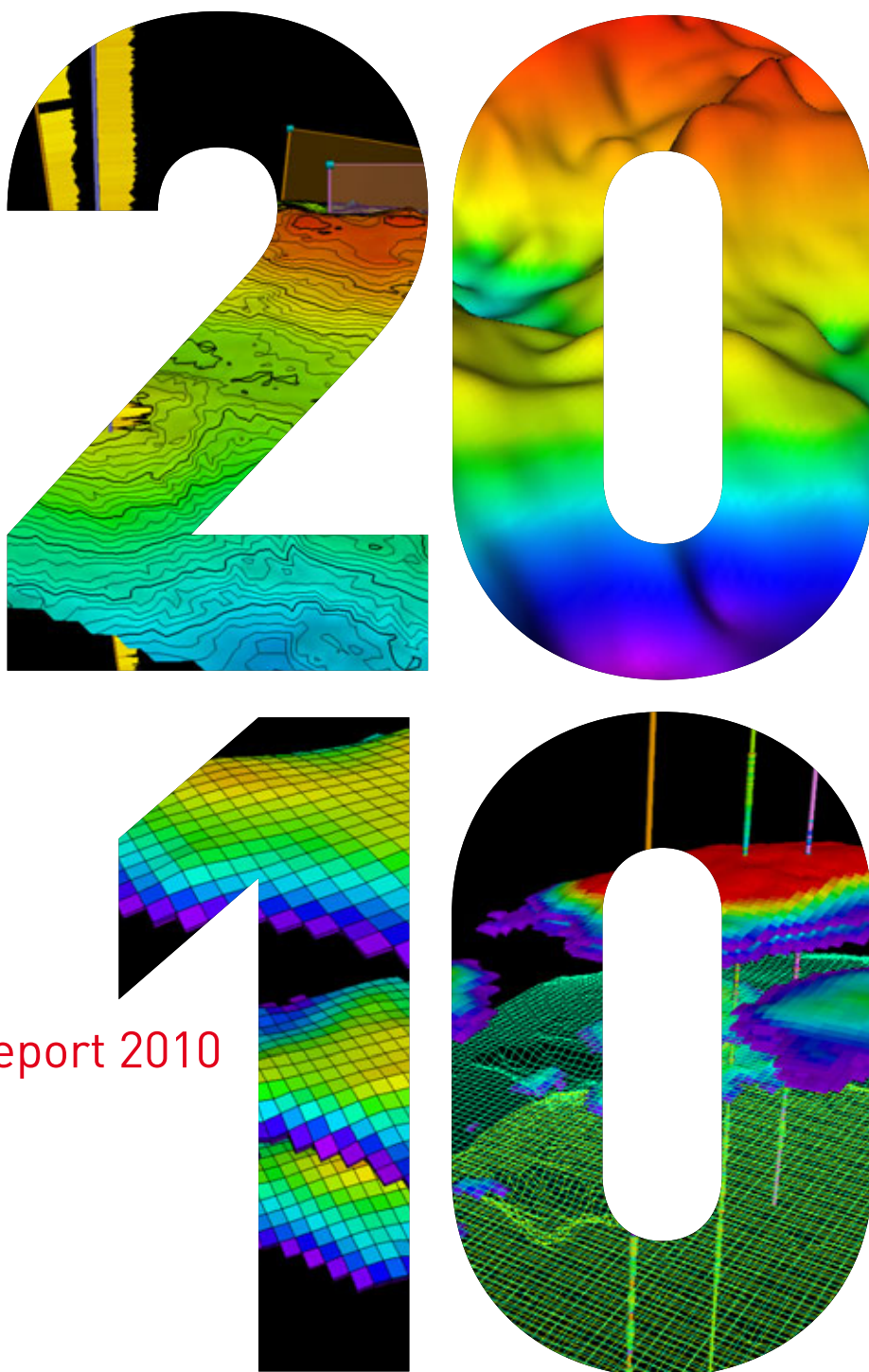




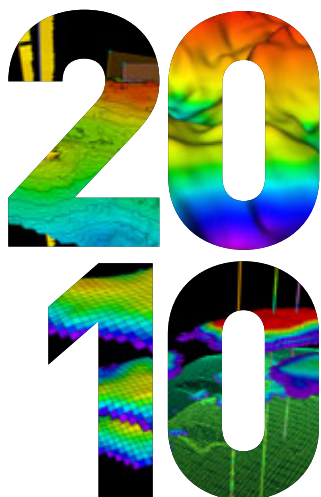
3D Oil Limited



Annual Report 2010

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New work on the Felix Prospect indicates it has the potential to contain over 100 MMbbl at the primary levels. The deeper horizons at Felix appear to increase in size with depth and provide very exciting additional prospectivity. The deeper prospectivity in the basin has recently been highlighted by the discovery in SE Remora-1 which is on trend with Felix.

Recent work on the Sea Lion Prospect has also uncovered a large, deeper, previously unrecognised prospect. The shallower, relatively low risk primary target is interpreted to contain potentially 20 MMbbl recoverable. State-of-the-art reprocessing of the Northern Fields 3D seismic data is currently being undertaken to better image, and thereby de-risk, the deeper section.

The company commenced the Front End Engineering and Design (FEED) for West Seahorse with WorleyParsons. The commencement of the FEED follows an exhaustive review of the most economic development options for the field. 3D Oil believes that the development option chosen offers the lowest capital and operating costs, while also maximising the ultimate recovery from the field.

Corporate directory

Board of Directors

Campbell Horsfall
(Non-Executive Director and Chairman)

Noel Newell
(Executive Managing Director)

Melanie J Leydin
(Non-Executive Director)

Philippa Kelly
(Non-Executive Director)

Company Secretary

Melanie J Leydin

Place of Business

Level 5
164 Flinders Lane
Melbourne Victoria 3000
Telephone 03 9650 9866
www.3doil.com.au

Auditor

Grant Thornton Audit Pty Ltd
Chartered Accountants
215 Spring Street
Melbourne Victoria 3000

Legal Advisors

Baker & McKenzie
Level 19
181 William Street
Melbourne
Victoria 3000

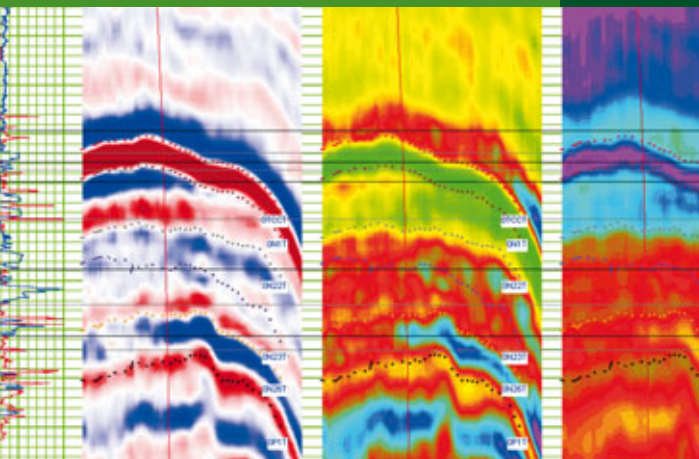
Share Registry

Computershare Investor
Services Pty Ltd
452 Johnson Street
Abbotsford Victoria 3067
Telephone: (03) 9415 5000

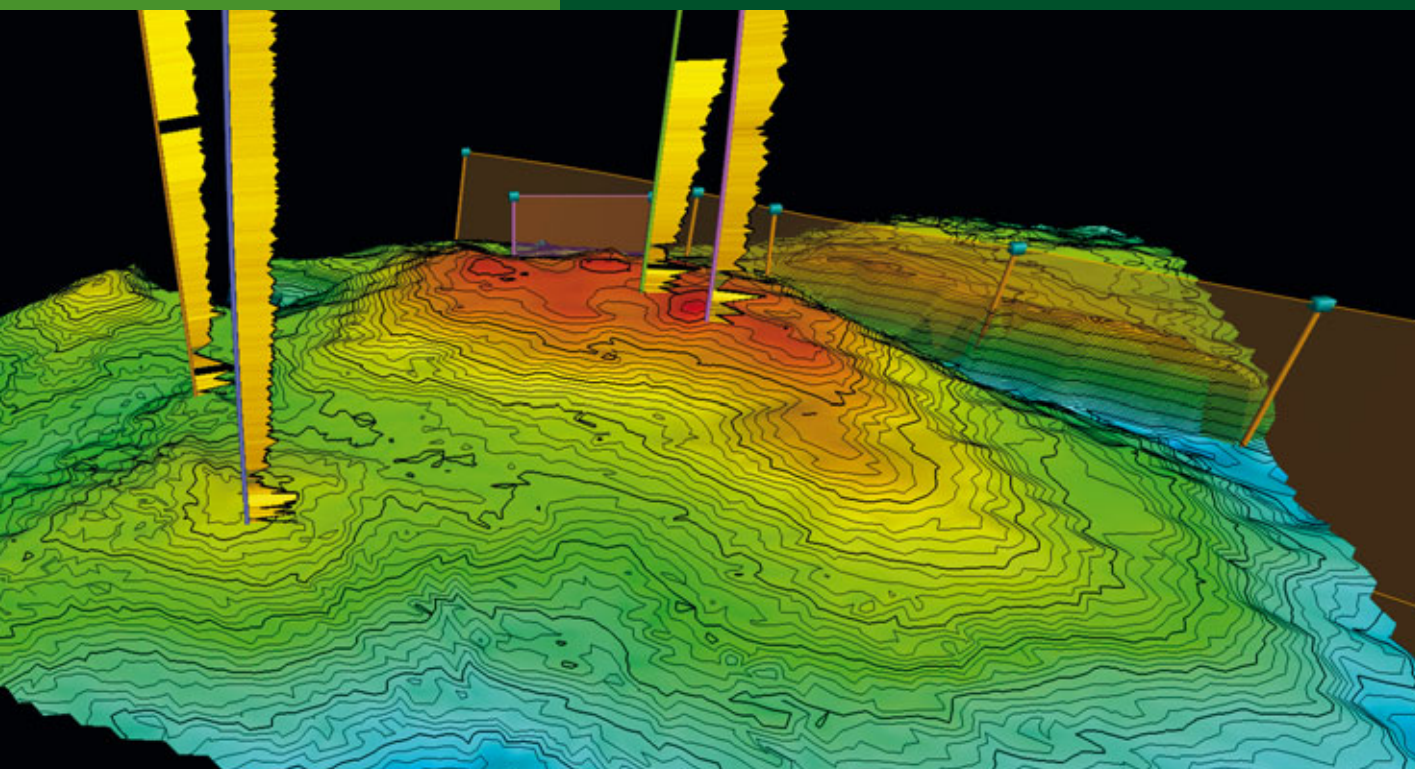
Stock Exchange Listing

Home Exchange is Melbourne
ASX Code Fully Paid Shares:
TDO

Seismic attributes panel



Noel Newell
Managing Director



3D image of the West Seahorse complex

“Ultimately we need to be more than a one project company for both growth and security. For this reason we continue to review new opportunities and the company is poised to take advantage of its strengths to identify and exploit niche positions.”

Letter from the Managing Director

Dear Shareholders

I write this letter at a time, which I believe, is at the cusp of a new beginning for 3D Oil.

Last year I stated that the company was 'out of the woods' with both the Global Financial Crisis (GFC) and the takeover battle behind us. While this was partly true the world is a significantly different place since the GFC. Conditions remain difficult particularly for smaller companies trying to take the next step to become a producer. Access to capital is problematic while the oil price outlook remains flat for at least the medium term.

The previous year has seen the company primarily focused on delivering a commercial solution to the West Seahorse development, both in financing and engineering terms.

We have persevered in finding the right partner with a similar strategic alignment, at appropriate terms that reflect the underlying value of the asset, and one which would allow the company to grow and provide a very positive result for existing shareholders. We believe that both our persistence and strong position on the terms will bear fruit very soon.

During this period we have also commenced the Front End Engineering and Design (FEED) for West Seahorse with WorleyParsons. The commencement of the FEED follows an exhaustive review of the most economic development options for the field. 3D Oil believes that the development option chosen offers the lowest capital and operating costs, while also maximising the ultimate recovery from the field. In addition it provides the most favourable NPV estimates, at both current and lower oil prices, and ultimately provides robust project economics.

In short, both financing and engineering solutions to the West Seahorse development are well advanced.

It is our intention in 2011 to not only re-enter and complete West Seahorse-3 as a producer but to also drill the neighbouring Sea Lion prospect.

Continuing in-house evaluation of Sea Lion has strengthened its prospectivity with an unrisks potential of 20 MMbbl recoverable. Sea Lion, the next structure to the west along the Rosedale Fault System from West Seahorse and Seahorse, has many similar

attributes to those fields and consequent reduced risk profile. The recent work has also identified previously unrecognised deeper prospectivity providing a very exciting and large secondary target.

The prospectivity of the deeper section in the Gippsland Basin has only been sporadically revealed over many years, but has begun to become better appreciated in recent years as technological advances and economic viability have improved. This has been amply demonstrated by the basin's major operator in the past year, with the initial development of the Kipper field and the exciting sizeable discovery in South East Remora-1 exploration well.

The Sea Lion prospect, even in the event of only a small discovery, will provide substantial incremental value as an add-on to the West Seahorse development. In the event of a medium-sized discovery it will provide a multiplier of the NPV. Further work is continuing, particularly on the deeper levels, to provide greater understanding and additional de-risking of this less well known section.

State-of-the-art reprocessing of the Northern Fields 3D seismic data in this area is currently being undertaken to better image, and thereby de-risk, the deeper section.

The seismic reprocessing is also anticipated to significantly improve the imaging over the Felix Prospect. Felix is a large untested anticline located between Esso's two oil and gas fields, Moonfish and Wirrah, along the Rosedale Fault System. With the potential to contain over 100 MMbbl within the primary levels, it is arguably currently the best oil prospect in Australia. The deeper horizons at Felix appear to increase in size with depth and provide very exciting additional prospectivity. These deeper levels will be further evaluated as soon as the reprocessed seismic becomes available. The Felix prospect certainly has the potential to be a 'company maker'.

There is plenty of follow-up to a discovery in the deeper section in Vic/P57. A trend of leads has been mapped which includes the Lucifer, Dexter and Kangafish structures, all low-side, fault-dependent structures associated with the Emperor fault, along the basin's northern margin. The leads are on trend and of similar trapping style to the producing Longtom gas field to the east.

The company was very disappointed it was not able to acquire the 3D seismic in

the Bass Basin permit T/41P. The company was left with no choice but to postpone its acquisition of the Dalrymple survey last summer due to circumstances beyond our control. The acquisition vessel availability was withdrawn at short notice, leaving insufficient time to obtain an alternative within the required period. Thankfully, an extension to our permit term was granted by the government, and arrangements are in place to ensure that the new survey is acquired this summer.

The perceived prospectivity of the Bass Basin significantly improved over summer by the drilling activity conducted by Origin Energy. The Trefoil-2 well successfully appraised the southern extension of the Trefoil gas field, and more importantly, underpinned the size for an eventual tie-in to the Yolla facilities. Further Rockhopper-1 intersected stacked reservoir pay but significantly it included moveable oil. The commerciality of this oil discovery has not yet been determined but it does highlight 3D Oil's belief that the Bass Basin is a good place to look for not only gas but oil.

