



ANNUAL REPORT 2016



**WELL POSITIONED
TO TAKE ADVANTAGE OF
STRONG EAST COAST
GAS MARKET**

**THE READY-TO DRILL
FLANAGAN STRUCTURE
IS A WORLD CLASS GAS
PROSPECT CLOSE TO
INFRASTRUCTURE**



**THE COMPANY HAS
PROVEN TRACK RECORD
OF SECURING INDUSTRY
FUNDING TO FUND
EXPLORATION ACTIVITIES**

**MAINTAINING A
TECHNICALLY-BASED AND
COMMERCIALY SOUND
LOW TERM APPROACH TO
GROWING THE COMPANY
IN A DIFFICULT INDUSTRY
ENVIRONMENT**

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LETTER FROM THE MANAGING DIRECTOR



I would like to start with some comments on the results of Sea Lion-1. It goes without saying the results were a massive disappointment. It is, however, important to emphasise that our task at 3D Oil is to provide our shareholders with exposure to the potential wealth creation in drilling petroleum exploration wells. It can be a huge prize – particularly for a small company – but it comes with inherent risk. Even when, as in the case of Sea Lion-1, the best of modern science is applied to prospect definition and drilling, the assessed probability of commercial success for a wildcat well is usually less than 50%. The anticipation of an upcoming exploration can be exciting but also with the knowledge that we will likely need to participate in at least several wells to statistically achieve success. Ideally exploration companies spread their risk by taking smaller stakes and leveraging through farmout. This is the approach that 3D Oil took with Sea Lion-1 and also for that matter with our Tasmanian permit. It is an approach that maximizes our ability to keep participating in these risky but high-value projects in the long term and therefore maximizes the potential return to shareholders. So in this regard 3D Oil's achievement is as much in the drilling of the wells and the recording of seismic, each multi-million dollar projects where our share has been largely funded by our joint venturers, as in the outcome of any individual project.

Having said that, we at 3D Oil are explorationists at heart and we viewed Sea Lion-1 with measured optimism. The prospect was first identified by 3D Oil in 2003. The prospect had, on paper, all the necessary geological elements for a discovery while having a near perfect address in the prolific Gippsland Basin. This was not just not my view but that of many of my colleagues in the industry. I have personally waited 13 years to drill the prospect – you need patience in this business.

The result of Sea Lion clearly illustrates there are no certainties in oil and gas exploration. It is a risky despite the calculations. This is even true of the development phase where

there is much more information to guide operations and decisions. Nonetheless I believe 3D Oil performed exceedingly well for our shareholders having given them the exposure to a high impact well while reducing our financial risk. The Hibiscus deal which saw 3D Oil sell out of West Seahorse also resulted in limited financial exposure to Sea Lion-1 having leveraged off our knowledge and position to secure funding from Hibiscus.

Again, this is the task of a small exploration company looking to secure a significant stake in another high-value but high-cost project and, in our Tasmanian permit T/49P, we are well progressed in achieving a similar outcome. To date, we have formed a T/49P joint venture with Beach Energy where their entry into the permit funded the majority of the Flanagan 3D seismic survey costs. Again we achieved an outcome with significant reduction in the financial exposure while retaining operatorship and a large interest in the permit. The results of the survey are in turn providing leverage to secure a larger partner to fund the drilling of the Flanagan Prospect which would provide 3D Oil shareholders with low cost participation in another high impact event.

The last year has been another turbulent year for the global oil and gas industry. We witnessed oil prices hit their lowest for many years, even below GFC prices. While there has been some recovery it has not been as high and fast as many pundits predicted and an oil supply overhang remains for at least the near term. The battle over market share is continuing between OPEC, the new force in the market in the form of US shale oil and other major producers including Russia, with the consequence of continuing oil price volatility, at least in short term.

This volatility has resulted in strongly fluctuating energy stock share prices, while access to equity market capital for the sector continues to dry up and development investment by large industry players is severely curtailed. The critical question here is, are we seeing just another cycle or is it a paradigm shift in the oil sector?

This uncertainty in the sector has largely underpinned 3D Oil's decision to shift focus to the east coast gas. This is one of the few markets in the world where an energy shortage exists. A number of factors are underpinning the increase in eastern Australia gas prices including the unwinding of major low cost, long term gas contracts, the exposure to international pricing through the Queensland LNG exports and the lack of surplus gas in the system. The export of gas from the LNG projects virtually tripled demand on the east coast overnight. Much of the Cooper Basin production, which once supplied the domestic market, is now being directed toward the LNG facilities. Meanwhile the other major sources in the Otway, Gippsland and Bass Basins largely offshore Victoria are largely characterised by mature infrastructure and declining reserves.

This implies strong value for a project that can deliver large scale gas to the east coast system in the medium term. 3D Oil acquired the permit T/49P predicated on a belief in the growth of the east coast gas market prior to industry realisation of the impending crisis. As a frontier area and at 100% equity position it was a high risk strategy however it has the potential to be transformational.

It is currently difficult to know where else on the east coast you can secure the potential to prove up big gas. T/49P has the potential to supply the east coast domestic market at a time when it is difficult to identify to new sources with the back drop of rising prices.

The West Seahorse experience has focused 3D Oil in seeking a large experience partner with which to go forward in the offshore. This has resulted in the company conducting a worldwide search for a suitable partner to fund the next phase of exploration in T/49P – the drilling of Flanagan-1 exploration well. The geological elements within T/49P combined with the east coast gas market conditions and multi TCF gas potential has meant the company has got significant traction with potential partners. I am confident 3D Oil will complete a deal in the near term despite the current conditions.

CHAIRMAN'S LETTER



IT'S A GAS

Meanwhile the company has been reviewing numerous opportunities largely on the east coast of Australia. Cognisant of the potential dilutionary effects of tapping capital markets in the current climate the company strives to be innovative in the approach to these opportunities. With the world opportunity rich and cash poor it can be somewhat frustrating in constructing an executable strategy.

In terms of new business development, 3D Oil continues to review opportunities that fit with our strategic view. As a general observation, we find that many of the opportunities reviewed are burdened by work programme commitments that were possibly considered aggressive when agreed, but that are now not justifiable in the current or foreseeable market conditions. Other projects involve significant liabilities as aging infrastructure reaches the end of its life and requires substantial new investment or abandonment and re-habilitation. We are cautious that any new assets we acquire are in fact that and not liabilities.

No doubt a major farmout of T/49P will place 3D Oil in a far better position to progress some of these opportunities.

On behalf of the company, I thank the Board and the 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.

Noel Newell
Managing Director

The move into the gas business has been a good one for 3D Oil for a number of solid commercial reasons. The first is the attractive geology of T/49 P indicating good gas prospects and the recently acquired seismic data has been extremely encouraging in validating the company's decision to bid for the block. There is a shortage of gas in the Eastern States of Australia resulting in increased prices which in turn makes the underlying permit more valuable and attractive to potential partners. The size of the permit and its proximity to a large producing gas field and existing infrastructure are further factors enhancing the quality of this acreage.

An understanding of the strategy behind the proposed farm out of an interest in T/49 P is important. This will enable 3D Oil to carry out further operations in relation to the permit and gain access to capital without having to call on shareholders for further funding. T/49 P is a world class asset which has already attracted the attention of one of the premier oil and gas companies in Australia. Interest has been also expressed by a number of large international energy companies who not only recognise a quality asset when they see it but also appreciate the expertise that 3D Oil has in developing and adding value to it as operator. The Companies that 3D Oil has been talking to are all major gas players with the balance sheet and the commercial and technical capacity to discover gas and fast track production.

The company retains a 24.9% interest in Vic P57. Given the volatile nature of the commodity markets and high cost factors surrounding off shore exploration this is probably the correct level of exposure for 3D Oil at this particular point in time. At the time of writing OPEC reached an understanding that a crude-oil-production cut was needed to lift petroleum prices.

However, it is generally conceded that there is a long way to go before oil prices rise significantly and I think Noel has dealt very well with the issues surrounding Sea Lion in his letter. On the positive side, the company has completed a commitment well to further secure its interest in the permit and as Noel has indicated significant prospectivity remains in the permit and there a number of good leads. Esso and BHP Billiton have flagged the disposal of their off shore assets and this may create opportunities in the future for 3D to use its considerable expertise in this prolific hydro carbon province.

3D Oil has been fortunate in attracting outstanding management who not only have good technical skills as geologists but have also been able to do well in complex commercial negotiations and manage the company's finances in a prudent and safe manner. My thanks go to them and our Managing Director Noel Newell and also to our board members Melanie Leydin and Leo De Maria for their expertise in accounting and finance. We have also benefited from the commercial expertise of our ex officio member Ian Tchacos in relation to strategy and positioning of the company. In a difficult external environment, it's great to have talent on your side.

