



**3D Oil Limited**

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**ASX Release**

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**A\$29 million farm-in and capital raising in VIC/P57 from Hibiscus Petroleum**

**HIGHLIGHTS**

- Hibiscus Petroleum will invest A\$27m to predominantly fund the progress of the West Seahorse field
- Hibiscus Petroleum will acquire 50.1% in VIC/P57
- Hibiscus Petroleum will take a 13% cornerstone investment in 3D Oil for approximately A\$2.0m
- Hibiscus Petroleum will be preferentially entitled to receive 74.9% of petroleum produced from the permit until the sales revenue equals the amount funded by Hibiscus Petroleum
- Hibiscus Petroleum will assume operatorship of the permit
- Dr Kenneth Pereira, Managing Director of Hibiscus Petroleum, will join the Board of 3D Oil
- Funds of up to A\$29m from the subscription and farm-in investment will be used principally to develop the West Seahorse oil field
- Sea Lion prospect is targeted for exploration drilling on a best endeavours basis

3D Oil Limited (ASX: TDO) is pleased to announce that it has entered into a conditional Farm-in Agreement and Subscription Agreement with Hibiscus Petroleum Berhad, through its wholly owned subsidiaries ("Hibiscus Petroleum").

Under the Farm-in Agreement, Hibiscus Petroleum will acquire a 50.1% interest in petroleum exploration permit VIC/P57 up front, and will invest up to A\$27m in tranches to fund joint operations on the permit.

Under the Subscription Agreement, Hibiscus Petroleum will subscribe for new shares in 3D Oil equal to 14.99% of 3D Oil's current share capital (before the new shares are issued) as part of a cornerstone investment valued at approximately A\$2.0m based on the 30 day Volume Weighted Average Price before this announcement. This is equivalent to 13.0% following Completion and issue of the new shares to Hibiscus Petroleum.

Completion of both the Subscription Agreement and Farm-in Agreement will be subject to a number of conditions precedent, including Foreign Investment Review Board (“FIRB”) and Hibiscus Petroleum shareholder approval.

The funds will be applied principally towards the appraisal of the West Seahorse oil field under a Joint Operating Agreement with the intention of proceeding to development if successful. The joint venture may also drill one exploration well in the Sea Lion prospect.

3D Oil’s Managing Director, Mr Noel Newell, commented, “Since floating 3D Oil on the ASX in 2007, we have investigated numerous paths to develop West Seahorse. This transaction with Hibiscus Petroleum clearly highlights the value in VIC/P57 and will enable us to go forward on the development and ultimately an oil producer.”

3D Oil’s Chairman, Mr Campbell Horsfall, said “Hibiscus Petroleum provides a strong strategic fit with 3D Oil. We have created a strong strategic alignment between 3D Oil and Hibiscus Petroleum by granting an interest in our key asset as well as a cornerstone shareholding in our company. I warmly welcome the Managing Director of Hibiscus Petroleum, Ken Pereira, to the Board.”

## **SUBSCRIPTION AGREEMENT**

Key terms are as follows:

- Completion of the subscription is subject to Hibiscus Petroleum’s shareholder approval, FIRB approval and an ASX waiver in respect of the grant of the anti-dilution right referred to below.
- Hibiscus Petroleum will subscribe for 30.96 million TDO shares at completion. This is equivalent to approximately 14.99% of 3D Oil’s current issued share capital before the subscription and approximately 13.0% of 3D Oil’s issued share capital following the subscription, on a non-diluted basis.
  - Hibiscus Petroleum will transfer the placement consideration of approximately A\$2.0m to 3D Oil subject to the waiver being granted by the ASX
  - The subscription will complete following approval by Hibiscus Petroleum shareholders and FIRB approval
  - The placement consideration of A\$2.0m is non-refundable if Hibiscus Petroleum fails to obtain shareholder approval or FIRB approval
- The shares will be placed at the 30 day Volume Weighted Average Price before the date of the agreement of 6.6 cents per TDO share.
- Funds raised of approximately A\$2.0m will be predominantly used for the progress of West Seahorse by 3D Oil and for general working capital purposes.
- Following transfer of the placement consideration, 3D Oil will invite the Managing Director of Hibiscus Petroleum, Dr Kenneth Pereira, to join the Board of 3D Oil. For two years after Completion, provided it still holds the subscription shares following issue, Hibiscus Petroleum will have the right to replace its board nominee. Hibiscus Petroleum may also nominate a second person for consideration by 3D Oil to become director for a period of 12 months after completion.
- Subject to the grant and terms of an ASX waiver which has been sought, for a period of two years from Completion, Hibiscus Petroleum will have the right to participate in any new issue of

3D Oil equity securities if it wishes to maintain its 13.0% interest in 3D Oil, subject to various conditions including Hibiscus Petroleum maintaining a 10% voting power.

- Subject to completion of the subscription, 3D Oil's Managing Director, Mr Noel Newell, will enter into a Share Transfer Restriction Deed. This will restrict his ability to dispose 16,500,000 of his shares in 3D Oil for a period of 24 months after completion.

## **FARM-IN AGREEMENT**

Key terms are as follows:

- Completion of the farm-in agreement is subject to various conditions including Hibiscus Petroleum shareholder approval, FIRB approval and registration of the agreement under the Offshore Petroleum and Greenhouse Gas Storage Act 2006 (Cth). A Hibiscus Petroleum shareholder meeting to consider the transaction is intended to be held later in 2012.
- At completion, Hibiscus Petroleum will acquire a participating interest of 50.1% in VIC/P57 and assume operatorship over the permit, subject to regulatory approvals.
- Hibiscus Petroleum will contribute up to a total of A\$27m into the joint account to be used for joint operations on the permit as follows:
  - 1) A\$13.5m to be transferred to the joint account at completion;
  - 2) A\$6.75m to be held in escrow and transferred into the joint account when required to fund cash calls issued under the Joint Operating Agreement; and
  - 3) Up to an additional A\$6.75m to be paid into the escrow account when tranche (2) is released into the joint account, and transferred into the joint account when required to fund cash calls issued under the Joint Operating Agreement
- 3D Oil will retain a 49.9% participating interest in VIC/P57.
- Funds will be used to initiate the development program for West Seahorse field, which involves the drilling of up to two appraisal wells.
- Upon production, Hibiscus Petroleum will preferentially receive 74.9% of Petroleum produced from the permit until the sale revenue equals the amount funded by Hibiscus Petroleum. Thereafter, each party will receive cash flows equivalent to their participating interest in the producing asset.

## **JOINT OPERATING AGREEMENT**

- A Joint Operating Agreement (JOA) is in agreed form and will be signed at completion of the Farm-in Agreement

## **TIMETABLE AND APPROVALS**

- Decision on ASX waiver expected in late August. If approved,
  - placement consideration of A\$2.0m will be deposited;
  - Dr Kenneth Pereira will join the Board of 3D Oil
- Subscription Agreement and Farm-in Agreement is subject to approval by FIRB and approval by Hibiscus Petroleum shareholders
- Hibiscus Petroleum shareholder meeting is anticipated before December 2012
- Completion of Farm-in requires registration under the petroleum legislation

- Completion of the Subscription Agreement, Farm-in Agreement and JOA anticipated by December 2012.

**For further information please contact:**

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Hibiscus Petroleum announcements relating to this transaction and other matters are available on its website - <http://www.hibiscuspetroleum.com/>