the ongoing geological and geophysical studies.

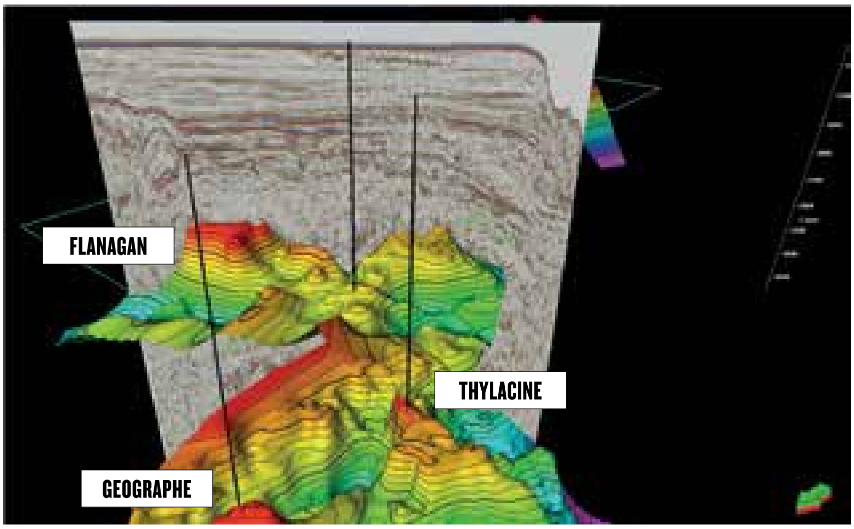


Figure 13: 3D image of Thylacine and Geographe Fields and Flanagan Prospect

DIRECTORS' REPORT

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 for the year ended 30 June 2013.

DIRECTORS

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

Mr Campbell Horsfall
Mr Noel Newell
Ms Melanie Leydin
Ms Philippa Kelly
Dr Kenneth Pereira
(appointed 4 September 2012)

PRINCIPAL ACTIVITIES

During the financial year the principal continuing activities of the company consisted of exploration and development of upstream oil and gas assets.

DIVIDENDS

There were no dividends paid or declared during the current or previous financial year.

The consolidated entity does not have franking credits available for subsequent financial years.

REVIEW OF OPERATIONS

The loss for the consolidated entity after providing for income tax amounted to $2,033,105 (30 June 2012: $6,976,803).

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

FINANCIAL POSITION

The net assets of the Group increased by $31,718 to $22,198,218 at 30 June 2013 (2012: $22,166,500), with capital raisings and joint venture reimbursements offsetting operation and exploration activities.

The consolidated entity's working capital position at 30 June 2013, being current assets less current liabilities was $2,099,510, increasing by $30,208 from the previous financial year.

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year the consolidated entity farmed out it's 50.1% interest in petroleum exploration permit VIC/P57 to Carnarvon Hibiscus Pty Ltd a wholly owned subsidiary of Hibiscus Petroleum Berhad. In consideration for this farmout Carnarvon Hibiscus Pty Ltd will invest $27 million to the progress of West Seahorse.

On 4 September 2012, the consolidated entity placed 30,963,000 fully paid ordinary shares to Hibiscus Petroleum Berhad at 6.6 cents per share raising $2,043,558, following the agreement to farm out 50.1% of it's interest in VIC/P57.

On 27 May 2013 the Company incorporated a wholly owned subsidiary 3D Oil T49P Pty Ltd. This subsidiary will hold the consolidated entity's newly granted licence T49P.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2013 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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The consolidated entity will continue to pursue its objectives of developing and exploiting the West Seahorse Oil Field (VIC/P57) in Joint Venture partnership with Carnarvon Hibiscus Pty Ltd. The Joint Venture partners have selected an offshore production solution for production and applied for a production licence. The final investment decision is expected to occur immediately following Regulatory Approval which is expected in the next financial year.

The development of the production facilities is expected to be financed predominantly by project debt and some additional equity from the Joint Venture partners. The exact amounts and the composition of the financing is yet to be fully determined.

3D Oil will continue to develop other permits held and to this end has obtained a new exploration permit (T/49P) in the offshore Otway Basin of Tasmania. Over the course of the next 3 years the Minimum Guaranteed Work Programme sets out planned expenditures of $13.15 million. 3D Oil intend to seek a farm-in partner to assist in financing the work programme.

ENVIRONMENTAL REGULATION

The consolidated entity holds participating interests in a number of oil and gas areas. The various authorities granting such tenements require the licence holder to comply with the terms of the grant of the licence and all directions given to it under those terms of the licence. There have been no known breaches of the tenement conditions, and no such breaches have been notified by any government agencies during the year ended 30 June 2013.

INFORMATION ON DIRECTORS

Mr Campbell Horsfall

Non-Executive Director and Chairman

Qualifications

B.Comm., LL.B (Melb)

Experience and expertise

Campbell Horsfall is a lawyer with extensive experience in the petroleum industry and has held positions as Company Solicitor for BP Australia Ltd, BHP Petroleum, Japan Australia LNG (MIMI) Pty Ltd and was General Counsel of Vicpower Trading (formerly the State Electricity Commission of Victoria). Campbell holds Degrees in Law and Commerce from the University of Melbourne and a Diploma from the Securities Institute and practices as a barrister in Melbourne.

Campbell has commercial expertise in fund raisings, mergers and acquisitions as well as the day to day running of an ASX listed public company. He has been a director of two other public companies and was a non-executive director of Orchard Petroleum Limited. Orchard Petroleum is an oil and gas exploration company based in California, USA.

Other current directorships

None

Former directorships (in the last 3 years)

None

Special responsibilities

Member of Audit Committee and Remuneration and Nomination Committee

Interests in shares

38,000 ordinary fully paid shares

Interests in options

None

Mr Noel Newell

Executive Director

Qualifications

B App Sc (App Geol)

Experience and expertise

Noel Newell holds a Bachelor of Applied Science and has over 25 years experience in the oil and gas industry, with 20 years of this time with BHP Billiton and Petrofina. With these companies he has been technically involved in exploration of areas around the globe, particularly South East Asia and all major Australian offshore basins. Prior to leaving BHP Billiton in 2002, Noel was Principal Geologist working within the Southern Margin Company and primarily responsible for exploration within the Gippsland Basin. Noel has a number of technical publications and has co-authored Best Paper and runner up Best Paper at the Australian Petroleum Production & Exploration Association conference and Best Paper at the Western Australian Basins Symposium.

Noel is the founder of 3D Oil. Immediately prior to starting 3D Oil, Noel was a technical advisor to Nexus Energy Limited and was directly involved in their move to explore in the offshore of the Gippsland Basin.

Other current directorships

None

Former directorships (in the last 3 years)

None

Special responsibilities

None

Interests in shares

38,147,650 ordinary fully paid shares.

Interests in options

None

Ms Melanie Leydin

Non-executive Director and Company Secretary

Qualifications

B.Bus CA

Experience and expertise

Melanie Leydin is a Chartered Accountant and is a Registered Company Auditor.

She Graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of chartered accounting firm, Leydin Freyer.

In the course of her practice she audits listed and unlisted public companies involved in the resources industry. Her practice also involves outsourced company secretarial and accounting services to public companies in the resources sector. This involves preparation of statutory financial statements, annual reports, half year reports, stock exchange announcements and quarterly ASX reporting and other statutory requirements.

Melanie has 22 years experience in the accounting profession and is a director and company secretary for a number of oil and gas, junior mining and exploration entities listed on the Australian Stock Exchange.

