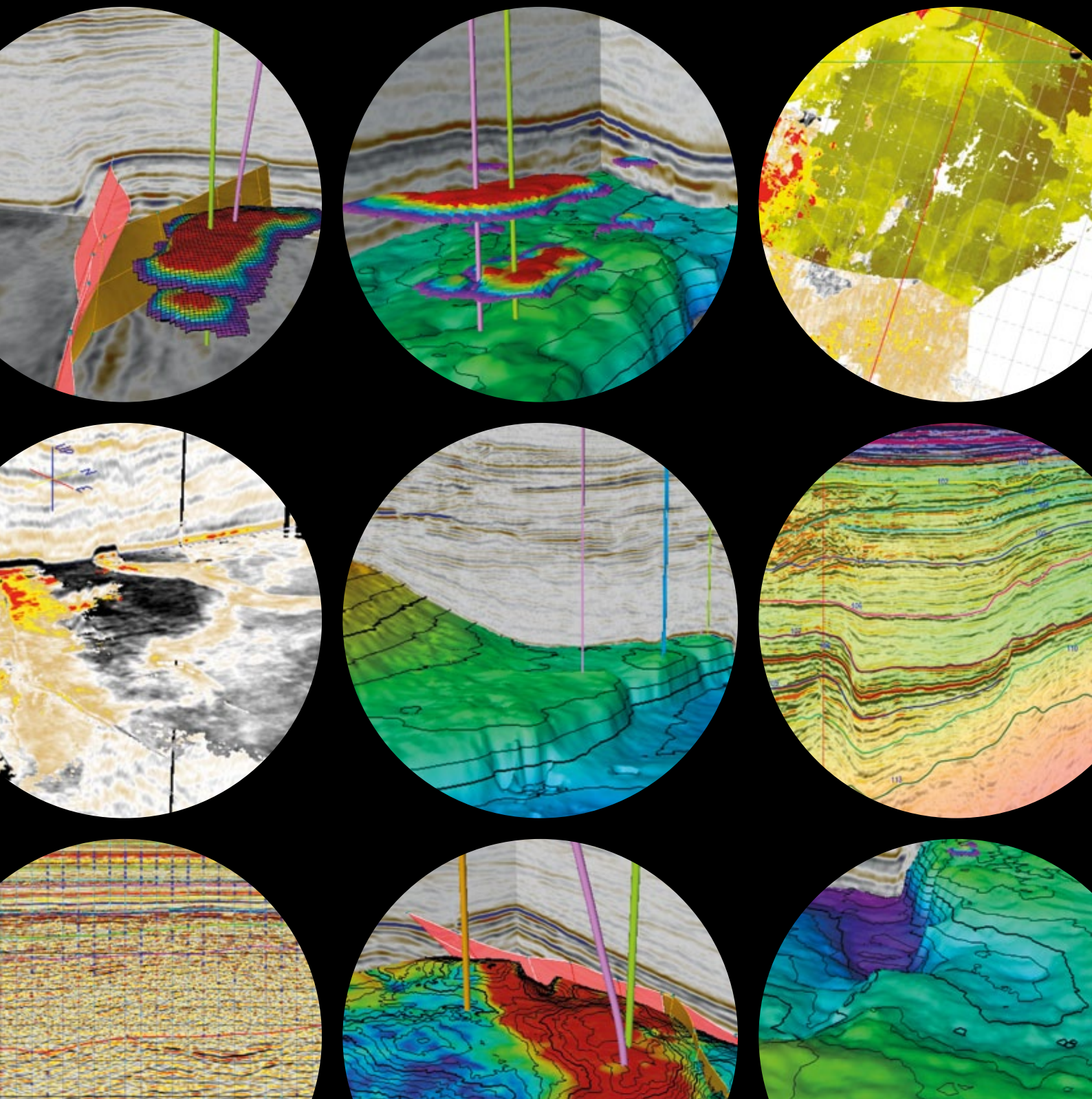
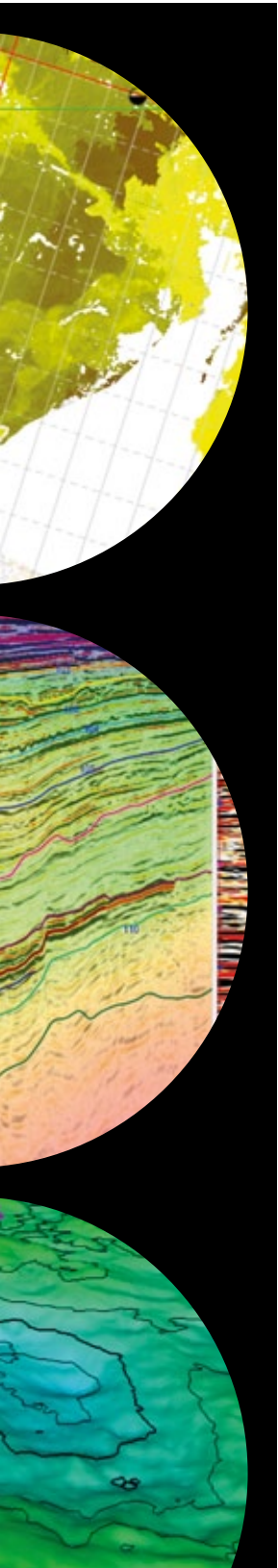


Annual Report 2011



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Highlights

A highlight of the past year in VIC/P57 has been the West Seahorse Reserves and Resources Statement received from Gaffney, Cline & Associates in early 2011. This independent review of the field resulted in a best estimate of Contingent Resource (2C) of 9.2 MMbbl recoverable.

An evaluation of the Gurnard Formation, which occurs at the top of the Latrobe Group, concluded that within the West Seahorse Field it contains a significant oil in-place volume (Most Likely 9.1 MMbbls). It has previously not been regarded as a potential target however, a closer examination suggests that it commonly contains hydrocarbon shows within the VIC/P57 region and provides a further exploration target.

The Dalrymple 3D seismic survey was conducted early in 2011 in T/41P with no delays. The survey was acquired in just less than five days, and completed without any HSE incidents and under budget. The interpretation of this new seismic data, will enable the leads within the Dalrymple survey area to be upgraded to prospects, the best of which will then be considered for exploration drilling.

