

3D Oil Limited

ABN 40 105 597 279

Half-year Financial Report - 31 December 2011

3D Oil Limited
Corporate directory
31 December 2011

Directors	Campbell Horsfall <i>Chairman and Non-Executive Director</i> Noel Newell <i>Managing Director</i> Melanie J Leydin <i>Non-Executive Director</i> Philippa Kelly <i>Non- Executive Director</i> Keith Edwards <i>Non- Executive Director</i>
Company secretary	Melanie J Leydin
Registered office	Level 5, 164 Flinders Lane Melbourne Victoria 3000 Telephone: (03) 9650 9866
Principal place of business	Level 5, 164 Flinders Lane Melbourne Victoria 3000 Telephone: (03) 9650 9866
Share register	Computershare Investor Services Pty Ltd 452 Johnston Street Abbotsford Victoria 3067 Telephone: (03) 9415 5000
Auditor	Grant Thornton Audit Pty Ltd Chartered Accountants 215 Spring 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 address	www.3doil.com.au

Review of Operations

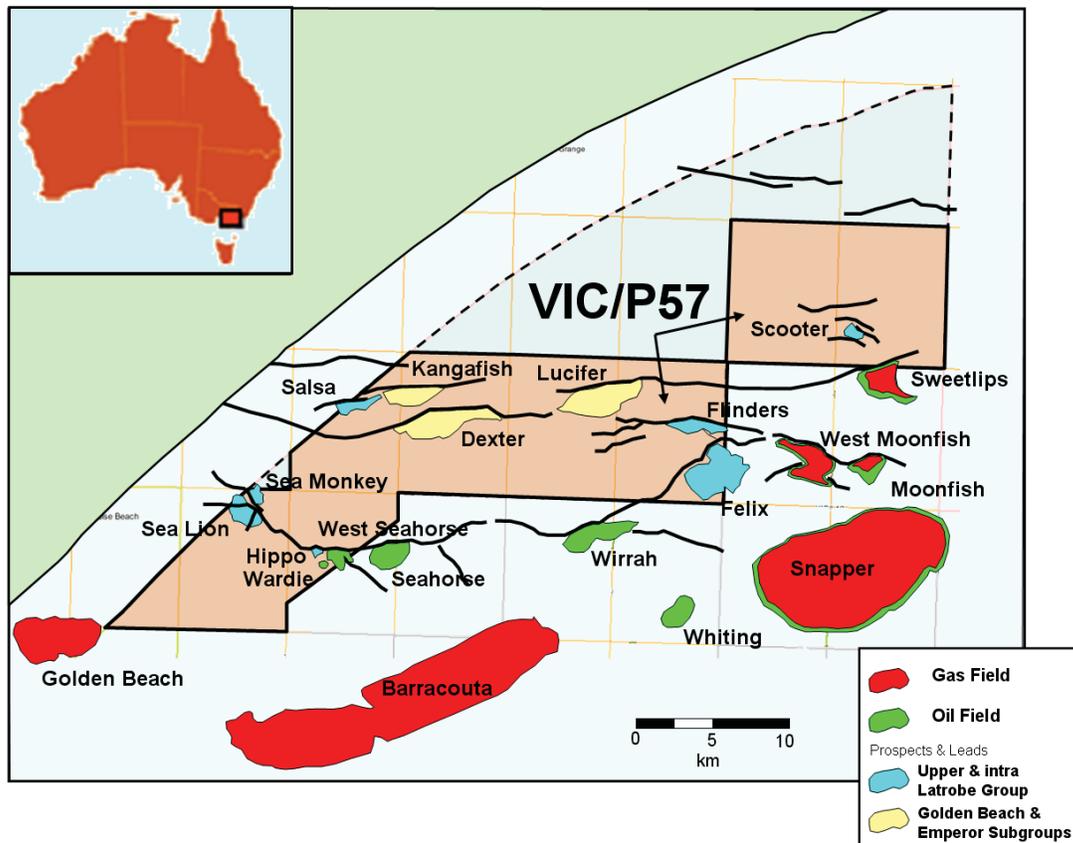
3D Oil Limited is the operator and 100% equity holder of two permits in Bass Strait, VIC/P57 in the Gippsland Basin, Victoria and T/41P in the Bass Basin, Tasmania.