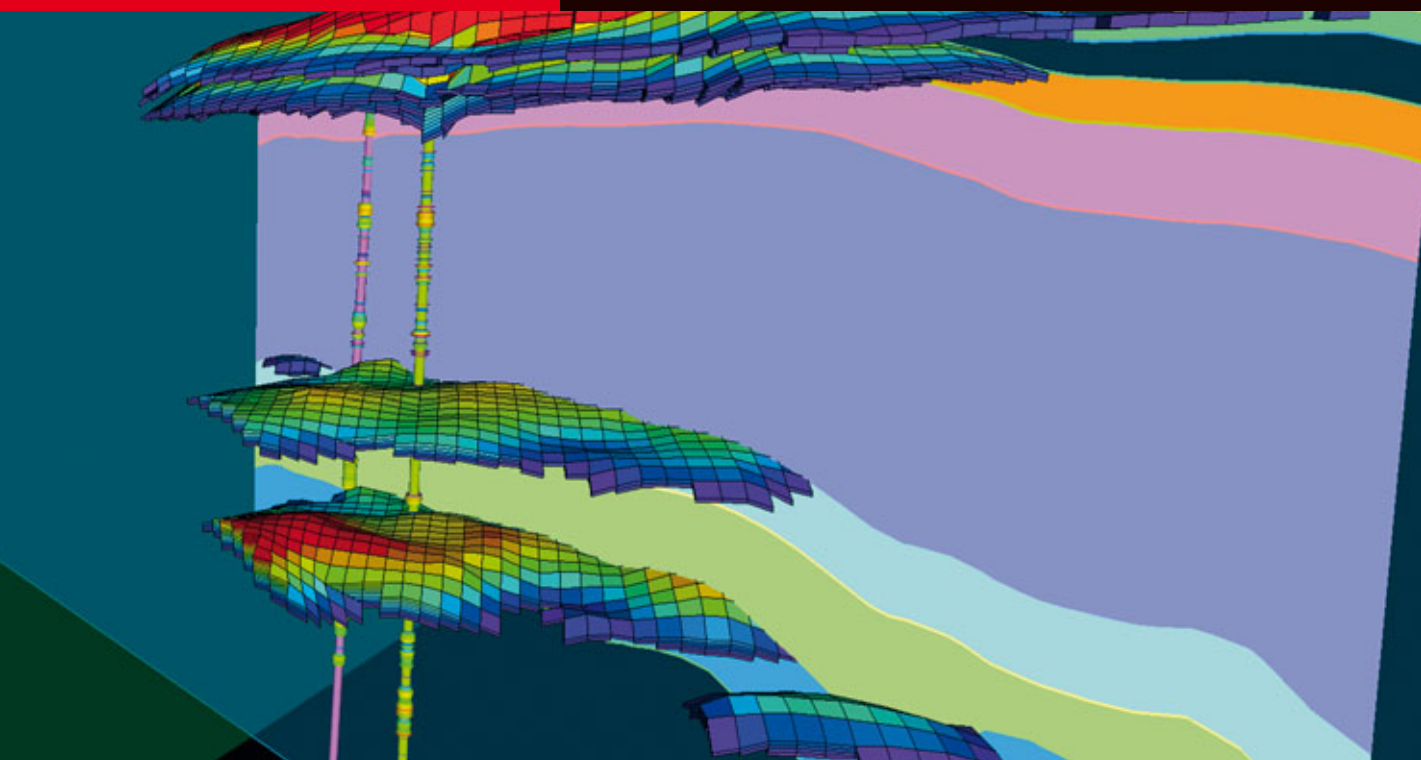
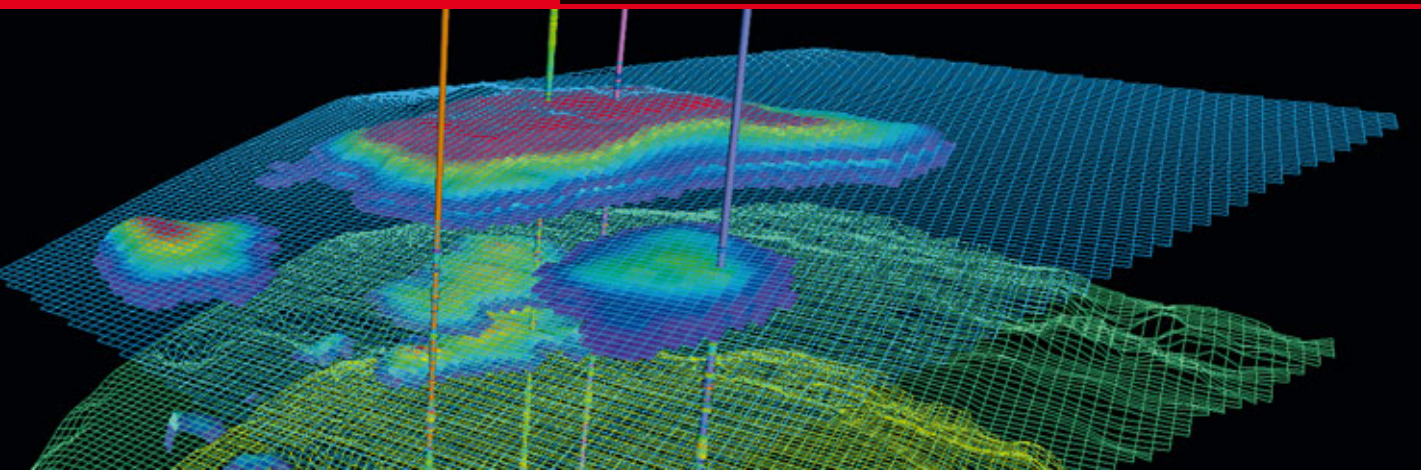
One of the strategies I have consistently articulated since commencing 3D Oil is that I will strive to maximize value to shareholders by minimising the potential for the issue of new equity. Throughout the past year this philosophy has underpinned our endeavours to achieve a commercial solution for West Seahorse and discussions with potential partners.

While West Seahorse has been our main focus during the last year I am very cognizant of the need to look beyond this phase of 3D Oil. Ultimately we need to be more than a one project company for both growth and security. For this reason we continue to review new opportunities and the company is poised to take advantage of its strengths to identify and exploit niche positions.

Despite the team at 3D Oil being small we are extremely focused and committed to the growth of the company and to delivering value to our shareholders. I have the utmost faith we will.



Noel Newell
Managing Director



3D images of the Vic/P57 subsurface



Campbell Horsfall
Chairman

“Let me assure you that there has and continues to be significant interest in both the development of the West Seahorse field and the highly prospective exploration potential of Vic/P57.”

This year has been one of consolidation for 3D Oil Limited. There have been two aspects of the company operations which have been particularly pleasing. The first is the formal engagement of WorleyParsons to carry out the Front End Engineering and Design for the development of the West Seahorse field. Once completed this will enable the company to fast track the production project and bring on stream significant cash flow.

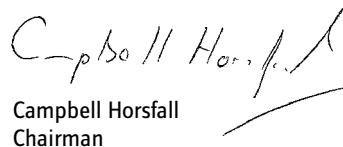
Whilst a farm out deal has not yet been announced the Company has been constrained by confidentiality obligations about reporting every development in this area. Let me assure you that there has and continues to be significant interest in both the development of the West Seahorse field and the highly prospective exploration potential of Vic/P57. Our management have been rightly highly selective about both the terms of the offer and the quality of any potential partner. The company values its assets very highly and it is for this reason that two offers have already been rejected. That said, there have recently been some very encouraging developments and we look forward to entering into heads of agreement with a partner who can add value to our business.

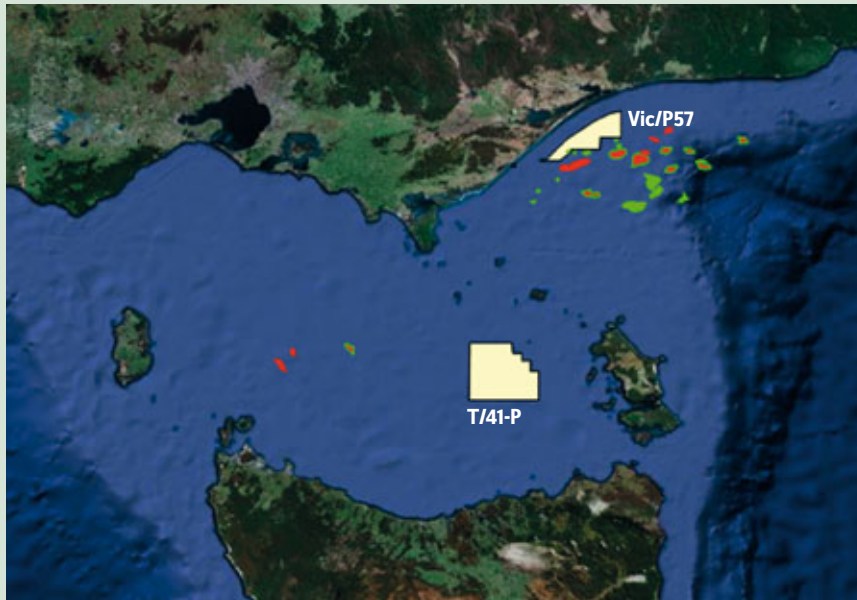
It is important that we acknowledge and appreciate the substantial encouragement from the Minister for Energy and Resources for the West Seahorse project. Clearly both State and Federal governments fully understand the substantial economic benefits that will accrue from the development and production of the oil from West Seahorse field.

Once again, I would like to thank our shareholders for their continued support and patience and trust that you share my feeling of optimism after the important progress made in 2010.

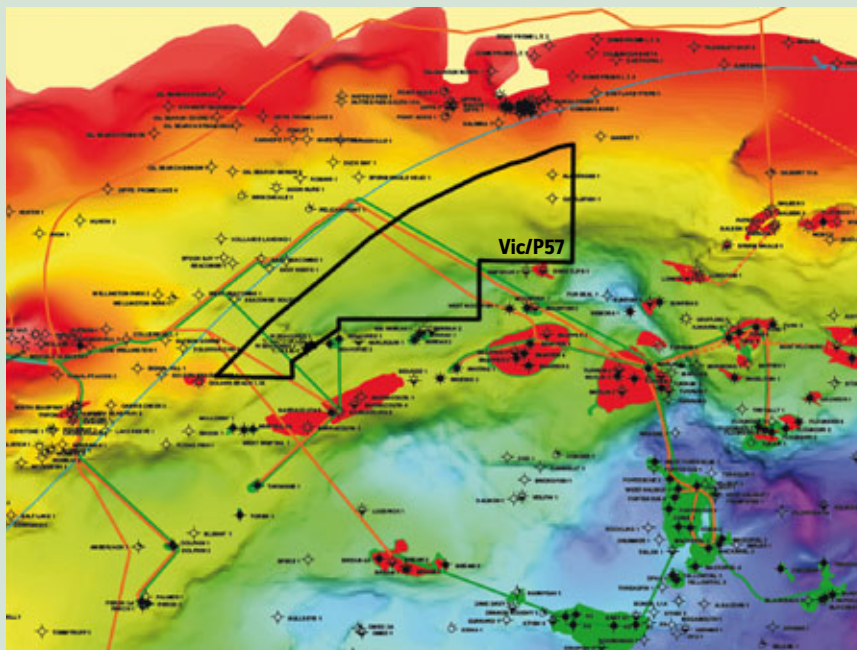
I see some analogies with this company and Woodside Petroleum. In the 1990's that company faced a number of challenges and its shares languished around the \$2.00 mark. At the date of writing this letter the shares closed at around \$43.70. Offshore drilling is not for the faint hearted but the rewards when they do come are enormous.

I would also like to thank my fellow directors and staff for their efforts this past year. It is pleasing that see that the company now employs a team of highly qualified professionals who are able to apply their considerable expertise to enable the successful development of our projects.


Campbell Horsfall
Chairman



3D Oil permit locations in the Gippsland and Bass basins



Gippsland Basin wells and fields, with Vic/P57 location

During the past year 3D Oil has primarily focused on our 100%-owned Vic/P57 permit. In particular studies have high-graded the Felix structure as a world class oil prospect, while the company has commissioned WorleyParsons to commence the Front End Engineering and Design (FEED) studies for the development of the West Seahorse Field.

Preparations were made for undertaking reprocessing of existing 3D seismic in the Vic/P57 area, to enable better delineation of the permit's prospects and leads. This reprocessing commenced in August 2010 and will be completed in mid-2011.

All preparations to acquire a 3D seismic survey in our T/41P Bass Basin permit over the 2009/10 summer were finalized. However, this had to be cancelled at short notice when the proposed acquisition vessel became unavailable within the required timeframe, and a replacement could not be secured. (The survey will be acquired in the coming summer season).

The company also focused on seeking a joint venture partner to accelerate exploitation of its assets, especially the West Seahorse Field.

Review of potentially suitable new opportunities has continued, and 3D Oil is intending to add more high-quality permits to its existing acreage portfolio as they are identified.

Vic/P57, Gippsland Basin Offshore Victoria

Background

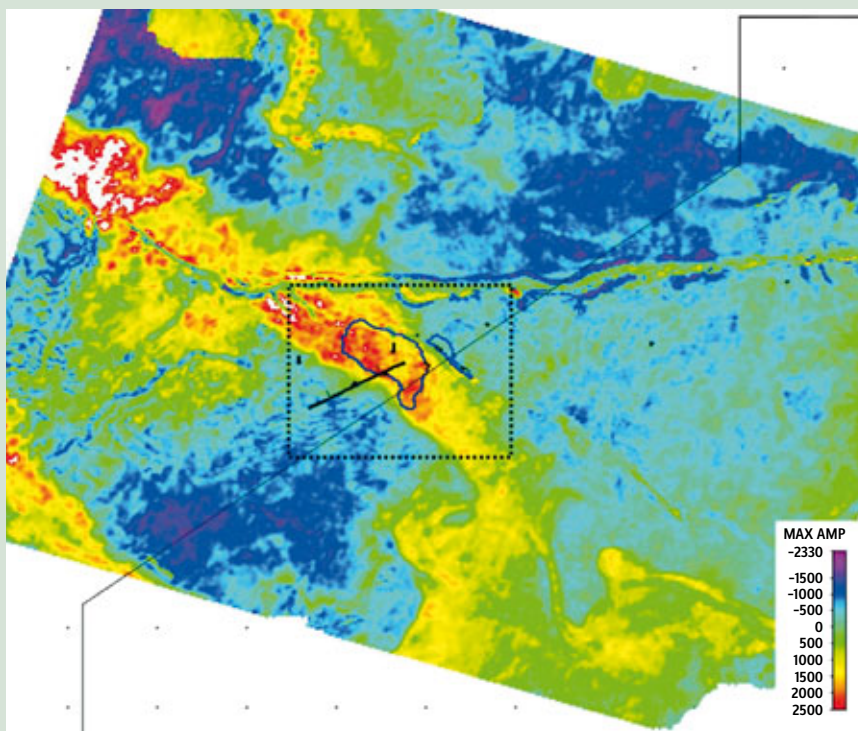
The Gippsland Basin, with initial reserves estimated at 4 billion barrels of oil and 11.5 trillion cubic feet of gas, is Australia's most prolific oil-producing basin. Twenty one oil and gas fields are on production with most of the hydrocarbons reservoirs within the world-class sandstones of the Latrobe Group.