Other current directorships

None

Former directorships (in the last 3 years)

Celamin Holdings NL
(resigned: 9 October 2012)

Special responsibilities

Person of Audit Committee and Member of Remuneration and Nomination Committee

Interests in shares

150,000 ordinary fully paid shares

Interests in options

None

Ms Philippa Kelly

Non-Executive Director

Qualifications

LLB, FFin, GAICD

Experience and expertise

Philippa Kelly has over 25 years experience in the corporate sector, with a background in law and investment banking. She is Chief Operating Officer of the Juilliard Group of Companies, a private property group. Philippa was previously an investment banker with Goldman Sachs JBWere where she was involved in equity raisings, corporate structuring and acquisitions and mergers for a broad range of resource companies. She has a longstanding exposure and involvement with public boards, with a strong governance and risk management focus.

Philippa is also a member of Deakin University Council and is Chair of its Finance and Business Committee and a member of its Remuneration Committee. She is involved in the not for profit sector as a Director of the Australian Drug Foundation and Chair of its Audit and Risk Committee.

Other current directorships

Lifestyle Communities Limited

Former directorships (in the last 3 years)

None

Special responsibilities

Member of Audit Committee and Chair of Remuneration and Nomination Committee

Interests in shares

145,000 ordinary fully paid shares

Interests in options

None

Dr Kenneth Pereira (appointed 4 September 2012)

Non-Executive Director

Qualifications

BSc (Hons) Engineering, MBA, DBA.

Experience and expertise

Kenneth Pereira has 22 years' experience in the oil and gas industry (both services and exploration and production). He has worked for Schlumberger (9 years as a Field Engineer in North Africa and Europe) and SapuraCrest Petroleum Berhad (from founding of the company as Sapura Energy in 1997 until 2008) as Chief Operating Officer. In 2009, he became Managing Director of Interlink Petroleum Ltd, an oil and gas exploration & production company listed on the Mumbai Stock Exchange (2009 to 2011).

Other current directorships

Hibiscus Petroleum Berhad (Malaysian Listed Company)

Former directorships (in the last 3 years)

Interlink Petroleum Ltd (resigned 2011; Mumbai Stock Exchange)

Special responsibilities

None

Interests in shares

30,963,000 ordinary fully paid shares (Indirect)

Interests in options

None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

MEETINGS OF DIRECTORS

The number of meetings of the company's Board of Directors ('the Board') and of each board committee held during the year ended 30 June 2013, and the number of meetings attended by each director were:

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

	Full Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	Attended	**Held**	**Attended**	**Held**	**Attended**	**Held**
Mr C Horsfall	10	10	2	2	3	3
Mr N Newell	10	10	–	–	–	–
Ms M Leydin	10	10	2	2	3	3
Ms P Kelly	8	10	2	2	3	3
Mr K Pereira	5	7	–	–	–	–

REMUNERATION REPORT (AUDITED)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration

B Details of remuneration

C Service agreements

D Share-based compensation

E Additional information

A

PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- alignment of executive compensation
- transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity and company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

Alignment to shareholders' interests:

- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

ASX listing rules requires that the aggregate non-executive directors remuneration shall be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 21 November 2012, where the shareholders approved an aggregate remuneration of $400,000.

Executive remuneration

The consolidated entity aims to reward executives with a level and mix of remuneration based on their position and responsibility, which are both fixed.

The executive remuneration and reward framework has three components:

- base pay and non-monetary benefits
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee, based on individual and business unit performance, the overall performance of the company and comparable market remunerations.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the company and adds additional value to the executive.

All Executives are eligible to receive a base salary (which is based on factors such as experience and comparable industry information) or consulting fee. The Board reviews the Managing Director's remuneration package, and the Managing Director reviews the senior Executives' remuneration packages annually by reference to the consolidated entity's performance, executive performance and comparable information within the industry.

The performance of Executives is measured against criteria agreed annually with each executive and is based predominantly on the overall success of the consolidated entity in achieving its broader corporate goals. Bonuses and incentives are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses, and options, and can require changes to the Managing Director's recommendations. This policy is designed to attract the highest caliber of Executives and reward them for performance that results in long-term growth in shareholder wealth.

All remuneration paid to Directors and Executives is valued at the cost to the consolidated entity and expensed. Options are valued using the Black-Scholes or Binomial methodology.

The long-term incentives ('LTI') includes long service leave and share-based payments. Shares and or options are awarded to executives on the discretion of the remuneration and Nomination Committee based on long-term incentive measures.

Consolidated entity performance and link to remuneration

Remuneration packages do not include performance-based components. An individual member of staff's performance is assessed by reference to their contribution to the Company's overall achievements. The intention of this program is to facilitate goal congruence between Executives with that of the business and shareholders. Generally, the executive's remuneration is tied to the consolidated entity's successful achievement of certain key milestones as they relate to its operating activities.

Voting and comments made at the company's 21 November 2012 Annual General Meeting ('AGM')

The company received 98.15% of 'for' votes in relation to its remuneration report for the year ended 30 June 2012. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

B

DETAILS OF REMUNERATION

Amounts of remuneration

Details of the remuneration of the directors, other key management personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the company) and executives of the company are set out in the following tables.

2013	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
	$	**$**	**$**	**$**	**$**	**$**	**$**
Non-Executive Directors:							
Mr C Horsfall	73,395	–	–	6,605	–	–	80,000
Ms M Leydin*	141,341	–	–	–	–	–	141,341
Ms P Kelly	41,284	–	–	3,716	–	–	45,000
Mr K Pereira**	37,500	–	–	–	–	–	37,500
Executive Directors:							
Mr N Newell	336,859	–	–	42,307	12,222	–	391,388
	630,379	**–**	**–**	**52,628**	**12,222**	**–**	**695,229**

* This includes fees paid to Leydin Freyer Corporate Pty Ltd in respect of Directors fees, Company Secretarial and Accounting services.
** Appointed on 4 September 2012

2012	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
	$	**$**	**$**	**$**	**$**	**$**	**$**
Non-Executive Directors:							
Mr C Horsfall	59,663	–	–	5,345	–	–	65,008
Ms M Leydin *	117,000	–	–	–	–	–	117,000
Ms P Kelly	41,284	–	–	3,716	–	–	45,000
Mr K Edwards **	30,132	–	–	2,712	–	–	32,844
Executive Directors:							
Mr N Newell	321,101	–	–	28,899	7,223	–	357,223
Other Key Management Personnel:							
Mr K Lanigan***	291,924	–	–	26,273	6,594	–	324,791
	861,104	**–**	**–**	**66,945**	**13,817**	**–**	**941,866**

* This includes fees paid to Leydin Freyer Corporate Pty Ltd in respect of Directors fees, Company Secretarial and Accounting services.
** Resigned on 23 March 2012.
*** Mr K. Lanigan left the Company's employment on 14 September 2012.

C

SERVICE AGREEMENTS

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Mr N Newell

Managing Director

Agreement commenced

1 November 2006

Details

(i) Mr Newell may resign from his position and thus terminate this contract by giving 6 months written notice.

(ii) The Company may terminate this employment agreement by providing 6 months written notice.

(iii) The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Mr Newell is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.

(iv) On termination of the agreement, Mr Newell will be entitled to be paid those outstanding amount owing to him up until the Termination date.

Mr C Horsfall

Chairman

Agreement commenced

23 January 2009

Details

(i) Mr Horsfall may resign from his position and thus terminate this contract by giving 6 months written notice.