Campbell Horsfall
Chairman

REVIEW OF OPERATIONS



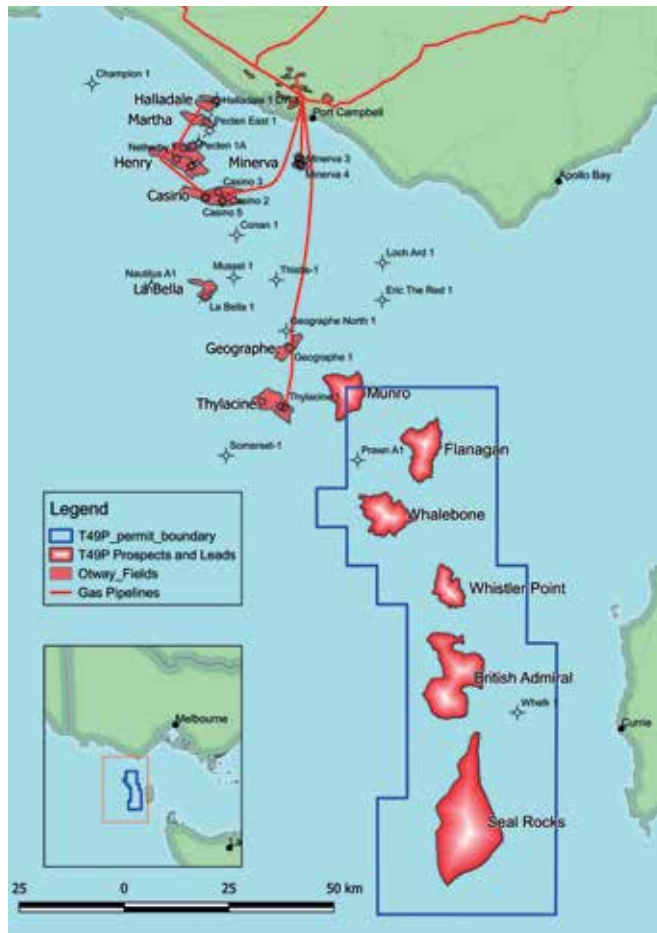


Figure 1: Otway Basin, Fields and Infrastructure Location

T/49P, OTWAY BASIN, OFFSHORE TASMANIA

Exploration permit T/49P was awarded to 3D Oil in May 2013 and the Company now holds a 70% interest and operatorship in joint venture with Beach Energy (30%). T/49P is located in the offshore Otway Basin of Tasmania, immediately southeast of the largest producing gas field in the Otway Basin

The Otway Basin extends from Tasmanian waters in the south to Victoria and South Australia in the north where it also extends onshore.

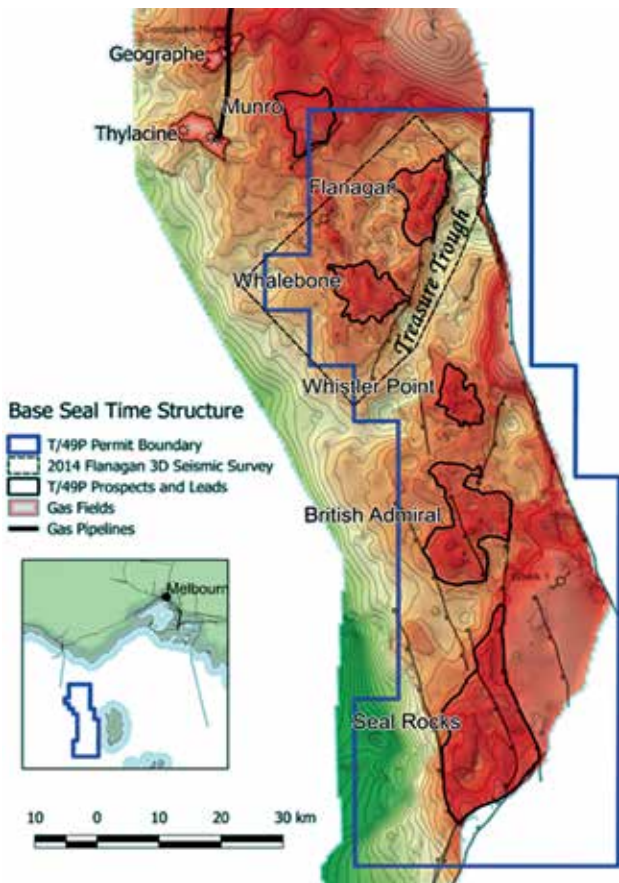
Onshore, after a long history of exploration, gas was discovered in 1959 and commercial production was established in 1987.

The first commercial gas discoveries in the offshore Otway were in Victorian waters in the early 1990s but it was not until 2001 that the Thylacine-1 well made the first commercial gas discovery in the Tasmanian Otway. Thylacine and the nearby Geographe gas field have been producing since 2007 from infrastructure that is located close to the northern boundary of 3D Oil's T/49P permit and the Flanagan Prospect. The offshore Otway also supports two other gas production projects at Casino and Minerva, both in Victorian waters.

T/49P is in Year 3 having met the Year 2 permit commitment with the acquisition and processing of the Flanagan 3D seismic survey which was the major commitment in the primary term of T/49P. During the year National Offshore Petroleum Titles Administrator ('NOPTA') granted a suspension and extension of Year 3 to 21 February 2017 in order to allow finalisation of permit mapping.

The permit contains a number of prospective features for gas exploration within an area of 4,960 km² in water depths generally no greater than 100m. The north of the permit is now covered by 974 km² of modern 3D seismic, while the area to the south remains lightly explored covered by a broad grid of 2D seismic data of varying vintages. Only two early exploration wells have been drilled in the permit (in 1967 and 1970) and the region had largely been overlooked by the industry despite the proximity of the Thylacine and Geographe producing gas fields.

Figure 2: Location of Leads and Prospects, T/49P



ACTIVITIES

TDO's view of the potential for gas discoveries in this permit is supported by the late 2014 Flanagan 3D seismic data which has significantly improved prospect imaging and provides greater detail of the geology. Detailed interpretation of this survey over the Flanagan prospect is nearing completion.

Recently the prospectivity of this permit for commercial gas discoveries was further enhanced by three new studies as follows:

- Petroleum system modelling was conducted by TDO using Trinity and Genesis software. This study concludes that the T/49P area has generated more than enough gas to fill the mapped Prospects and Leads. Also, a significant part of this gas generation has been during a late pulse within the last 25 million years providing greater likelihood of filling of the currently identified traps.
- A petrophysical study of key wells was conducted by Downunder Geosolutions (DUG). The study concluded that amplitude anomalies should be prominent on the 3D seismic data where gas is present at the Flanagan prospect within the target reservoir levels. Furthermore, the DUG study shows that Amplitude Vs Offset (AVO) analysis of the 3D seismic data should be able to discriminate between gas and water fill in the target reservoirs at Flanagan i.e. it predicts a Class III AVO response.
- The third study then analysed the Flanagan 3D seismic data looking for the anomalous responses that DUG predicted would occur if gas is present in target reservoirs at Flanagan. The result of the AVO analysis is consistent with the presence of gas as predicted by the DUG petrophysical study and the distribution of anomalies corresponds well to the mapped structure at Flanagan. 3D Oil believes that this result substantially increases the probability that gas is present at Flanagan.

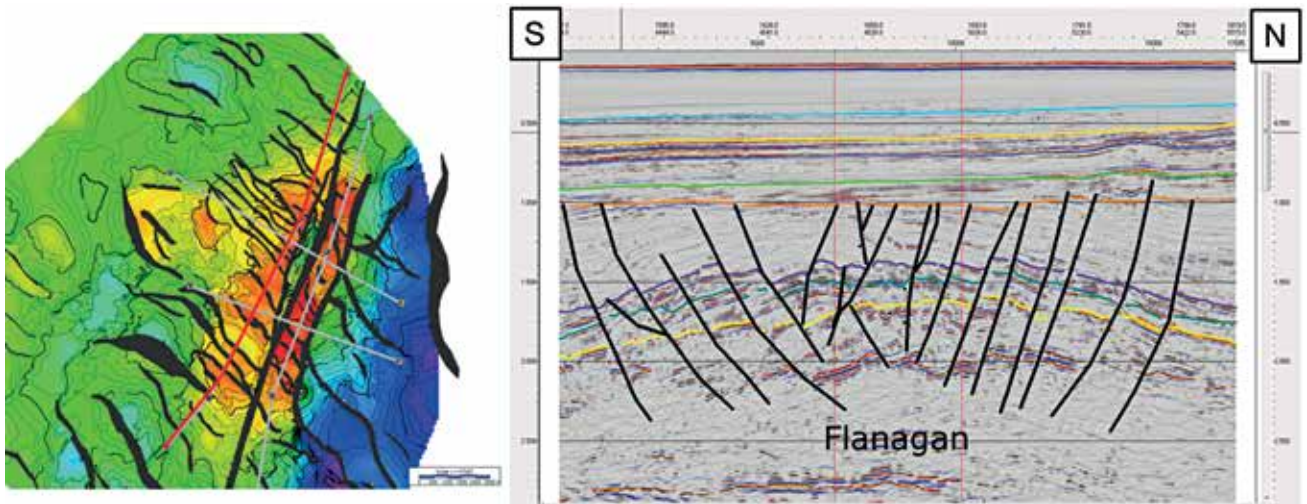
The company holds a large interest and operatorship in T/49P allowing the opportunity for 3D Oil to farm down while still retaining a significant interest and reducing exposure to expenditure.

3D Oil is continuing with a farmout process targeting large international petroleum companies which are looking to invest in significant new gas plays. The results of the recent studies highlight the potential in T/49P and TDO believes it is well positioned to attract funding from the industry.

A number of discussions are progressing under confidentiality agreements.

Meanwhile the wholesale gas market in eastern Australia continues to show positive signs for potential producers such as 3D Oil. Spot prices for gas are showing marked increases, indicating a likelihood of higher prices for future gas sales contracts as a result of a shortage gas in the Eastern states gas markets.

Figure 3: Seismic interpretation of the western side of the Flanagan Prospect. Note the high amplitude reflections below Top Reservoir (purple horizon), and the comparatively transparent reflection configuration of the perceived seal section above.



FLANAGAN PROSPECT

The Flanagan Prospect is a highly prospective feature located within the northern section of T/49P. The structure has a maximum aerial closure of approximately 80 sq km and is positioned adjacent to the Treasure Trough, a potential source kitchen. Due to its large size, best estimates suggest that the prospect could contain 2.5 TCF Gas Initially In Place (GIIP) significantly greater than the neighbouring Thylacine field, the largest of the currently proven gas fields in the Otway Basin.

The structure is detailed by the Flanagan 3D survey acquired in 2014. This data has allowed for high confidence in characterisation of the sub-surface structural and stratigraphic configuration. Combined with nearby well data, the Flanagan survey provides strong indications that the elements required for a successful petroleum system are in place.

