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ASX Release

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3D Oil completes farmout of T/49P to ConocoPhillips Australia

- **NOPTA approves the transfer of title of an 80% equity in the T/49P exploration permit to ConocoPhillips Australia which now completes the farmout transaction**
- **3D Oil will receive cash payment of A$5 million within two weeks.**
- **ConocoPhillips Australia will acquire at least 1580 sq km of 3D seismic in T/49P at no cost to 3D Oil**
- **ConocoPhillips Australia may elect to drill an exploration well in which it will carry up to the first US$30 million of costs**
- **3D Oil is well placed to take advantage of a gas fueled economic recovery from the COVID-19 crisis**

3D Oil Limited (ASX: TDO) is pleased to announce that TDO's wholly owned subsidiary, 3D Oil T49P Pty Ltd (the "Company"), has completed the farmout of T/49P to ConocoPhillips Australia SH1 Pty Ltd ("COP") following the approval of documentation by the National Offshore Petroleum Titles Authority ("NOPTA").

Under the terms of the Joint Operating Agreement ("JOA"), COP will hold an 80% interest in the Permit and become operator. As previously announced, pursuant to the Farm Out Agreement ("FOA"), the Company will receive a A$5 million cash payment in recognition of previous permit expenditure and COP will undertake the acquisition of a 3D seismic survey of not less than 1580 sq km within the Permit to which the Company will make no financial contribution.

Upon completion of the acquisition, processing and interpretation of the 3D seismic survey, COP may elect to drill an exploration well which will fulfill the current Year 6 work programme obligation. In the event COP elects to drill such exploration well, the Company will be carried for up to US$30 million in drilling costs after which it will contribute 20% of drilling costs in line with its interest in the Permit.

The completion of the farmout of T/49P to COP places TDO in a unique and enviable position for a small cap company –where there is a clear pathway to ultimately supplying gas to the East Coast Market. The company is very positive about its prospects. While global conditions are very challenging the potential for gas commercialization in Eastern Australia are very promising. TDO believes these conditions create opportunities for the company to exploit.

The company is firmly focused on becoming a supplier to the burgeoning East Coast Gas market at a time of unique dynamics in local and global gas markets.

South-east Australian Gas Market

World-wide social distancing restrictions have caused an unprecedented fall in oil demand, which for the first time caused the price of West Texas Intermediate to fall below zero in late April. However, the Company wishes to reassure shareholders that the oil price has no effect on the strategy of the T/49-P project. The price of gas in South-east Australia is not linked to global oil prices, and while it is difficult to tell how the pandemic will affect gas demand in future, TDO believes that the current forecast of a supply shortage remains accurate.

The 2020 AEMO Gas Statement of Opportunities released on 27 March states that gas production in south-east Australia is declining. Existing gas fields in the Gippsland Basin will reach end of life between mid-2023 and mid-2024 and most fields in the Otway Basin will cease production unless development plans and plant modifications proceed. Current reserves and contingent resources in southern states will be insufficient to offset the decline of production. ExxonMobil's West Barracoota gas development is on track for a 2021 start-up, but it is worth noting that AEMO's forecast of a gas shortfall takes account of this development. These variables underpin the prediction that long-term gas supply in south-east Australia is under threat.

Importantly, these forecasts have not accounted for the affect that social distancing measures may have on domestic gas demand. However, it is equally important to note that several gas development and appraisal programs in the region have been deferred. In the Gippsland Basin, ExxonMobil has halted operations due to COVID-19 restrictions. In the Otway Basin, Beach Energy deferred its plans for the drilling of the Aritsan-1 exploration well and a series of near-field and appraisal wells at Thylacine and Geographe until at least next financial year.

Without knowing how social distancing measures will affect gas demand, it is not possible to reasonably forecast if supply will be adequate. However, it is probable that any reductions in demand will be short-term and that deferral of gas exploration and development in south-east Australia will exacerbate the looming supply shortfall.

