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3D Oil Limited

QUARTERLY ACTIVITIES REPORT
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2010

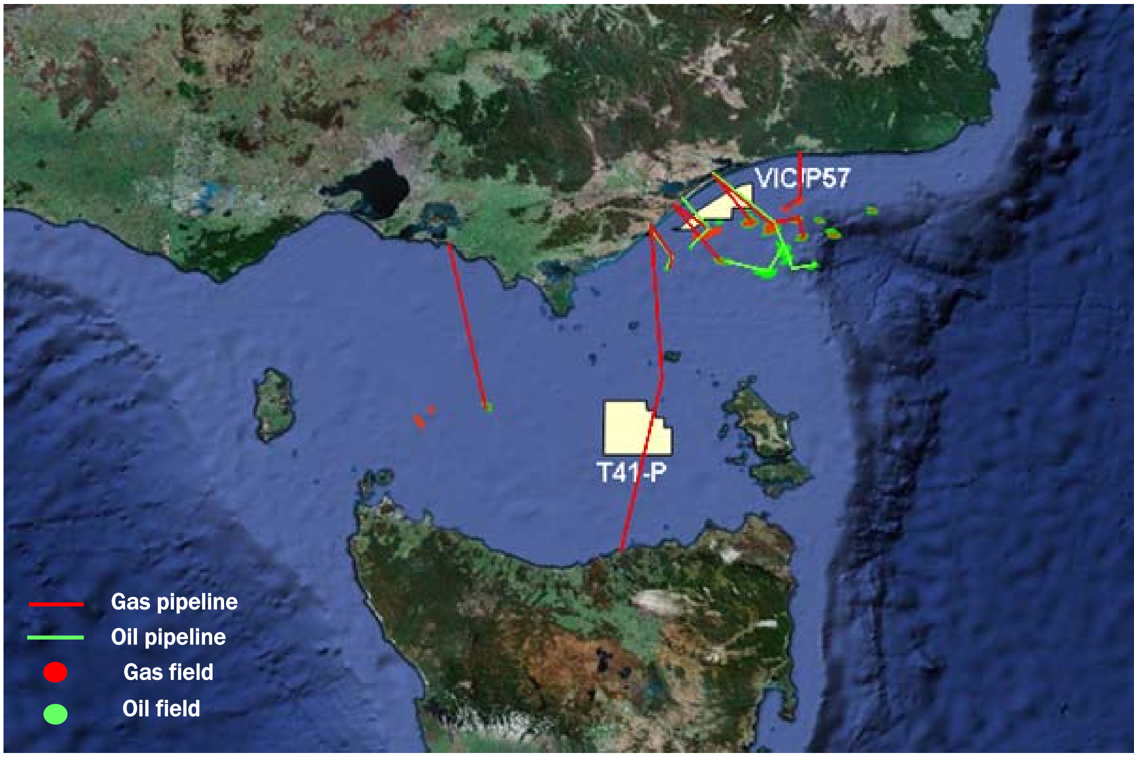
Overview

During the September quarter 3D Oil Limited continued to progress activities on its Gippsland Basin VIC/P57 permit. Certification of the West Seahorse reserves has commenced and a variation of the work program has been secured. Front End Engineering and Design (FEED) for the development of the West Seahorse Field is continuing, and the company undertook an evaluation of the Gurnard Formation in the West Seahorse area. Within the Bass Basin T41/P permit the company is preparing to acquire the Dalrymple 3D seismic survey this coming summer.

3D Oil refers to previous announcements on its progress seeking a strategic partner to participate in exploration and development within Vic/P57. As an update the company advises that it is in discussions with a number of international companies, some of these discussions are at an advanced stage. Whilst these discussions are advanced they remain confidential and 3D Oil stresses that there is no guarantee that a final agreement will be reached. The company will keep the market informed of any material developments concerning this matter