The Flanagan Prospect is located adjacent to the nearby Thylacine, Geographe and La Bella gas fields, which confirm the presence of favourable Late Cretaceous seal and reservoir facies as well as an active petroleum system in the immediate area. Interpretation of the 3D data indicates that the reservoir target, mapped to the nearby gas fields, is overlain by a thick seal unit. The potential for the presence of gas in the prospect is supported by quantitative geophysical modelling, which indicates the presence of a Class III AVO anomaly, strongly suggestive of gas bearing sands.

Recent maturity and migration modelling indicates that Flanagan has access to adjacent hydrocarbon kitchens and that the organic rich Eumeralla Formation source rocks are likely to have expelled sufficient hydrocarbons to have filled all traps in the area, including Flanagan, to capacity.

Detailed geophysical interpretation and 3D structural modelling has demonstrated that the Flanagan feature presents as a drill-ready prospect, with preliminary well planning of Flanagan-1 completed. The planned well targets the western segment of the structure which alone could contain a commercial quantity of gas when delivered to Australia's under-supplied east coast gas market.

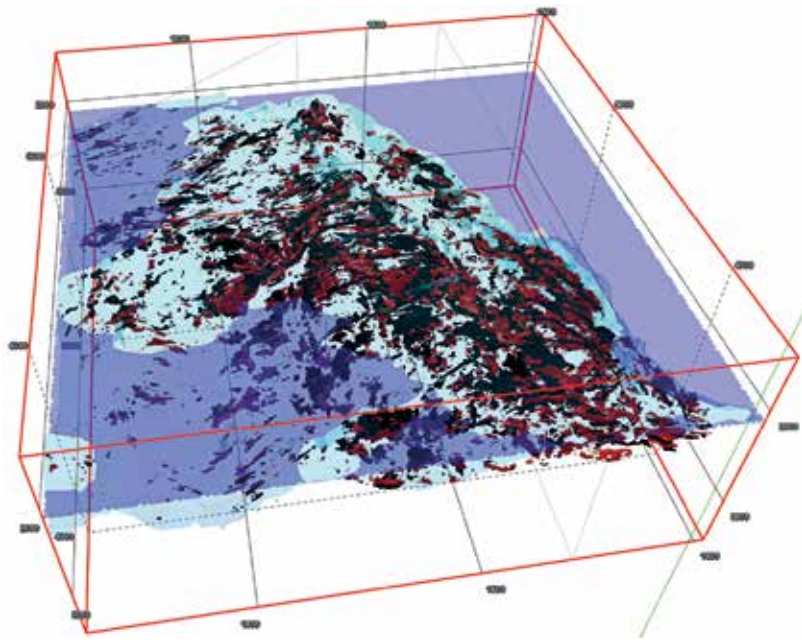


Figure 4: Quantitative geophysical modelling results showing the distribution of the Class III AVO anomaly. This anomaly is likely to represent gas bearing sands that fit the Flanagan closure well.

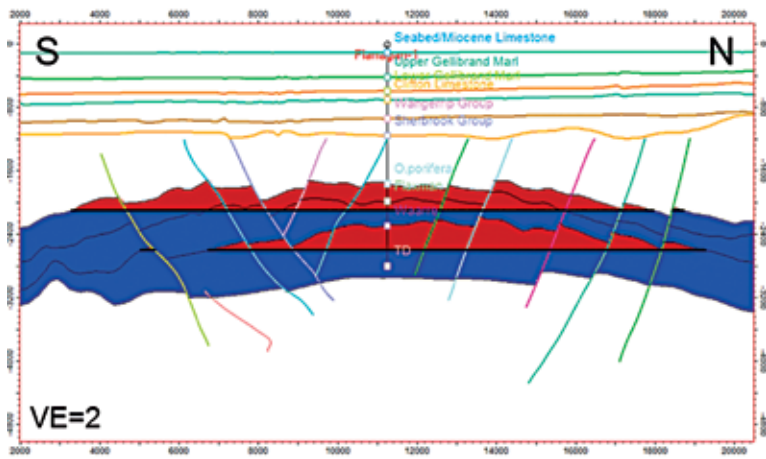


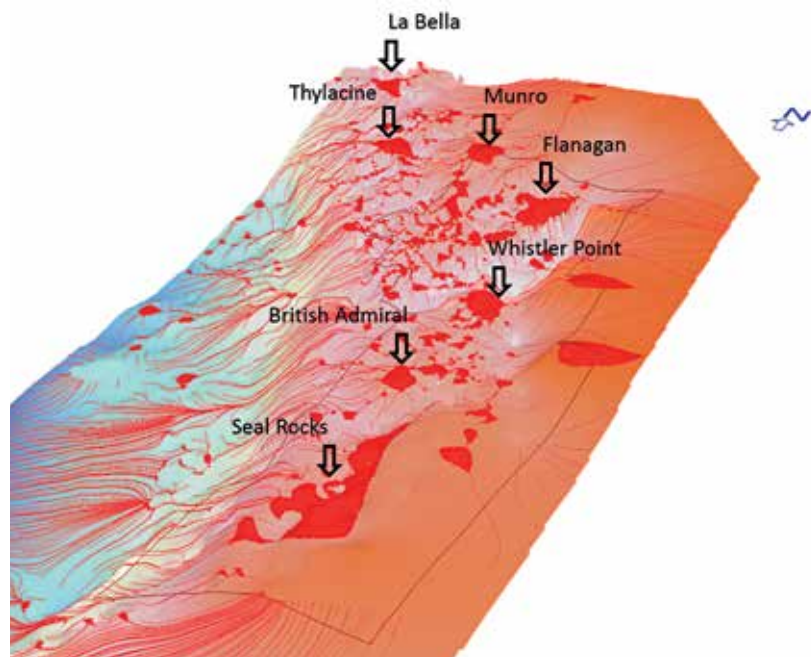
Figure 5: A cross-section through the western side of the Flanagan Prospect illustrating the potential for two gas columns.

OTHER LEADS

T/49P also has significant resource potential beyond the Flanagan Prospect, with an additional 5 leads identified and mapped across the whole permit. The permit has the potential to become a substantial new gas province which could provide a valuable contribution to the east coast gas market.

Recent generation and expulsion of hydrocarbons beneath the recent loading along the shelf edge (the Tertiary Wedge) as well as generation and expulsion within the Treasure Trough is modelled to be more than capable of charging all of the existing structures mapped on existing 3D and 2D seismic data.

Figure 6: 3D perspective of modelled migration paths and hydrocarbon accumulations along the Top Reservoir horizon



Seal Rocks

Seal rocks is a large multi-TCF lead defined on a broad grid of 2D seismic data with lines between 5km and 8km apart.

The reservoir at Seal Rocks is interpreted to be a succession of prograding deltas of the Waarre and Flaxmans formations structured in a series of tilted fault blocks and sealed by Santonian shales of the Belfast Formation. Seismic and geological interpretation indicates the potential for stacked reservoirs at Seal Rocks, with similar reservoir geometries in the Thylacine and Geographe fields.

Structurally and depositionally similar to many of the existing fields in the Otway Basin, Seal Rocks also has access to significant volumes of gas generated and expelled beneath a thick Tertiary sequence directly beneath and adjacent to the structure.

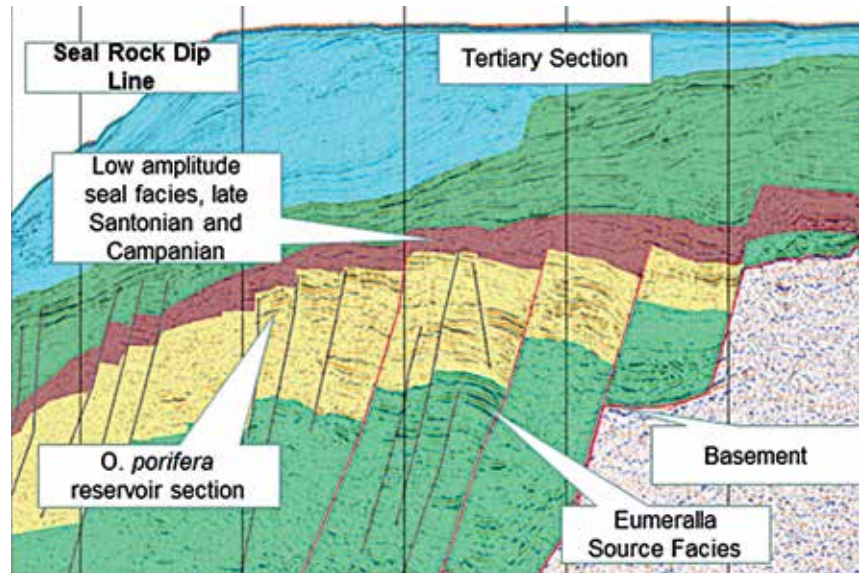


Figure 7: Geoschematic cross section through Seal Rocks

British Admiral

The British Admiral lead is in the central part of T/49P and is structurally more complex than the Seal Rocks Lead. British Admiral is covered by a grid of 2D seismic data varying from 1km at the northern end of the lead to 5km at the southern end.

British Admiral relies on similar tilted fault block structures to the Seal Rocks lead with seal interpreted to be Santonian Belfast shales. British Admiral is adjacent to the recent sediment loading parallel to the edge of the present day continental shelf that causes the generation and expulsion of hydrocarbons from source rocks in the Eumeralla Formation.

Whistler Point

The Whistler Point lead is located on the southern side of the Treasure Trough opposite the Flanagan prospect and has a similar structural history to Flanagan.

Whistler Point is mapped on a variable grid of 2D seismic data with 1 to 5km between lines.

Further east of the present day continental shelf than the British Admiral and Seal Rocks leads, Whistler point is positioned to receive gas expelled from both the Treasure Trough and by the recent loading along the continental shelf edge.