Corporate Directory

Directors

Campbell Horsfall
(Non-Executive Director and Chairman)

Noel Newell
(Managing Director)

Melanie J Leydin
(Non-Executive Director)

Philippa Kelly
(Non-Executive Director)

Keith Edwards
(Non-Executive Director)

Company secretary

Melanie J Leydin

Registered office

Level 5
164 Flinders Lane
Melbourne
Victoria 3000
Telephone (03) 9650 9866

Principal place of business

Level 5
164 Flinders Lane
Melbourne
Victoria 3000

Share register

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

Auditor

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

Solicitors

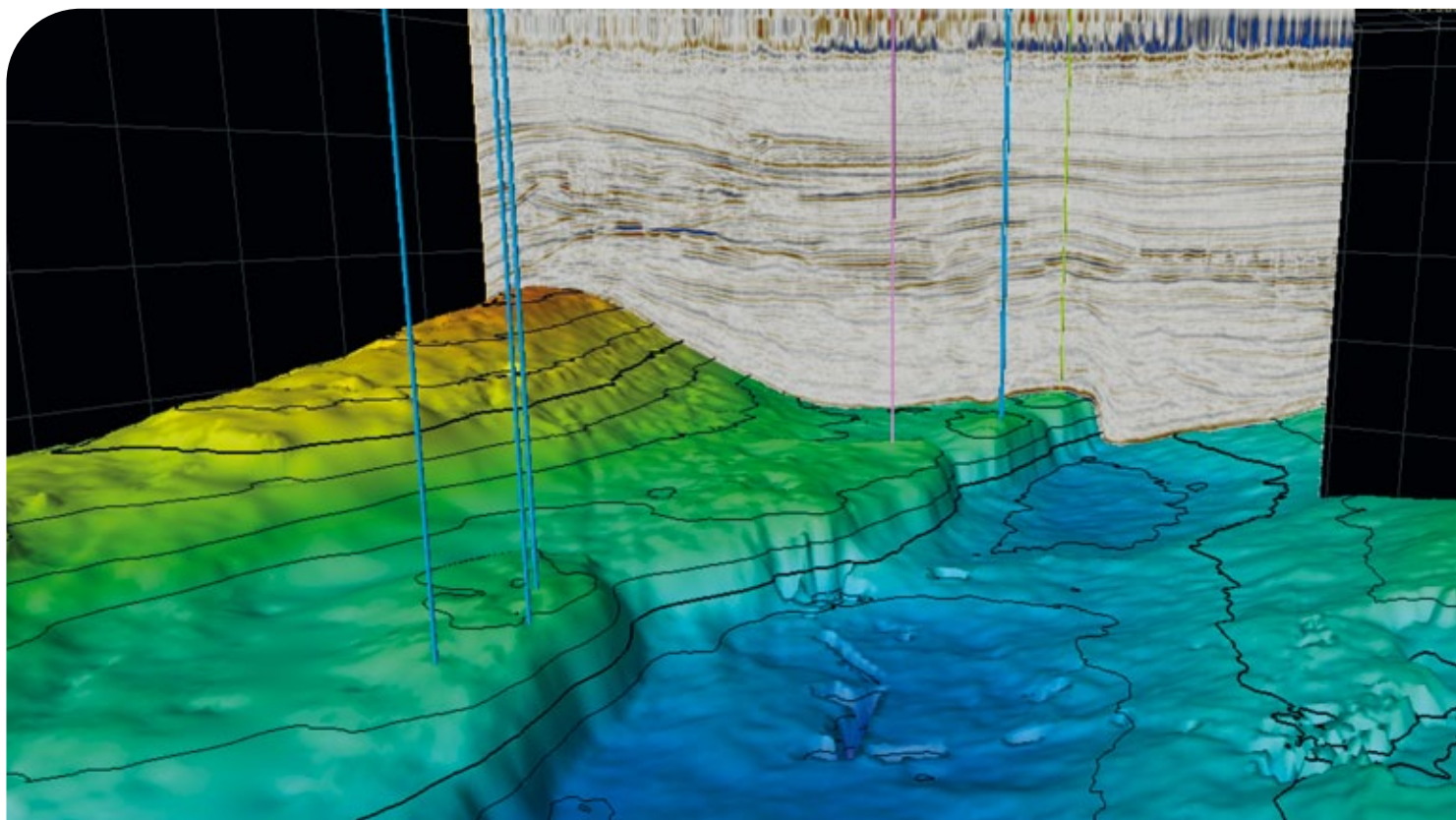
Baker & McKenzie
Level 19
181 William Street
Melbourne
Victoria 3000

Stock exchange listing

3D Oil Limited shares are listed on
the Australian Securities Exchange
(ASX code: TDO)