Location of 3D Oil exploration permits

VIC/P57, Gippsland Basin Offshore Victoria

Exploration permit VIC/P57 is located in the north-west of the offshore Gippsland Basin. It contains the undeveloped West Seahorse oil field and several other prospects and leads. The initial VIC/P57 lease expired during the reporting period and, after the required relinquishment of half of the blocks (or partial blocks) it was renewed for a five-year term commencing 10 August, 2011. VIC/P57 now comprises approximately 483 square kilometres, and has retained all of the previously identified prospects and leads. The minimum work requirements for the renewed permit include the drilling of one exploration well before August 2014 and another before August 2016.



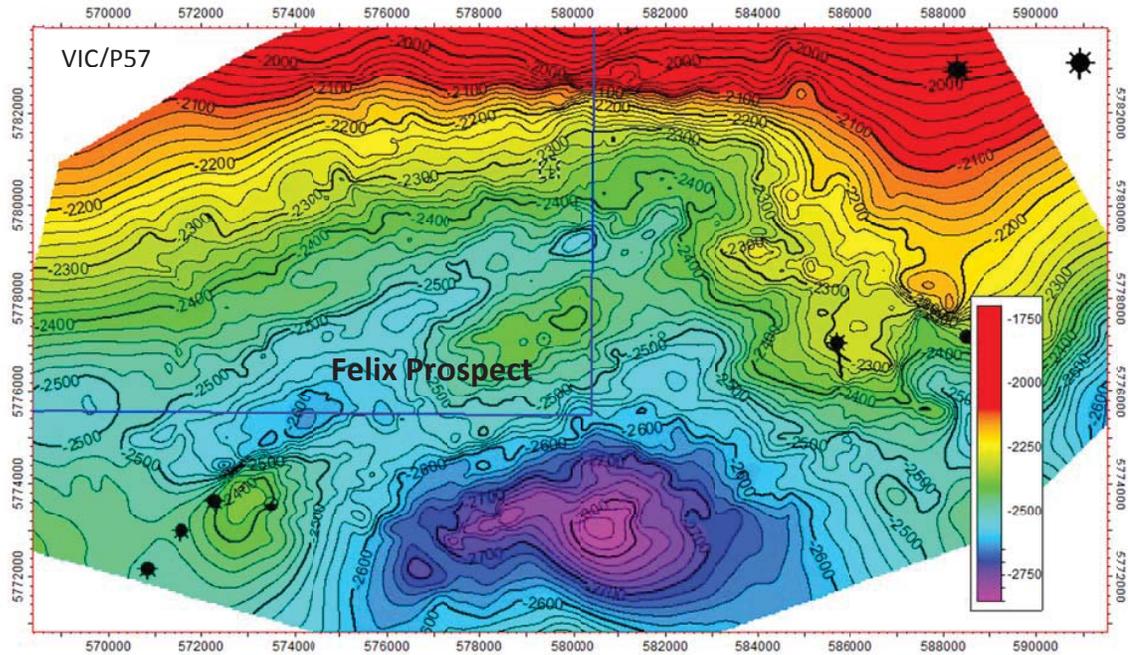
The renewed VIC/P57 exploration permit (retained area in orange, relinquished area dashed line) showing prospects and leads.

In early November 2011, 3D Oil announced it has entered into a non-binding term sheet with Canadian oil and gas company, Oracle Energy Corporation (“OEC”) for OEC to farm-in to the VIC/P57 permit. OEC could potentially earn 50% in the permit by drilling two wells with a total carried expenditure of up to \$30 million, or drilling one well for up to \$15 million and contributing the remaining capital to other activities in the permit, such as developing the West Seahorse field. The transaction was conditional upon the parties signing definitive documentation, which was expected by 17 February 2012.

Early in 2012 OEC notified 3D Oil that it will be unable to finalise definitive documentation and commercial terms in accordance with the original timetable and terms. 3D Oil and OEC will progress discussions on a revised, non-exclusive basis. There is no certainty that any revised term sheet will be agreed with OEC. In parallel, 3D Oil recommenced discussions with other parties, including those that have previously expressed an interest in VIC/P57 and 3D Oil.