Operational Review

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 permits

VIC/P57, Gippsland Basin offshore Victoria

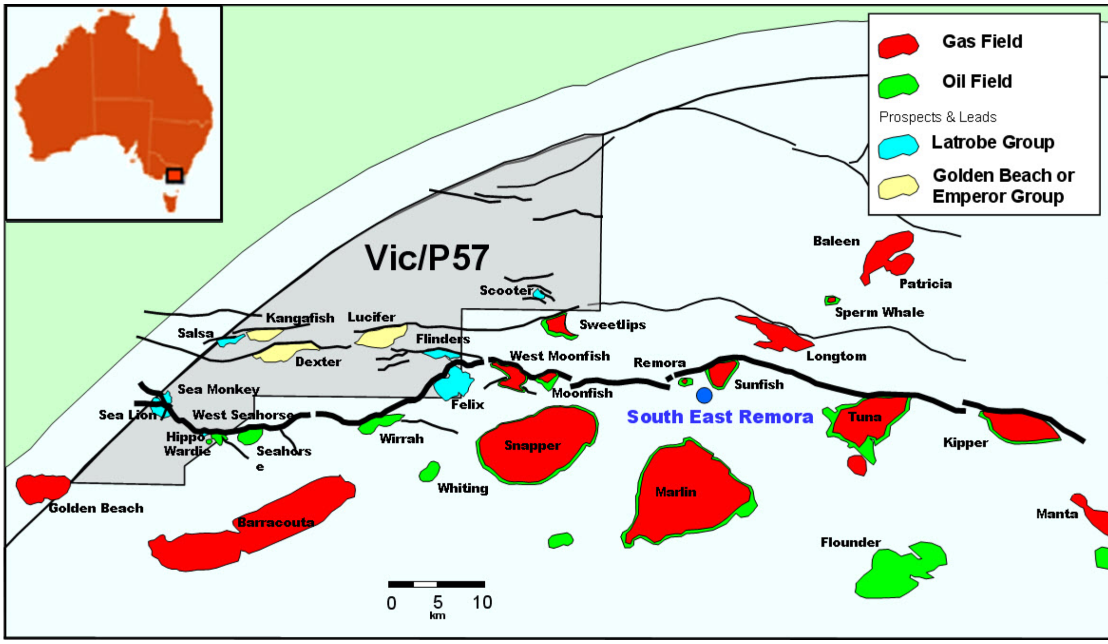
During the September quarter the company commenced certification of the reserves in the West Seahorse Field. This certification is an important step in progressing toward the development of the field and it is expected to be completed before the end of the year.

As part of this work, the company undertook an evaluation of the Gurnard Formation at the top of the Latrobe Group within the West Seahorse area. This interval comprises an open marine unit largely consisting of thinly interbedded claystone, siltstone and sandstone laminae, in which the silts and sands commonly contain hydrocarbon shows. The potential significance of these shows has been enhanced with the recovery and subsequent analysis of oil from this formation in the Wardie-1 exploration well, where it was flowed into a wireline testing tool. The company currently estimates the formation contains a significant oil-in-place volume over the greater West Seahorse structure (Most Likely: 9.1 mmbbls). 3D Oil has recently begun investigating the resource potential of this formation in the area.

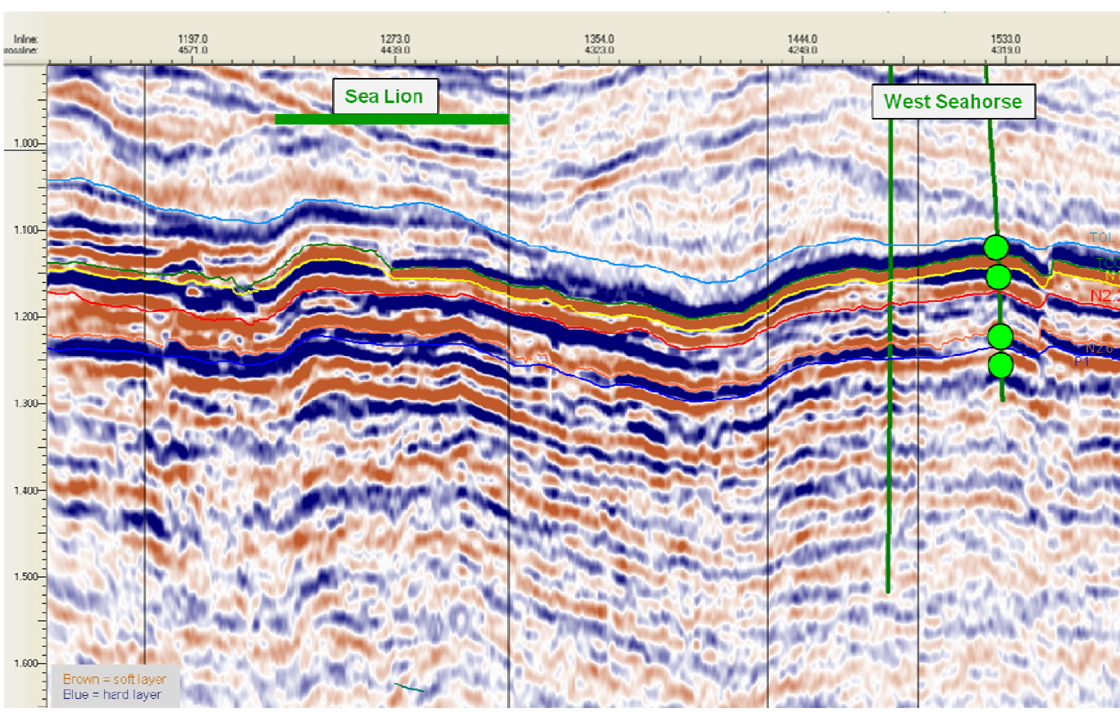
The company has also secured a variation on the Year 6 work programme. An exploration well commitment in that year has been replaced by state-of-the-art seismic reprocessing of the Northern Fields 3D survey over much of VIC/P57 and some of the surrounding area. The reprocessing is primarily being undertaken to improve the data quality and, consequently, 'de-risk' the prospectivity in the deeper section within the permit. Identifying such deeper prospectivity is expected to enable subsequent drilling to test multiple targets in a single well. In particular, the company is quite excited by the deep potential in the Felix and Sea Lion prospects. The recent significant discovery along trend at South East Remora-1 highlights the continuing prospectivity associated with improved imaging of the Northern Fields 3D seismic data.