Website address

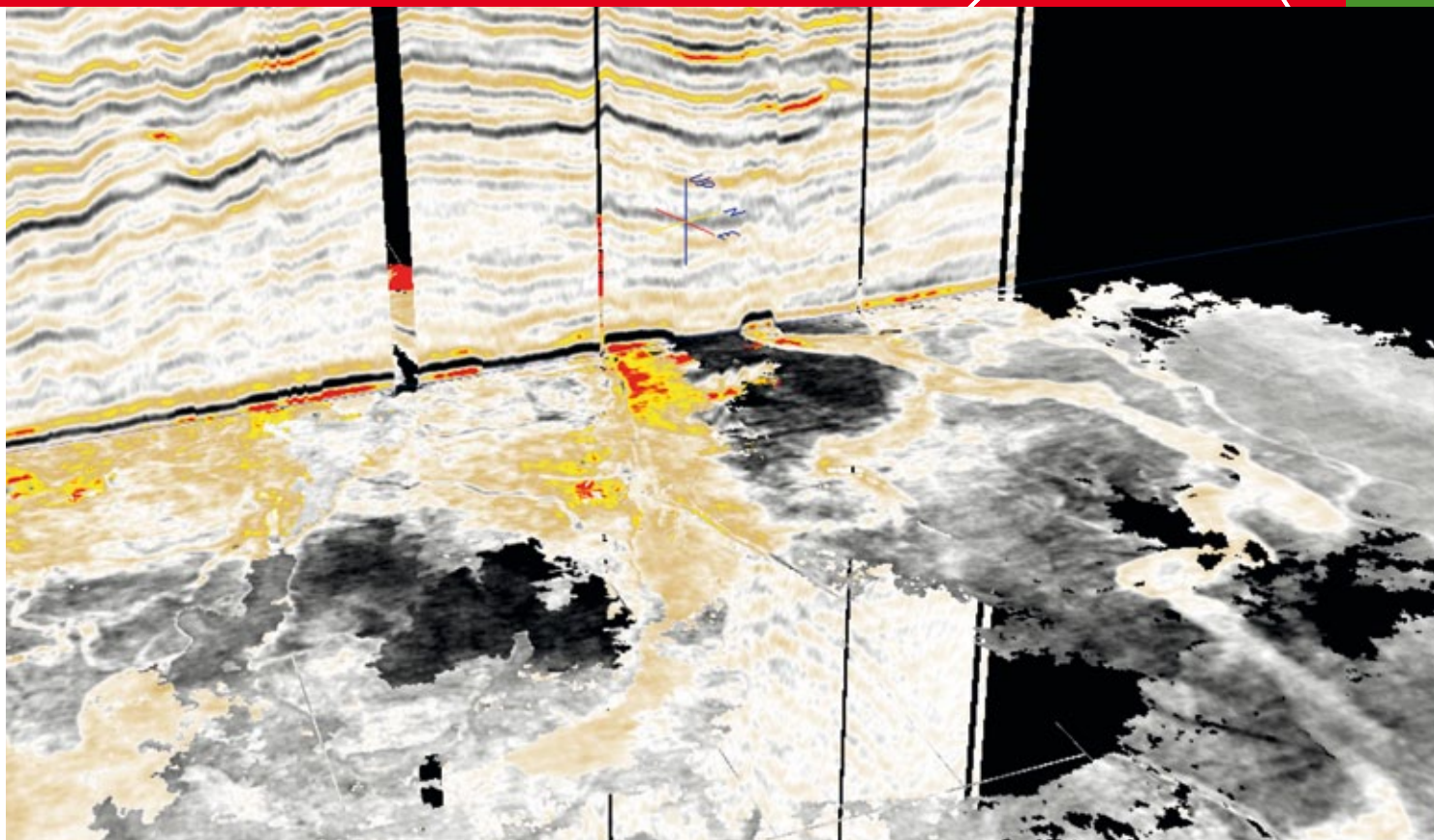
www.3doil.com.au



3D seismic image along the
Rosedale Fault System

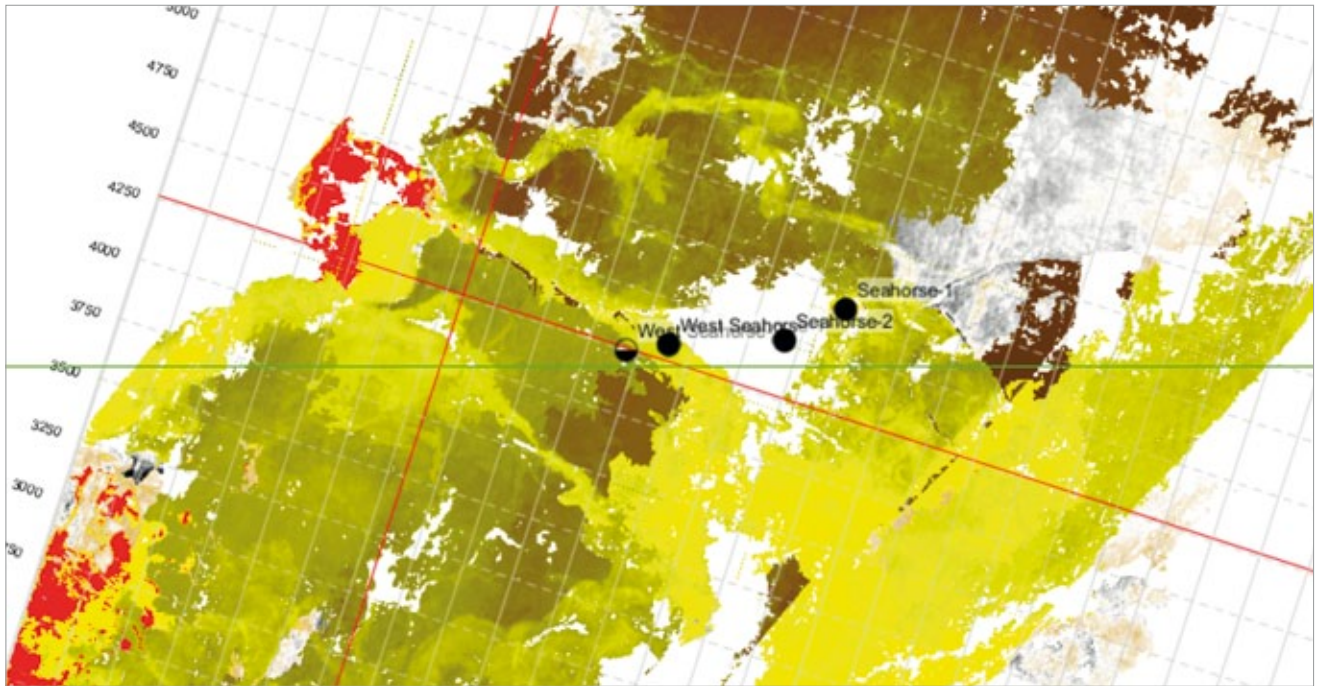
"It is my firm belief that in these times we stick to our knitting - in other words, we continue with our stated strategy. From the outset it has been our objective to become an oil and gas producer, initially focussed, on what we know best; Bass Strait. This is within reach."

Seismic amplitude image in the West Seahorse region



Managing Director's Report

Seismic amplitude image illustrating fluvial system near top of Latrobe Group



We live in dangerous times. This may be a cliché and we may have experienced economic crises before – but in our lifetimes we have not seen a time when governments of some of the major economies of the world are part of the problem. Business entities of all persuasions and size face challenges, not just of growth, but of survival.

These challenges arguably appear most calamitous at the helm of a small public company. The fact that we don't yet have cash flow adds to the burden. However, we are not alone in this situation at 3D Oil. I speak regularly to many of my compatriots at small resource companies and realise we all face the same challenges.

The question is: how to react to this situation? We sense we must do something, or at least be perceived to be doing something. Some may take a cautious approach, and effectively shut down their businesses and wait until the climate changes. Others may scramble about believing that activity equals productivity. Some may even change their business model in an attempt to find a path through the financial road blocks.

You can try harder, be more resourceful, more creative, or even try to be smarter. But that assumes we weren't already doing these things, and that the business climate is not all-pervasive. With hindsight many can see how we may have improved our performance – but we are in the here and now.

It is my firm belief that in these times we stick to our knitting – in other words, we continue with our stated strategy.

From the outset it has been our objective to become an oil and gas producer, initially focussed, on what we know best; Bass Strait. This is within reach.

We must remember 3D Oil is in an enviable position, owning 100% of a 9.2 MMbbl (2C) oil field in the Gippsland Basin together with arguably the two best oil prospects in Australia: Sea Lion and Felix.

While we continued our search for a strategic partner during this difficult year, we reviewed and improved our development plans for West Seahorse. The certification from Gaffney, Cline & Associates of West Seahorse was a very positive step. We continued to de-risk our prospects with rigorous evaluation, while 3D seismic reprocessing nears completion.