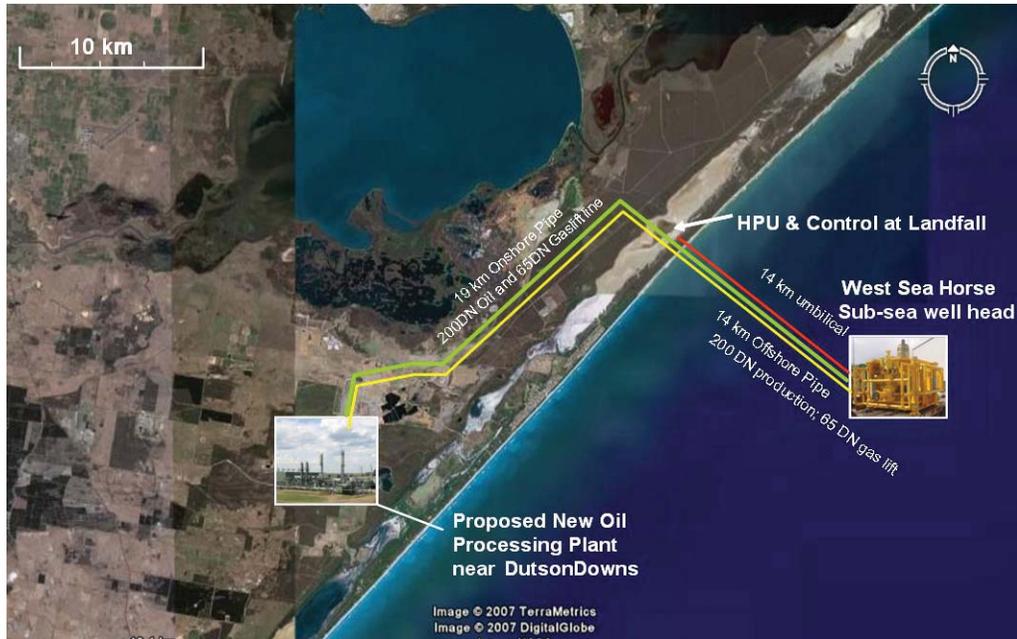
During December 2011, 3D Oil received the long-awaited reprocessed 3D seismic data spanning approximately 500 square kilometres over much of VIC/P57 and selected adjacent areas. Interpretation of this data set had commenced by the end of the reporting period.

The clearer imaging of the subsurface, especially in the lower Latrobe Group, is enabling an improved re-interpretation, which is already resulting in a far more confident delineation of the deeper structural configuration across the permit. Preliminary mapping of the new data set of the lower Latrobe Group in the Felix Prospect has confirmed the presence of the structure at depth. In conjunction with ongoing geological studies, this work is feeding in to a more rigorous assessment of all prospects and leads, with much of the initial focus being on the prospective Sea Lion as well as the Felix structures, which remain the prime candidates for exploratory drilling.



Preliminary depth map of the lower Latrobe Group (F.longus) over Felix and surrounds

The major asset contained within VIC/P57 is the West Seahorse oil field. The preferred development plan for the West Seahorse field, a subsea tie-back to shore of the suspended West Seahorse-3 well, has remained largely unchanged during the past year; though some minor changes have been incorporated. The 14-kilometre offshore line is proposed to consist of two pipelines, an 8-inch multiphase and a 2-inch gas lift, as well as a control umbilical line. The shore crossing is proposed to be horizontal directionally drilled with onshore lines utilising existing hydrocarbon pipeline easements. The crude will be stabilised at a small new-build plant and either exported by road tanker or existing third-party oil pipeline. The challenge for progressing the development continues to be securing the optimal financing arrangement.



The proposed development concept for West Seahorse field.