The lightly explored Vic/P57 permit is located in the north-west of the offshore basin and extends across the oil-prone exploration fairway that runs from Moonfish to the West Seahorse area. West Seahorse field contains oil at three levels within the upper Latrobe Group, and the main zone was production tested at 1800 BOPD through a half-inch choke. The Seahorse field, in the neighbouring Vic/L8 Licence, has strong similarities to West Seahorse and has been on production since 1991.



Proposed layout of the West Seahorse development

© 2007 TerraMetrics, © 2007 DigitalGlobe



Seismic amplitude of N1 reservoir unit

Most of the historical success in the basin was based on the interpretation of 2D seismic data. The dominant acreage position of the Esso-BHPB joint venture, with a focus on large-scale projects has, to some extent, hindered the impact that 3D seismic-based exploration has had on similar basins, where smaller, but lower risk targets are pursued. 3D Oil has a value-based exploration strategy based on the use of modern 3D seismic, where small-to medium-sized prospects, but with excellent commercial drivers form the core of the prospect portfolio.

West Seahorse Field

Following an exhaustive review during the year of several economic development options for the field, the company commenced FEED for the West Seahorse oil field development. The review resulted in the re-assessment of the sub-sea well option tied to shore with a production pipeline. Once onshore the production will either be sent to a new crude oil stabilisation plant or linked to existing onshore third-party facilities.

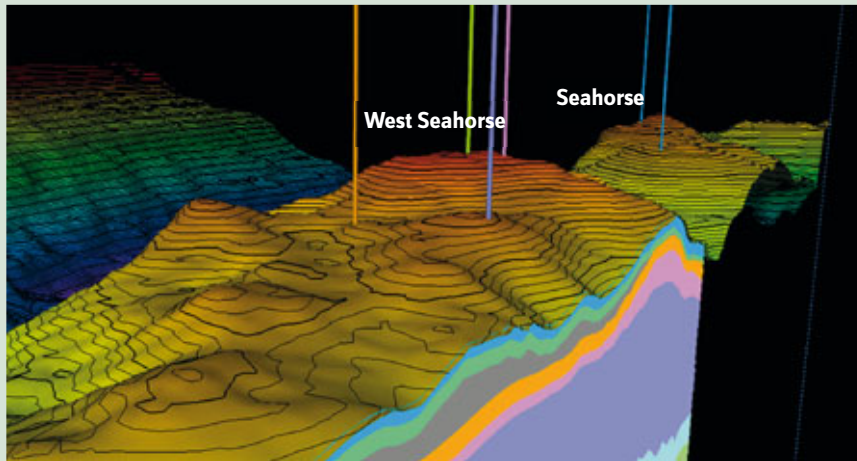
The company believes this development option offers the lowest capital and operating costs, while also maximising the ultimate recovery from the field. Furthermore, it provides the most favourable NPV estimate at both current and lower oil prices, and ultimately provides the most robust project economics.

The FEED process is being undertaken in three stages. These are:

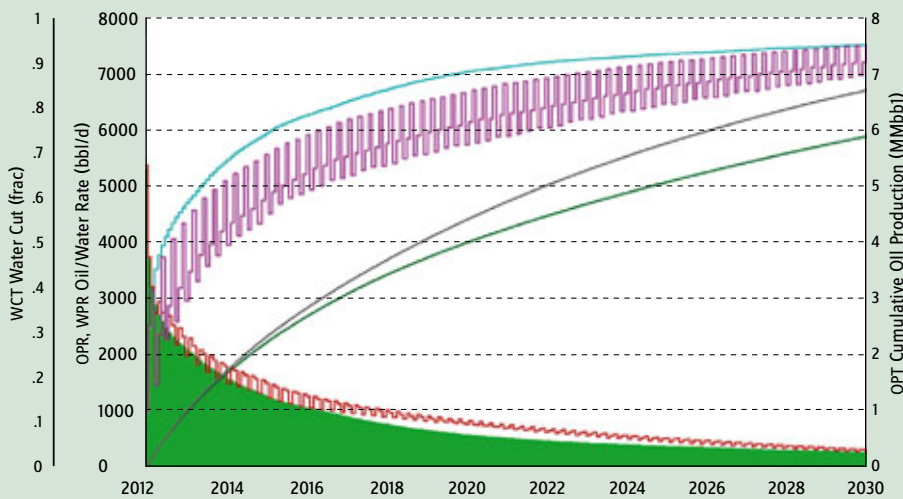
- Concept Finalisation being undertaken by WorleyParsons in Houston to review the pipeline-to-shore options, including an innovative flexible steel pipeline that can be installed by a work boat and does not require the mobilisation of a pipe-lay barge. This will result in significant cost savings.
- Full FEED of the finalised concept and further develop the engineering definition. This will include performing key reviews such as HAZOP, constructability, risk reviews, etc.
- Extended FEED which will further develop the project so that a bankable feasibility study is generated. This is required to ensure bank finance can be obtained.

Review of operations

Continued



3D structural image of Seahorse and West Seahorse



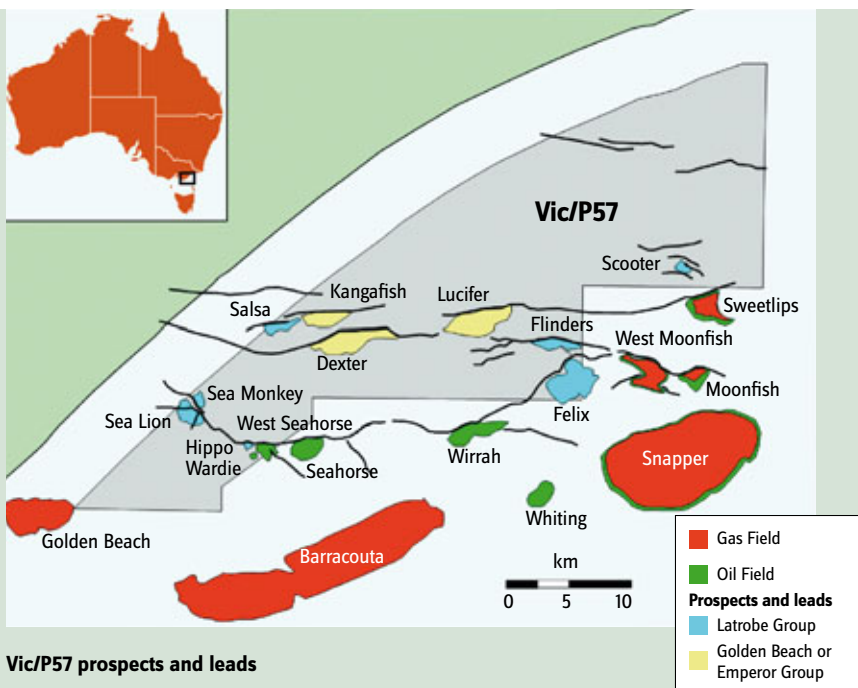
Production simulation based on planned development of West Seahorse

During the year the company continued to review all aspects of the West Seahorse Field. The purpose was to construct a detailed subsurface model to ultimately provide a simulation of the reservoir throughout the life of the producing field. This review has included reservoir analysis, detailed mapping, depth conversion and reservoir fluid analysis. The reservoir simulation provides production forecasting and reserve assessment.

The neighbouring, and very similar, Seahorse Field provides an excellent analogue and calibration for West Seahorse Field. The field, which produces from equivalent reservoir units, has approximately 20 years of production history. A feature of the reservoir model is the very high production rates predicted, with the proposed development well modeled to commence production at over 6500 BOPD. This is typical of the Gippsland Basin, where the combination of strong natural water drive and excellent reservoir properties result in very high flow rates. Clearly, high production rates during the start-up phase will provide a strong revenue stream with early project pay-back, enhancing the commerciality of the field.

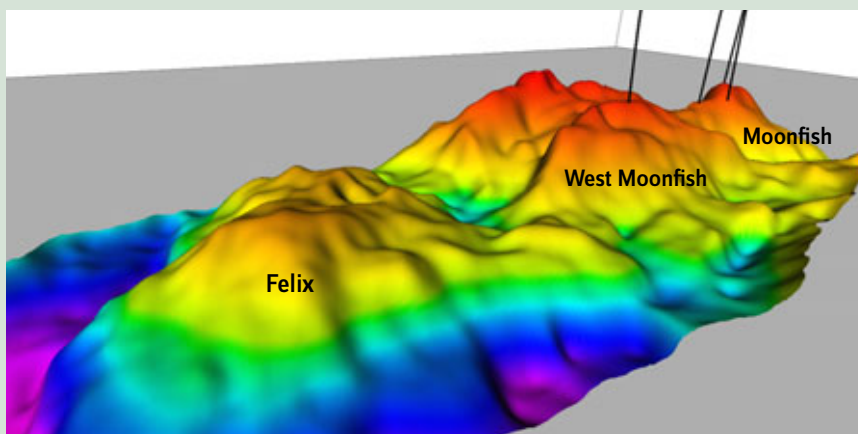
Exploration

The prospectivity of the permit, with a portfolio of high-quality prospects and leads, is continually re-evaluated by way of regional and detailed mapping and geology, particularly along the Rosedale Fault inversion trend. 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. Within Vic/P57, attractive prospects located along this inversion trend include the Sea Lion and Felix prospects.



During the year an extensive reassessment of the Felix Prospect was undertaken which focused on mapping and geological modeling. This work indicates the prospect has the potential to contain over 100 MMbbl of recoverable oil. The prospect is located within an established oil production fairway between the Moonfish oil field and the Wirrah discovery, and is structurally very similar to Moonfish.

The Felix prospect is anticipated to contain at least the same productive horizons currently being exploited in the nearby Moonfish Field. It also has a high likelihood of containing multiple other hydrocarbon zones, as is seen in the adjacent Wirrah field. The recent mapping has also identified secondary targets below the primary objective with the potential to contain an additional 60 MMbbls of oil resource equivalent. Deeper potential has not been adequately investigated in this immediate area, but it has been proven to be prospective at along-trend discoveries such as the Sunfish, Remora, South East Remora, Longtom and Kipper fields.

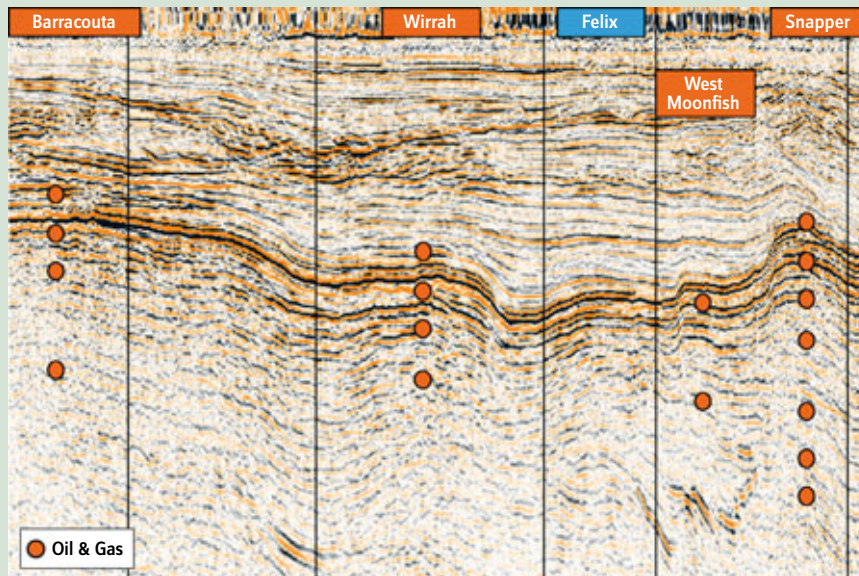


The combination of its location and 3D seismic definition makes Felix a low-to medium-risk exploration target which is mature for drilling. 3D Oil is currently undertaking reprocessing of the 3D seismic data over much of the permit, including the Felix prospect, to improve imaging at the deeper levels with the aim of reducing risk prior to drilling.

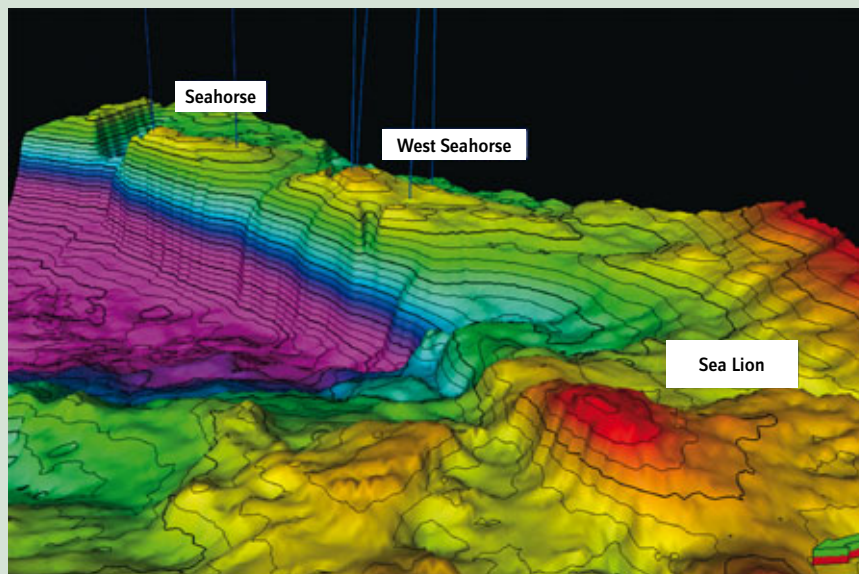
The Sea Lion prospect is located just seven kilometres to the west of the West Seahorse oil field and, in addition to Felix, represents one of the last remaining undrilled Top of Latrobe Group inversion anticlines in the Gippsland Basin. Sea Lion has the potential to add significant value to the West Seahorse development. The West Seahorse and Seahorse structures provide good analogues to Sea Lion, with near-identical geology and closures mapped at the same levels below the Top of Latrobe unconformity. This play type, which developed during the same compressional episode that formed the giant Gippsland fields, has had a very high historical success rate. 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.

Review of operations

Continued



Seismic section illustrating the Felix prospect



3D structural image of the Sea Lion prospect

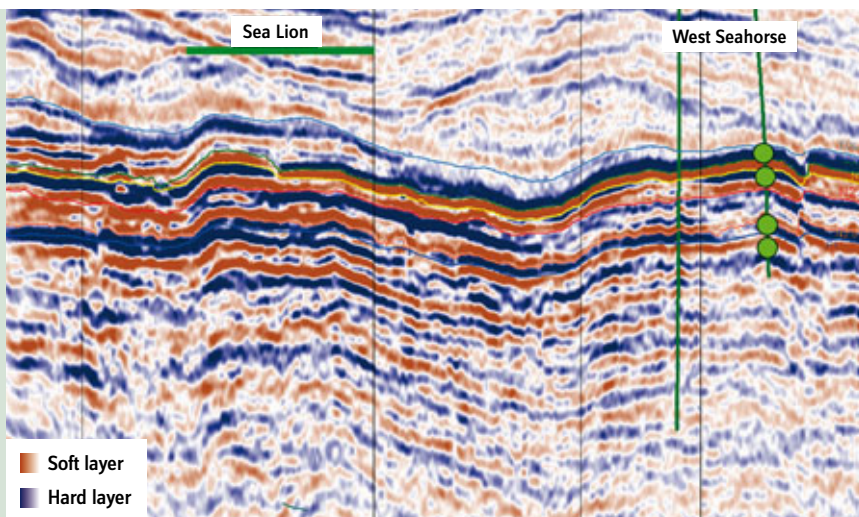
3D Oil continues to evaluate the leads in the emerging Emperor Subgroup play, exemplified by the along-trend Longtom and Judith gas discoveries, with a view to advancing them to prospect status. Emperor Subgroup leads in Vic/P57 include Lucifer, Dexter and Kangafish, which are low-side, fault-dependent structures associated with the east-west fault system along the basin's northern margin.