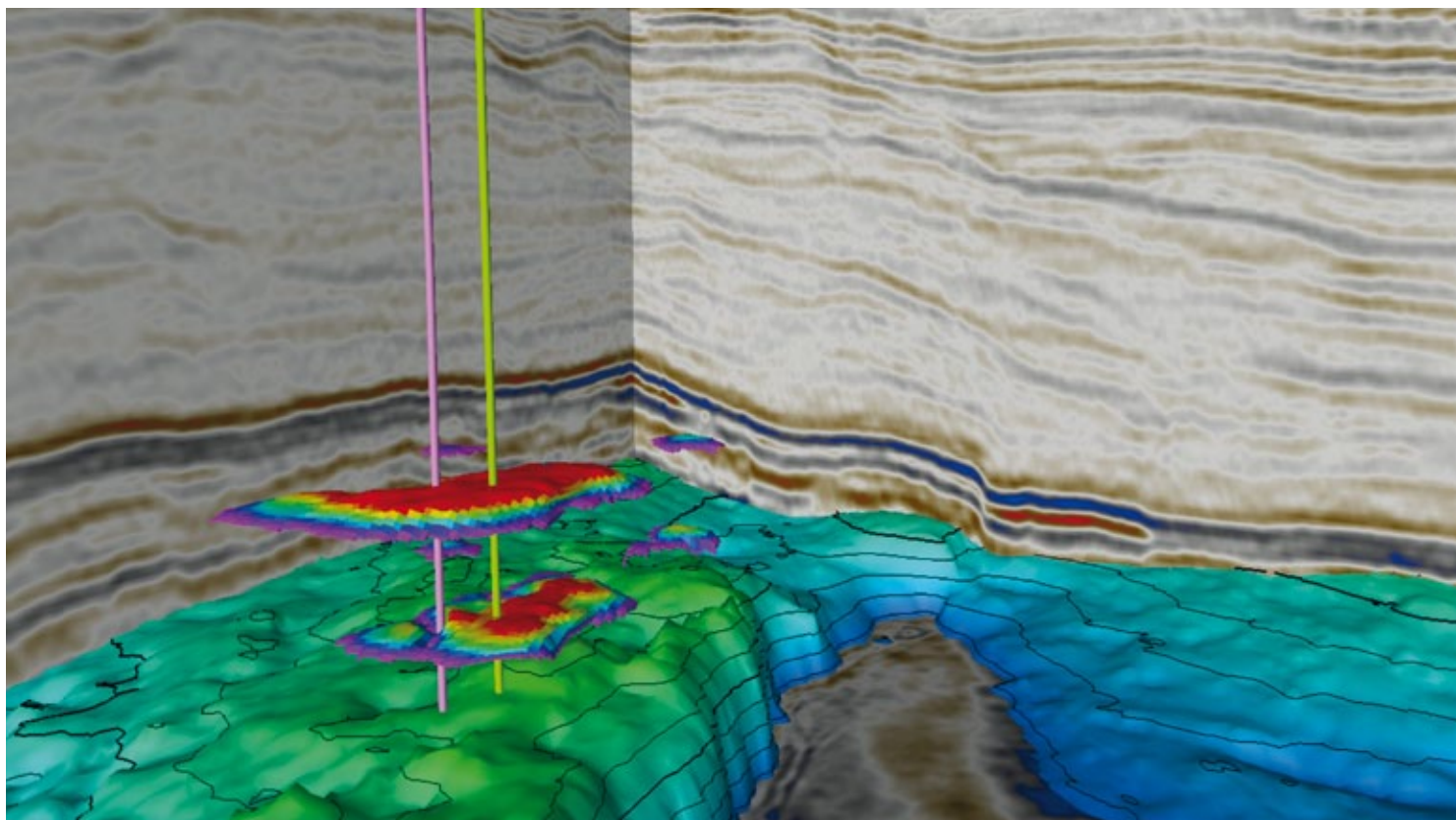
We completed the Dalrymple 3D seismic survey, under budget, in our Bass Basin permit, T/41P. We will now undertake detailed prospect mapping which, combined with our regional prospectivity analysis, should provide a strong position to attract a partner in the forthcoming year.

We have undertaken reviews of opportunities in Bass Strait and have made application to acquire further permits that best fit our strategy. This is the right time to attempt to increase our acreage position in our niche area.

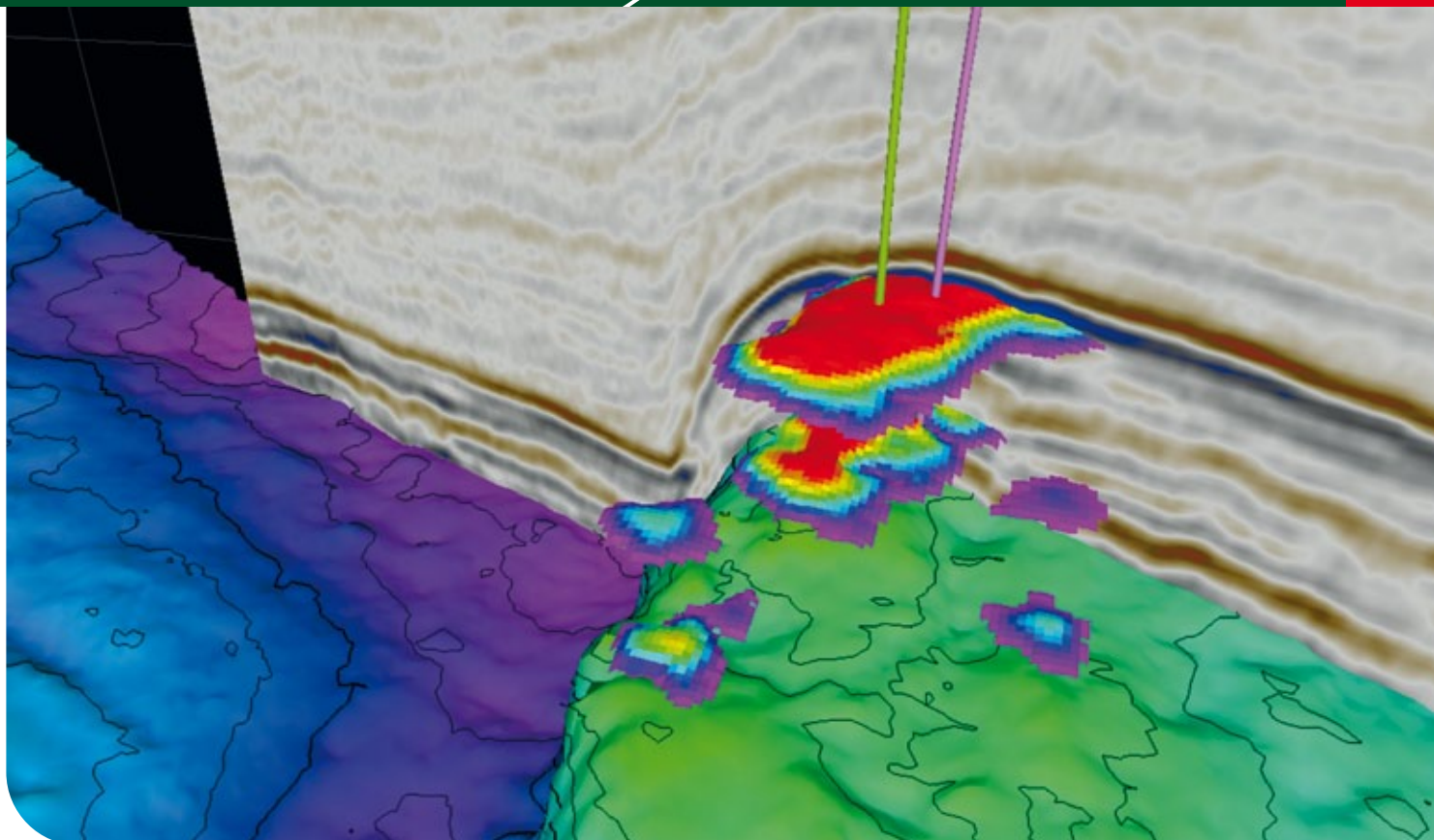
I believe 3D Oil has taken the correct approach during this difficult time, and is poised to achieve our stated aim of becoming a significant producer and experience healthy growth when the economic conditions begin to improve.