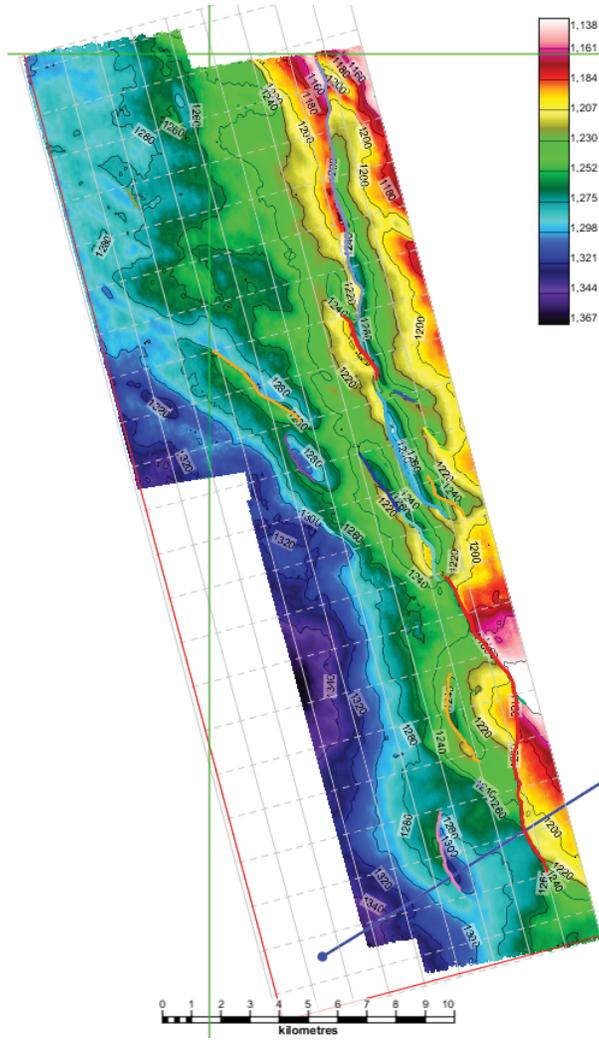
T/41P, Bass Basin offshore Tasmania

Located in the eastern half of the Bass Basin, Exploration Permit T/41P covers approximately 2,700 square kilometres and has been held 100% by 3D Oil Limited since mid-2005. This part of the Bass Basin has only been lightly explored in the past, with only one exploration well, Chat-1, drilled in the permit area in 1986. 3D Oil Limited conducted a two-dimensional (2D) seismic survey over most of T/41P in 2008 and, based on interpretation and integration of that data with previous work, identified several features of interest, particularly in the south-west of the permit.

To obtain a more-detailed understanding of the most prospective of these leads, a three-dimensional (3D) seismic survey was planned for acquisition in early 2010, but had to be deferred due to vessel unavailability.

In early 2011 3D Oil acquired the 264 square kilometre Dalrymple 3D seismic survey using the PGS 12-streamer vessel *MV Ramform Sterling*. The survey was completed incident free, ahead of schedule and under budget.

Processing of the data was completed and received by 3D Oil in August, 2011 and interpretation of it is well advanced as at the end of the reporting period. Mapping of all significant faults and key seismic horizons is nearing completion, while velocity analysis, depth conversion and investigation of the data set of amplitude anomalies are continuing. Similarly, an update to the geological evaluation of the petroleum system in this region of the basin, to provide a better understanding of the potential for adequate hydrocarbon charge, reservoir quality, and seals is also continuing.



Preliminary mapping, of newly-processed Dalrymple 3D survey, of the top Eastern View Coal Measures (TWT).

3D Oil Limited
Directors' report
31 December 2011

The directors present their report, together with the financial statements, on the company for the half-year ended 31 December 2011.

Directors

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

Mr Campbell Horsfall
Mr Noel Newell
Ms Melanie Leydin
Ms Philippa Kelly
Mr Keith Edwards

Principal activities

During the financial half-year the principal continuing activities of the company consisted of:

- exploration and development of upstream oil and gas assets

Review of operations

The loss for the company after providing for income tax amounted to \$782,463 (31 December 2010: \$515,658).

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

Financial Position

The net assets of the Company have decreased by \$755,511 to \$28,339,205 as at 31 December 2011 (30 June 2011: \$29,094,716) due to normal operating costs.