Work to date confirms that the requisite play components are present across the permit. In particular, the trapping style appears to be identical to the Longtom gas field. However, once the seismic reprocessing is complete, more detailed mapping is required to progress these leads to prospect status (i.e. potentially ready to drill).

To the north-east, the Salsa lead is another inversion anticline associated with the Rosedale Fault system at the Top of Latrobe level, providing attractive follow-up potential. Although potentially a large structure, Salsa may be difficult to de-risk due to it being on the edge of the 3D seismic data set.

The Scooter lead is a Top of Latrobe feature formed by erosion of the Marlin Channel leaving a remnant closure, with lateral seal provided by shale subsequently filling the channel. This style of hydrocarbon trap has been effective elsewhere in the basin.

Nicholson and Hector are additional Top of Latrobe leads, where extensive channeling that cross-cuts regional dip at the Top of Latrobe unconformity surface has created the potential for a combination structural and stratigraphic trap. These leads will be the subjected to further technical work in the coming year.



Seismic image of the Sea Lion prospect and West Seahorse field

T/41P, Bass Basin, Offshore Tasmania

Background

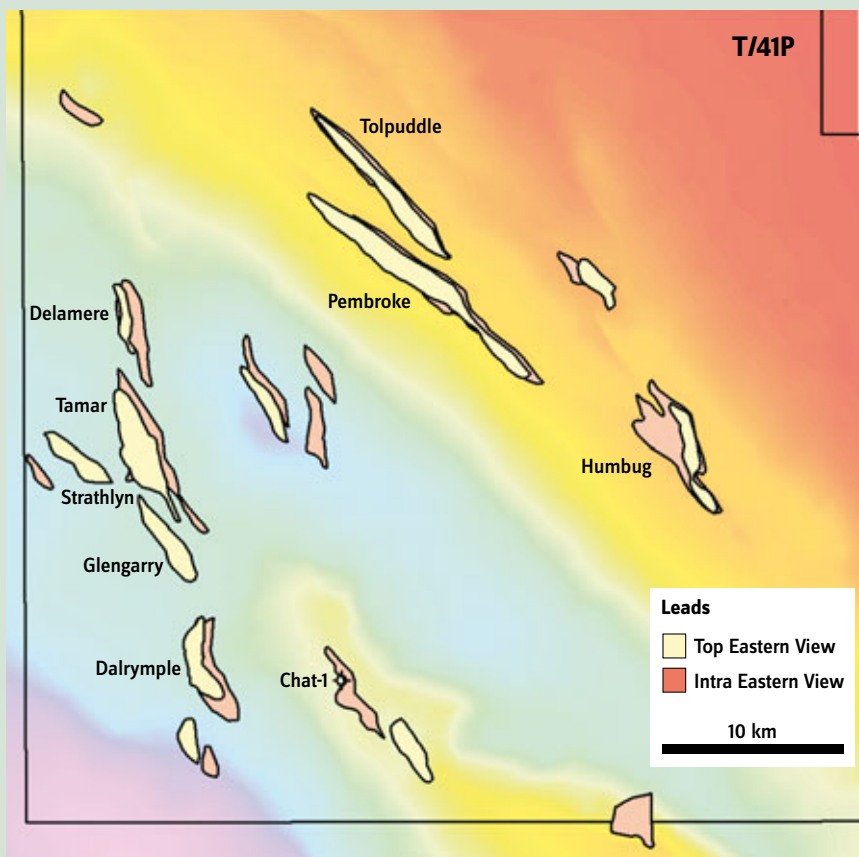
The Bass Basin has long been recognized to contain excellent quality source rocks and has had a high strike rate for intersecting hydrocarbons, but commercial success has proven to be more difficult. In 2006 the opening of the Bass Gas project, centred on the Yolla oil and gas discovery, marked the first commercialization of hydrocarbons in the basin.

Undaunted by the challenges, the industry has recognised the potential of the basin with the vast majority of it continuing to be under permit. Exploration activity in recent years has included seismic acquisition and drilling. In particular, Origin's Trefoil-2 and Rockhopper-1 wells have continued to maintain interest in the basin. Trefoil-2 successfully appraised the southern extension of the Trefoil Gas Field, which may be eventually tied to Yolla, while Rockhopper-1 intersected stacked zones of hydrocarbons with moveable oil, although the size and commerciality of the field are yet to be announced.

The eastern portion of the basin now contained in 3D Oil Limited's 100%-owned T/41P exploration permit has only been lightly explored in the past, with the only well drilled in 1986. Located on a broad 2D seismic grid, Chat-1 tested a reactivated fault block and encountered a residual oil column which suggests that the trap was originally hydrocarbon-bearing, but has subsequently leaked. However, this result is important in that it indicates the permit has had access to hydrocarbon charge.

Existing seismic coverage within T/41P was only sparse, consisting of data from six surveys ranging in vintage from 1975 to 1990. Four moderate-sized leads (40 - 140 MMbbls recoverable) were identified from the broad 2D grid, but more seismic was required to mature these to prospect status.

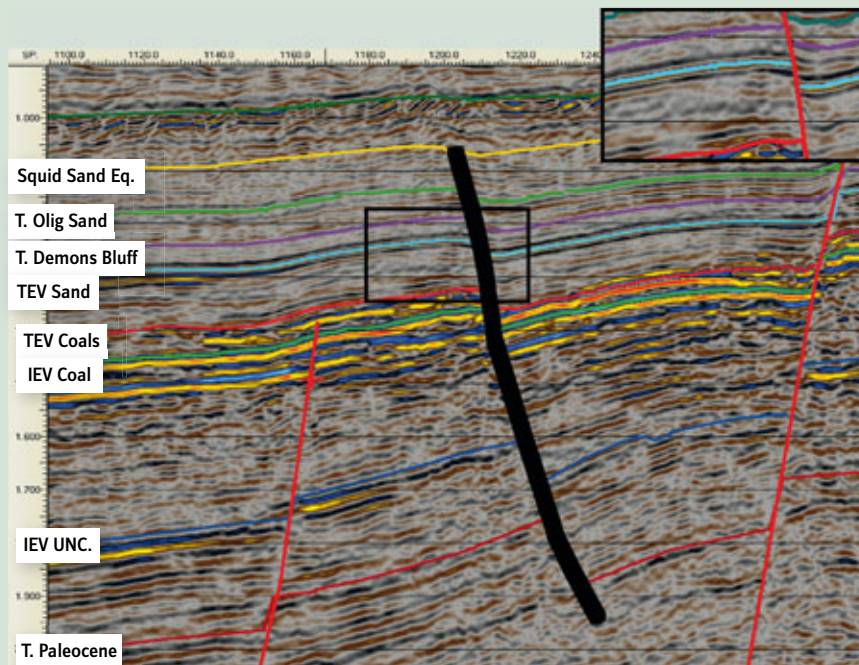
In 2008, 3D Oil acquired 2200 line kilometres of 2D seismic within the permit. The survey was designed to target the south-western area of the permit, where leads had been identified and technical studies suggested the best access to hydrocarbons. Detailed mapping resulted in confirmation of and addition to the portfolio of leads. In total, fifteen leads have been identified, with the potential to contain over 800 MMbbl of recoverable oil equivalent, on an unrisks basis. Some of the identified



Location of leads, T/41P

Review of operations

Continued



Seismic section of the Dalrymple lead



PGS seismic vessel to acquire data in T41/P

leads have seismic amplitude anomalies associated with them, often indicative of the presence of hydrocarbons, as evidenced by other discoveries in the basin. The largest individual leads each have the potential to contain over 100 MMbbl of recoverable oil.

To better delineate the prospective leads, the 250 square kilometre Dalrymple 3D seismic survey was planned for early in 2010, again focusing on the south-west of the permit area. Prior to mid-January 2010, 3D Oil finalised and submitted environmental and other regulatory documentation for this survey and acquisition was planned to occur prior to mid-April, before the whale migration and unstable weather seasons commenced.

However, just prior to formalising contracts, notice was given that the tendered seismic vessel would not be available in the required timeframe. Attempts to secure alternative vessels at short notice were unsuccessful, so the survey had to be postponed. A 12-month suspension and extension to the work program conditions and permit term for Year 5 have been granted by the Joint Authority, and the seismic acquisition is now being planned for late 2010 or early 2011.

Schedule of petroleum exploration permits as at 30 June 2010

Project name	Locality	Tenement	Equity
Gippsland Basin	Victoria	Exploration Permit Vic/P57	100%
Bass Basin	Tasmania	Exploration Permit T/41P	100%

The Directors of 3D Oil Limited (the "Company") submit herewith the annual financial report of the Company for the financial year ended 30 June 2010. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Name	Particulars
Mr Campbell Horsfall	Non-Executive Director and Chairman
Qualifications	B.Comm., LL.B (Melb)
Experience	Campbell Horsfall is a solicitor with extensive experience in the petroleum industry and has held positions as Company Solicitor for BP Australia Ltd, BHP Petroleum, Japan Australia LNG (MIMI) Pty Ltd and has, until recently, been General Counsel of Vicpower. Campbell holds Degrees in Law and Commerce from the University of Melbourne and a Diploma from the Securities Institute and practices as a lawyer in Melbourne. He has been a director of two public companies and was a non-executive director of Orchard Petroleum Limited. Orchard Petroleum is listed on the ASX and focuses exclusively on oil and gas exploration and development in California's prolific hydrocarbon regions of the Sacramento and San Joaquin basins.
Directorships in listed entities	Orchard Petroleum Limited (resigned 30 June 2007)
Relevant interests in shares and options	38,000 ordinary fully paid shares 500,000 options expiring 31 January 2011, exercisable at \$0.50.

Mr Noel Newell	Executive Director
Qualifications	B App Sc (App Geol)
Experience	Noel Newell holds a Bachelor of Applied Science and has over 25 years experience in the oil and gas industry, with 20 years of this time with BHP Billiton and Petrofina. With these companies, he has been technically involved in exploration of areas around the globe, particularly South East Asia, and all major Australian offshore basins. Prior to leaving BHP Billiton in 2002, Noel was Principal Geologist, working within the Southern Margin Company and primarily responsible for exploration within the Gippsland Basin. Noel has a number of technical publications and has co-authored Best Paper and runner up Best Paper at the Australian Petroleum Production & Exploration Association conference and Best Paper at the Western Australian Basins Symposium. Noel is the founder of 3D Oil. Immediately prior to starting 3D Oil, Noel was a technical advisor to Nexus Energy Limited and directly involved in their move to explore in the offshore of the Gippsland Basin.
Directorships in listed entities	Nil
Relevant interests in shares and options	37,700,150 ordinary fully paid shares 4,000,000 options expiring 31 January 2011, exercisable at \$0.50

Name	Particulars
Ms Melanie Leydin	Non-executive Director (appointed 23 January 2009) Company Secretary
Qualifications	B.Bus CA
Experience	Ms Leydin is a Chartered Accountant and principal in a chartered accounting firm specialising in audit and company secretarial services. Ms Leydin has 18 years experience in the accounting profession and is a director and company secretary for a number of oil and gas, junior mining and exploration entities listed on the Australian Stock Exchange.
Directorships in listed entities	Jervois Mining Limited (resigned 29 December 2008)
Relevant interests in shares and options	150,000 ordinary fully paid shares Nil options

Ms Philippa Kelly	Non-Executive Director (appointed 5 January 2010)
Qualifications	Philippa qualified with a Bachelor of Laws from the University of Western Australia and has a Graduate Diploma in Applied Finance & Investment. She is a graduate member of the Australian Institute of Company Directors.
Experience	Philippa has over 25 years experience in the corporate sector, with a background in law and investment banking. She is Chief Operating Officer of the Juilliard Group of Companies, a private property group. Philippa was previously an investment banker with Goldman Sachs JBWere, involved in equity raisings, corporate structuring and acquisitions and mergers for a broad range of resources companies. She has a longstanding exposure and involvement with public boards, with a strong governance and risk management focus. Philippa is also a member of Deakin University Council and its Audit & Risk Committee and Treasurer of the Australian Drug Foundation.
Directorships in listed entities	Nil
Relevant interests in shares and options	145,000 ordinary fully paid shares Nil options

Principal Activities

The principal activities of the Company are the production and development of upstream oil and gas.

Operation Results

The Company's net loss for the year after applicable income tax was \$857,435 (2009: \$940,340).

Review of Operations

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

Financial Position

The net assets of the Company have decreased by \$793,684 to \$30,051,177 as at 30 June 2010 due to normal operating costs.

The Company's working capital, being current assets less current liabilities, was \$8,348,495 compared with working capital of \$9,804,968 in 2009.

Based on the above the Directors believe the Company is in a strong and stable position to expand and grow its current operations.

Changes in State of Affairs

There were no significant changes in the State of Affairs during the year.

Future Developments

Disclosure of further information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

Events Subsequent to Balance Date

There has not been any matter or circumstance, other than that referred to in Note 28, that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of

the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Dividends

No dividend has been declared or paid during the financial year and the Directors do not recommend the payment of any dividend in respect of the current or preceding financial years.

Environmental Regulations

The Company holds participating interests in a number of oil and gas areas. The various authorities granting such tenements require the licence holder to comply with the terms of the grant of the licence and all directions given to it under those terms of the licence. There have been no known breaches of the tenement conditions, and no such breaches have been notified by any government agencies during the year ended 30 June 2010.

Directors' Report

Continued

Share Options

There were no share options granted to Directors and executives or their nominees during and since the end of the financial year. On 27 August 2009 189,000 options were issued to staff and on 2 June 2010 615,000 options were issued to staff.

Share options on issue at year end or exercised during the year:

Details of unissued ordinary shares of the Company under option at the date of this report are as follows:

<i>Item</i>	<i>Number of Shares under option</i>	<i>Exercise Price of options</i>	<i>Expiry Date of options</i>
Unlisted Options	6,100,000	\$0.50	31 January 2011
Unlisted Options	6,330,000	\$0.60	31 January 2011
Unlisted Options	400,000	\$0.75	31 March 2013
Unlisted Options	189,000	\$0.25	30 June 2014
Unlisted Options	615,000	\$0.40	30 November 2014

During the year and up to the date of this report 804,000 options were issued. At 30 June 2010 13,634,000 options were on issue.

Proceedings on Behalf of the Company

No person has applied for leave of the Court under Section 327 of the *Corporations Act 2001* to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any proceedings during the year.

Directors' Meetings

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each Director. During the financial year, 11 Board meetings were held, 2 audit committee meetings and 1 remuneration committee meeting.

<i>Board of Directors</i>			<i>Audit Committee</i>		<i>Remuneration Committee</i>	
<i>Directors</i>	<i>Held</i>	<i>Attended</i>	<i>Held</i>	<i>Attended</i>	<i>Held</i>	<i>Attended</i>
Mr C Horsfall	11	11	2	2	1	1
Mr N Newell	11	11	2	2	1	1
Ms M Leydin	11	11	2	2	1	1
Ms P Kelly ⁽¹⁾	11	5	2	1	1	1

⁽¹⁾ Appointed 5 January 2010

Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company (as named above), the company secretary and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such by an officer or auditor.