I remain 100% committed to delivering value to our shareholders, first and foremost, above all else.

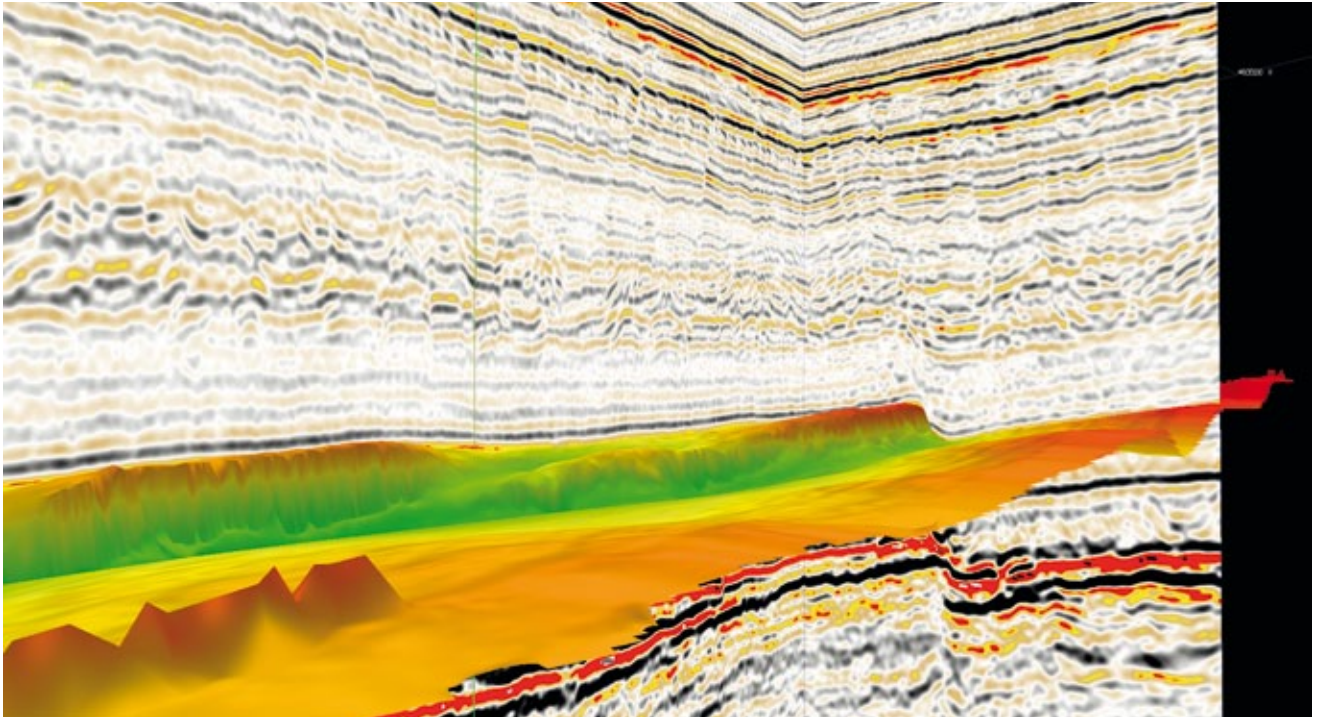
Noel Newell
Managing Director



*Above and below:
3D seismic images of the West Seahorse
complex illustrating the main reservoirs*



3D seismic image from the recently acquired Darymple 3D seismic survey in the Bass Basin, offshore Tasmania



2011: A Year of Positioning

In the current economic climate a company such as 3D Oil faces significant challenges from factors beyond its control. These include the highly volatile equity and currency markets and a crisis of confidence generally. In these circumstances, it is our job to make sure that the company survives the onslaught so that, when things do improve, it is well positioned to take advantage of what, on any analysis, is an impressive asset base.

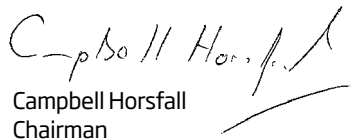
In this regard, there were some pleasing aspects about 3D Oil's performance during the year ended 30 June 2011 and I remain cautiously optimistic about its prospects heading into the new financial year. It was encouraging to see the upgrade in West Seahorse reserves by the global petroleum consulting firm Gaffney, Cline and Associates and have an internationally recognised expert verify the extent of the petroleum accumulation in VIC/P57.

The upgrade has come at an important time for 3D Oil and has two benefits. The first is that it increases the net present value of the forecast for the West Seahorse Development project, which in turn makes the project more attractive to financiers and has potential to increase cash flow. Secondly, we have seen continued interest expressed by oil companies who want to farm in into the permit and a standard condition of most farm out arrangements has now been met.

It is important to outline the commercial reason behind the decision to farm out an interest in the permit. This strategy, which is commonplace in the oil industry, will enable 3D Oil to carry out future drilling operations. At the same time it will provide access to expertise and overseas capital to ensure the company achieves its objectives. The process has proved to be much longer than anticipated, primarily for the reasons outlined above. However, the board remain positive about the likelihood of a transaction taking place.

As mentioned in the Operations report, 3D Oil has also secured its major asset, the VIC/P57 Exploration Permit, for a further five years and has also adopted a pro-active approach to acquiring new acreage with a view to diversifying its portfolio. In this regard it was good to see the acquisition of seismic data for the T/41P Exploration Permit achieved in an efficient and cost effective manner. There have been significant oil and gas discoveries recently in the Bass Basin so the company has positioned itself well by exploring in this area.