The Company's working capital, being current assets less current liabilities, was \$2,463,794 compared with working capital of \$3,645,601 at 30 June 2011. The working capital decrease is due to normal operating costs paid during the year.

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

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the company during the financial half-year.

Auditor's independence declaration

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

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

On behalf of the directors



Noel Newell
Managing Director

9 March 2012
Melbourne

Grant Thornton Audit Pty Ltd
ACN 130 913 594

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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 review of 3D Oil Limited for the half-year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Simon Trivett
Partner - Audit & Assurance

Melbourne, 9 March 2012

3D Oil Limited
Financial report
For the half-year ended 31 December 2011

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General information

The financial report covers 3D Oil Limited as an individual entity. The financial report is presented in Australian dollars, which is 3D Oil Limited's functional and presentation currency.

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

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

Level 5, 164 Flinders Lane
Melbourne Victoria 3000

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 9 March 2012. The directors have the power to amend and reissue the financial report.

3D Oil Limited
Statement of comprehensive income
For the half-year ended 31 December 2011

	Company	
	31/12/2011	31/12/2010
	\$	\$
Revenue	87,965	206,302
Expenses		
Corporate expenses	(107,698)	(87,637)
Administrative expenses	(40,990)	(42,779)
Employment expenses	(623,484)	(416,879)
Occupancy expenses	(46,246)	(45,192)
Depreciation and amortisation expense	(18,979)	(11,616)
Exploration costs written off	-	(79,806)
Unrealised exchange gains/loss	(5,183)	(23,807)
Realised exchange gains/loss	(896)	-
Share based payments	(26,952)	(14,244)
	<u>(782,463)</u>	<u>(515,658)</u>
Loss before income tax expense	(782,463)	(515,658)
Income tax expense	<u>-</u>	<u>-</u>
Loss after income tax expense for the half-year attributable to the owners of 3D Oil Limited	(782,463)	(515,658)
Other comprehensive income for the half-year, net of tax	<u>-</u>	<u>-</u>
Total comprehensive income for the half-year attributable to the owners of 3D Oil Limited	<u><u>(782,463)</u></u>	<u><u>(515,658)</u></u>
	Cents	Cents
Basic earnings per share	(0.38)	(0.25)
Diluted earnings per share	(0.38)	(0.25)

The above statement of comprehensive income should be read in conjunction with the accompanying notes

3D Oil Limited
Statement of financial position
As at 31 December 2011

	Company	
	31/12/2011	30/06/2011
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	2,759,259	3,857,995
Trade and other receivables	32,848	34,962
Other	11,598	34,848
Total current assets	<u>2,803,705</u>	<u>3,927,805</u>
Non-current assets		
Property, plant and equipment	18,077	18,914
Intangibles	69,637	54,018
Exploration and evaluation	26,347,073	25,921,401
Total non-current assets	<u>26,434,787</u>	<u>25,994,333</u>
Total assets	<u>29,238,492</u>	<u>29,922,138</u>
Liabilities		
Current liabilities		
Trade and other payables	290,501	217,250
Employee benefits	49,410	64,954
Total current liabilities	<u>339,911</u>	<u>282,204</u>
Non-current liabilities		
Employee benefits	59,376	45,218
Provisions	500,000	500,000
Total non-current liabilities	<u>559,376</u>	<u>545,218</u>
Total liabilities	<u>899,287</u>	<u>827,422</u>
Net assets	<u>28,339,205</u>	<u>29,094,716</u>
Equity		
Contributed equity	50,620,867	50,620,867
Reserves	212,235	185,283
Accumulated losses	(22,493,897)	(21,711,434)
Total equity	<u>28,339,205</u>	<u>29,094,716</u>

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

3D Oil Limited
Statement of changes in equity
For the half-year ended 31 December 2011