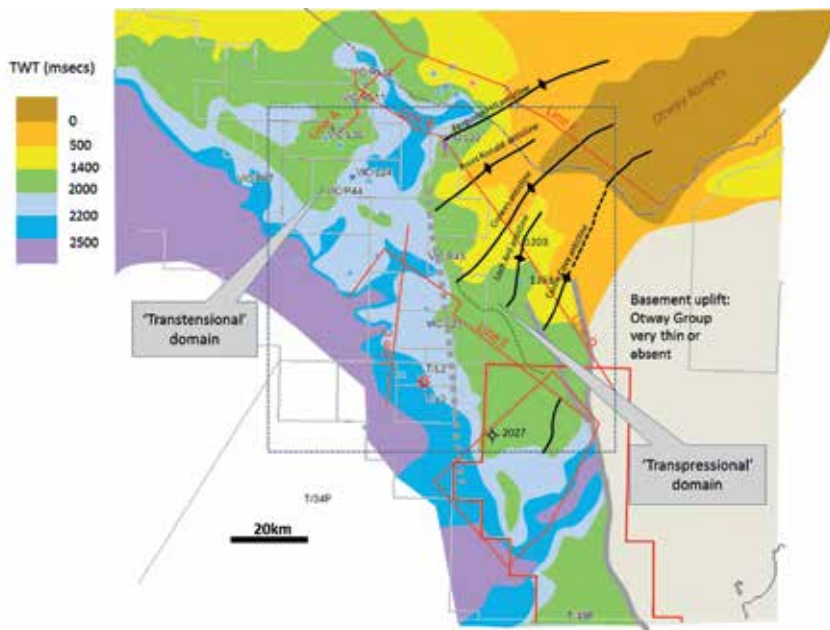
RESOURCE POTENTIAL

3D Oil's estimate for Prospective Resources in T/49P is 6.82 TCF (best estimate) with the Flanagan Prospect alone 1.38 TCF (best estimate). The table below details the current preliminary estimates for gas by prospect and lead. Potential also exists for significant liquids production from this area based on analogy to nearby fields.

T/49P Prospective Resource Estimate (TCF) Recoverable Gas

Location	Status	Low	Best	High
Flanagan	Prospect	0.41	1.38	2.68
Whalebone	Strong Lead	0.38	1.20	2.72
Munro (T/49 Part)	Lead	0.04	0.19	0.57
Whistler Point	Lead	0.19	0.93	1.88
British Admiral	Lead	0.17	0.54	3.22
Seal Rocks	Lead	0.28	2.59	10.64
T/49 Total		1.47	6.82	21.71

Figure 8: Regional structure of the eastern Otway Basin illustrated by Top Otway Group two-way time



BACKGROUND

The perceived geological prospectivity of T/49P is underpinned by several key factors. A thick 'Tertiary wedge' is located approximately coincident with the shelf-break edge in a largely north-south orientation. This is a common feature of successful plays further to the north and west along the offshore Otway. It 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 Tertiary 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. A three dimensional maturation modelling study has demonstrated that source material in the Eumeralla Formation is currently at optimal temperature and depth for gas generation. The present day maturity at the top of the Eumeralla as derived from the modelling is shown in Figure 6.

Historically, the major perceived risk in T/49P has been the absence of the regional seal in two early wells, Prawn-A1 (1967) and Whelk-1(1970), both of which were dry holes. However, seismic facies interpretation undertaken by 3D Oil in the first permit year indicated areas of good seal based upon a low acoustic signature correlated with the Belfast Mudstone in the Thylacine Field. This unit overlies a complexly faulted sequence of higher amplitude seismic events interpreted to include the Waarre Formation which is the primary reservoir unit in the offshore gas-fields to the north of T/49P. The seal-reservoir combination interpreted in T/49P is potentially analogous to that in these fields. Interpretation of the recently acquired Flanagan 3D survey

has reinforced this earlier seismic facies model. The new dataset has provided an unprecedented degree of detail and resolution with which to improve and refine 3D Oil's understanding of the permit's structure, stratigraphy and seismic facies.

One important development in 3D Oil's understanding of the geology in this part of the Otway Basin has been the recognition that what has generally been called the Prawn Platform is not a stable platform but rather, in the northern part of the permit at least, a tectonically active zone including a prominent SW to NE-trending trough, termed the Treasure Trough (Figure 8). Periodic subsidence and uplift within this active zone appears to have controlled the depositional environment, and consequently the distribution of reservoir and seal facies, during subsequent periods of sedimentation.

The prospectivity of T/49P is founded upon three observations. Foremost, is the ideal location of the permit with respect to hydrocarbon charge from the source Eumeralla Formation as it is buried by later sediments and matured. The permit also contains the requisite reservoir section in the Sherbrook and Shipwreck subgroups, and evidence from seismic data of a suitable seal sequence overlying the reservoirs rocks. Finally, the block is well structured, providing a number of leads for ongoing evaluation. Tilted fault blocks provide traps to capture the migration of matured oil or gas from source areas along the shelf margin to the west and also from a central trough – the 'Treasure Trough'.

VIC/P57, GIPPSLAND BASIN OFFSHORE VICTORIA

Exploration Permit VIC/P57 is located in the northwest of the offshore Gippsland Basin. The permit is close to shore, in shallow water depths and approximately 450 square kilometres in size.

3D Oil holds a 24.9% interest in the VIC/P57. By arrangement with permit operator Carnarvon Hibiscus Pty Ltd (CHPL), 3D Oil Limited continues to carry out subsurface technical work in VIC/P57 on behalf of the joint venture.

The Gippsland Basin, with initial reserves estimated at 4 billion barrels of oil and 11.5 trillion cubic feet of gas, is Australia's most prolific oil-producing basin. Twenty one oil and gas fields are on production with most of the hydrocarbons reservoir within the world-class sandstones of the Latrobe Group.

Much of the historical success in the basin was based on the interpretation of 2D seismic data. The dominant acreage position of the Esso-BHPB joint venture, with a focus on large-scale projects, has to some extent hindered the impact that 3D seismic-based exploration has had on similar basins, where smaller but lower risk targets are pursued. Approximately 88% of VIC/P57 is covered by 3D seismic data while approximately 65% is covered by seismic data reprocessed by the company in 2010/11.

The planned sale of a portion of Esso-BHPB's Gippsland Basin assets and infrastructure is potentially a watershed event in the exploration and development history of this world class petroleum province. New owners of these facilities may bring new approaches to exploration as well as infrastructure access. As a smaller player in this area, 3D Oil is optimistic that this sale may help to re-invigorate Gippsland Basin activity as has been the case in other areas around the world when smaller, nimble companies have taken over from large incumbent operators in mature areas.

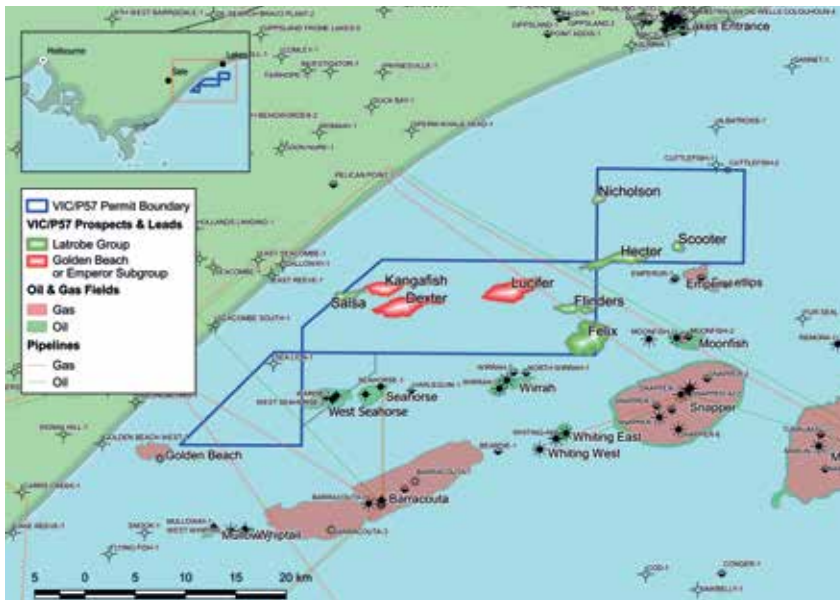


Figure 9: VIC/P57 Location



Figure 10: West Telesto on location drilling Sea Lion-1

ACTIVITIES

The Sea Lion-1 exploration well was drilled during October – November 2015.

The West Telesto jackup drilling rig arrived on the Sea Lion-1 location on 22 October 2015 and drilling commenced on 26 October 2015. The rig was released from the location on 16 November 2015 and no safety or environmental incidents were reported. No zones of commercial hydrocarbons were encountered in the Sea Lion-1 well.

The well intersected the target zone near to prediction and high quality reservoirs were overlain by a thick seal. Given these results it is interpreted that the structure is located in a hydrocarbon migration shadow.

3D Oil's share of well costs were carried to the extent of US\$7.5 million as part of an agreement with joint venture operator Carnarvon Hibiscus Pty Ltd ('CHPL') the wholly owned subsidiary of Hibiscus Petroleum.

Sea Lion-1 satisfied the Year 3 permit commitment and as of 9 January 2016 the permit has entered Year 4 for which the commitment is for geological and geophysical studies.

PROSPECTIVITY

Significant prospectivity remains in the VIC/P57 permit and earlier work by 3D Oil has identified a strong inventory of leads and prospects. The joint venture's future technical programme will likely include greater emphasis towards gas exploration and the potential serve the tight eastern states wholesale natural gas market.

The prospect and leads seriatim will be reviewed in the coming year in light of this revised focus with a view to potential future drilling.