Non-Audit Services

The Directors are satisfied that the provision of non-audit services, during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standards of independence for auditors imposed by the *Corporations Act 2001*.

There were no non-audit services provided by the Company's auditors during the year to 30 June 2010.

Auditor's Independence Declaration

A copy of the auditor's independence declaration under s.307C of the *Corporation Act 2001* in relation to the audit of the full year is included on page 21.

Directors' Report

Remuneration Report (Audited)

This report outlines the remuneration arrangements in place for Directors and executives of 3D Oil Limited (the "Company").

The Board policy for determining the nature and amount of remuneration of Directors and executives is agreed by the Board of Directors as a whole. The Board obtains professional advice where necessary to ensure that the Company attracts and retains talented and motivated Directors and employees who can enhance Company performance through their contributions and leadership.

Remuneration Philosophy

The remuneration of the Company has been designed to align Director and executive objectives with shareholder and business objectives by providing both a fixed and variable remuneration component and offering long-term incentives based on key performance areas. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best Executives and Directors to run and manage the Company, as well as create goal congruence between Directors, Executives and shareholders.

Executive Director Remuneration

In determining the level and make-up of executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

Remuneration consists of a fixed remuneration and a long term incentive portion as appropriate.

All Executives are eligible to receive a base salary (which is based on factors such as experience and comparable industry information) or consulting fee. The Board reviews the Managing Director's remuneration package, and the Managing Director reviews the senior Executives' remuneration packages annually by reference to the Company's performance, executive performance and comparable information within the industry.

The performance of Executives is measured against criteria agreed annually with each executive and is based predominantly on the overall success of the Company in achieving its broader corporate goals. Bonuses and incentives are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses, and options, and can require changes to the Managing Director's recommendations. This policy is designed to attract the highest caliber of Executives and reward them for performance that results in long-term growth in shareholder wealth.

All remuneration paid to Directors and Executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes or Binomial methodology.

Non-Executive Director Remuneration

Non-Executive Directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time. The limit of Non-Executive Director fees was set at a maximum of \$200,000 by shareholders at the AGM on 14 December 2006. Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the *Corporations Act 2001* at the time of the Directors retirement or termination. Non-Executive Directors' remuneration may include an incentive portion consisting of bonuses and/or options, as considered appropriate by the Board, which may be subject to shareholder approval in accordance with the ASX Listing Rules.

Performance Based Remuneration

Remuneration packages do not include performance-based components. An individual member of staff's performance assessment is done by reference to their contribution to the Company's overall achievements. The intention of this program is to facilitate goal congruence between Executives with that of the business and shareholders. Generally, the executive's remuneration is tied to the Company's successful achievement of certain key milestones as they relate to its operating activities. Further information has not been disclosed as it is commercially confidential.

Directors' Report

Remuneration Report (Audited)

Continued

Relationship between the remuneration policy and company performance

The tables below set out summary information about the Company's earnings and movements in shareholder wealth for the year since 30 June 2005:

	30 June 2010	30 June 2009	30 June 2008	30 June 2007	30 June 2006
Revenue	414,898	587,992	1,740,306	228,396	3,833
Net profit/(loss) before tax	(857,435)	(940,340)	(19,741,448)	(1,471,727)	(79,221)
Net profit/(loss) after tax	(857,435)	(940,340)	(19,741,448)	(1,471,727)	(79,221)
Share price at start of year	\$0.11	\$0.26	\$0.50**	N/A	N/A
Share price at end of year	\$0.20	\$0.11	\$0.26	N/A	N/A
Basic earnings per share	(0.42)	(0.46)	(10.05)	(1.67)	N/A
Diluted earnings per share	(0.42)	(0.46)	(10.05)	(1.67)	N/A

**3D Oil Limited listed on the Australian Stock Exchange in November 2007.

The remuneration of the Directors and executives are not linked to the performance, share price or earnings of the Company.

Key Management Personnel Compensation

Details of Remuneration for Year Ended 30 June 2010

The remuneration for each Director and each of the two executive officers of the Company receiving the highest remuneration during the year was as follows:

2010	Short-term employment benefits	Post-employment benefits	Termination benefits	Share-based payments		
				Equity-settled		
	Salary, Fees and Commissions \$	Superannuation Contribution \$		Shares Received as Compensation \$	Options Received as Compensation \$	Total \$
Directors						
Mr C Horsfall	100,000	9,000	-	-	-	109,000
Mr N Newell	294,000	26,460	-	-	-	320,460
Ms M Leydin	108,948	-	-	-	-	108,948
Ms P Kelly ⁽¹⁾	21,798	1,962	-	-	-	23,760
Executives						
Mr J Keall ⁽²⁾	100,625	9,056	12,795	-	-	122,476
Mr K Lanigan ⁽³⁾	150,743	13,308	-	-	1,222	165,273
	776,114	59,786	12,795	-	1,222	849,917

⁽¹⁾ Appointed 5 January 2010

⁽²⁾ Resigned 27 November 2009

⁽³⁾ Appointed 7 December 2009

Details of Remuneration for Year Ended 30 June 2009

The remuneration for each Director and each of the executive officers of the Company receiving the highest remuneration during the year was as follows:

2009	Short-term employment benefits	Post-employment benefits	Termination benefits	Share-based payments		
	Salary, Fees and Commissions \$	Superannuation Contribution \$		Equity-settled		Total \$
				Shares Received as Compensation \$	Options Received as Compensation \$	
Directors						
Mr P Willcox ⁽¹⁾	73,500	6,615	-	-	-	80,115
Mr N Newell	294,000	30,460	-	-	-	324,460
Mr C Horsfall ⁽²⁾	67,503	5,085	-	-	-	72,588
Ms M Leydin ⁽³⁾	94,564	-	-	-	-	94,564
Executives						
Mr J Keall ⁽²⁾	241,490	21,734	-	-	-	263,224
	771,057	63,894	-	-	-	834,951

⁽¹⁾ Resigned 23 January 2009

⁽²⁾ Appointed Chairman 23 January 2009

⁽³⁾ Appointed Director 23 January 2009

Shares Issued as Part of Remuneration for the Year Ended 30 June 2010

There were no shares issued as part of remuneration during the year ended 30 June 2010.

Shares Issued as Part of Remuneration for the Year Ended 30 June 2009

There were no shares issued as part of remuneration during the year ended 30 June 2009.

Options Issued as Part of Remuneration for the Year Ended 30 June 2010

	Number of Options Granted	Grant date	Fair value at grant date	Value of options granted at grant date \$	Exercise price of options \$	Vesting date	Expiry date of options	Total remuneration represented by options
Directors								
Mr C Horsfall	-	-	-	-	-	-	-	-
Mr N Newell	-	-	-	-	-	-	-	-
Ms M Leydin	-	-	-	-	-	-	-	-
Ms P Kelly	-	-	-	-	-	-	-	-
Executives								
Mr J Keall	-	-	-	-	-	-	-	-
Mr K Lanigan	265,000	02/06/10	0.083	21,995	0.40	30/11/2011	30/11/2014	13.41%

The value of options granted during the financial year is recognised in compensation over the vesting period of the grant, in accordance with Australian Accounting Standards.

Directors' Report

Remuneration Report (Audited)

Continued

Options Issued as Part of Remuneration for the Year Ended 30 June 2009

There were no options granted as part of remuneration during the year ended 30 June 2009.

Employment contracts

The Managing Director, Mr N Newell, is employed under contract. The employment contract commenced on 1 November 2006 and has no fixed term. Under the terms of the present contract:

- Mr Newell may resign from his position and thus terminate this contract by giving 6 months written notice.
- The Company may terminate this employment agreement by providing 6 months written notice.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Mr Newell is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.
- On termination of the agreement, Mr Newell will be entitled to be paid those outstanding amounts owing to him up until the Termination Date.

The Chairman, Mr C Horsfall, is employed under contract. The current employment contract commenced on 23 January 2009 and has no fixed term. Under the terms of the present contract:

- Mr Horsfall may resign from his position and thus terminate this contract by giving 6 months written notice.
- The Company may terminate this employment agreement by providing 6 months written notice.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Mr Horsfall is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.
- On termination of the agreement, Mr Horsfall will be entitled to be paid those outstanding amounts owing to him up until the Termination Date.

The Non-Executive Director, Ms M Leydin, is employed under contract. The current employment contract commenced on 23 January 2009 and has no fixed term. Under the terms of the present contract:

- Ms Leydin may resign from her position and thus terminate this contract by giving 6 months written notice.
- The Company may terminate this employment agreement by providing 6 months written notice.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Ms Leydin is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.
- On termination of the agreement, Ms Leydin will be entitled to be paid those outstanding amounts owing to her up until the Termination Date.

The Non-Executive Director, Ms P Kelly, is employed under contract. The current employment contract commenced on 5 January 2010 and has no fixed term. Under the terms of the present contract:

- Ms Kelly may resign from her position and thus terminate this contract by giving 6 months written notice.
- The Company may terminate this employment agreement by providing 6 months written notice.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Ms Kelly is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.
- On termination of the agreement, Ms Kelly will be entitled to be paid those outstanding amounts owing to her up until the Termination Date.

The Exploration Manager, Mr K Lanigan, is employed under contract. The current employment contract commenced on 7 December 2009 and has no fixed term. Under the terms of the present contract:

- Mr Lanigan may resign from his position and thus terminate this contract by giving 3 months written notice.

- The Company may terminate this employment agreement by providing 6 months written notice.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Mr Lanigan is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.
- On termination of the agreement, Mr Lanigan will be entitled to be paid those outstanding amounts owing to him up until the Termination Date.

The Exploration and Development Manager, Mr J Keall, was employed under contract during the year. The employment contract ceased on his resignation on 27 November 2009.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors



Noel Newell
Managing Director
Melbourne, 30 September 2010



Grant Thornton Audit Pty Ltd
ACN 130 913 594

Level 2
215 Spring Street
Melbourne
Victoria 3000
GPO Box 4984WW
Melbourne
Victoria
3001

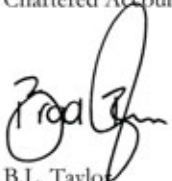
T +61 3 8663 6000
F +61 3 8663 6333
E info.vic@au.gt.com
W www.grantthornton.com.au

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 audit of 3D Oil Limited for the year ended 30 June 2010, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.


GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

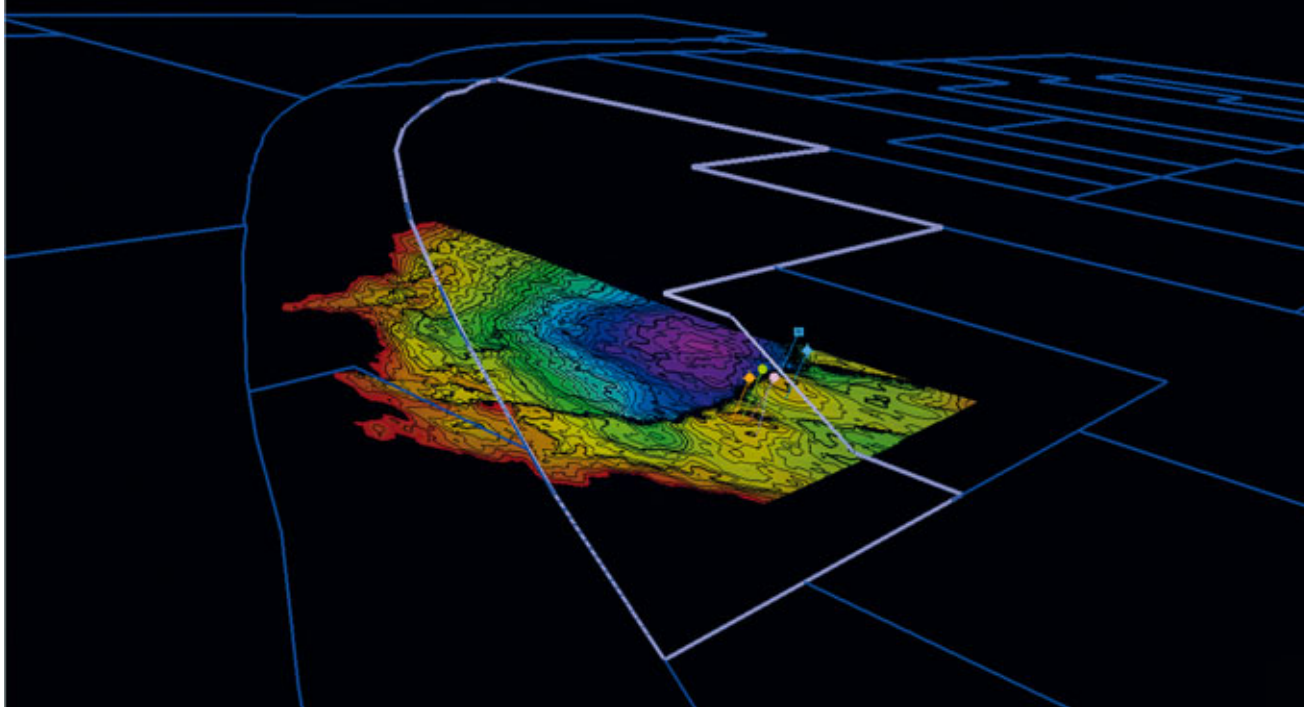

B.L. Taylor
Director - Audit & Assurance Services

Melbourne, 30 September 2010

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The Directors declare that:

- a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 3 to the financial statements;
- c) in the Directors' opinion, that attached financial statements and the notes thereto, are in accordance with accounting standards and give a true and fair view of the financial position and performance of the Company; and
- d) The Directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors

Noel Newell
Managing Director
Melbourne, 30 September 2010



Grant Thornton

Grant Thornton Audit Pty Ltd
ACN 130 913 594

Level 2
215 Spring Street
Melbourne
Victoria 3000
GPO Box 4984WW
Melbourne
Victoria
3001

T +61 3 8663 6000
F +61 3 8663 6333
E info.vic@au.gt.com
W www.grantthornton.com.au

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

Report on the financial report

We have audited the accompanying financial report of 3D Oil Limited (the "Company"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial report and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the 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 financial report that are 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. The directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that

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Independent Audit Report

Continued



2

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

- a the financial report of 3D Oil Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the Company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the Remuneration Report included in pages 17 to 20 of the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the Remuneration Report of 3D Oil Limited for the year ended 30 June 2010 complies with section 300A of the Corporations Act 2001.

A handwritten signature in black ink, appearing to read "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in black ink, appearing to read "B.L. Taylor".