(ii) The Company may terminate this employment agreement by providing 6 months written notice.

(iii) The Company may terminate the contract at any time without notice if serious midconduct has occurred. Where termination with cause occurs, Mr Horsfall is only entitled to that portion of remuneration which is fixed, and only up to the date of termiantion.

(iv) On termination of the agreement, Mr Horsfall will be entitled to be paid those outstanding amounts owing to him up until the Termination date.

Ms M Leydin

Non-Executive Director

Agreement commenced

23 January 2009

Details

(i) Ms Leydin may resign from her position and thus terminate this contract by giving 6 months written notice.

(ii) The Company may terminate this employment agreement by providing 6 months written notice.

(iii) The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Ms Leydin is only entitled to that portion of remuneration which is fixed, and only up the the date of termination.

(iv) On termination of the agreement, Ms Leydin will be entitled to be paid those outstanding amounts owing to her up until the Termination date.

Ms P Kelly

Non-Executive Director

Agreement commenced

5 January 2010

Details

(i) Ms Kelly may resign from her position and thus terminate this contract by giving 6 months written notice.

(ii) The Company may terminate this employment agreement by providing 6 months written notice.

(iii) The Company may terminate the contract at any time without notice if serious misconduct has occured. Where termination with cause occurs, Ms Kelly is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.

(iv) On termination of the agreement, Ms Kelly will be entitled to be paid those outstanding amounts owing to her up until the Termination date.

Mr K Lanigan

Exploration Manager

Term of agreement

7 December 2009

Details

Lapsed following resignation on 14 September 2012.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

D

SHARE-BASED COMPENSATION

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2013.

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2013.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2013.

E

ADDITIONAL INFORMATION

The earnings of the consolidated entity for the five years to 30 June 2013 are summarised below:

	2009	2010	2011	2012	2013
	$	$	$	$	$
Revenue	587,992	414,898	336,290	140,072	101,500
Net profit/(loss) before tax	(940,340)	(857,435)	(1,003,568)	(7,672,697)	(2,033,105)
Net profit/(loss) after tax	(940,340)	(857,435)	(1,003,568)	(6,976,803)	(2,033,105)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2009	2010	2011	2012	2013
Share price at start of year	0.26	0.11	0.20	0.14	0.07
Share price at end of year	0.11	0.20	0.14	0.07	0.09
Basic earnings per share (cents per share)	(0.46)	(0.42)	(0.49)	(3.38)	(0.92)

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of 3D Oil Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
27 August 2009	30 June 2014	$0.25	64,000
2 June 2010	30 November 2014	$0.40	150,000
24 January 2011	31 January 2015	$0.40	200,000
7 October 2011	7 October 2015	$0.18	78,000
15 December 2012	30 November 2015	$0.16	595,000
			1,087,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

There were no shares of 3D Oil Limited issued on the exercise of options during the year ended 30 June 2013 and up to the date of this report.

Indemnity and insurance of officers

The consolidated entity has indemnified the directors of the company for costs incurred, in their capacity as a director, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors of the company against a liability to the extent permitted by the *Corporations Act 2001 (Cth) (Act)*. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 22 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 22 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former audit partners of Grant Thornton Audit Pty Ltd

There are no officers of the company who are former audit partners of Grant Thornton Audit Pty Ltd.

Auditor's independence declaration

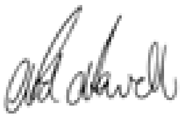
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Noel Newell
Managing Director
27 September 2013
Melbourne

GrantThornton

Grant Thornton Audit Pty Ltd
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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 audit of 3D Oil Limited for the year ended 30 June 2013, 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 audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

B.A. Mackenzie
Partner - Audit & Assurance

Melbourne, 27 September 2013

FINANCIAL REPORTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2013

		Consolidated	
	Note	**2013**	**2012**
		$	**$**
Revenue	5	101,500	140,072
Expenses			
Corporate expenses		(707,727)	(464,739)
Administrative expenses		(77,343)	(84,318)
Employment expenses		(1,131,330)	(1,118,592)
Occupancy expenses		(94,979)	(94,466)
Depreciation and amortisation expense	6	(50,055)	(40,318)
Exploration costs written off		(43,444)	(5,954,106)
Exchange gains/loss		(1,403)	(7,643)
Share based payments		(28,324)	(48,587)
Loss before income tax benefit		(2,033,105)	(7,672,697)
Income tax benefit	7	–	695,894
Loss after income tax benefit for the year attributable to the owners of 3D Oil Limited		(2,033,105)	(6,976,803)
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year attributable to the owners of 3D Oil Limited		(2,033,105)	(6,976,803)
		Cents	**Cents**
Basic earnings per share	29	(0.92)	(3.38)
Diluted earnings per share	29	(0.92)	(3.38)

STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2013

			Consolidated
	Note	**2013**	**2012**
		$	**$**
Assets			
Current assets			
Cash and cash equivalents	8	2,125,708	1,684,892
Trade and other receivables	9	515,825	725,958
Other	10	60,424	63,718
Total current assets		2,701,957	2,474,568
Non-current assets			
Property, plant and equipment	11	26,565	13,640
Intangibles	12	14,561	52,736
Exploration and evaluation	13	20,632,631	20,569,130
Total non-current assets		20,673,757	20,635,506
Total assets		23,375,714	23,110,074
Liabilities			
Current liabilities			
Trade and other payables	14	533,785	361,100
Provisions	15	68,662	44,166
Total current liabilities		602,447	405,266
Non-current liabilities			
Provisions	16	575,049	538,308
Total non-current liabilities		575,049	538,308
Total liabilities		1,177,496	943,574
Net assets		**22,198,218**	**22,166,500**
Equity			
Issued capital	17	52,657,366	50,620,867
Reserves	18	66,395	78,645
Accumulated losses		(30,525,543)	(28,533,012)
Total equity		**22,198,218**	**22,166,500**

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

	Contributed equity	Reserves	Accumulated losses	Total equity
Consolidated	**$**	**$**	**$**	**$**
Balance at 1 July 2011	50,620,867	185,283	(21,711,434)	29,094,716
Loss after income tax benefit for the year	–	–	(6,976,803)	(6,976,803)
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income for the year	–	–	(6,976,803)	(6,976,803)
Transactions with owners in their capacity as owners:				
Share-based payments	–	48,587	–	48,587
Expiry of Options	–	(155,225)	155,225	–
Balance at 30 June 2012	**50,620,867**	**78,645**	**(28,533,012)**	**22,166,500**
Consolidated	**$**	**$**	**$**	**$**
Balance at 1 July 2012	50,620,867	78,645	(28,533,012)	22,166,500
Loss after income tax benefit for the year	–	–	(2,033,105)	(2,033,105)
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income for the year	–	–	(2,033,105)	(2,033,105)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 17)	2,036,499	–	–	2,036,499
Share-based payments	–	28,324	–	28,324
Expiry of Options	–	(40,574)	40,574	–
Balance at 30 June 2013	**52,657,366**	**66,395**	**(30,525,543)**	**22,198,218**