Felix

The Felix prospect is anticipated to contain at the same productive horizons currently being exploited in the nearby Moonfish Field as well as additional hydrocarbon zones, as is seen in the adjacent Wirrah field. Mapping has also identified secondary targets below the primary objective with the potential to contain an additional 60 MMbbls of oil resource equivalent. Deeper potential has not been adequately investigated in this immediate area, but it has been proven to be prospective at along-trend discoveries such as the Sunfish, Remora, South East Remora, Longtom and Kipper fields and is considered to be a gas target.

The combination of its location and 3D seismic definition makes Felix a low- to medium-risk exploration target which is mature for future drilling.

Other Leads

Another potential gas fairway in VIC/P57 is the Emperor Subgroup play, exemplified by the along-trend Longtom and Judith gas discoveries. Emperor Subgroup leads in VIC/P57 include Lucifer, Dexter and Kangafish, which are low-side, fault-dependent structures associated with the east-west fault system along the basin's northern margin.

Work to date confirms that the requisite play components are present across the permit. In particular, the trapping style appears to be identical to the Longtom gas field. More detailed mapping is required to progress these leads to prospect status (i.e. potentially ready to drill).

The Scooter lead is a Top of Latrobe feature formed by erosion of the Marlin Channel leaving a remnant closure, with lateral seal provided by shale subsequently filling the channel. This style of hydrocarbon trap has been effective elsewhere in the basin.

Nicholson and Hector are additional Top of Latrobe leads, where extensive channeling that cross-cuts regional dip at the Top of Latrobe unconformity surface has created the potential for a combination structural and stratigraphic trap.

To the north-east, the Salsa lead is another inversion anticline associated with the Rosedale Fault system at the Top of Latrobe level, providing attractive follow-up potential. Although potentially a large structure, Salsa may be difficult to de-risk due to it being on the edge of the 3D seismic data set.



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 at the end of, or during, the year ended 30 June 2016.

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
Mr Leo De Maria

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 \$10,291,156 (30 June 2015: profit of \$2,314,986).

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

FINANCIAL POSITION

The net assets decreased by \$10,279,328 to \$12,998,285 at 30 June 2016 (30 June 2015: \$23,277,613). During the period the consolidated entity spent a net amount after reimbursements of \$5,190,947 on exploration, mainly in relation to VIC permit T49P during the period. The consolidated entity also decided to impair VIC/P57 during the financial year as a result of the drilling work carried out during the year on the Sea Lion-1 well which confirmed that no zones of hydrocarbons were encountered in the Sea Lion-1 well. The impairment amounted to \$9,312,429 (refer to Note 14 for further details). The consolidated entity's working capital position at 30 June 2016, being current assets less current liabilities, was \$3,170,063, a decrease of \$6,224,309 since 30 June 2015. The trade and other payables balance has also decreased by \$361,603 to \$825,555 as at 30 June 2016 (30 June 2015: \$1,187,158).

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year, the consolidated entity granted 2,107,000 Performance Rights to an Executive and an Employee of the Company pursuant to the terms of the 3D Oil Long Term Incentive Plan. The performance rights expire on or before 23 December 2018, and vest on satisfaction of performance hurdles over a three year period.

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 2016 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 exploration interest in the West Seahorse Oil Field (VIC/P57) in Joint Venture partnership with Carnarvon Hibiscus Pty Ltd.

3D Oil will continue to develop other permits held and to this end has successfully introduced new partners to its new exploration permit (T/49P) in the offshore Otway Basin of Tasmania during the financial year. 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 2016.

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 (last 3 years):

None

Special responsibilities:

Member of Audit Committee and Remuneration and Nomination Committee

Interests in shares:

104,625 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 (last 3 years):

None

Special responsibilities:

None

Interests in shares:

42,437,789 ordinary fully paid shares.

Interests in options:

1,496,000 performance rights

Ms Melanie Leydin

Non-executive Director and Company Secretary

Qualifications:

B.Bus CA

Experience and expertise:

Melanie Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of the Institute of Chartered Accountants 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. The practice provides outsourced company secretarial and accounting services to public and private companies specialising in the Resources, technology, bioscience and biotechnology sector. Melanie has over 23 years' experience in the accounting profession and has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies and shareholder relations.

Other current directorships:

None

Former directorships (last 3 years):

None

Special responsibilities:

Member of Audit Committee and Member of Remuneration and Nomination Committee

Interests in shares:

295,000 ordinary fully paid shares.

Interests in options:

None

Mr Leo De Maria

Non-executive Director

Experience and expertise:

Leo is a Chartered Accountant with extensive experience in company management, financial management, mergers and acquisitions and risk management.

Other current directorships:

None

Former directorships (last 3 years):

None

Special responsibilities:

Chairman of Audit Committee and Remuneration and Nomination Committee

Interests in shares:

650,070 ordinary fully paid shares.

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 2016, and the number of meetings attended by each director were:

	Full Board		Audit Committee		Remuneration and Nomination Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr C Horsfall	8	8	2	2	1	1
Mr N Newell	8	8	-	-	-	-
Ms M Leydin	8	8	2	2	1	1
Mr L De Maria	8	8	2	2	1	1

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

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.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

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

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

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.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- focusing 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
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is 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 comparable 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 calibre 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 24 November 2015 Annual General Meeting ('AGM')

The company received 93.85% of 'for' votes in relation to its remuneration report for the year ended 30 June 2015. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

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

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled performance rights	
2016	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors:							
Mr C Horsfall	76,712	-	-	7,288	-	-	84,000
Ms M Leydin *	143,250	-	-	-	-	-	143,250
Mr Leo De Maria	41,096	-	-	3,904	-	-	45,000
Executive Directors:							
Mr N Newell	394,567	-	-	19,308	-	8,976	422,851
Other Key Management Personnel:							
Mr A Adams	333,198	-	-	19,308	-	2,852	355,358
	988,823	-	-	49,808	-	11,828	1,050,459

* This includes fees paid to Leydin Freyer Corp Pty Ltd in respect of Directors fees, Company Secretarial and Accounting services.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled options	
2015	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors:							
Mr C Horsfall	76,696	-	-	7,304	-	-	84,000
Ms M Leydin *	143,250	-	-	-	-	-	143,250
Mr Leo De Maria **	30,822	-	-	2,928	-	-	33,750
Executive Directors:							
Mr N Newell	396,100	-	-	17,775	-	-	413,875
Other Key Management Personnel:							
Mr A Adams	324,557	-	-	32,592	-	14,901	372,050
	971,425	-	-	60,599	-	14,901	1,046,925

* This includes fees paid to Leydin Freyer Corp Pty Ltd in respect of Directors fees, Company Secretarial and Accounting services.

** Mr Leo De Maria was appointed on 1 October 2014.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk – STI		At risk – LTI	
	2016	2015	2016	2015	2016	2015
Non-Executive Directors:						
Mr C Horsfall	100%	100%	-	-	-	-
Ms M Leydin	100%	100%	-	-	-	-
Mr Leo De Maria	100%	100%	-	-	-	-
Executive Directors:						
Mr N Newell	98%	100%	-	-	2%	-
Other Key Management Personnel:						
Mr A Adams	99%	96%	-	-	1%	4%

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 misconduct 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 termination.
- (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 to 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.

Mr A Adams Commercial and Exploration Manager

Agreement commenced:

10 October 2012

Term of agreement:

- (i) Mr Adams may resign from his position and thus terminate this contract by giving 3 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 Adams 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 Adams will be entitled to be paid those outstanding amounts owing to her up until the Termination date.

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

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 2016.

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 2016.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

	Number of options granted during the year	Number of options granted during the year	Number of options vested during the year	Number of options vested during the year
Name	2016	2015	2016	2015
Mr A Adams	-	400,000	-	400,000

Performance rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Share price hurdle for vesting	Fair value per right at grant date
24/11/2015	23/11/2018	23/11/2018	\$0.00	\$0.027
24/12/2015	23/12/2018	23/12/2018	\$0.00	\$0.021

Performance rights granted carry no dividend or voting rights.

Terms of Performance Rights

The Performance Rights were issued for \$Nil consideration, and the vesting of the rights is contingent on the Company achieving certain hurdles over a three year performance period.

The number of Performance Rights which vest is determined by assessing the performance of the Company, as measured by Total Shareholder Return (TSR) at the Performance Date relative to a comparator group of companies. The VWAP of the Shares in the one-month preceding the Performance Date compared to the VWAP of the Shares in the one-month preceding the grant date, will be used in calculating the TSR over the three year period. The TSR incorporate capital returns as well as dividends notionally reinvested and is considered the most appropriate means of measuring the Company's performance.

Performance Rights will only convert to Shares subject to the Performance Period being met and subject to the Company's TSR being at least equal to the median of the comparator group performance. The entire annual allocation will convert if the Company's TSR is at the 75th percentile or higher than the comparator group performance. The detailed breakdown of the relationship between the Company's performance and the conversion of Performance Rights is:

- 0% converting if the Company TSR performance is below the median performance of the comparator group.
- 50% to 100% converting if the Company TSR performance is at or above the median performance of the comparator group, but below the 75th percentile performance of the comparator group.
- 100% converting if the Company TSR performance is at or above the 75th percentile performance of the comparator group.

Under the LTI Plan there will be a straight line pro-rata conversion of Performance Rights to Shares where the Company's TSR performance is between the median and 75th percentile performance.

