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**ASX Release**

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## **Heads of Agreement Signed with Joint Venture Partner Hibiscus Petroleum**

3D Oil Limited (ASX:TDO) is pleased to announce that it has executed a largely non-binding Heads of Agreement (HOA) with Carnarvon Hibiscus Pty Ltd (CHPL), Althea Corporation Limited, and HiRex Petroleum Sdn Bhd (HIREX). TDO holds 49.9% interests in offshore Gippsland Basin tenements VIC/P57 and VIC/L31 in a joint venture (JV) with CHPL. CHPL is a wholly owned subsidiary of Hibiscus Petroleum Berhad (Hibiscus) (KLSE: HIBISCS) and is JV Operator holding 50.1%.

**Key Points:**

- TDO short term funding secured via working capital loan and sale of portion of VIC/L31 interest.
- TDO retains fully funded 24.9% interest in forthcoming VIC/P57 exploration well.
- CHPL to purchase Britannia rig from joint venture (JV) at acquisition cost.
- West Seahorse strategy and timing to be re-assessed in response to funding challenges.
- Final agreements pursuant to the HOA due to be executed in June.
- Final agreements will be subject to TDO shareholders' approval and Independent Expert review .

There are several aspects to the arrangements under the HOA. Within one day of executing the HOA, CHPL will transfer USD 600,000 to TDO for working capital purposes, with a further USD 1,400,000 due to be transferred to TDO on signing of final agreements within 40 days of the HOA. These funds are repayable to the JV without interest within 8 months of signing final agreements.

TDO's current obligations to the VIC/L31 JV, i.e. the West Seahorse project, will be funded through dilution of TDO's VIC/L31 equity (currently 49.9%). This payment in equity will be made pro rata with the Fair Market Value which will be independently assessed by a mutually agreed advisor. Pursuant to the HOA, CHPL will have a limited time option to purchase all of TDO's VIC/L31 interest at Fair Market Value.

With respect to the exploration permit VIC/P57, CHPL will purchase the Britannia rig from the JV and the resulting funds will be committed to drilling an exploration well in permit. It is intended that this well will meet the Year 3 permit commitment. The rig proceeds will cover USD 7,500,000 of TDO's expenditure on the well. CHPL will take up a further 5% interest in VIC/P57 and HIREX, which will apply its Virtual Drilling technology to VIC/P57 3D seismic, will have an option to take up a 20% interest. This would mean TDO retains a 24.9% interest in VIC/P57 with funds of USD 7,500,000 to cover its share of up to USD 30,000,000 of exploration expenditure in the permit.

### **Background on the West Seahorse project**

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

From late 2013 the JV has been holding discussions with Australian and international banks in relation to project finance for the West Seahorse project. However, despite the progress noted above, debt markets haven't proven challenging. TDO has also held related discussions with potential providers of equity finance and mezzanine debt for the project.

As a result of the slower than anticipated progress on funding and the commitment of JV funds to purchase and hold the Britannia rig, TDO's capacity to meet ongoing JV cash requirements has been compromised. Consequently, TDO and CHPL have negotiated arrangements under the HOA as described above whereby the rig is sold to CHPL and funds returned to the JV. In addition, TDO's current WSH obligations will be met by a transfer of VIC/L31 equity, resulting in a reduced interest in VIC/L31 for TDO.

The JV is currently reviewing the forward strategy for the WSH project in light of these new arrangements.

In the near term, focus will move to drilling a new high-impact exploration well which will satisfy the VIC/P57 Year 3 commitment. It is anticipated that this well will be drilled in mid-2015 with a conventional jack-up rig.

### **Background on HIREX**

HIREX is a joint venture 41% owned by each of Hibiscus and Rex International Holding Limited. It has the right to use Rex Virtual Drilling (RVD) technology in much of the Asia-Pacific region including Australia. RVD is a proprietary liquid hydrocarbon detection technology that analyses seismic data to high-grade and de-risk hydrocarbon prospects.

In March 2014 Hibiscus announced a 3000 bopd flow test rate from an oil discovery offshore Oman which had been selected for drilling on the basis of RVD. HIREX sees the Gippsland, and these tenements in particular, as highly prospective for significant oil discoveries.

For further information please contact:

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