STATEMENT OF CASH FLOWS

For the year ended 30 June 2013

	Note	Consolidated 2013 $	2012 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		19,771	19,788
Payments to suppliers and employees (inclusive of GST)		(1,847,747)	(1,670,764)
Tax receipt		695,894	–
Interest received		81,446	121,113
Net cash used in operating activities	28	(1,050,636)	(1,529,863)
Cash flows from investing activities			
Payments for property, plant and equipment		(22,735)	(3,274)
Payments for intangibles		(2,070)	(30,488)
Payments for exploration and evaluation		(1,609,374)	(601,835)
Reimbursement from Joint Venture		1,090,535	–
Proceeds from foreign exchange investment		(1,403)	(7,643)
Net cash used in investing activities		(545,047)	(643,240)
Cash flows from financing activities			
Proceeds from issue of shares	17	2,043,558	–
Share issue transaction costs		(7,059)	–
Net cash from financing activities		2,036,499	–
Net increase/(decrease) in cash and cash equivalents		440,816	(2,173,103)
Cash and cash equivalents at the beginning of the financial year		1,684,892	3,857,995
Cash and cash equivalents at the end of the financial year	8	**2,125,708**	**1,684,892**

NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

NOTE 1. GENERAL INFORMATION

The financial report covers 3D Oil Limited as a consolidated entity consisting of 3D Oil Limited and the entities it controlled. The financial report is presented in Australian dollars, which is 3D Oil Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

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 5, 164 Flinders Lane
Melbourne, VIC 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 report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 27 September 2013. The directors have the power to amend and reissue the financial report.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

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

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the company from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

The following Accounting Standards and Interpretations are most relevant to the company:

AASB 101 Presentation of Financial Statements as oulined in AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income

The company has applied AASB 2011-9 amendments from 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The amendments also introduced the term 'Statement of profit or loss and other comprehensive income' clarifying that there are two discrete sections, the profit or loss section (or separate statement of profit or loss) and other comprehensive income section. The adoption only changed the presentation of the consolidated entity's financial statements and did not have any impact on the amounts reported for the current period or for any prior period in the consolidated entity's financial statements.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Going Concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. At 30 June 2013 the Company has cash and cash equivalents of $2.1 million and a net increase of cash during the financial year of $440,000. This cash increase was predominately due to the capital raising which took place during the year through the Company's new joint venture partner on the VIC/P57 permit, Hibiscus Petroleum.

The Company also has exploration commitments as detailed in Note 24 of $70.55 million over the next 5 years. On 15 August 2012, the Company announced that it had entered into a farm-in agreement with Carnarvon Hibiscus Pty Ltd ('Carnarvon') and Hibiscus Petroleum Berhad ('Hibiscus') in relation to the VIC/P57 permit. Under the agreement, Hibiscus will invest funds of $27.0 million to acquire 50.1% of the permit. It is anticipated that the cost of the commitments will be covered by the funding of $27.0 million with the shortfall being covered using alternative funding methods via the joint arrangement vehicle.

In addition to the commitments outlined above and in Note 24, the Company may need to secure funding by means of a capital raising, debt financing, sale of assets, farm out or a combination of these in order to manage its own working capital requirements. The Directors continue to monitor the ongoing funding requirements of the Company. The Directors are of the opinion that the financial report has been appropriately prepared on a going concern basis.

Research and development tax incentives

Revenue relating to research and development (R&D) tax incentive refunds is recognised when it is possible that the claim will be received. The claim is based on the company's interpretation as to the eligibility of its specific R&D activities.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 25.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of 3D Oil Limited ('company' or 'parent entity') as at 30 June 2013 and the results of all subsidiaries for the year then ended. 3D Oil Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Farm-outs

The Group does not record any expenditure made by the farmee 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 and any consideration received directly from the farmee is credited against costs previously capitalised.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset.The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Petroleum and Exploration Development Expenditure

Petroleum and exploration development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward in relation to each area of interest to the extent the following conditions are satisfied:

(a) the rights to tenure of the area of interest are current; and

(b) at least one of the following conditions is also met:

- (i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
- (ii) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward cost in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the cost of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Provisions

Provisions are recognised when the company has a present (legal or constructive) obligation as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the company receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the company or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the company or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the company assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the company's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the company remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of 3D Oil Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the company will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Foreign Currency translation

Both the functional and presentation currency of 3D Oil Limited is Australian dollars (A$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2013. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and 2012-6 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2015 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The company will adopt this standard from 1 July 2015 but the impact of its adoption is yet to be assessed by the company.

AASB 10 Consolidated Financial Statements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The company will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 will not have an impact on the Company as it currently stands as it has no such investments.

AASB 11 Joint Arrangements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses in accordance with the Standards applicable to the particular assets, liabilities, revenues and expenses. The adoption of this standard from 1 July 2013 will have an impact on how the company accounts for its Joint Venture interests when it is in development and production phase, however it has no impact on how its interests are currently accounting for.

AASB 12 Disclosure of Interests in Other Entities

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation – Special Purpose Entities'. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the company such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the company from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

AASB 127 Separate Financial Statements (Revised)

AASB 128 Investments in Associates and Joint Ventures (Reissued)

These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of these revised standards from 1 July 2013 will not have a material impact on the company.

Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine and AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20

This interpretation and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 The Interpretation clarifies when production stripping costs should lead to the recognition of an asset and how that asset should be initially and subsequently measured. The Interpretation only deals with waste removal costs that are incurred in surface mining activities during the production phase of the mine. The adoption of the interpretation and the amendments from 1 July 2013 will not have a material impact on the company.

NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Provision for well abandonment

A provision has been made for the present value of anticipated costs of the remediation work that will be required to comply with environmental and legal obligations. The provision is estimated based on currently available facts, technology expected to be available at the time of the clean up, laws and regulations presently or virtually certain to be enacted and prior experience in remediation of contaminated sites.

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the company will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

NOTE 4. 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 business segment.

NOTE 5. REVENUE

	Consolidated	
	2013	**2012**
	$	**$**
Interest	81,729	120,284
Rent	19,771	19,788
Revenue	**101,500**	**140,072**

NOTE 6. EXPENSES

	Consolidated	
	2013	**2012**
	$	**$**
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	(9,811)	(8,548)
Amortisation		
Software	(40,244)	(31,770)
Total depreciation and amortisation	(50,055)	(40,318)
Post employment benefit plans – Superannuation contributions	(99,220)	(106,935)
Equity settled share based payments	(28,324)	(48,587)
	(127,544)	(155,522)
Operating lease payments		
Office lease	(69,066)	(90,317)

NOTE 7.
INCOME TAX BENEFIT

	Consolidated	
	2013	2012
	$	$
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit	(2,033,105)	(7,672,697)
Tax at the statutory tax rate of 30%	(609,932)	(2,301,809)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	2,366	–
Share-based payments	8,497	(106,638)
Other Permanent Differences	–	1,319
Donation	75	–
Share of Joint venture losses	(783,508)	–
Gain on Disposal of 50.1% of Permit VIC/P57	4,041,900	–
Previously unrecognised DTA now brought to account	(2,659,398)	–
	–	(2,407,128)
R&D tax offset receivable at 30 June 2012	–	(695,894)
Income tax losses not taken up as benefit	–	2,407,128
Income tax benefit		**(695,894)**

Petroleum Resource Rent Tax

PRRT applies to all petroleum projects in offshore areas under the Petroleum Act, other than some specific production licences. PRRT is assessed on a project basis or production licence area and is levied on the taxable profits of a petroleum project at a rate of 40%. Certain specified undeducted expenditure is eligible for compounding. The expenditure can be compounded annualy at set rates, and the compounded amount can be deducted against assessable receipts in future years.