B.L. Taylor
Director - Audit & Assurance Services

Melbourne, 30 September 2010

Statement of Comprehensive Income

For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Continuing operations			
Revenue	5	414,898	587,992
Unrealised gain on foreign currency translation		11,479	1,188,051
Corporate expenses		(218,930)	(1,024,295)
Administrative expenses		(71,557)	(80,143)
Occupancy expenses		(87,169)	(83,681)
Employment expenses		(641,904)	(545,242)
Share based payments		(63,751)	(59,540)
Depreciation and amortisation		(27,971)	(35,829)
Realised loss on foreign currency translation		(139,653)	-
Loss on sale of fixed assets		(939)	-
Exploration costs written off		(31,938)	(887,653)
Loss Before Income Tax	6	(857,435)	(940,340)
Income tax expense	7	-	-
Loss for the year		(857,435)	(940,340)
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income for the period		(857,435)	(940,340)
Loss attributable to:			
Owners of the company		(857,435)	(940,340)
Total comprehensive income attributable to:			
Owners of the company		(857,435)	(940,340)
Loss per share			
		Cents per Share	Cents per Share
Basic Loss per share	26	(0.42)	(0.46)
Diluted Loss per share	26	(0.42)	(0.46)

Statement of Financial Position

As at 30 June 2010

	Note	2010 \$	2009 \$
Current Assets			
Cash and cash equivalents	10	8,378,658	8,469,223
Trade and other receivables	11	114,386	245,763
Other current assets	12	56,802	2,461,760
Total Current Assets		8,549,846	11,176,746
Non-Current Assets			
Property, plant and equipment	13	14,214	22,260
Intangibles	14	38,230	29,016
Other non-current assets	15	22,177,579	21,506,108
Total Non-Current Assets		22,230,023	21,557,384
Total Assets		30,779,869	32,734,130
Current Liabilities			
Trade and other payables	16	147,874	1,159,742
Provisions	17	53,477	212,036
Total Current Liabilities		201,351	1,371,778
Non-Current Liabilities			
Provisions	17	527,342	517,491
Total Non-Current Liabilities		527,342	517,491
Total Liabilities		728,693	1,889,269
Net Assets		30,051,177	30,844,861
Equity			
Issued Capital	18	50,620,867	50,620,867
Reserves	19	2,023,826	1,960,075
Accumulated losses		(22,593,516)	(21,736,081)
Total Equity		30,051,177	30,844,861

Statement of Changes in Equity

For the year ended 30 June 2010

	Issued Capital Note 18	Accumulated Losses	Option Reserves Note 19	Total
Balance as at 1 July 2008	50,620,867	(21,505,341)	2,610,135	31,725,661
Profit/(loss) for the year	-	(940,340)	-	(940,340)
Total comprehensive income for the period	-	(940,340)	-	(940,340)
Share based payments	-		59,540	59,540
Options lapsed		709,600	(709,600)	-
Balance as at 30 June 2009	50,620,867	(21,736,081)	1,960,075	30,844,861
Balance as at 1 July 2009	50,620,867	(21,736,081)	1,960,075	30,844,861
Profit/(loss) for the year	-	(857,435)	-	(857,435)
Total comprehensive income for the period	-	(857,435)	-	(857,435)
Share based payments	-	-	63,751	63,751
Balance as at 30 June 2010	50,620,867	(22,593,516)	2,023,826	30,051,177

Statement of Cash Flows

For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Cash flows from operating activities			
Receipts from customers		13,666	20,203
Interest received		383,627	641,177
Payments to suppliers and employees		(1,857,752)	(1,693,161)
Net cash used in operating activities	24.2	(1,460,459)	(1,031,781)
Cash flows from investing activities			
Payments for exploration and development expenditure		(703,409)	(6,910,407)
Deposits refunded for exploration and development expenditure		2,231,555	-
Proceeds from foreign exchange investment		(128,175)	1,188,051
Proceeds from sale of plant and equipment		200	-
Payment for plant and equipment		(5,178)	-
Payment for intangibles (software)		(25,100)	(5,318)
Net cash used in investing activities		1,369,894	(5,727,674)
Net decrease in cash and cash equivalents		(90,565)	(6,759,455)
Cash and cash equivalents at beginning of the financial year		8,469,223	15,228,678
Cash and cash equivalents at the end of the financial year	10	8,378,658	8,469,223

Notes to the Financial Statements

For the year ended 30 June 2010

1. General Information

3D Oil Limited (the Company) is a limited company incorporated in Australia. The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activities of the Company are described in the Review of Operations.

2. Adoption of new and revised Accounting Standards

2.1 Standards and Interpretations affecting amounts reported in the current period

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section 2.2.

Standards affecting presentation and disclosure

AASB 101 <i>Presentation of Financial Statements (as revised in September 2007)</i> , AASB 2007-8 <i>Amendments to Australian Accounting Standards arising from AASB 101</i> and AASB 2007-10 <i>Further Amendments to Australian Accounting Standards arising from AASB 101</i>	AASB 101 (September 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
AASB 8 <i>Operating Segments</i>	AASB 8 is a disclosure Standard that has resulted in a redesignation of the Company's reportable segments (see Note 22).
AASB 2009-2 <i>Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments</i>	The amendments to AASB 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Company has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

Standards and Interpretations affecting the reported results or financial position

There have been no standards introduced during the year which have affected the reported results of financial position.

2.2 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2008-1 <i>Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations</i>	The amendments clarify the definition of vesting conditions for the purposes of AASB 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.
AASB 2008-5 <i>Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i> and AASB 2008-6 <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>	In addition to the changes affecting amounts reported in the financial statements described at 2.1 above, the amendments have led to a number of changes in the detail of the Company's accounting policies - some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported.
AASB 2009-4 <i>Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i> and AASB 2009-5 <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>	In addition to the amendments to AASB 5 and AASB 107 described earlier in this section, and the amendments to AASB 117 discussed in section 2.3 below, the amendments have led to a number of changes in the detail of the Company's accounting policies - some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported. Except as noted in 2.3 below, the changes in AASB 2009-5 have been adopted in advance of their effective dates of 1 January 2010.

2.3 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. None of these is expected to have a significant effect on the Company's financial statements in the period of initial application.

Notes to the Financial Statements

For the year ended 30 June 2010

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Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2009-5 <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>	1 January 2010	30 June 2011
AASB 2009-8 <i>Amendments to Australian Accounting Standards - Company Cash-Settled Share-based Payment Transactions</i>	1 January 2010	30 June 2011
AASB 2009-10 <i>Amendments to Australian Accounting Standards - Classification of Rights Issues</i>	1 February 2010	30 June 2011
AASB 124 <i>Related Party Disclosures (revised December 2009)</i> , AASB 2009-12 <i>Amendments to Australian Accounting Standards</i>	1 January 2011	30 June 2012
AASB 9 <i>Financial Instruments</i> , AASB 2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9</i>	1 January 2013	30 June 2014
AASB 2009-14 <i>Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement</i>	1 January 2011	30 June 2012
<i>Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments</i>	1 July 2010	30 June 2011

3. Significant accounting policies

3.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 30 September 2010.

3.2 Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

3.3 Going concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realization of assets and settlement of liabilities in the ordinary course of business. The going concern of the Company is dependent upon it maintaining sufficient funds for its operations and commitments. The Directors continue to monitor the ongoing funding requirements of the Company. The Directors are confident that sufficient funds can be secured if required by a combination of capital raising, sale of assets or farm-outs to enable the Company to continue as a going concern and as such are of the opinion that the financial report has been appropriately prepared on a going concern basis.

3.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

3.4.1 Interest Revenue

Interest revenue is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.5 Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

3.6 Share based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 27.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

The policy described above is applied to all equity-settled share-based payments that were granted after 7 November 2002 and vested after 1 January 2005.

3.7 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.7.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.7.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Notes to the Financial Statements

For the year ended 30 June 2010

Continued

3.7.3 Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

3.8 Petroleum and Exploration

Development Expenditure

Petroleum and exploration development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward in relation to each area of interest to the extent the following conditions are satisfied:

- (a) the rights to tenure of the area of interest are current; and
- (b) at least one of the following conditions is also met:
 - (i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
 - (ii) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward cost in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the cost of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

3.9 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of plant and equipment less their residual values over their useful lives, using the straightline method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation rates and methods are reviewed at least annually and, where changed, are accounted for as a change in accounting estimate as illustrated in Note 4.2.1. Where depreciation rates or methods are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method. Depreciation recognised in prior financial years is not changed, that is, the change in depreciation rate or method is accounted for on a 'prospective' basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.10 Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.11 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.11.1 Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

3.12 Financial Assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

3.12.1 Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.12.2 Effective interest method

The effective interest method is a method of calculating the amortised cost of an instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for financial instruments.

Notes to the Financial Statements

For the year ended 30 June 2010

Continued

3.12.3 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

3.12.4 Reclassification of financial assets

Reclassification is only permitted in rare circumstances and where the asset is no longer held for the purpose of selling in the short-term. In all cases, reclassifications of financial assets are limited to debt instruments. Reclassifications are accounted for at the fair value of the financial asset at the date of reclassification.

3.12.5 Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3.13 Financial liabilities and equity instruments issued by the Company

3.13.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.13.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

3.13.3 Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

3.14 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

3.15 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3.16 Cash and cash equivalents

For the purposes of the statement of cash flows, cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amount of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at date of acquisition.

3.17 Foreign currency translation

Both the functional and presentation currency of 3D Oil Limited is Australian dollars (A\$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see 4.2 below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

4.1.1 Recognition of Deferred Tax Assets

Judgement is required in determining whether deferred tax assets should be recognized in the Statement of Financial Position. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilized.

4.2 Key sources of estimation uncertainty**4.2.1 Estimation of useful lives of property, plant and equipment**

The estimation of useful lives of property, plant and equipment has been based on historical experience. Adjustments to useful lives are made when considered necessary and reviewed at each reporting date.

The following useful lives are used in the calculation of depreciation:

Plant and equipment 2.5 years

5. Revenue	2010	2009
	\$	\$
Continuing operations		
Operating activities		
Rent received	13,666	20,203
Investment revenue		
Interest revenue	401,232	567,789
Total Revenue	414,898	587,992

Notes to the Financial Statements

For the year ended 30 June 2010

Continued

6. Loss for the Year	2010	2009
	\$	\$
Depreciation and amortisation of non-current assets:		
- Plant and equipment	(12,085)	(17,122)
- Software	(15,886)	(18,707)
	(27,971)	(35,829)
Post employment benefit plans - Superannuation contributions	(80,335)	(67,877)
Share based payments:		
- Equity settled share based payments	(63,751)	(59,540)
Charges to provisions:		
- Employment entitlements	(27,607)	(10,149)
Foreign Currency:		
Realised gain/loss on foreign currency translation	(139,653)	1,188,051
Unrealised gain on foreign currency translation	11,479	-
	(128,174)	1,188,051
Operating lease payments		
- Office lease	(83,260)	(79,815)
Expenses from takeover offer	-	(727,990)

7. Income Tax	2010	2009
	\$	\$

7.1 The components of tax expense comprise:

Current Tax	-	-
Deferred Tax	-	-
	-	-

7.2 The prima facie tax from ordinary activities before income tax is reconciled to the income tax expense as follows:

Profit/(Loss) from Ordinary Activities	(857,435)	(940,340)
Income tax expense/(benefit) calculated at 30%	(257,231)	(282,102)
Add:		
Tax Effect of Permanent Differences:		
- Share based payments	19,125	17,862
- Other Permanent Differences	1,203	2,657
	(236,903)	(261,583)
Add/(Less) Temporary Differences:		
- Capitalised deductible exploration expenditure	(338,445)	(375,619)
- Realised foreign exchange gain	(3,444)	(376,906)
- Deductible share issue costs	(186,299)	(186,299)
- Other timing differences	(44,228)	27,827
Tax benefit for the year	(809,319)	(1,172,580)
Income tax losses not taken up as benefit	809,319	1,172,580
Tax Expense	-	-

7.3 Deferred tax assets not brought to account as assets:

- Tax Losses	13,269,790	12,460,472
- Temporary Differences	(6,824,593)	(6,252,177)
	6,445,197	6,208,295

The taxation benefits of tax losses and temporary differences not brought to account will only be obtained if:

- The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised.
- The Company continues to comply with the conditions for deductibility imposed by law, and
- No change in tax legislation adversely affects the Company in realizing the benefits from deducting the losses.

7.4 Petroleum Resource Rent Tax (PRRT)

PRRT applies to all petroleum projects in offshore areas under the Petroleum Act, other than some specific production licences. PRRT is assessed on a project basis or production licence area and is levied on the taxable profits of a petroleum project at a rate of 40%. Certain specified undeducted expenditures are eligible for compounding. The expenditures can be compounded annually at set rates, and the compounded amount can be deducted against assessable receipts in future years.

The Company estimates that it has incurred expenditure for Vic/P57 resulting in a total carried forward undeducted expenditure against income, derived in future years of \$52,298,000 as at 30 June 2010. At 1 July 2010 this estimated amount is \$62,603,000 as compounding occurs annually on 1 July.

Notes to the Financial Statements

For the year ended 30 June 2010

Continued

In order for the Company to utilise undeducted expenditures for PRRT purposes from prior years, it will be required to substantiate eligible expenditure in relation to the permit since the date of its grant. Any amount that the Company is not able to substantiate cannot be utilised against assessable receipts in future years. Interests in the undeducted expenditure can be transferred between projects by the Company or to other entities on acquisition of interests in the project.

The Company has not recognised a deferred tax asset with respect to the carried forward undeducted expenditure.

8. Key Management Personnel

The key management personnel of 3D Oil Limited during the year were:

Mr C Horsfall	(Chairman and Non-Executive Director)
Mr N Newell	(Managing Director)
Ms M Leydin	(Non-Executive Director, Company Secretary and Chief Financial Officer)
Ms P Kelly	(Non-Executive Director) - Appointed 5 January 2010
Mr J Keall	(Exploration and Development Manager) - Resigned 27 November 2009
Mr K Lanigan	(Exploration Manager) - Appointed 7 December 2009

8.1 Key Management Personnel Compensation

Details of key management personnel compensation are in the Remuneration Report within the Directors' Report.

8.2 Aggregate Key Management Personnel Compensation

The aggregate compensation of the key management personnel of the Company is set out below:

	2010 \$	2009 \$
Short-term employment benefits	776,114	771,057
Post employment benefits	57,824	63,894
Other long-term benefits	-	-
Termination benefits	12,795	-
Share based payments	1,222	-
	847,955	834,951

Information regarding individual directors and executives compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 are provided in the Remuneration Report section of the Directors' Report.