In a recent media interview in late April Neville Power, chairman of the National COVID-19 Co-ordination Commission said that an increase in infrastructure projects, manufacturing and industrial-scale production of previously imported goods will be the key to economic recovery. It will be important that these projects are delivered with private funds as opposed to government subsidy. A key ingredient to incentivize such projects will be the "supply of cheap energy to industry," particularly from gas. Mr Power has stated that the best way of lowering gas prices, will be to increase supply.

On 21 May the Federal Energy Minister, Angus Taylor, released the Technology Roadmap discussion paper outlining the government's strategy for reducing emissions. The paper said switching from coal to gas can provide "quick wins" that reduce global energy sector emissions by 10 per cent. Citing a recent CSIRO forecast, it said domestic gas usage would rise "at least 20 per cent by 2060" and gas production would climb at least 90 per cent in the same timeframe - driven largely by exports to fill Asia's growing demand for liquefied natural gas. The Minister said "More gas means more capacity to absorb renewables [into the grid] because gas is flexible, dispatchable generation." This is because gas offers a means to fill gaps in the electricity grid where renewable energy sources are intermittent.

Shareholders should know that the exploration programme in T/49-P will continue, and each stage will bring the T/49-P Joint Venture a step closer to providing gas to the domestic market. The next phase will involve acquisition and processing of not less than 1580km^2 3D seismic data aimed at evaluating a series of leads in the permit. These leads in combination with the Flanagan Prospect have a best estimate prospective resource of over 10 TCF.

Asian LNG market prognosis

LNG demand in our region is dominated by industrial economies of countries such as South Korea, Japan, China and Taiwan. The handling of the COVID-19 outbreak in these countries has been better managed than much of the world placing them in a unique position to navigate out of the crisis significantly quicker.

Lower long-term LNG prices are likely to encourage coal-to gas switching in these countries and much of Northeast Asia. According to Gavin Thompson from Wood Mackenzie; high oil-indexed contract volumes dominate the weighted average cost of gas in Asia resulting in strong 2019 prices. However, falling oil prices will result in lower future contracted LNG prices bolstering the case for gas. Wood Mackenzie estimate that in South Korea and Japan alone, a 5% generating capacity swing from coal to gas will result in increased demand of 18% or 8 million tonnes.

This comes at a time with a back-drop of a record number of new LNG projects which are approaching Final Investment Decision ("FID"). The Australian Financial Review reported in April that over $80 billion worth of LNG projects in Australia and PNG have been cancelled or deferred. Presumably, this trend will be repeated globally.

Conclusions

3D Oil is of the opinion that the combination of falling domestic production on the East Coast, primarily from Bass Strait, and a gas led recovery within Australia and the industrialised economies of SE Asia will significantly improve the domestic gas market in the medium term. 3D Oil is uniquely placed for a small company to take advantage of this strengthening market with a fully funded gas exploration program in the highly prolific and prospective offshore Otway Basin.

This announcement is authorised for release by the Board of Directors of 3D Oil Limited.

For further information, please contact:

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Qualified Petroleum Reserves and Resources Evaluator Statement

The Prospective Resources estimates in this release are based on, and fairly represent, information and supporting documents prepared by, or under the supervision of Dr David Briguglio, who is employed full-time by 3D Oil Limited as Exploration Manager. He holds a BSc.Hons and PhD in Petroleum Geoscience and has been practicing as a Petroleum Geoscientist for 8 years. Dr Briguglio is qualified in accordance with ASX listing rule 5.41 and has consented in writing to the inclusion of the information in the form and context in which it appears.

Prospective Resources

The estimates have been prepared by the company in accordance with the definitions and guidelines set forth in the Petroleum Resources Management System, 2011 approved by the Society of Petroleum Engineer. Prospective Resource estimates are for recoverable volumes and unless otherwise stated this report quotes Best Estimates and gross volumes. The estimates are unrisked and have not been adjusted for both an associated chance of discovery and a chance of development. The Prospective Resources have been estimated probalistically.