Before 30 June 2013, the consolidated entity had provided sufficient information to the National Offshore Titles Administrator to determine an application for a petroleum production licence over the West Seahorse location within VIC/P57. Subject to the production license being granted, the consolidated entity will have undeducted expenditure of $46M at 30 June 2013 (2012: $72 mill) after the transfer of expenditure to its joint venture partner Carnarvon Hibiscus Pty Ltd. This expenditure will be capable of being offset against income derived in future assessable income in future years. At 1 July 2013 this estimate amount is $54M ($2012: $88 mill) as compounding occurs annually on 1 July.

The Company has not recognised a deferred tax asset with respect to the carried forward undeducted expenditure.

	Consolidated	
	2013	2012
	$	$
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax Losses	5,800,878	8,523,269
Total deferred tax assets not recognised	**5,800,878**	**8,523,269**

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

The taxation benefits of tax losses and temporary difference not brought to account will only be obtained if:

(i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

(ii) the consolidated entity continues to comply with the conditions for deductibility imposed by law; and

(iii) no change in tax legislation adversely affects the company in realising the benefits from deducting the losses.

NOTE 8. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	2013	2012
	$	$
Cash at bank	537,416	190,315
Cash on deposit	1,588,292	1,494,577
	2,125,708	**1,684,892**

NOTE 9. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2013	2012
	$	$
Trade receivables	511,103	–
R&D tax concession receivable	–	695,895
Rent Receivable	1,594	–
Interest receivable	3,128	2,844
GST receivable	–	27,219
	515,825	**725,958**

(1) Trade receivables represent reimbursement of labour costs and third party invoices by Carnarvon Hibiscus Pty Ltd.

The average credit period on trade and other receivables is 30 days. No interest is charged on the receivables. The consolidated entity has financial risk management policies in place to ensure that all receivables are received within the credit timeframe. Due to the short term nature of these receivables, their carrying value is assumed to be approximate to their fair value.

During the year the consolidated entity received the $696,000 R&D tax concession.

NOTE 10. CURRENT ASSETS – OTHER

	Consolidated	
	2013	2012
	$	$
Prepayments	**60,424**	**63,718**

NOTE 11. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2013	2012
	$	$
Plant and equipment – at cost	105,429	82,693
Less: Accumulated depreciation	(78,864)	(69,053)
	26,565	13,640
	26,565	**13,640**

Reconciliations

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

	Plant & Equipment	Total
	$	$
Consolidated		
Balance at 1 July 2011	18,914	18,914
Additions	3,274	3,274
Depreciation expense	(8,548)	(8,548)
Balance at 30 June 2012	13,640	13,640
Additions	22,736	22,736
Depreciation expense	(9,811)	(9,811)
Balance at 30 June 2013	**26,565**	**26,565**

NOTE 12.
NON-CURRENT ASSETS – INTANGIBLES

	Consolidated	
	2013	2012
	$	$
Software – at cost	153,586	151,518
Less: Accumulated amortisation	(139,025)	(98,782)
	14,561	**52,736**

Reconciliations

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

	Software	Total
	$	$
Consolidated		
Balance at 1 July 2011	54,018	54,018
Additions	30,488	30,488
Amortisation expense	(31,770)	(31,770)
Balance at 30 June 2012	52,736	52,736
Additions	2,069	2,069
Amortisation expense	(40,244)	(40,244)
Balance at 30 June 2013	**14,561**	**14,561**

NOTE 13.
NON-CURRENT ASSETS – EXPLORATION AND EVALUATION

	Consolidated	
	2013	2012
	$	$
Exploration and evaluation expenditure	**20,632,631**	**20,569,130**

Reconciliations

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

	Exploration & Development Expenditure	
Consolidated	$	$
Balance at 1 July 2011	25,921,401	25,921,401
Expenditure during the year	601,835	601,835
Write off of assets	(5,954,106)	(5,954,106)
Balance at 30 June 2012	20,569,130	20,569,130
Expenditure during the year	1,693,796	1,693,796
Write off of assets	(43,444)	(43,444)
Reimbursement from Joint Venture	(1,586,851)	(1,586,851)
Balance at 30 June 2013	**20,632,631**	**20,632,631**

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Farm-outs — in the exploration and evaluation phase

The consolidated entity does not record any expenditure made by the farmee 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 farmee 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 14. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	2013	2012
	$	$
Trade payables	346,697	287,629
GST Payable	7,878	–
Sundry payables and accrued expenses	179,210	73,471
	533,785	**361,100**

Refer to note 20 for further information on financial instruments.

NOTE 15. CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2013	2012
	$	$
Employee benefits	62,879	44,166
Deferred lease incentives	5,783	–
	68,662	**44,166**

Deferred lease incentives

The provision represents operating lease incentives received. The incentives are allocated to profit or loss in such a manner that the rent expense is recognised on a straight-line basis over the lease term.

NOTE 16. NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2013	2012
	$	$
Employee benefits	59,781	38,308
Deferred lease incentives	15,268	–
Provision for well abandonment	500,000	500,000
	575,049	**538,308**

Provision for Well Abandonment

The provision for well abandonment represents the present value of director's best estimate for the costs to abandon the Wardie-1 Well. There is no current estimate of when any abandonment may take place in light of the recently agreed farm-in arrangement with Hibiscus Petroleum Berhad.

NOTE 17. EQUITY – ISSUED CAPITAL

	Consolidated		Consolidated	
	2013	2012	2013	2012
	Shares	Shares	$	$
Ordinary shares – fully paid	**237,523,000**	**206,560,000**	**52,657,366**	**50,620,867**

Movements in ordinary share capital

Details	Date	No of shares	Issue price	$
Balance	1 July 2011	206,560,000		50,620,867
Balance	30 June 2012	206,560,000		50,620,867
Ordinary shares issued	8 January 2013	30,963,000	$0.07	2,043,558
Capital raising costs				(7,059)
Balance	**30 June 2013**	**237,523,000**		**52,657,366**

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the consolidated entity 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.

Capital risk management

The company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The company is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these are given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2012 Annual Report.

Options

For futher information in relation to unissued ordinary shares of 3D Oil Limited under option, refer to the Directors' report and Note 30.

NOTE 18.
EQUITY – RESERVES

	Consolidated	
	2013	**2012**
	$	**$**
Share-based payments reserve	**66,395**	**78,645**

	Options Reserve	Total
Consolidated	**$**	**$**
Balance at 1 July 2011	185,283	185,283
Share based payments	48,587	48,587
Expiry of options	(155,225)	(155,225)
Balance at 30 June 2012	78,645	78,645
Share based payments	28,324	28,324
Expiry of options	(40,574)	(40,574)
Balance at 30 June 2013	**66,395**	**66,395**

NOTE 19.
EQUITY – DIVIDENDS

There were no dividends paid or declared during the current or previous financial year.

The consolidated entity does not have franking credits available for subsequent financial years.

NOTE 20.
FINANCIAL INSTRUMENTS

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the company and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the company's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and are exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

The consolidated entity's only exposure to interest rate risk is in relation to deposits held. Deposits are held with reputable banking financial institutions.

The tables below illustrate the impact on profit before tax based upon expected volatility of interest rates using market data and analysis forecasts.