8.3 Option holdings by Key Management Personnel or their nominees

2010	Balance 1.7.2009	Granted as Compensation	Net Change Other	Balance 30.6.2010	Vested and exercisable	Vested and unexercisable	Not vested and unexercisable
Mr C Horsfall	500,000	-	-	500,000	500,000	-	-
Mr N Newell	4,000,000	-	-	4,000,000	4,000,000	-	-
Ms M Leydin	-	-	-	-	-	-	-
Ms P Kelly ⁽¹⁾	-	-	-	-	-	-	-
Mr J Keall ⁽²⁾	1,500,000	-	(1,500,000)	-	-	-	-
Mr K Lanigan ⁽³⁾	-	265,000	-	265,000	-	-	265,000
	6,000,000	265,000	(1,500,000)	4,765,000	4,500,000	-	265,000

⁽¹⁾ Appointed 5 January 2010

⁽²⁾ Resigned 27 November 2009

⁽³⁾ Appointed 7 December 2009

2009	Balance 1.7.2008	Granted as Compensation	Net Change Other	Balance 30.6.2009	Vested and exercisable	Vested and unexercisable	Not vested and unexercisable
Mr C Horsfall	500,000	-	-	500,000	500,000	500,000	-
Mr P Willcox ⁽¹⁾	4,000,000	-	(4,000,000)	-	-	-	-
Mr N Newell	4,000,000	-	-	4,000,000	4,000,000	4,000,000	-
Ms M Leydin ⁽²⁾	-	-	-	-	-	-	-
Mr J Keall	1,500,000	-	-	1,500,000	1,500,000	1,500,000	-
Mr D Vuckovic	500,000	-	(500,000)	-	-	-	-
	10,500,000	-	(4,500,000)	6,000,000	6,000,000	6,000,000	-

⁽¹⁾ Resigned as a Director on 23 January 2009

⁽²⁾ Appointed as Director on 23 January 2009

8.4 Shareholdings by Key Management Personnel or their nominees

2010	Balance 1.7.2009	Received as Compensation	Net Change Other	Balance 30.6.2010
Mr C Horsfall	-	-	38,000	38,000
Mr N Newell	37,461,450	-	238,700	37,700,150
Ms M Leydin	150,000	-	-	150,000
Ms P Kelly ⁽¹⁾	-	-	145,000	145,000
Mr J Keall ⁽²⁾	-	-	-	-
Mr K Lanigan ⁽³⁾	-	-	-	-
	37,611,450	-	421,700	38,033,150

⁽¹⁾ Appointed 5 January 2010

⁽²⁾ Resigned 27 November 2009

⁽³⁾ Appointed 7 December 2009

2009	Balance 1.7.2008	Received as Compensation	Net Change Other	Balance 30.6.2009
Mr P Willcox ⁽¹⁾	25,000	-	(25,000)	-
Mr N Newell	37,061,450	-	400,000	37,461,450
Mr C Horsfall	-	-	-	-
Mr J Keall	-	-	-	-
Ms M Leydin ⁽²⁾	-	-	150,000	150,000
	37,086,450	-	525,000	37,611,450

⁽¹⁾ Resigned as a Director on 23 January 2009

⁽²⁾ Appointed as Director on 23 January 2009

	2010 \$	2009 \$
9. Auditors Remuneration		
Auditor of the Company – Grant Thornton Audit Pty Ltd		
Auditing or reviewing the financial report	33,000	28,700
	33,000	28,700

Notes to the Financial Statements

For the year ended 30 June 2010

Continued

	2010 \$	2009 \$
10. Cash and Cash Equivalents		
Cash at bank and in hand	2,169,962	2,204,004
Short term bank deposits	6,208,696	6,265,219
	8,378,658	8,469,223

11. Trade and Other Receivables

Current

Goods and services tax receivable	17,894	166,876
Interest receivable	96,492	78,887
	114,386	245,763

The average credit period on trade and other receivables is 30 days. No interest is charged on the receivables. The Company has financial risk management policies in place to ensure that all receivables are received within the credit timeframe. Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

12. Other Current Assets

Prepayments	36,089	33,177
Deposits paid for exploration expenditure	20,713	2,428,583
	56,802	2,461,760

13. Plant & Equipment

Plant and equipment - at cost	67,556	66,306
Less: accumulated depreciation	(53,341)	(44,046)
	14,214	22,260

Movement in carrying value of plant and equipment

Opening carrying value	22,260	39,382
Additions	5,178	-
Disposals	(1,139)	-
Depreciation expense	(12,085)	(17,122)
Carrying amount at end of the year	14,214	22,260

14. Intangibles

Software - at cost	85,660	60,560
Less accumulated amortisation	(47,430)	(31,544)
	38,230	29,016

Movement in carrying value of intangibles

Opening carrying value	29,016	42,405
Additions	25,100	5,318
Amortisation expense	(15,886)	(18,707)
Closing carrying value	38,230	29,016

	2010 \$	2009 \$
15. Other Non-current Assets		
Exploration and development expenditure	22,177,579	21,506,108
<i>Movement in exploration and development expenditure</i>		
Opening carrying value	21,506,108	19,838,046
Current year expenditure	703,409	7,340,884
Refunds received	-	(4,785,169)
Write-off expenditure	(31,938)	(887,653)
Balance at end of year	22,177,579	21,506,108

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

16. Trade and Other Payables

Current

Trade payables ⁽¹⁾	75,403	655,344
Amounts payable to:		
- Key management personnel	9,496	10,002
Sundry payables and accrued expenses	62,975	494,396
	147,874	1,159,742

⁽¹⁾ The average credit period on purchases is 30 days. No interest is charged on the trade payables. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

17. Provisions

Current

Provision for employee benefits ⁽¹⁾	53,477	35,721
Provision for demobilisation	-	176,315
	53,477	212,036

Non-current

Provision for employee benefits ⁽¹⁾	27,342	17,491
Provision for well abandonment	500,000	500,000
	527,342	517,491

Movement in provision for well abandonment

Opening carrying value	500,000	500,000
Provisions for the period	-	-
Closing carrying value	500,000	500,000

⁽¹⁾ A provision has been recognised for employee entitlements relating to annual and long service leave. In calculating the present value of the future cash flows in respect of the long service leave, the probability of long service leave taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 3.5 of this report.

⁽²⁾ The provision for well abandonment represents the present value of the director's best estimate for the costs to abandon the Wardie-1 Well. This abandonment is expected to take place within the next 5 years.

Notes to the Financial Statements

For the year ended 30 June 2010

Continued

	2010	2009
	\$	\$
18. Issued Capital		
206,560,000 fully paid ordinary shares		
(2009: 206,560,000)	50,620,867	50,620,867

	2010		2009	
	No.	\$	No.	\$
18.1 Fully paid ordinary shares				
Balance at beginning of period	206,560,000	50,620,867	206,560,000	50,620,867
Balance at end of financial year	206,560,000	50,620,867	206,560,000	50,620,867

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Changes to the corporations' law abolished the authorised capital and par value concept in relation to the Share Capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

18.2 Terms and Conditions of Issued Capital

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

	2010	2009
	No.	No.
18.3 Options		
Balance at beginning of the financial year	12,830,000	17,625,000
Granted during the financial year	804,000	-
Exercised during the financial year	-	-
Cancelled during the financial year	-	(795,000)
Lapsed during the financial year	-	(4,000,000)
Balance at end of the financial year	13,634,000	12,830,000
Exercisable at reporting date	12,644,000	12,430,000

6,100,000 options entitle the holder to subscribe for one ordinary share in 3D Oil Limited upon the payment of \$0.50. These options will lapse at 5.00pm (AEST) on 31 January 2011 and are exercisable from 16 December 2006. The options are transferable. The options carry neither rights to dividends nor voting rights.

6,330,000 options entitle the holder to subscribe for one ordinary share in 3D Oil Limited upon the payment of \$0.60. These options will lapse at 5.00pm (AEST) on 31 January 2011 and are exercisable from 16 December 2006. The options are transferable. The options carry neither rights to dividends nor voting rights.

400,000 options entitle the holder to subscribe for one ordinary share in 3D Oil Limited upon the payment of \$0.75. These options will lapse at 5.00pm (AEST) on 31 March 2013 and are exercisable from 31 March 2008. The options are transferable. The options carry neither rights to dividends nor voting rights.

189,000 options entitle the holder to subscribe for one ordinary share in 3D Oil Limited upon the payment of \$0.25. These options will lapse at 5.00pm (AEST) on 30 June 2014. 64,000 are exercisable from 27 August 2009 and 125,000 are exercisable from 30 June 2011. The options are transferable. The options carry neither rights to dividends nor voting rights.

615,000 options entitle the holder to subscribe for one ordinary share in 3D Oil Limited upon the payment of \$0.40. These options will lapse at 5.00pm (AEST) on 30 November 2014. 150,000 are exercisable from 2 June 2010, 265,000 are exercisable from 30 November 2011 and 200,000 are exercisable from 1 January 2012. The options are transferable. The options carry neither rights to dividends nor voting rights.

Directors Options

Options granted to Directors or their nominees are disclosed in the Remuneration Report.

19. Reserves

Option Reserve

The option reserve records items recognised as expenses on valuation of employee share options.

During the current year the following options were granted to Directors, executives and employees:

- 125,000 options to an employee valued at \$0.049 per option
- 64,000 options to an employee valued at \$0.044 per option
- 465,000 options to employees valued at \$0.083 per option
- 150,000 options to an employee valued at \$0.076 per option

Details of the option valuations are included in Note 27.

	2010 \$	2009 \$
Movement in Option Reserve		
Balance at beginning of the financial year	1,960,075	2,610,135
Share based payments	63,751	59,540
Lapsed and transferred to accumulated losses	-	(709,600)
Balance at end of the financial year	2,023,826	1,960,075

20. Dividends

There have been no dividends paid or proposed in the 2009 or 2010 financial years.

21. Commitments For Expenditure

21.1 Operating Lease Commitments

Not longer than 1 year	86,743	83,007
Longer than 1 year and not longer than 5 years	136,360	221,879
Longer than 5 years	-	-
	223,103	304,886

21.2 Exploration Licenses - Commitments for Expenditure

In order to maintain current rights of tenure to exploration tenements, the Company is required to outlay rentals and to meet the minimum expenditure requirements of the Mineral Resources Authority. Minimum expenditure commitments may be subject to renegotiation and with approval may otherwise be avoided by sale, farm out or relinquishment. These obligations are not provided in the accounts and are payable:

Not longer than 1 year	4,500,000	4,250,000
Longer than 1 year and not longer than 5 years	15,000,000	15,000,000
Longer than 5 years	-	-
	19,500,000	19,250,000

The Minimum Guaranteed Dry Hole Work Programme commitments for Exploration Permit Vic/P57 have been fulfilled with the drilling of Wardie-1 and West Seahorse-3 wells. The Secondary Work Programme commitments are on a year by year basis and the commitment is \$500,000.

The conditions of Exploration Permit T/41P are on a year by year basis. On 23 March 2010 a 12-month Suspension and Extension to the Work Program was granted. The current commitment is \$19,000,000.

Notes to the Financial Statements

For the year ended 30 June 2010

Continued

22. Segment Information

The Group has adopted AASB 8 Operating Segments with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about the components of the Company that are regularly reviewed by the chief decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (AASB 114 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risk and returns approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments.

Upon the adoption of AASB 8, there has been no change to the reportable segments. The Company has therefore not changed any reporting for the previous corresponding period. 3D Oil Limited operates in the development of oil and gas within Australia. The Company's activities are therefore classified as one business segment.

23. Related Party Disclosures

Key Management Personnel Compensation

Details of key management compensation are disclosed in the Remuneration Report and Note 8.

Transactions with Key Management Personnel

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

During the year ended 30 June 2010 there were no related party transactions other than those detailed in the Remuneration Report and Note 8.

	2010	2009
	\$	\$

24. Notes to the Cash Flow Statement

24.1 Financing Facilities

The Company has no financing facilities in place at 30 June 2010.

24.2 Reconciliation of Net Loss from ordinary activities after related income tax to net cash flows from operating activities

Loss after related income tax	(857,435)	(940,340)
Less: Non-cash activities:		
Depreciation and amortisation of non-current assets	27,971	35,829
Share based payments expense	63,751	59,540
Exploration costs written off	31,936	887,653
Realised (gain)/loss on foreign currency translation	139,653	(1,188,051)
Unrealised gain on foreign currency translation	(11,479)	-
Loss on sale of plant and equipment	939	-
Annual and long service leave provisions	27,607	10,149
Changes in net assets and liabilities:		
(Increase)/Decrease in assets:		
Trade and other receivables	131,378	253,485
Prepayments	(2,912)	(26,656)
Increase/(Decrease) in liabilities:		
Trade and other payables	(1,011,868)	(123,388)
Net cash from (used in) operating activities	(1,460,459)	(1,031,779)

25. Financial Instruments

The Company's principal financial instruments comprise cash and cash equivalents.

The main purpose of these financial instruments is to finance the Company's operations. The Company has various other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations. It is, and has been throughout the entire period, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are cash flow interest rate risk and foreign exchange risk. Other minor risks are summarised below. The Board reviews and agrees policies for managing each of these risks.

25.1 Cash flow interest rate risk

The Company's exposure to the risks of changes in market interest rates relates primarily to the Company's short-term deposits with a floating interest rate. These financial assets with variable rates expose the Company to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Company does not engage in any hedging or derivative transactions to manage interest rate risk.

The following tables set out the carrying amount by maturity of the Company's exposure to interest rate risk and the effective weighted average interest rate for each class of these financial instruments. Also included is the effect on profit and equity if interest rates at that date had been 30% (40% 2009) higher or lower with all other variables held constant as a sensitivity analysis.

The Company has not entered into any hedging activities to cover interest rate risk. In regard to its interest rate risk, the Company continuously analyses its exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates.

There has been no change in cash flow interest rate risk since the prior year.

Note	Float Interest Rate		Non-Interest Bearing		Total Carrying Amount	
	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$
Financial Assets						
Cash and cash equivalents	8,378,658	8,469,223	-	-	8,378,658	8,469,223
Trade and other receivables	-	-	114,386	245,763	114,386	245,763
Other current assets	-	-	56,802	2,461,760	56,802	2,461,760
Total	8,378,658	8,469,223	171,188	2,707,523	8,549,845	11,176,746
Weighted average interest rate	3.66%	4.24%				
Financial Liabilities						
Trade and other payables	-	-	147,874	1,159,742	147,874	1,159,742
Total	-	-	147,874	1,159,742	147,874	1,159,742
Weighted average interest rate	-	-				
Net financial assets (liabilities)	8,378,658	8,469,223	23,314	1,547,781	8,401,972	10,017,004
Interest Rate Sensitivity						
			-30% 2010 \$	-40% 2009 \$	30% 2010 \$	40% 2009 \$
Change in profit			(91,998)	(143,638)	91,998	143,638
Change in equity			(91,998)	(143,638)	91,998	143,638

A sensitivity of 30% has been selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates. A 30% sensitivity would move short term interest rates at 30 June 2010 from 3.66% to 4.76% representing a 110 basis points shift. This would represent two to three increases which is reasonably possible in the current environment with the bias coming from the Reserve Bank of Australia and confirmed by market expectations that interest rates in Australia are more likely to move up than down in the coming period. This sensitivity used in the previous financial year was 40%.

Based on the sensitivity analysis only interest revenue from variable rate deposits and cash balances is impacted resulting in a decrease or increase in overall income.

Notes to the Financial Statements

For the year ended 30 June 2010

Continued

25.2 Liquidity risk

The Company is exposed to liquidity risk by having to maintain sufficient cash reserves to close out market positions in a timely manner and manages this risk by maintaining sufficient cash reserves and through the continuous monitoring of budgeted and actual cash flows. The Company aims at maintaining flexibility in funding by having plans in place to source additional capital as required.

Financial Assets

The following table details the Company's expected maturity for its non-derivative financial assets.

	2010 \$	2009 \$
Contracted maturities of receivables and cash and cash equivalents at reporting date:		
Receivable:		
- less than 6 months	2,284,091	706,835
- 6 to 12 months	6,208,954	8,008,151
- 1 to 5 years	-	-
- later than 5 years	-	-
Total	8,493,045	8,714,986

Financial Liabilities

The following tables the Company's remaining contractual maturity for its non-derivative financial liabilities.

	2010 \$	2009 \$
Contracted maturities of payables as at reporting date:		
Payable:		
- less than 6 months	147,874	1,159,742
- 6 to 12 months	-	-
- 1 to 5 years	-	-
- later than 5 years	-	-
Total	147,874	1,159,742

25.3 Commodity Price Risk

The Company is exposed to commodity price risk. This risk arises from its activities directed at exploration and development mineral commodities. If commodity prices fall, the market for companies exploring for these commodities is affected. The Company does not hedge its exposures.