The number of performance rights over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

	Number of rights granted during the year	Number of rights granted during the year	Number of rights vested during the year	Number of rights vested during the year
Name	2016	2015	2016	2015
Mr N Newell	1,496,000	-	-	-
Mr A Adams	611,000	-	-	-

Values of performance rights over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

	Value of rights granted during the year	Value of rights vested during the year	Value of rights lapsed during the year	Remuneration consisting of rights for the year
Name	\$	\$	\$	%
Mr N Newell	8,976	-	-	-
Mr A Adams	2,852	-	-	-

Details of performance rights over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

Name	Grant date	Vesting date	Number of rights granted	Value of rights granted	Value of rights vested	Number of rights lapsed	Value of rights lapsed
				\$	\$		\$
Mr N Newell	24/11/2015	23/11/2018	1,496,000	8,976	-	-	-
Mr A Adams	24/12/2015	23/12/2018	611,000	2,852	-	-	-

Additional information

The earnings of the consolidated entity for the five years to 30 June 2016 are summarised below:

	2016	2015	2014	2013	2012
	\$	\$	\$	\$	\$
Revenue	73,967	192,286	47,652	101,500	140,072
Net profit/(loss) before tax	(10,332,422)	2,356,252	(1,289,142)	(2,033,105)	(7,672,697)
Net profit/(loss) after tax	(10,291,156)	2,314,986	(1,289,142)	(2,033,105)	(6,976,803)

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

	2016	2015	2014	2013	2012
Share price at financial year start (\$)	0.06	0.07	0.09	0.07	0.14
Share price at financial year end (\$)	0.02	0.06	0.07	0.09	0.07
Basic earnings per share (cents per share)	(4.33)	0.97	(0.54)	(0.92)	(3.38)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company 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:

	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	104,625	-	-	-	104,625
Mr N Newell	38,893,789	-	3,544,000	-	42,437,789
Ms M Leydin	295,000	-	-	-	295,000
Mr L De Maria	650,070	-	-	-	650,070
Mr A Adams	292,000	-	-	-	292,000
	40,235,484	-	3,544,000	-	43,779,484

Option holding

The number of options over ordinary shares in the company 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:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Mr A Adams	1,000,000	-	-	(300,000)	700,000
	1,000,000	-	-	(300,000)	700,000
			Vested and exercisable	Vested and unexercisable	Balance at the end of the year
Options over ordinary shares					
Mr A Adams			700,000	-	700,000
			700,000	-	700,000

Performance rights holding

The number of performance rights over ordinary shares in the company 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:

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
Performance rights over ordinary shares					
Mr N Newell	-	1,496,000	-	-	1,496,000
Mr A Adams	-	611,000	-	-	611,000
	-	2,107,000	-	-	2,107,000
			Vested and exercisable	Not yet vested and unexercisable	Balance at the end of the year
Performance rights over ordinary shares					
Mr N Newell			-	1,496,000	1,496,000
Mr A Adams			-	611,000	611,000
			-	2,107,000	2,107,000

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
2 September 2013	30 November 2016	\$0.11	300,000
6 December 2013	29 November 2016	\$0.12	250,000
25 July 2014	30 November 2017	\$0.08	400,000
			950,000

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 under performance rights

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

Grant date	Expiry date	Exercise price	Number under rights
24/11/2015	23/11/2018	\$0.00	1,496,000
24/12/2015	23/12/2018	\$0.00	611,000
			2,107,000

No person entitled to exercise the performance rights had or has any right by virtue of the performance right 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 ordinary shares of 3D Oil Limited issued on the exercise of options during the year ended 30 June 2016 and up to the date of this report.

Shares issued on the exercise of performance rights

There were no ordinary shares of 3D Oil Limited issued on the exercise of performance rights during the year ended 30 June 2016 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. 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

There were no non-audit services provided during the financial year by the auditor.

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

There are no officers of the company who are former 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 immediately after this directors' report.

Auditor

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

Rounding of amounts

3D Oil Limited is a type of Company that is referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

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

15 September 2016
Melbourne

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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 2016, 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 AUDIT PTY LTD
Chartered Accountants



B. A. Mackenzie
Partner - Audit & Assurance

Melbourne, 15 September 2016

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FINANCIAL REPORTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

		Consolidated	
	Note	2016	2015
		\$	\$
Revenue	5	73,967	192,286
Other income	6	260,917	3,866,768
Expenses			
Corporate expenses		(139,468)	(174,330)
Administrative expenses		(77,865)	(113,997)
Employment expenses		(978,577)	(1,044,659)
Occupancy expenses		(90,082)	(120,022)
Depreciation and amortisation expense	7	(57,057)	(38,999)
Exploration costs written off	14	(9,312,429)	-
Writeback of well abandonment provision		-	500,000
Share based payments		(11,828)	(14,901)
R&D tax refund payable		-	(695,894)
Profit/(loss) before income tax (expense)/benefit		(10,332,422)	2,356,252
Income tax (expense)/benefit	8	41,266	(41,266)
Profit/(loss) after income tax (expense)/benefit for the year attributable to the owners of 3D Oil Limited		(10,291,156)	2,314,986
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of 3D Oil Limited		(10,291,156)	2,314,986
		Cents	Cents
Basic earnings per share	33	(4.33)	0.97
Diluted earnings per share	33	(4.33)	0.97

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		Consolidated	
	Note	2016	2015
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	9	4,012,719	10,494,399
Trade and other receivables	10	98,038	236,529
Other	11	18,333	34,144
Total current assets		4,129,090	10,765,072
Non-current assets			
Property, plant and equipment	12	75,159	8,106
Intangibles	13	199,299	202,101
Exploration and evaluation	14	9,587,706	13,709,188
Total non-current assets		9,862,164	13,919,395
Total assets		13,991,254	24,684,467
Liabilities			
Current liabilities			
Trade and other payables	15	825,555	1,187,158
Income tax	16	-	41,266
Employee benefits	17	133,472	133,700
Provisions	18	-	8,576
Total current liabilities		959,027	1,370,700
Non-current liabilities			
Employee benefits	19	33,942	30,426
Provisions	20	-	5,728
Total non-current liabilities		33,942	36,154
Total liabilities		992,969	1,406,854
Net assets		12,998,285	23,277,613
Equity			
Issued capital	21	52,657,366	52,657,366
Reserves	22	66,178	102,063
Accumulated losses		(39,725,259)	(29,481,816)
Total equity		12,998,285	23,277,613

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Contributed equity	Accumulated losses	Reserves	Total equity
Consolidated	\$	\$	\$	\$
Balance at 1 July 2014	52,657,366	(31,808,202)	98,562	20,947,726
Profit after income tax expense for the year	-	2,314,986	-	2,314,986
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	2,314,986	-	2,314,986
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	-	14,901	14,901
Expiry of Options	-	11,400	(11,400)	-
Balance at 30 June 2015	52,657,366	(29,481,816)	102,063	23,277,613
	Contributed equity	Accumulated losses	Reserves	Total equity
Consolidated	\$	\$	\$	\$
Balance at 1 July 2015	52,657,366	(29,481,816)	102,063	23,277,613
Loss after income tax benefit for the year	-	(10,291,156)	-	(10,291,156)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	(10,291,156)	-	(10,291,156)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	-	11,828	11,828
Expiry of Options	-	47,713	(47,713)	-
Balance at 30 June 2016	52,657,366	(39,725,259)	66,178	12,998,285

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

		Consolidated	
	Note	2016	2015
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		170,098	7,977
Payments to suppliers and employees (inclusive of GST)		(1,663,723)	(4,239,052)
Interest received		64,099	108,388
Interest paid		(816)	(43,348)
Net cash used in operating activities	32	(1,430,342)	(4,166,035)
Cash flows from investing activities			
Payments for property, plant and equipment		(79,868)	(2,400)
Payments for intangibles		(41,440)	(221,644)
Payments for exploration and evaluation		(5,190,947)	(7,047,066)
Proceeds from sale of assets		-	19,929,024
Net cash from/(used in) investing activities		(5,312,255)	12,657,914
Cash flows from financing activities			
Net cash from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(6,742,597)	8,491,879
Cash and cash equivalents at the beginning of the financial year		10,494,399	827,864
Effects of exchange rate changes on cash and cash equivalents		260,917	1,174,656
Cash and cash equivalents at the end of the financial year	9	4,012,719	10,494,399

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

NOTE 1. GENERAL INFORMATION

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

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

Level 18
41 Exhibition Street
Melbourne 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 statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 15 September 2016. The directors have the power to amend and reissue the financial statements.

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 consolidated entity 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.

ROUNDING OF AMOUNTS

3D Oil Limited is a type of Company that is referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

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.

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 29.

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 2016 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 control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from

its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. 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. 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.

FOREIGN CURRENCY TRANSLATION

The financial statements are presented in Australian dollars, which is 3D Oil Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity 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 the 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 be applied 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 interests in subsidiaries, associates or 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 at 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 entities which intend to settle simultaneously.

3D Oil Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

CURRENT AND NON-CURRENT CLASSIFICATION

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

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.

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

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

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 of disposal 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 consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity 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

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are 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 high quality corporate bond rates 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 consolidated entity 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 consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity 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.

FAIR VALUE MEASUREMENT

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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.

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.

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.

The consolidated entity has not entered into any finance leases.

GOODS AND SERVICES TAX ('GST') AND OTHER SIMILAR TAXES

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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 2016. 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

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (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. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate

measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

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 consolidated entity 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 consolidated entity 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.

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity 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 operating segment. The chief decision makers, being the Board of Directors, assess the performance of the consolidated entity as a whole and as such through one segment.

NOTE 5. REVENUE

	Consolidated	
	2016	2015
	\$	\$
Interest	63,967	106,613
Rent	10,000	7,252
Operator fees	-	78,421
Revenue	73,967	192,286

NOTE 6. OTHER INCOME

	Consolidated	
	2016	2015
	\$	\$
Net foreign exchange gain	260,917	1,174,656
Net gain on disposal of assets	-	2,692,112
Other income	260,917	3,866,768

NOTE 7. EXPENSES

	Consolidated	
	2016	2015
	\$	\$
Profit/(loss) before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	(12,815)	(19,456)
Amortisation		
Software	(44,242)	(19,543)
Total depreciation and amortisation	(57,057)	(38,999)
Post-employment benefit plans - Superannuation contributions	(42,458)	(45,126)
Equity settled share based payments	(11,828)	(14,901)
	(54,286)	(60,027)
Operating lease payments		
Office lease	(83,401)	(113,802)
R&D tax refund payable	-	(695,894)

In the financial year ended 30 June 2012 the consolidated entity received a tax refund in relation to R&D Tax Incentive of \$695,894. The Company has received notification that AusIndustry has reversed this claim following their audit process. The Company has therefore recognised this expense during the previous financial year.