	Basis points increase			Basis points decrease		
Consolidated – 2013	**Basis points change**	**Effect on profit before tax**	**Effect on equity**	**Basis points change**	**Effect on profit before tax**	**Effect on equity**
Cash at bank	**50**	**10,629**	**10,629**	**50**	**(10,629)**	**(10,629)**

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

NOTE 21. KEY MANAGEMENT PERSONNEL DISCLOSURES

Directors

The following persons were directors of 3D Oil Limited during the financial year:

Mr Campbell Horsfall
Non-executive Chairman

Mr Noel Newell
Managing Director

Ms Melanie Leydin
Non-executive Director and Company Secretary

Ms Philippa Kelly
Non-executive Director

Mr Kenneth Pereira
Non-executive Director – appointed 4 September 2012

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2013	**2012**
	$	**$**
Short-term employee benefits	630,379	861,104
Post-employment benefits	52,628	66,945
Long-term benefits	12,222	13,817
	695,229	**941,866**

Shareholding

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2013	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Mr C Horsfall	38,000	–	–	–	38,000
Mr N Newell*	37,805,150	–	342,500	–	38,147,650
Ms M Leydin	150,000	–	–	–	150,000
Ms P Kelly	145,000	–	–	–	145,000
Mr K Pereira**	–	–	30,963,000	–	30,963,000
	38,138,150	**–**	**31,305,500**	**–**	**69,443,650**

* Mr N Newell purchased 86,000 shares on-market at $0.091 per share 2 August 2013 taking holding to 38,233,650 shares.

** Mr K Pereira acquired an interest in 30,963,000 shares following the share placement to Hibiscus Petroleum Berhad at an issue price of $0.66 (6.6cents). Mr K Pereira is a Director of Hibiscus Petroleum Berhad.

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
2012					
Ordinary shares					
Mr C Horsfall	38,000	–	–	–	38,000
Mr N Newell*	37,805,150	–	–	–	37,805,150
Ms M Leydin	150,000	–	–	–	150,000
Ms P Kelly	145,000	–	–	–	145,000
Mr K Edwards**	240,000	–	–	(240,000)	–
	38,378,150	**–**	**–**	**(240,000)**	**38,138,150**

* purchased 200,000 shares on-market at $0.07 per share on 16 August 2012 taking holding to 38,105,150 shares.

** resigned on 23 March 2012

Option holding

The number of options over ordinary shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2013

Options over ordinary shares

There were no options over ordinary shares held by key management personnel during the 2013 financial year.

2012

Options over ordinary shares

There were no options over ordinary shares held by key management personnel during the 2012 financial year.

NOTE 22. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the company:

	Consolidated	
	2013	**2012**
	$	**$**
Audit services – Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	43,000	35,000
Other services – Grant Thornton Audit Pty Ltd		
Taxation Services – R&D	–	134,966
	43,000	**169,96**

NOTE 23. CONTINGENT LIABILITIES

In the financial year end period 30 June 2012 the consolidated entity received a tax refund in relation to R&D Tax Incentive of $695,894. The claim is currently undergoing the AustIndustry audit process. Any adjustment arising to claim the refund as a result of the audit may impact future cash flows.

There were no other contingent liabilities in existence at 30 June 2013.

NOTE 24. COMMITMENTS

	Consolidated	
	2013	2012
	$	$
Operating Lease Commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	88,146	46,044
One to four years	132,219	–
	220,365	**46,044**
Exploration Licenses – Commitments for Expenditure		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	18,400,000	600,000
One to five years	52,150,000	36,400,000
More than five years	20,000,000	–
	90,550,000	**37,000,000**

In order to maintain current rights of tenure to exploration tenements, the consolidated entity is required to outlay rentals and to meet the minimum expenditure requirements of the Mineral Resources Authority. Minimum expenditure commitments may be subject to renegotiation and with approval may otherwise be avoided by sale, farm out or relinquishment. These obligations are not provided in the accounts and are payable.

NOTE 25. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2013	2012
	$	$
Loss after income tax	(2,033,105)	(6,976,803)
Total comprehensive income	(2,033,105)	(6,976,803)

Statement of financial position	Parent	
	2013	2012
	$	$
Total current assets	2,701,945	2,474,568
Total assets	23,375,714	23,110,074
Total current liabilities	602,447	405,266
Total liabilities	1,177,496	943,574
Equity		
Issued capital	52,657,366	50,620,867
Share-based payments reserve	66,395	78,645
Accumulated losses	(30,525,543)	(28,533,012)
Total equity	**22,198,218**	**22,166,500**

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2013.

Contingent liabilities

Refer to Note 23 on details of contingent liabilities at 30 June 2013 in relation to R&D tax refund. All contingent liabilities in that note relate to the parent entity.

Capital commitments – Property, plant and equipment

Refer to Note 24 for details of commitments. All commitments in that note relate to the parent entity.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment.
- Investments in associates are accounted for at cost, less any impairment.

NOTE 26.
SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 2:

		Equity holding	
		2013	**2012**
Name of entity	**Country of incorporation**	**%**	**%**
3D Oil T49P Pty Ltd *	Australia	100.00	–

* Incorporated 27 May 2013

NOTE 27.
EVENTS AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 30 June 2013 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 28.
RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	Consolidated	
	2013	**2012**
	$	**$**
Loss after income tax benefit for the year	(2,033,105)	(6,976,803)
Adjustments for:		
Depreciation and amortisation	50,055	40,318
Share-based payments	28,324	48,587
Foreign exchange differences	1,403	7,643
Exploration costs written off	43,444	5,954,106
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	730,708	(690,996)
Decrease/(increase) in prepayments	3,294	(28,870)
Increase in trade and other payables	75,694	143,850
Increase/(decrease) in other provisions	49,547	(27,698)
Net cash used in operating activities	**(1,050,636)**	**(1,529,863)**

NOTE 29.
EARNINGS PER SHARE

	Consolidated	
	2013	**2012**
	$	**$**
Loss after income tax attributable to the owners of 3D Oil Limited	(2,033,105)	(6,976,803)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	221,235,614	206,560,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	**221,235,614**	**206,560,000**
	Cents	**Cents**
Basic earnings per share	(0.92)	(3.38)
Diluted earnings per share	(0.92)	(3.38)

The rights to options held by option holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted earnings per share as they do not meet the requirements for inclusion in AASB 133 'Earnings per Share'. The rights to options are non-dilutive as the consolidated entity has generated a loss for the financial year.

NOTE 30. SHARE-BASED PAYMENTS

Set out below are summaries of options issued to employees of the company:

2013

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
27/08/2009	30/06/2014	$0.25	64,000	–	–	–	64,000
02/06/2010	30/11/2014	$0.40	265,000	–	–	(265,000)	–
02/06/2010	30/11/2014	$0.40	150,000	–	–	–	150,000
02/06/2010	30/11/2014	$0.40	200,000	–	–	(200,000)	–
24/01/2011	31/01/2015	$0.40	200,000	–	–	–	200,000
07/10/2011	07/10/2015	$0.18	554,700	–	–	(476,700)	78,000
15/12/2012	30/11/2015	$0.16	595,000	–	–	–	595,000
			2,028,700	**–**	**–**	**(941,700)**	**1,087,000**

Shares are awarded to executives from time to time based on long-term incentive measures. These include the increase in shareholders value relative to the entire market and the increase compared to the consolidated entity's direct competitors.