3D Oil has continued to review and improve the prospectivity of the Sea Lion Prospect. As currently mapped, Sea Lion has a closure height of about 25m, with a mean prospective resource volume of 13 MMbbl of recoverable oil and upside potential in excess of 30 MMbbl. However, recent work has highlighted the scope for previously unrealized deeper prospectivity which has the potential to add a significant secondary target to Sea Lion. It is expected that the seismic reprocessing will provide greatly improved imaging of this deeper target, enabling it to be included in the drilling seriatum.

The company also continued the Front End Engineering and Design (FEED), in conjunction with WorleyParsons, for the West Seahorse oil development. The engineering studies are currently assessing the potential for an onshore third party tie in of the production from the field.



Vic/P57 prospects and surrounding fields' location



Seismic image of the Sea Lion prospect and West Seahorse field

T/41P, Bass Basin offshore Tasmania

During the September quarter the company has focused on planning for the upcoming 250 sq km Dalrymple 3D seismic survey. This has been re-scheduled from last summer, following the late withdrawal of the seismic vessel at that time. 3D Oil re-tendered the seismic acquisition contract and it was recently awarded to PGS Australia. Regulatory approvals are currently being sought, and the survey will be conducted during the first quarter of 2011.

PGS seismic vessel to acquire data in T41/P

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001 , 01/06/10.

Name of entity

3D OIL LIMITED

ABN	Quarter ended ("current quarter")
40 105 597 279	30 September 2010

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A	Year to date (3 months) $A
1.1	Receipts from product sales and related debtors	2,162	2'162
1.2	Payments for		
	(a) exploration and evaluation (net of refunds)	(269,251)	(269,251)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(231,984)	(231,984)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	163,934	163,934
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	GST Refund	-	-
1.8	Refund of exploration deposits	16,685	16,685
	Net Operating Cash Flows	**(318,454)**	**(318,454)**
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a) prospects/farmins	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	-	-
1.13	Total operating and investing cash flows (carried forward)	**(318,454)**	**(318,454)**

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	**(318,454)**	**(318,454)**
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – Capital raising costs	-	-
	Net financing cash flows	**-**	**-**
	Net increase (decrease) in cash held	**(318,454)**	**(318,454)**
1.20	Cash at beginning of quarter/year to date	8,378,658	8,378,658
1.21	Exchange rate adjustments to item 1.20	(17,647)	(17,647)
1.22	**Cash at end of quarter**	**8,042,557**	**8,042,557**

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter $A
1.23	Aggregate amount of payments to the parties included in item 1.2	113,689
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Director's fees, salaries and fees paid to related entities during the September 2010 quarter.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	2,000,000
4.2	Development	-
4.3	Production	-
4.4	Administration	250
	Total	**2,250,000**

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	303,419	525,904
5.2	Deposits at call	7,692,311	7,808,592
5.3	Bank overdraft	-	-
5.4	Other – Bank Guarantee	46,827	44,162
	Total: Cash at end of quarter (item 1.22)	8,042,557	8,378,658

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-	-	-	-
6.2	Interests in mining tenements acquired or increased	-	-	-	-

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*	-	-	-	-
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3	**+Ordinary securities**	206,560,000	206,560,000	-	-
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs (c) Released from ASX restriction	 - - -	 - - -	 - - -	 - - -
7.5	**+Convertible debt securities** (*description)*	-	-	-	-
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	 - -	 - -	 - -	 - -
7.7	**Options** *(description and conversion factor)*	 6,100,000 6,330,000 400,000 189,000 615,000	 - - - - -	*Exercise price* $0.50 $0.60 $0.75 $0.25 $0.40	*Expiry date* 31 January 2011 31 January 2011 31 March 2013 30 June 2014 30 November 2014
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired/lapsed during quarter	-	-	-	-
317.1 1	**Debentures** *(totals only)*	-	-	-	-
7.12	**Unsecured notes** *(totals only)*	-	-	-	-

+ See chapter 19 for defined terms.

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: .... Date: 27 October 2010
Company secretary

Print name: MELANIE LEYDIN

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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