	Contributed equity \$	Reserves \$	Accumulated losses \$	Total equity \$
Company				
Balance at 1 July 2010	50,620,867	2,023,826	(22,593,516)	30,051,177
Other comprehensive income for the half-year, net of tax	-	-	-	-
Loss after income tax expense for the half-year	-	-	(515,658)	(515,658)
Total comprehensive income for the half-year	-	-	(515,658)	(515,658)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	14,244	-	14,244
Balance at 31 December 2010	<u>50,620,867</u>	<u>2,038,070</u>	<u>(23,109,174)</u>	<u>29,549,763</u>
	Contributed equity \$	Reserves \$	Accumulated losses \$	Total equity \$
Company				
Balance at 1 July 2011	50,620,867	185,283	(21,711,434)	29,094,716
Other comprehensive income for the half-year, net of tax	-	-	-	-
Loss after income tax expense for the half-year	-	-	(782,463)	(782,463)
Total comprehensive income for the half-year	-	-	(782,463)	(782,463)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	26,952	-	26,952
Balance at 31 December 2011	<u>50,620,867</u>	<u>212,235</u>	<u>(22,493,897)</u>	<u>28,339,205</u>

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

3D Oil Limited
Statement of cash flows
For the half-year ended 31 December 2011

	Note	Company	
		31/12/2011	31/12/2010
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		10,221	5,897
Payments to suppliers and employees (inclusive of GST)		(720,318)	(351,701)
Interest received		76,873	296,897
		<u>76,873</u>	<u>296,897</u>
Net cash used in operating activities		<u>(633,224)</u>	<u>(48,907)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(3,273)	(3,699)
Payments for intangibles		(30,488)	(3,225)
Payments for exploration and evaluation		(425,672)	(716,361)
Proceeds from foreign exchange investment		(6,079)	-
		<u>(6,079)</u>	<u>-</u>
Net cash used in investing activities		<u>(465,512)</u>	<u>(723,285)</u>
Cash flows from financing activities			
Net cash from financing activities		<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents		(1,098,736)	(772,192)
Cash and cash equivalents at the beginning of the financial half-year		<u>3,857,995</u>	<u>8,378,658</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>2,759,259</u></u>	<u><u>7,606,466</u></u>

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

3D Oil Limited
Notes to the financial statements
31 December 2011

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2011 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New, revised or amending Accounting Standards and Interpretations adopted

The Company has adopted all of the new, revised and amending Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period.

The adoption of all the new, revised and amending Standards and Interpretations has not resulted in any changes to the Company's accounting policies and has no effect on the amounts reported for the current or prior periods. The new, revised and amending Standards and Interpretations have not had a material impact and not resulted in changes to the Company's presentation of, or disclosure in, its half year financial statements.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

Going Concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. At 31 December 2011, the company has cash and cash equivalents of \$2.8m and had a net decrease of cash during the half-year of \$1.1m due to normal operating costs.

In order to meet exploration commitments, the Company will need to secure funding by means of a capital raising, debt refinancing, sale of assets, farm out or a combination of these. The Directors continue to monitor the ongoing funding requirements of the Company. The Directors are of the opinion that the financial report has been appropriately prepared on a going concern basis.

Note 2. Operating segments

The Company is organised into one reporting segment : as an explorer and developer of oil and gas in the Gippsland Basin offshore Victoria and the Bass Basin offshore Tasmania. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors who are the Chief Operating Decision Makers ('CODM') in assessing performance and in determining the allocation of resources.

The information reported to the CODM is on at least a monthly basis.

Note 3. Equity - dividends

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

3D Oil Limited
Notes to the financial statements
31 December 2011

Note 4. Contingent liabilities

There were no contingent liabilities in existence at 31 December 2011.

Note 5. Commitments

There have been no material changes to commitments to expenditure since the Company's annual report for the financial year ended 30 June 2011.

Note 6. Events after the reporting period

No matter or circumstance has arisen since 31 December 2011 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

3D Oil Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the company's financial position as at 31 December 2011 and of its performance for the financial half-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.

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

On behalf of the directors



Noel Newell
Managing Director

9 March 2012
Melbourne

Grant Thornton Audit Pty Ltd
ACN 130 913 594

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

We have reviewed the accompanying half-year financial report of 3D Oil Limited (“Company”), which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors’ declaration

Directors’ responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of 3D Oil Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of 3D Oil Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the Company's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountant



Simon Trivett
Partner - Audit & Assurance

Melbourne, 9 March 2012