25.4 Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company manages foreign currency risk by minimising the amounts of foreign currency required and buying foreign currency only at the time it is required. Cash at bank, prepayments and trade payables may be held in United States Dollars (USD).

The following tables set out the carrying amount by maturity of the Company's exposure to foreign exchange risk. Also included is the effect on financial assets at that date if exchange rates had been 10% (20% 2009) higher or lower with all other variables held constant as a sensitivity analysis.

The Company has not entered into any hedging activities to cover foreign exchange risk. In regard to its foreign exchange risk, the company continuously analyses its exposure. Within this analysis consideration is given to forward rates and the effects of hedging.

There has been no change in foreign exchange rate risk since the prior year.

	Amounts in foreign currency		Foreign Exchange Rate Risk Sensitivity 2010			
	2010 USD	2009 USD	10% 2010 \$	20% 2009 \$	-10% 2010 \$	-20% 2009 \$
Financial Assets						
Cash and cash equivalents	117,489	215,867	10,014	35,035	(10,014)	(35,035)
Other current assets	8,298	1,482,169	707	240,556	(707)	(240,556)
Total	125,787	1,698,036	10,721	275,591	(10,721)	(275,591)
Financial Liabilities						
Trade and other payables	-	-	-	-	-	-
Total	-	-	-	-	-	-
Net Financial assets (liabilities)	125,787	1,698,036				

A sensitivity of 10% (2009 20%) has been selected as this is considered reasonable given the current level of both short term and long term exchange rate movement for this currency and the above analysis assumes all other variables remain constant.

25.5 Net Fair Values

For financial assets and liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form. The Company has no financial assets where carrying amount exceeds net fair value at reporting date.

25.6 Credit Risk

Credit risk arises from cash and cash equivalents and outstanding receivables. The cash balances are held in financial institutions with high ratings and the receivables comprise interest receivable from financial institutions and GST input tax credits refundable by the ATO. The Company has assessed that there is minimal risk that the cash and receivables balances are impaired.

The Company's receivables at reporting date are detailed in Note 11.

The maximum exposure to credit risk on financial assets of the Company which have been recognised in the Statement of Financial Position is generally the carrying amount.

25.7 Capital Risk Management

When managing capital, management's objective is to ensure the Company continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also maintains a capital structure that ensures the lowest cost of capital available to the Company.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholder, issue new shares, enter into joint ventures or sell shares.

Notes to the Financial Statements

For the year ended 30 June 2010

Continued

The Company does not have a defined share buy-back plan. No dividends were paid in 2009 or in 2010.

There is no current intention to incur debt funding on behalf of the Company for on-going petroleum exploration expenditure which will be funded via equity or joint ventures with other companies. Debt funding may be required in progressing the development assets of the Company. The Company is not subject to any externally imposed capital requirements. Management reviews management accounts on a monthly basis and reviews actual expenditure against budget on a monthly basis.

26. Earnings Per Share

	2010	
2009	Cents per share	
Cents per share		
Basic earnings (loss) per share	(0.42)	(0.46)
Diluted earnings (loss) per share	(0.42)	(0.46)

(i) Calculated on a post-split basis

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows

Earnings ⁽ⁱ⁾	(857,435)	(940,340)
-------------------------	-----------	-----------

	2010 No.	2009 No.
Weighted average number of ordinary shares ⁽ⁱⁱ⁾	206,560,000	206,560,000

⁽ⁱ⁾ Earnings are the same as loss after tax in the statement of comprehensive income.

⁽ⁱⁱ⁾ The following weighted average of potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of shares, used in the calculation of diluted earnings per share.	219,548,967	223,772,027
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Diluted Earnings Per Share

The rights to options held by option holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 "Earnings per Share". The rights to options are non-dilutive as the exercise price was significantly higher than the Company's share price as at 30 June 2009 and 2010.

27. Share Based Payments

Volatility in all cases below has been measured with reference to the historical volatility of share price returns for companies comparable to 3D Oil Limited.

During the current year the Company issued 125,000 options to an employee, exercisable at \$0.25 and expiring 30 June 2014. The options having been valued using the Binomial methodology incorporating a Hull-White adjustment at \$0.049. The following variables were used in this calculation:

Share Price:	\$0.115
Exercise Price:	\$0.25
Volatility:	80%
Time to Maturity:	4.84 years
Risk Free Interest Rate:	5.16%

During the current year the Company issued 64,000 options to an employee, exercisable at \$0.25 and expiring 30 June 2014. The options having been valued using the Binomial methodology incorporating a Hull-White adjustment at \$0.044. The following variables were used in this calculation:

Share Price:	\$0.115
Exercise Price:	\$0.25
Volatility:	80%
Time to Maturity:	4.84 years
Risk Free Interest Rate:	5.16%

During the current year the Company issued 265,000 options to an employee, exercisable at \$0.40 and expiring 30 November 2014. The options having been valued using the Binomial methodology incorporating a Hull-White adjustment at \$0.083. The following variables were used in this calculation:

Share Price:	\$0.20
Exercise Price:	\$0.40
Volatility:	80%
Time to Maturity:	4.5 years
Risk Free Interest Rate:	4.97%

During the current year the Company issued 200,000 options to an employee, exercisable at \$0.40 and expiring 30 November 2014. The options having been valued using the Binomial methodology incorporating a Hull-White adjustment at \$0.083. The following variables were used in this calculation:

Share Price:	\$0.20
Exercise Price:	\$0.40
Volatility:	80%
Time to Maturity:	4.5 years
Risk Free Interest Rate:	4.97%

During the current year the Company issued 150,000 options to an employee, exercisable at \$0.40 and expiring 30 November 2014. The options having been valued using the Binomial methodology incorporating a Hull-White adjustment at \$0.076. The following variables were used in this calculation:

Share Price:	\$0.20
Exercise Price:	\$0.40
Volatility:	80%
Time to Maturity:	4.5 years
Risk Free Interest Rate:	4.97%

28. Events After The Balance Sheet Date

There has not been any matter or circumstance that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years, other than:

On 3 August 2010, conditions of Exploration Permit for Petroleum Vic/P57 were varied to remove well expenditure from Year 6 and replace this with reprocessing of 360sq km of Northern Fields open file 3D seismic data.

Additional Shareholder Information

The shareholder information set out below was applicable as at 22 September 2010.

1. Distribution of Shareholders

(a) Analysis of number of shareholders ordinary fully paid shares by size of holding.

Category of holding	Holders	Number of Shares	% of Capital
1 - 500	13	799	0.00%
501 - 1,001	17	16,030	0.01%
1,001 - 5,000	182	580,931	0.28%
5,001 - 10,000	192	1,678,671	0.81%
10,001 - 100,000	494	19,902,898	9.64%
100,001 and over	164	184,380,671	89.26%
Total	1,062	206,560,000	100.00%
Less than marketable parcels	94	132,359	0.06%

2. Twenty Largest Shareholders

The names of the twenty largest holders by account holding of ordinary shares (partly paid and fully paid) are listed below:

Shareholder	Holding	%
Noel Newell <Newell Family A/C & Super A/C>	37,061,450	17.94%
GKI Resort Pty Limited <The GKI Resort A/C>	13,680,000	6.62%
Bond Street Custodians Limited <Officium Emerging Res A/C>	12,108,693	5.86%
H Louey Pang & Co. Pty Ltd <Demaria Family A/C>	11,600,000	5.62%
Furgo Multi Client Services Pty Ltd	6,475,000	3.13%
Bill Hopper	6,475,000	3.13%
Pand Jr Pty Ltd <John Demaria Family A/C>	6,458,360	3.13%
J K Demaria Pty Ltd	4,128,994	2.00%
National Nominees Limited	3,520,000	1.70%
Andrew Paterson	3,237,500	1.57%
Pengold Pty Ltd	3,237,500	1.57%
DMG & Partners Securities Pte Ltd <Clients A/C>	3,098,943	1.50%
V Haidu & W Naidu	3,037,500	1.47%
Noel Mainwaring	3,000,000	1.45%
Mr R Barwick	2,500,000	1.21%
Ellie Sunshine Pty Ltd <Ellie Sunshine Super Fund A/C>	2,500,000	1.21%
Phillip Securities Pte Ltd <Client Account>	2,370,000	1.15%
Vobe Resources Pty Ltd <Superannuation Fund A/C>	2,300,000	1.11%
Mr J Hannah	1,993,200	0.96%
Nefco Nominees Pty Ltd	1,914,821	0.93%
Total Top 20 Holders	130,696,961	63.27%
Balance of Holders	75,863,039	36.73%
Total Holders	206,560,000	100.00%

3. Restricted Securities

As at 22 September 2010, the Company had no securities subject to escrow arrangement.

4. Substantial Shareholders

As at 22 September 2010 the substantial shareholders were as follows:

Name of Shareholder	No of Shares	% of Issued Capital
Noel Newell <Newell Family A/C & Super A/C>	37,061,450	17.94%
GKI Resort Pty Limited <The GKI Resort A/C>	13,680,000	6.62%
Bond Street Custodians Limited <Officium Emerging Res A/C>	12,108,693	5.86%
H Louey Pang & Co. Pty Ltd <Demaria Family A/C>	11,600,000	5.62%

5. Voting Rights

At a general meeting of shareholders:

- (a) On a show of hands, each person who is a member or sole proxy has one vote.
- (b) On a poll, each shareholder is entitled to one vote for each fully paid share.

The directors of 3D Oil Limited believe firmly that benefits will flow from the maintenance of the highest possible standards of corporate governance. A description of the company's main corporate governance practices is set out below. The Company has adopted the 2nd Edition of the "Corporate Governance Principals and Recommendations of the ASX Corporate Governance Council" issued by the ASX Corporate Governance Council in August 2007.

Principal No	Best Practice Recommendation	Compliance	Reason for Non-compliance
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	The board has adopted a formal charter setting out the responsibilities of the Board. This charter can be accessed at www.3doil.com.au . Any functions not reserved for the Board and not expressly reserved for members by the Corporations Act and ASX Listing Rules are reserved for senior executives.	Not applicable.
1.2	Disclose the process for evaluating the performance of senior executives.	The Board meets annually to review the performance of executives. The senior executives' performance is assessed against the performance of the company as a whole.	Not applicable.
1.3	Provide the information indicated in the Guide to reporting on Principal 1.	A performance evaluation has been completed during the reporting period in accordance with the process detailed in 1.2 above.	Not applicable.
2.1	A majority of the Board should be independent of directors.	Currently 3D Oil Limited has two independent directors and two non independent directors.	Due to the Company's size, the Board considers that a majority of independent Directors is not currently warranted. As the Company's activities expand, the policy will be reviewed, with a view to aligning the Company's policies to conformity with this recommendation.
2.2	The chair should be an independent director.	The Chairman, Mr Campbell Horsfall, is independent.	Not applicable.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	The Chairman is Mr Campbell Horsfall and the Managing Director is Mr Noel Newell.	Not applicable.
2.4	The board should establish a nomination committee.	The board has a nomination committee with the following members: Mr Campbell Horsfall (Chairman) Ms Melanie Leydin	Not applicable.
2.5	Disclose the process for evaluating the performance of the board, its committee and individual directors.	The performance evaluation of board members occurs by way of an informal review by the full board (in the absence of the relevant Board member).	Not applicable.

Principal No	Best Practice Recommendation	Compliance	Reason for Non-compliance
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	The skills, experience and expertise relevant to the position held by each director is disclosed in the Directors' Report which forms part of the Annual Report. The name of the Independent Directors is disclosed above. The directors are entitled to take independent professional advice at the expense of the company. The period of office held by each director is disclosed in the Directors' Report which forms part of this Annual Report.	Not applicable.
3.1	Establish a code of conduct and disclose the code for a summary of the code as to: • the practice necessary to maintain confidence in the Company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	The Company has adopted a Board Code of Conduct and a Company Code of Conduct, both of which can be accessed at www.3doil.com.au	Not applicable.
3.2	Establish a policy concerning trading in Company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	The Company has adopted a Trading Policy which can be accessed at www.3doil.com.au .	Not applicable.
3.3	Provide the information indicated in the Guide to reporting on Principle 3.	The information has been disclosed in the Annual Report.	Not applicable.
4.1	The board should establish an audit committee.	The company has an established an Audit Committee.	Not applicable.
4.2	The audit committee should be structured so that it: consists only of non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the board; • has at least three members.	The Audit Committee has two members, consisting of Campbell Horsfall and Melanie Leydin. The Audit Committee is chaired by Melanie Leydin.	Not applicable.
4.3	The audit committee should have a formal charter.	The formal charter can be accessed at www.3doil.com.au .	Not applicable.

Corporate Governance Statement

Continued

Principal No	Best Practice Recommendation	Compliance	Reason for Non-compliance
4.4	Provide the information in the Guide to reporting on Principle 4.	The names of the members of the Audit Committee are disclosed above. The qualifications of the members of the Audit Committee are disclosed in the Directors' Report which forms part of this Annual Report. The audit committee will meet twice in each year, before sign off of the annual and half year financial statements. The external auditor, Grant Thornton Audit Pty Ltd, has a rotation policy such that lead partners are rotated every 5 years and review partners are rotated every 5 years.	Not applicable.
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has adopted a Disclosure Policy which can be accessed at www.3doil.com.au	Not applicable.
5.2	Provide the information indicated in the Guide to reporting on Principle 5.	The information has been disclosed in the Annual Report.	Not applicable.
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	The Company has adopted a Shareholder Communications Policy which can be accessed at www.3doil.com.au .	Not applicable.
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	The information has been disclosed in the Annual Report	Not applicable.
7.1	Establish policies for the oversight and management of material business risk and disclose a summary of those policies.	The Company has adopted Risk Management Policy which can be accessed at www.3doil.com.au . This policy outlines the material risks faced by the Company as identified by the Board. Given the size and scale of 3D Oil Limited it does not have a Risk sub-committee or Internal Audit function.	Not applicable.
7.2	The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	The Board believes the risk management and internal controls systems designed and implemented by the Directors and the Chief Financial Officer are adequate given the size and nature of the Company's activities. The Board informally reviews and requests management to report on risk management and internal control.	Management has not formally reported to the board as to the effectiveness of the company's management of its material business risks. Given the nature and size of the Company and the Board's ultimate responsibility to manage the risks of the Company this is not considered critical. The Company intends to develop the risk reporting framework into a detailed policy as its operations continue to grow.

Principal No	Best Practice Recommendation	Compliance	Reason for Non-compliance
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Board receives assurance from Mr Noel Newell (Managing Director) and the chief financial officer in the form of a declaration, prior to approving financial statements.	Not applicable.
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	The information has been disclosed in the Annual Report.	Not applicable.
8.1	The board should establish a remuneration committee.	The Board has an established Remuneration Committee. The Remuneration Committee has two members, consisting of the Directors, Campbell Horsfall and Melanie Leydin. There was a single meeting of the Remuneration Committee during the reporting period which was attended by all member of the Remuneration Committee. The Remuneration Committee is chaired by Campbell Horsfall. The Remuneration committee charter can be accessed at www.3doil.com.au .	Not applicable.
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The structure of non-executive directors' remuneration is clearly distinguished from that of executive directors and senior executives, as described in the Directors' Report which forms part of this Annual Report.	Not applicable.
8.3	Companies should provide the information indicated in the guide to reporting on Principle 8.	The information has been disclosed in the Annual Report.	Not applicable.

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3D Oil Limited