During the past two years the company has been successful in developing a team of seasoned oil industry professionals who, together with a talented and committed board, are determined to overcome the challenges it faces and manage its assets very hard to add value for shareholders. I thank them for their contribution during the year as I do shareholders for their support of this emerging oil company during this difficult time.


Campbell Horsfall
Chairman

Review of Operations

In the past year 3D Oil Limited has been active in both of its 100%-owned permits (Figure 1) Gippsland Basin VIC/P57 and Bass Basin T/41P, as well as conducting assessments of several other potential new opportunities.

After a postponement due to vessel unavailability in early 2010, the 264 square kilometre Dalrymple three dimensional seismic survey was conducted early in 2011 in the south-west of T/41P. With no delays due to weather or equipment problems, the survey was acquired in just less than five days, and was completed without any HSE incidents. The seismic data was then dispatched for processing, which was completed on schedule and received by 3D Oil Limited in late August 2011. Interpretation of this data has commenced, in conjunction with other studies, with the aim of upgrading at least some of the existing prospects and leads to a status that could justify their ultimate evaluation via exploration drilling.

In VIC/P57, the reprocessing of the existing 3D seismic data in and adjacent to the permit that commenced in the latter part of 2010 has continued through 2011. Although originally anticipated to be completed around the middle of the year, the final reprocessed data will be received later in 2011. This delay has resulted from some of the required improvements to the data proving to be more challenging to achieve than initially expected. However, given the importance of ensuring that the reprocessed data is as good as state-of-the-art techniques can make it, especially with regard to imaging at deeper levels, the extra time has been warranted.

The company also undertook an evaluation of the Gurnard Formation at the top of the Latrobe Group within the West Seahorse area and currently estimates the formation contains a significant oil in-place volume over the greater West Seahorse structure.

A highlight of the past year in VIC/P57 has been the West Seahorse Reserves and Resources Statement received from Gaffney, Cline & Associates in early 2011. This independent review of the field resulted in a significant increase in the estimated size of the oil accumulation.

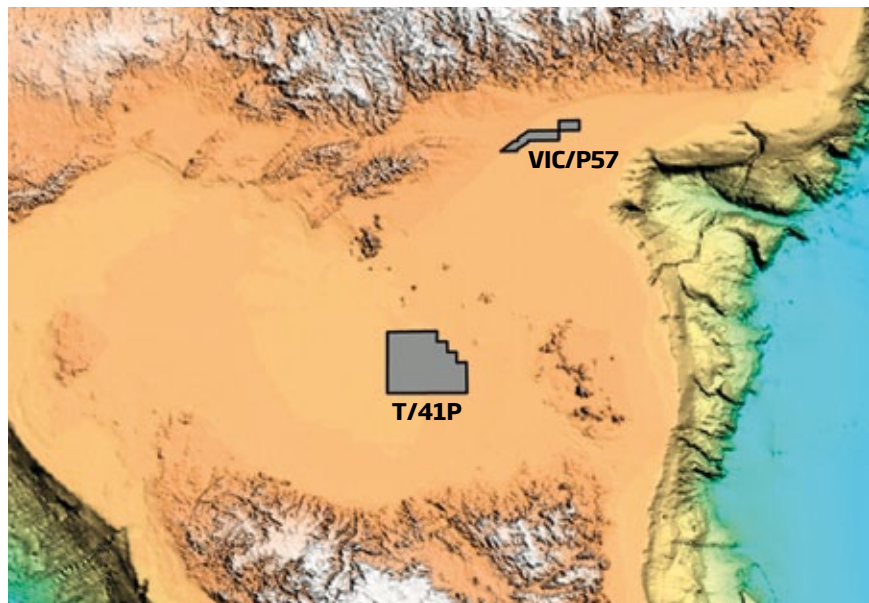


Figure 1. 3D Oil Limited current permits

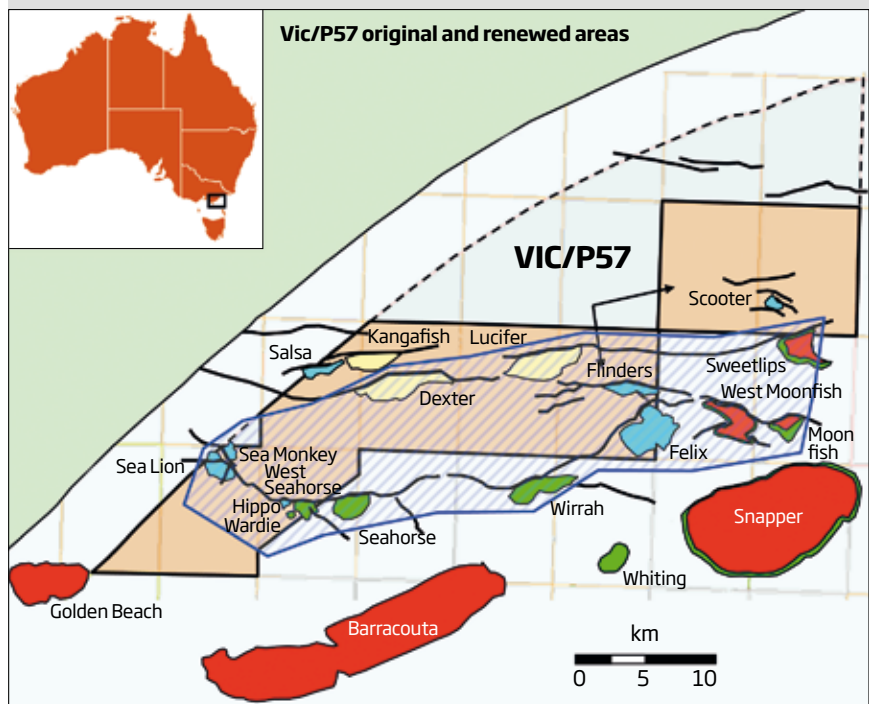


Figure 2. Exploration permit VIC/P57, showing prospects and leads and the approximate area over which 3D seismic data is being reprocessed. (Note; dashed outline shows area of original permit which has been relinquished).