NOTE 8. INCOME TAX EXPENSE/(BENEFIT)

	Consolidated	
	2016	2015
	\$	\$
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Profit/(loss) before income tax (expense)/benefit	(10,332,422)	2,356,252
Tax at the statutory tax rate of 30%	(3,099,727)	706,876
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	808	1,785
Share-based payments	3,548	4,470
Share of Joint venture losses	-	(942,266)
Other non-deductible expenses	-	208,774
Prior year under/over adjustment	(41,266)	-
Previously unrecognised DTA now brought to account	-	61,627
Unrecognised tax losses	3,095,371	-
Income tax expense/(benefit)	(41,266)	41,266

Petroleum Resource Rent Tax

Petroleum Resource Rent Tax (PRRT) applies to petroleum projects in Australian onshore and offshore areas under the Petroleum Resource Rent Tax Assessment Act 1987. 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%. Production license VIC/L31 has been registered at a project for PRRT purposes. Eligible expenditure incurred in relation to the production

license VIC/L31 and permits VIC/P57 and T49P, attach to the permit and can be carried forward. Certain specified undeducted expenditure is eligible for annual compounding at set rates. The compound amount can be deducted against assessable receipts in future years.

The consolidated entity has undeducted expenditure across its license/permits of \$14M at 30 June 2016 (2015: \$10M).

As compounding occurs annually on 1 July, the compounded amount at 1 July 2016 is estimated at \$18M (1 July 2015: \$11M).

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

	Consolidated	
	2016	2015
	\$	\$
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax Losses	13,861,289	8,502,984
Total deferred tax assets not recognised	13,861,289	8,502,984

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 9. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated	
	2016	2015
	\$	\$
Cash at bank	3,803,425	10,333,604
Cash on deposit	209,294	160,795
	4,012,719	10,494,399

NOTE 10. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Consolidated	
	2016	2015
	\$	\$
Trade receivables	45,792	205,890
Interest receivable	93	225
GST receivable	52,153	30,414
	98,038	236,529

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.

NOTE 11. CURRENT ASSETS - OTHER

	Consolidated	
	2016	2015
	\$	\$
Prepayments	18,333	34,144

NOTE 12. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2016	2015
	\$	\$
Plant and equipment – at cost	201,096	125,569
Less: Accumulated depreciation	(125,937)	(117,463)
	75,159	8,106

Reconciliations

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

Consolidated	Plant & Equipment	Total
	\$	\$
Balance at 1 July 2014	25,162	25,162
Additions	2,400	2,400
Depreciation expense	(19,456)	(19,456)
Balance at 30 June 2015	8,106	8,106
Additions	79,868	79,868
Depreciation expense	(12,815)	(12,815)
Balance at 30 June 2016	75,159	75,159

NOTE 13. NON-CURRENT ASSETS - INTANGIBLES

	Consolidated	
	2016	2015
	\$	\$
Software – at cost	421,011	375,230
Less: Accumulated amortisation	(221,712)	(173,129)
	199,299	202,101

Reconciliations

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

Consolidated	Software	Total
	\$	\$
Balance at 1 July 2014	-	-
Additions	221,644	221,644
Amortisation expense	(19,543)	(19,543)
Balance at 30 June 2015	202,101	202,101
Additions	41,440	41,440
Amortisation expense	(44,242)	(44,242)
Balance at 30 June 2016	199,299	199,299

NOTE 14. NON-CURRENT ASSETS - EXPLORATION AND EVALUATION

	Consolidated	
	2016	2015
	\$	\$
Exploration and evaluation expenditure	9,587,706	13,709,188

Reconciliations

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

Consolidated	Exploration & Development Expenditure \$	Total \$
Balance at 1 July 2014	24,902,640	24,902,640
Expenditure during the year	9,162,156	9,162,156
Disposals	(307,888)	(307,888)
Revaluation increments	(20,047,720)	(20,047,720)
Balance at 30 June 2015	13,709,188	13,709,188
Expenditure during the year	5,190,947	5,190,947
Impairment of assets	(9,312,429)	(9,312,429)
Balance at 30 June 2016	9,587,706	9,587,706

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.

The exploration and evaluation assets relate to VIC/P57 offshore Gippsland Basin in Victoria and T/49P offshore Otway Basin in Tasmania. The recoverability of the carrying amounts of the exploration and evaluation expenditure is dependent on the successful development and commercial exploitation, or alternatively the sale, of the respective areas of interest. The Company carried out an impairment review of the carrying amount of its exploration expenditure in the VIC/P57 petroleum tenement asset during the year. It was noted that the

majority of the exploration expenditure carried forward related to significant expenditure carried out in relation to the Sea Lion-1 well. The carrying amount consisted of expenditure on this project. As a result of the drilling work carried out during the financial year on the Sea Lion-1 well which confirmed that no zones of hydrocarbons were encountered in the Sea Lion-1 well, an assessment of the carrying amount of the project has been completed and it has been decided to impair the amount of \$9,312,429 relating to specific costs in relation to the Sea Lion-1 well. A balance of \$1,905,604 has decided to be carried in relation to the VIC/P57 permit due to the potential future prospectivity of other areas within the permit.

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 15. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	2016	2015
	\$	\$
Trade payables	66,792	309,007
Sundry payables and accrued expenses	758,763	878,151
	825,555	1,187,158

Refer to note 24 for further information on financial instruments.

NOTE 16. CURRENT LIABILITIES - INCOME TAX

	Consolidated	
	2016	2015
	\$	\$
Provision for income tax	-	41,266

NOTE 17. CURRENT LIABILITIES - EMPLOYEE BENEFITS

	Consolidated	
	2016	2015
	\$	\$
Annual leave	37,864	52,978
Long service leave	95,608	80,722
	133,472	133,700

NOTE 18. CURRENT LIABILITIES - PROVISIONS

	Consolidated	
	2016	2015
	\$	\$
Deferred lease incentives	-	8,576

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 19. NON-CURRENT LIABILITIES - EMPLOYEE BENEFITS

	Consolidated	
	2016	2015
	\$	\$
Long service leave	33,942	30,426

NOTE 20. NON-CURRENT LIABILITIES - PROVISIONS

	Consolidated	
	2016	2015
	\$	\$
Deferred lease incentives	-	5,728

NOTE 21. EQUITY - ISSUED CAPITAL

	Consolidated			
	2016	2015	2016	2015
	Shares	Shares	\$	\$
Ordinary shares – fully paid	237,523,000	237,523,000	52,657,366	52,657,366

Ordinary shares

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

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

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.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

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 capital risk management policy remains unchanged from the 30 June 2015 Annual Report.

Options

For further information in relation to unissued ordinary shares of 3D Oil Limited under option, refer to the Directors' report and Note 34.

NOTE 22. EQUITY - RESERVES

	Consolidated	
	2016	2015
	\$	\$
Share-based payments reserve	66,178	102,063

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Options Reserve	Total
	\$	\$
Consolidated		
Balance at 1 July 2014	98,562	98,562
Share based payments	14,901	14,901
Expiry of options	(11,400)	(11,400)
Balance at 30 June 2015	102,063	102,063
Share based payments	11,828	11,828
Expiry of options	(47,713)	(47,713)
Balance at 30 June 2016	66,178	66,178

NOTE 23. 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 24. 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 consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity'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 is exposed to foreign currency risk through foreign exchange rate fluctuations. The consolidated entity operates a US dollar bank account for the purpose of transacting in US dollars.

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.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2016	2015	2016	2015
Consolidated	\$	\$	\$	\$
US dollars	2,763,115	5,278,265	-	-

The consolidated entity operated a US dollar bank account. There were no other assets or liabilities denominated in foreign currencies at the year end. The US bank account balance on the account was US\$2,051,889 and the exchange rate used to translate the balance at 30 June 2016 was \$0.7426.

Consolidated - 2016	AUD strengthened			AUD weakened		
	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
US dollar	4%	(110,525)	(110,525)	9%	248,680	248,680

Consolidated - 2015	AUD strengthened			AUD weakened		
	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
US dollar	4%	(209,863)	(209,863)	9%	497,070	497,070

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.

Consolidated – 2016	Basis points increase			Basis points decrease		
	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	20,064	20,064	50	(20,064)	(20,064)

Consolidated – 2015	Basis points increase			Basis points decrease		
	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	5,331	5,331	50	(5,331)	(5,331)

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.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated – 2016	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	%	\$	\$	\$	\$	\$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	825,555	-	-	-	825,555
Total non-derivatives		825,555	-	-	-	825,555

Consolidated – 2015	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	%	\$	\$	\$	\$	\$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	1,187,158	-	-	-	1,187,158
Total non-derivatives		1,187,158	-	-	-	1,187,158

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

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 25. 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
Mr Leo De Maria	Non-executive Director

Other key management personnel

The following person also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Mr Andrew Adams	Commercial and Exploration Manager
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Compensation

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

	Consolidated	
	2016	2015
	\$	\$
Short-term employee benefits	988,823	971,425
Post-employment benefits	49,808	60,599
Share-based payments	11,828	14,901
	1,050,459	1,046,925

NOTE 26. 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	
	2016	2015
	\$	\$
Audit services – Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	47,400	45,000

NOTE 27. COMMITMENTS

	Consolidated	
	2016	2015
	\$	\$
Operating Lease Commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	88,445	49,801
One to four years	169,520	49,801
	257,965	99,602
Exploration Licenses – Commitments for Expenditure		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,150,000	250,000
One to five years	-	500,000
	1,150,000	750,000

In order to maintain current rights of tenure to exploration tenements, the consolidated entity is required to outlay rentals and to meet the minimum work requirements and associated indicative expenditure of the National Offshore Petroleum Titles Administrator. Minimum 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.