2012

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
31/03/2008	31/03/2013	$0.75	400,000	–	–	(400,000)	–
27/08/2009	30/06/2014	$0.25	125,000	–	–	(125,000)	–
27/08/2009	30/06/2014	$0.25	64,000	–	–	–	64,000
02/06/2010	30/11/2014	$0.40	265,000	–	–	–	265,000
02/06/2010	30/11/2014	$0.40	150,000	–	–	(150,000)	–
02/06/2010	30/11/2014	$0.40	200,000	–	–	–	200,000
24/01/2011	31/01/2015	$0.40	200,000	–	–	(200,000)	–
07/10/2011	07/10/2015	$0.18	–	697,177	–	(142,477)	554,700
			1,404,000	**697,177**	**–**	**(1,017,477)**	**1,083,700**

For the options on issue during the previous and current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
31/03/2008	31/03/2013	$0.59	$0.75	83.00%	0.00%	6.09%	$0.030
27/08/2009	30/06/2014	$0.19	$0.25	80.00%	0.00%	4.97%	$0.049
27/08/2009	30/06/2014	$0.19	$0.25	80.00%	0.00%	4.97%	$0.440
02/06/2010	30/11/2014	$0.19	$0.40	80.00%	0.00%	4.97%	$0.083
02/06/2010	30/11/2014	$0.19	$0.40	80.00%	0.00%	4.97%	$0.076
02/06/2010	30/11/2014	$0.19	$0.40	80.00%	0.00%	5.16%	$0.083
24/01/2011	31/01/2015	$0.25	$0.40	80.00%	0.00%	5.16%	$0.931
07/10/2011	07/10/2015	$0.14	$0.18	99.67%	0.00%	4.36%	$0.090
15/12/2012	30/11/2015	$0.14	$0.16	99.67%	0.00%	4.36%	$0.045

* 3D Oil Limited listed on the Australian Stock Exchange in November 2007.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the financial year 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Noel Newell
Managing Director
27 September 2013
Melbourne

Grant Thornton

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Independent Auditor's Report
To the Members of 3D Oil Limited

Report on the financial report

We have audited the accompanying financial report of 3D Oil Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit and loss statement and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

a the financial report of 3D Oil Limited is in accordance with the Corporations Act 2001, including:

 i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

 ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 21 to 24 of the directors' report for the year ended 30 June 2013. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of 3D Oil Limited for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

B. A. Mackenzie
Partner - Audit & Assurance

Melbourne, 27 September 2013

SHAREHOLDER INFORMATION

30 June 2013

The shareholder information set out below was applicable as at 23 August 2013.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	34
1,001 to 5,000	137
5,001 to 10,000	154
10,001 to 100,000	435
100,001 and over	164
	924
Holding less than a marketable parcel	**186**

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	**% of total shares issued**
Noel Newell <Newell Family A/C>	36,661,450	15.43
Oceania Hibiscus SDN BHD	30,963,000	13.04
Nefco Nominees Pty Ltd	16,007,851	6.74
National Nominees Limited	13,026,440	5.48
H Louey Pang & Co Pty Ltd <Demaria Family A/C>	11,550,000	4.86
Fugro Multi Client Services Pty Ltd	6,475,000	2.73
Bill Hopper	6,475,000	2.73
DMG & Partners Securities PTE LTD <Clients A/C>	5,440,943	2.29
Pand JR PTY LTD <John Demaria Family A/C>	4,865,201	2.05
Citicorp Nominees Pty Limited	3,729,823	1.57
J K Demaria PTY LTD	3,583,532	1.51
Andrew Paterson	3,237,500	1.36
Pengold PTY LTD	3,237,500	1.36
Noel Mainwaring	3,050,000	1.28
Vobe Resources PTY LTD <Superannuation Fund A/C>	3,050,000	1.28
Mr Giovanni Monteleone + Mrs Frances Monteleone	3,000,000	1.26
Vin Naidu + Wendy Naidu	2,837,500	1.19
Mr Russell Barwick	2,500,000	1.05
Eilie Sunshine Pty Ltd <Eilie Sunshine Superfund A/C>	2,500,000	1.05
HSBC Custody Nominees (Australia) Limited	2,371,627	1.00
	165,875,639	**69.82**

Unquoted equity securities

There are no unquoted equity securities.

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Noel Newell <Newell Family A/C>	36,661,450	15.43
Oceania Hibiscus SDN BHD	30,963,000	13.04
Nefco Nominees Pty Ltd	16,007,851	6.74
National Nominees Limited	13,026,440	5.48

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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.

There are no other classes of equity securities.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ('the Board') of 3D Oil Limited (the 'company') is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of the company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the company's compliance with the ASX Corporate Governance Council's Revised Principles and Recommendations.

Principles and Recommendations		Compliance	Comply
Principle 1 – Lay solid foundations for management and oversight			
1.1	Establish the functions reserved to the Board and those delegated to manage and disclose those functions.	The Board is responsible for the overall corporate governance of the company. The Board has adopted a Board charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to management. The Board has adopted a Delegations of Authority that sets limits of authority for senior executives. On appointment of a director, the company issues a letter of appointment setting out the terms and conditions of appointment to the Board.	Complies.
1.2	Disclose the process for evaluating the performance of senior executives.	The Board meets annually to review the performance of executives. The senior executives' performance is assessed against performance of the Company as a whole.	Complies.
1.3	Provide the information indicated in *Guide to reporting on Principle 1.*	A Board charter has been disclosed on the company's website and is summarised in this Corporate Governance Statement.	Complies.
		A performance evaluation process is included in the Board Charter, which has been disclosed on the company's website and is summarised in this Corporate Governance Statement.	Complies.
		The Board conducted a performance evaluation for senior executives at June 2012 in accordance with the process above.	Complies.
Principle 2 – Structure the Board to add value			
2.1	A majority of the Board should be independent directors.	The majority of the Board's directors are independent directors of the company. Mr Campbell Horsfall is an independent Non-Executive Director and Chairman. Ms Melanie Leydin is a Non-Executive Director. Ms Philippa Kelly is an independent Non-Executive Director. Dr Kenneth Pereira is a Non-Executive Director. Mr Noel Newell is an Executive Director.	Does not comply. Whilst the Board recognises that it is desirable for the majority of the Board to be Independent Directors, the Board believes that the current Board is reflective of the structure of the business at the present time. The Board will review the appointment of further Independent Directors should the Company's size, growth and structure warrant this.
2.2	The chair should be an independent director.	Mr Campbell Horsfall is the Chairman and is an independent Non-Executive Director.	Complies.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Mr Campbell Horsfall is the Chairman and Mr Noel Newell the Executive Director.	Complies.

Principles and Recommendations		Compliance	Comply
2.4	The Board should establish a nomination committee.	The company has established a Nomination and Remuneration Committee. The Board has undertaken a review of the mix of skills and experience on the Board in light of the company's principal activities and direction, and has considered diversity in succession planning. The Board considers the current mix of skills and experience of members of the Board and its senior management is sufficient to meet the requirements of the company. The Board supports the nomination and re-election of the directors at the company's forthcoming Annual General Meeting.	Complies
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	The company conducts the process for evaluating the performance of the Board, its committees and individual directors as outlined in the Board Charter which is available on the company's website. The Board's induction program provides incoming directors with information that will enable them to carry out their duties in the best interests of the company. This includes supporting ongoing education of directors for the benefit of the company.	Complies.
2.6	Provide the information indicated in the *Guide to reporting on Principle 2*.	This information has been disclosed (where applicable) in the directors' report attached to this Corporate Governance Statement.	Complies.
		Mr Campbell Horsfall and Ms Philippa Kelly are independent directors of the company. A director is considered independent when he substantially satisfies the test for independence as set out in the ASX Corporate Governance Recommendations. Members of the Board are able to take independent professional advice at the expense of the company. Mr Campbell Horsfall, Non-Executive Chairman, was appointed to the Board in January 2009. Mr Noel Newell, Executive Director and Chief Executive Officer, was appointed to the Board at incorporation of the Company. Ms Philippa Kelly, Non-Executive Director, was appointed to the Board in January 2010. Ms Melanie Leydin, Non-Executive Director, was appointed to the Board in January 2009. Dr Kenneth Pereira, Non-Executive Director, was appointed to the Board in September 2012. The Board has undertaken a review of the mix of skills and experience on the Board in light of the company's principal activities and direction, and has considered diversity in succession planning. The Board considers the current mix of skills and experience of members of the Board and its senior management is sufficient to meet the requirements of the company. In accordance with the information suggested in *Guide to Reporting on Principle 2*, the company has disclosed full details of its directors in the director's report attached to this Corporate Governance Statement. Other disclosure material on the Structure of the Board has been made available on the company's website.	Complies