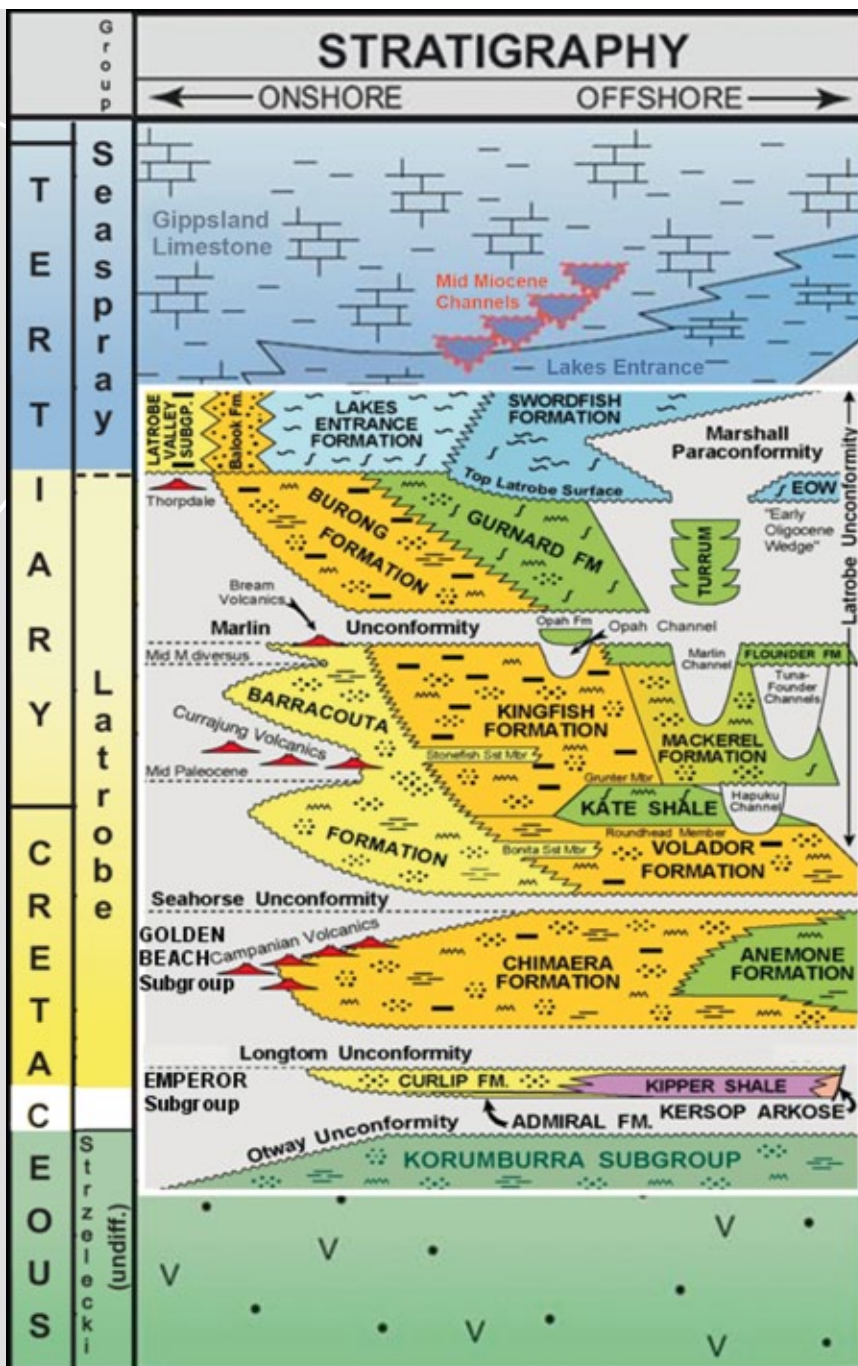


Figure 3. Gippsland Basin stratigraphy. Seismic reprocessing is being conducted to improve imaging of the Golden Beach and Emperor Subgroups in the lower Latrobe Group.

The company continued its pursuit of a strategic joint venture partner for both its exploration and development programs. Discussions and negotiations are continuing with several overseas parties.

The company has actively reviewed a number of opportunities to deliver growth using the stated key criteria in the prospectus as a template.

VIC/P57, Gippsland Basin, Offshore Victoria

Background

Located in the north-west of the offshore Gippsland Basin, the VIC/P57 exploration permit has been held 100% by 3D Oil Limited since it was awarded in April, 2004. Although only lightly explored previously, the permit contains the West Seahorse oil field, which was discovered in 1981. In 2008 3D Oil Limited drilled the West Seahorse-3 appraisal well and the nearby Wardie-1 exploration well. Subsequent to that drilling, various development options for West Seahorse have been investigated and exploration of other oil and gas opportunities within the permit has continued.

In August 2011 the VIC/P57 permit was renewed for another five years. After the required relinquishment of some of the original acreage, the renewed permit (Figure 2) comprises about 483 square kilometres and, most importantly, retains all of the previously identified prospects and leads.

Exploration

During the past year the dominant exploration activity conducted in VIC/P57 has been the extensive reprocessing of the 2001-2 Northern Fields 3D seismic data. Encompassing over 500 square kilometres across VIC/P57 and adjacent oil and gas discoveries the reprocessing project has primarily been focused on improving the seismic imaging of the deeper Latrobe Group, comprising the Golden Beach and Emperor Subgroups (Figure 3). State-of-the-art techniques have been applied to the original data to minimise noise and multiples, with the goal of attaining the best possible data set for mapping the subsurface structures and assessing their petroleum prospectivity.

Review of Operations

Continued

Due to the geological complexity of some parts of the shallower section, achieving significant improvements in the image quality at depth has proved to be very challenging, which necessitated more iterations of some of the processing steps than originally anticipated. Although this has not added substantially to the cost, it has delayed the completion of the reprocessing by a few months. However, the extra time and effort taken to optimize the quality of the final data will clearly be beneficial in the interpretation phase, allowing the best possible mapping of the target horizons at all levels, especially in the Golden Beach and Emperor Subgroups. While these older, deeper sediments have been found to contain hydrocarbons in several structures along the central and eastern areas of the northern margin of the Gippsland Basin, the distribution of hydrocarbons in this section in wells in the VIC/P57 area is difficult to predict due to the previous inability to map seismic data with confidence.

When the final reprocessed seismic data is received, re-mapping at multiple levels across the full data set will be undertaken to both further refine the structural features already identified and to complement these with structures that could not be confidently mapped previously. In particular, the company is excited by the deep potential in the Felix and Sea Lion prospects, and the expected ability to upgrade the Lucifer and Dexter leads to the status of prospects.