The company has included its commitments for indicative expenditure in the above note partly relating to

Exploration Permit T/49P up to year 3 as outlined in the permit documentation. Commitments from year 4 onwards are confirmed on a year-by-year basis dependent on the Company agreeing to proceed. If the Company was to proceed beyond year 3 in relation to T/49P, the current indicative expenditure commitment for Years 4-6 is gross \$41 million and this would be occurring in years 2017-2019.

In relation to VIC/P57, the company has also included its commitments for indicative expenditure in the above note, if the Company was to proceed beyond year 4, the current indicative expenditure

commitment for that year is gross \$18 million and this would be occurring in the year 2017.

In May 2016 the Company was granted a 9 month Suspension and Extension from the National Offshore Petroleum Title Administrator ("NOPTA") for Year 3 of the T/49P exploration permit in the Otway Basin offshore western Tasmania.

NOTE 28. RELATED PARTY TRANSACTIONS

Parent entity

3D Oil Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 30.

Key management personnel

Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the directors' report.

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

NOTE 29. PARENT ENTITY INFORMATION

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

Statement of profit or loss and other comprehensive income

	Parent	
	2016	2015
	\$	\$
Loss after income tax	(10,291,577)	(456,564)
Total comprehensive income	(10,291,577)	(456,564)

Statement of financial position

	Parent	
	2016	2015
	\$	\$
Total current assets	4,134,909	10,691,121
Total assets	11,207,618	21,825,164
Total current liabilities	833,388	1,183,857
Total liabilities	962,938	1,300,733
Equity		
Issued capital	52,657,366	52,657,366
Share-based payments reserve	66,178	102,063
Accumulated losses	(42,478,864)	(32,234,998)
Total equity	10,244,680	20,524,431

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 2016 and 30 June 2015.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2016 and 30 June 2015.

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, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

NOTE 30. INTERESTS IN 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:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2016	2015
		%	%
3D Oil T49P Pty Ltd	Australia	100.00%	100.00%

NOTE 31. EVENTS AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 30 June 2016 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 32. RECONCILIATION OF PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	Consolidated	
	2016	2015
	\$	\$
Profit/(loss) after income tax (expense)/benefit for the year	(10,291,156)	2,314,986
Adjustments for:		
Depreciation and amortisation	57,057	38,999
Share-based payments	11,828	14,901
Foreign exchange differences	(260,917)	(1,174,656)
Impairment of exploration and evaluation	9,312,429	-
Gain on disposal of assets	-	(2,692,112)
Reversal of provision for exploration remedial costs	-	(500,000)
Non-cash fees from operating joint venture	-	(78,421)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	138,491	(48,349)
Decrease in prepayments	15,811	23,850
Decrease in trade and other payables	(361,603)	(2,144,012)
Increase/(decrease) in provision for income tax	(41,266)	41,266
Increase/(decrease) in other provisions	(11,016)	37,513
Net cash used in operating activities	(1,430,342)	(4,166,035)

NOTE 33. EARNINGS PER SHARE

	Consolidated	
	2016	2015
	\$	\$
Profit/(loss) after income tax attributable to the owners of 3D Oil Limited	(10,291,156)	2,314,986
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	237,523,000	237,523,000
Adjustments for calculation of diluted earnings per share:		
Options	-	1,909,603
Weighted average number of ordinary shares used in calculating diluted earnings per share	237,523,000	239,432,603
	Cents	Cents
Basic earnings per share	(4.33)	0.97
Diluted earnings per share	(4.33)	0.97

NOTE 34. SHARE-BASED PAYMENTS

Set out below are summaries of options granted under the plan:

2016

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
07/10/2011	07/10/2015	\$0.18	78,000	-	-	(78,000)	-
15/12/2012	30/11/2015	\$0.16	495,000	-	-	(495,000)	-
02/09/2013	30/11/2016	\$0.11	300,000	-	-	-	300,000
06/12/2013	29/11/2016	\$0.12	250,000	-	-	-	250,000
23/07/2014	30/11/2017	\$0.08	400,000	-	-	-	400,000
			1,523,000	-	-	(573,000)	950,000

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.

2015

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
02/06/2010	30/11/2014	\$0.40	150,000	-	-	(150,000)	-
24/01/2011	31/01/2015	\$0.40	200,000	-	-	(200,000)	-
07/10/2011	07/10/2015	\$0.18	78,000	-	-	-	78,000
15/12/2012	30/11/2015	\$0.16	495,000	-	-	-	495,000
02/09/2013	30/11/2016	\$0.11	300,000	-	-	-	300,000
06/12/2013	29/11/2016	\$0.12	250,000	-	-	-	250,000
23/07/2014	30/11/2017	\$0.08	-	400,000	-	-	400,000
			1,473,000	400,000	-	(350,000)	1,523,000

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2016	2015
		Number	Number
07/10/2011	07/10/2015	-	78,000
15/12/2012	30/11/2015	-	495,000
02/09/2013	30/11/2016	300,000	300,000
06/12/2013	29/11/2016	250,000	250,000
23/07/2014	30/11/2017	400,000	400,000
		950,000	1,523,000

Set out below are summaries of performance rights granted under the plan:

2016							
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
24/11/2015	23/11/2018	\$0.00	-	1,496,000	-	-	1,496,000
24/12/2015	23/12/2018	\$0.00	-	611,000	-	-	611,000
			-	2,107,000	-	-	2,107,000

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 3 years (30 June 2015: Nil years).

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
27/08/2009	30/06/2014	\$0.19	\$0.25	0.80%	-	0.05%	\$0.049
27/08/2009	30/06/2014	\$0.19	\$0.25	0.80%	-	0.05%	\$0.440
02/06/2010	30/11/2014	\$0.19	\$0.40	0.80%	-	0.05%	\$0.083
02/06/2010	30/11/2014	\$0.19	\$0.40	0.80%	-	0.05%	\$0.076
02/06/2010	30/11/2014	\$0.19	\$0.40	0.80%	-	0.05%	\$0.083
24/01/2011	31/01/2015	\$0.25	\$0.40	0.80%	-	0.05%	\$0.931
07/10/2011	07/10/2015	\$0.14	\$0.18	1.00%	-	0.04%	\$0.090
15/12/2012	30/11/2015	\$0.14	\$0.16	1.00%	-	0.04%	\$0.045
02/09/2013	30/11/2016	\$0.09	\$0.11	1.00%	-	0.40%	\$0.069
06/12/2013	29/11/2016	\$0.09	\$0.12	1.00%	-	0.40%	\$0.075
23/07/2014	30/11/2017	\$0.06	\$0.08	103.16%	-	2.70%	\$0.037

For the performance rights granted during the 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
24/11/2015	23/11/2018	\$0.04	\$0.00	62.70%	-	2.13%	\$0.027
24/12/2015	23/12/2018	\$0.03	\$0.00	62.70%	-	2.03%	\$0.021

DIRECTORS' DECLARATION

30 June 2016

In the directors' opinion:

- the attached financial statements and notes 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 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 give a true and fair view of the consolidated entity's financial position as at 30 June 2016 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

15 September 2016
Melbourne

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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 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 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.

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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 2016 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 the directors' report for the year ended 30 June 2016. 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 2016, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B. A. Mackenzie
Partner - Audit & Assurance

Melbourne, 15 September 2016

SHAREHOLDER INFORMATION

30 June 2016

The shareholder information set out below was applicable as at 12 September 2016.

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	37
1,001 to 5,000	129
5,001 to 10,000	136
10,001 to 100,000	419
100,001 and over	208
	929
Holding less than a marketable parcel	453

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
H Louey Pang & Co Pty Ltd (Demaria Family A/C)	8,550,000	3.60
Fugro Exploration Pty Ltd	7,511,000	3.16
Citicorp Nominees Pty Limited	6,757,287	2.84
Bill Hopper	6,475,000	2.73
Sanlirra Pty Ltd (Sanlirra S/F A/C)	5,307,763	2.23
Pand JR Pty Ltd (John Demaria Family A/C)	4,865,201	2.05
J K Demaria Pty Ltd	4,366,576	1.84
RHB Securities Singapore Pte Ltd (Clients A/C)	4,249,482	1.79
Northern Business Planning Centre Pty Ltd (Newell Super A/C)	3,940,834	1.66
Pengold Pty Ltd (Pengold Super Fund A/C)	3,714,000	1.56
Vobe Resources Pty Ltd (Superannuation Fund A/C)	3,694,099	1.56
Andrew Paterson	3,237,500	1.36
Mr Giovanni Monteleone + Mrs Frances Monteleone	3,050,000	1.28
Vin Naidu + Wendy Naidu	2,837,500	1.19
Mr Joseph Hannah	2,643,200	1.11
Mr Russell Barwick	2,500,000	1.05
Eilie Sunshine Pty Ltd (Eilie Sunshine Superfund A/C)	2,500,000	1.05
Mr John McNamara and Miss Suzanne Maree Bond	2,418,000	1.02
	146,241,892	61.55

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	950,000	3
Performance rights over ordinary shares issued	2,107,000	2

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

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 DIRECTORY

Directors

Campbell Horsfall
(Non-Executive Chairman)

Noel Newell
(Managing Director)

Melanie Leydin
(Non-Executive Director)

Leo De Maria
(Non-Executive Director)

Company secretary

Melanie Leydin

Registered office

Level 18, 41 Exhibition Street
Melbourne, VIC 3000
Telephone: (03) 9650 9866

Principal place of business

Level 18, 41 Exhibition Street
Melbourne, VIC 3000

Share register

Computershare Investor Services
Pty Limited
452 Johnston Street
Abbotsford Victoria 3067
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, 181 William Street
Melbourne
Victoria 3000

Stock exchange listing

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

Website

www.3doil.com.au