Principles and Recommendations		Compliance	Comply
Principle 3 – Promote ethical and responsible decision making			
3.1	Establish a code of conduct and disclose the code or a summary of the code.	The Board has adopted a code of conduct. The code establishes a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct. The code is available on the company's website.	Complies.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	The Board has undertaken a review of the mix of skills and experience on the Board in light of the company's principal activities and direction. The Board has prepared a Diversity Policy that considers the benefits of diversity, ways to promote a culture of diversity, factors to be taken into account in the selection process of candidates for Board and senior management positions in the company, education programs to develop skills and experience in preparation for Board and senior management positions, processes to include review and appointment of directors, and identify key measurable diversity performance objectives for the Board, CEO and senior management.	Complies.
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	The company will report in each annual report the measurable objectives for achieving gender diversity set by the Board.	Complies.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	The company will report, where appropriate, the proportion of women employees and their positions held within the company. The current composition of the board is 5 Directors of which 2 are female. The proportion of females in the company is 27% being 3 out of a total of 11 employees.	Complies
3.5	Provide the information indicated in *Guide to reporting on Principle 3.*	This information is available on the Company's website.	Complies

Principles and Recommendations		Compliance	Comply
Principle 4 – Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee.	The Board has established an audit and risk committee which operates under an audit and risk committee charter to focus on issues relevant to the integrity of the company's financial reporting.	Complies.
4.2	The audit committee should be structured so that it consists of only non-executive directors, a majority of independent directors, is chaired by an independent chair who is not chair of the Board and have at least 3 members.	Members of the audit and risk committee are Ms Melanie Leydin (Chair), Ms Philippa Kelly and Mr Campbell Horsfall. Ms Melanie Leydin is a Non-Executive Director and is not chair of the Board. The committee consists of three non-executive directors.	Complies
4.3	The audit committee should have a formal charter.	The Board has adopted an audit and risk charter. This charter is available on the company's website.	Complies.
4.4	Provide the information indicated in *Guide to reporting on Principle 4*.	In accordance with the information suggested in *Guide to Reporting on Principle 2*, this has been disclosed in the directors' report attached to this Corporate Governance Statement and is summarised in this Corporate Governance Statement. The members of the audit and risk committee are appointed by the Board and recommendations from the committee are presented to the Board for further discussion and resolution. The audit and risk committee held two meetings during the period to the date of the directors' report and will meet at least twice per annum. The audit and risk charter, and information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners (which is determined by the audit committee), is available on the company's website.	Complies.
Principle 5 – Make timely and balanced disclosure			
5.1	Establish written policies designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The company has adopted a continuous disclosure policy, to ensure that it complies with the continuous disclosure regime under the ASX Listing Rules and the Corporations Act 2001. This policy is available on the company's website.	Complies.
5.2	Provide the information indicated in the *Guide to reporting on Principle 5*.	The company's continuous disclosure policy is available on the company's website.	Complies.

Principles and Recommendations		Compliance	Comply
Principle 6 – Respect the rights of shareholders			
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	The company has adopted a shareholder communications policy. The company uses its website (3doil.com.au), annual report, market announcements, media disclosures and webcasting to communicate with its shareholders, as well as encourages participation at general meetings. This policy is available on the company's website.	Complies.
6.2	Provide the information indicated in the *Guide to reporting on Principle 6*.	The company's shareholder communications policy is available on the company's website.	Complies.
Principle 7 – Recognise and manage risk			
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of these policies.	The company has adopted a risk management statement within the audit and risk committee charter. The audit and risk committee is responsible for managing risk; however, ultimate responsibility for risk oversight and risk management rests with the Board. The audit and risk charter is available on the company's website and is summarised in this Corporate Governance Statement.	Complies.
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	The Board believes the risk management and internal control systems designed and implemented by the Directors and the Financial Officer are adequate given the size and nature of the Company's activities. The Board informally reviews and requests management internal control.	Management has not formally reported to the Board as to the effectiveness of the Company's management of its material business risks. Given the nature and size of the Company and the Board's ultimate responsibility to manage the risks of the Company this is not considered critical. The Company intends to develop the risk reporting framework into a detailed policy as its operations continue to grow.
7.3	The Board should disclose whether it has received assurance from the chief executive officer and chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	The Board has received a statement from the chief executive officer and chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	Complies.
7.4	Provide the information indicated in *Guide to reporting on Principle 7*.	The Board has adopted an audit and risk charter which includes a statement of the company's risk policies. This charter is available on the company's website and is summarised in this Corporate Governance Statement. The company has identified key risks within the business and has received a statement of assurance from the chief executive officer and chief financial officer.	Complies.

Principles and Recommendations		Compliance	Comply
Principle 8 – Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee.	The Board has established a Nomination and Remuneration Committee and has adopted a remuneration charter. The remuneration committee: — consists of a majority of independent directors Mr Campbell Horsfall, Ms Melanie Leydin and Ms Philippa Kelly; — is chaired by Ms Philippa Kelly, an independent director; and — has three members.	Complies.
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The company complies with the guidelines for executive remuneration packages and non-executive director remuneration. No senior executive is involved directly in deciding their own remuneration.	Complies.
8.3	Provide the information indicated in the *Guide to reporting on Principle 8*.	The Board has adopted a Nomination and Remuneration Committee charter. The company does not have any schemes for retirement benefits other than superannuation for non-executive directors.	Complies.

3D Oil Limited's corporate governance practices were in place for the financial year ended 30 June 2013 and to the date of signing the directors' report.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by 3D Oil Limited, refer to our website: 3doil.com.au

CORPORATE DIRECTORY

DIRECTORS

Campbell Horsfall
(Non-Executive Chairman)

Noel Newell
(Managing Director)

Melanie Leydin
(Non-Executive Director)

Philippa Kelly
(Non-Executive Director)

Kenneth Pereira
(Non-Executive Director)

COMPANY SECRETARY

Melanie Leydin

REGISTERED OFFICE

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Telephone: (03) 9650 9866

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Melbourne, VIC 3000

SHARE REGISTER

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Pty Limited
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Telephone: (03) 9415 5000

AUDITOR

Grant Thornton Audit Pty Ltd
Chartered Accountants
The Rialto, Level 30
525 Collins Street
Melbourne Victoria 3000

SOLICITORS

Baker & McKenzie
Level 19
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Melbourne
Victoria 3000

STOCK EXCHANGE LISTING

3D Oil Limited shares are listed on
the Australian Securities Exchange
(ASX code: TDO)

WEBSITE

3doil.com.au

3DOIL.COM.AU