Other work conducted during the past year included an evaluation of the Gurnard Formation. This formation, which occurs at the top of the Latrobe Group, is an open marine unit comprising thinly interbedded claystone, siltstone and sandstone laminae in the VIC/P57 area. Due to its previously inferred lack of adequate reservoir quality in this area of the basin, it has not been regarded as a potential target. However, a closer examination of the limited data from intervals of this unit penetrated in VIC/P57 wells suggests that the silts and sands within it commonly contain hydrocarbon shows. The best example of this was the retrieval of approximately 600 cc of oil via wire line testing in the

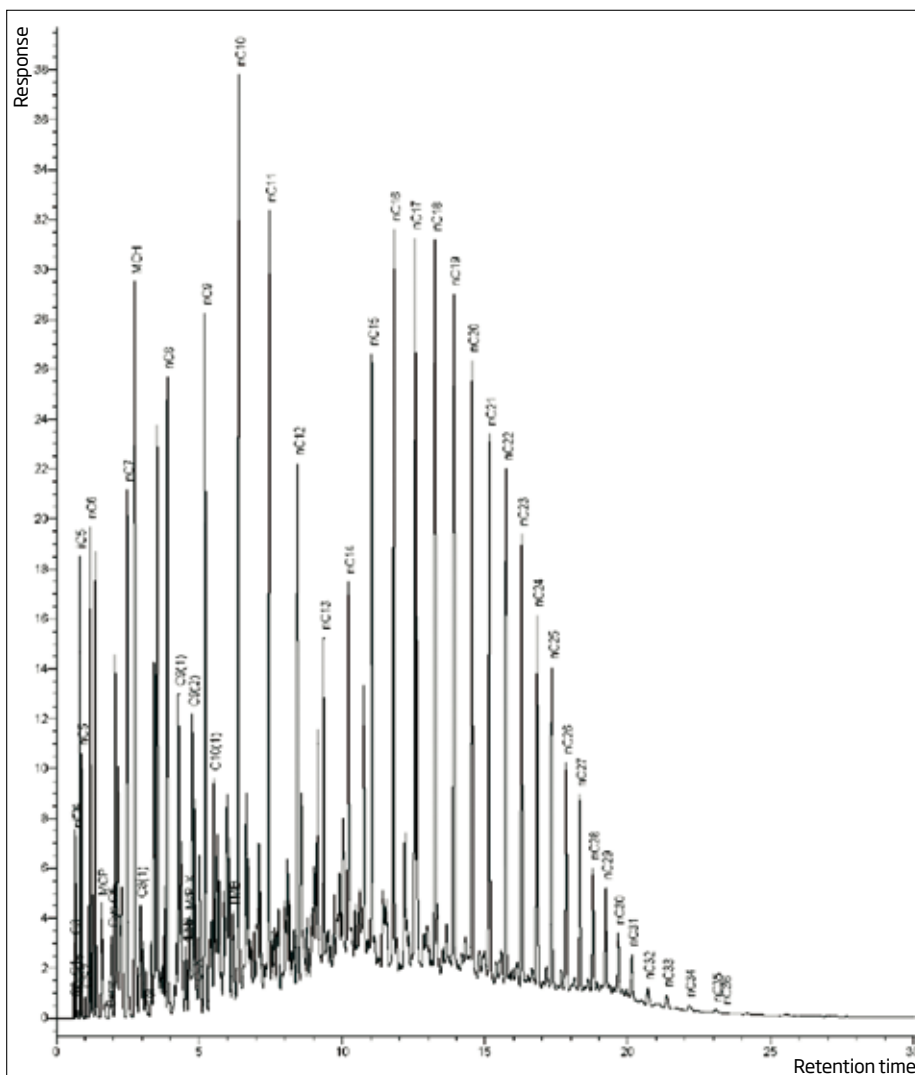


Figure 4. Whole oil gas chromatogram from the Gurnard Formation in the Wardie-1 exploration well.

West Seahorse Field Contingent Resources (MMbbl)

Reservoir	Gross 100% Field		
	1C	2C	3C
Main Reservoirs N1u/N1/N2.6	4.2	7.4	10.6
Secondary Reservoir Gurnard	0.0	1.8	3.9
Total West Seahorse Field	4.2	9.2	14.5

Table 1. West Seahorse field contingent resources reported by GCA independent review.

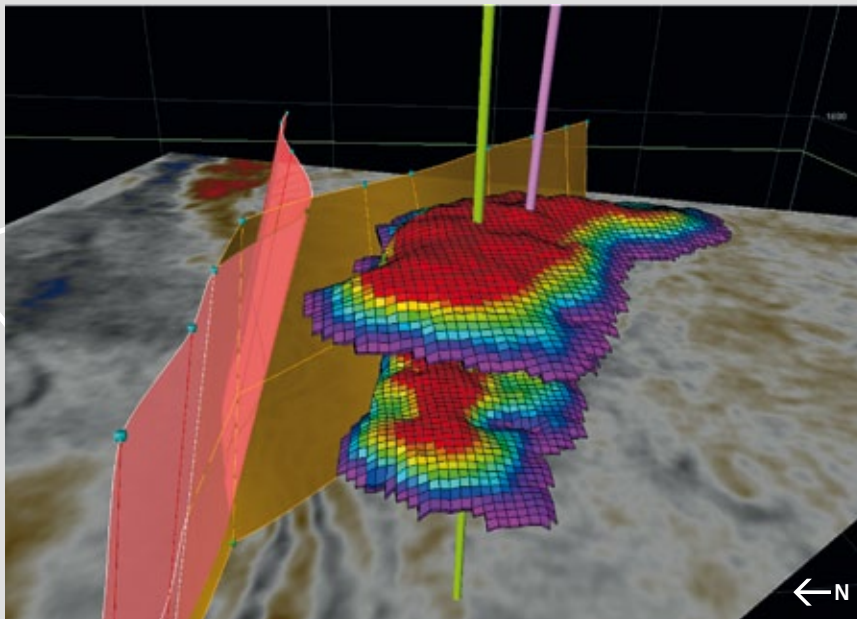


Figure 5. Three-dimensional perspective image of the main reservoirs in West Seahorse field (arrow pointing north).

Wardie-1 exploration well (Figure 4). At present the company estimates the Gurnard Formation contains a significant oil in-place volume (Most Likely 9.1 MMbbls) over the greater West Seahorse structure, but validation of this, and evaluation of its producibility can only be achieved with specific measurements and tests in future drilling.

West Seahorse Development

In late 2010 and early 2011 an independent review of West Seahorse field and the development concept proposed by 3D Oil was conducted by Gaffney, Cline & Associates (GCA). This comprised an audit of 3D Oil's technical work, as well as GCA performing its own technical and commercial analyses appropriate to test the feasibility of the project. As shown in Table 1, the resulting West Seahorse Reserves and Resources Statement reported low (1C), best (2C) and high (3C) estimates of contingent resources for the main reservoirs of the upper Latrobe Group (Figure 5) and the currently less well-defined Gurnard Formation reservoir. GCA have reported that "a reclassification of some volumes to the Reserves category may be possible" when a Production Licence is granted.

Review of Operations

Continued

3D Oil considers GCA's low case estimate (4.2 MMbbls) to be a very important validation of the low-side estimate because even this low-side recoverable volume estimate is economic with the proposed development scenario - providing confidence in the commercial viability of the West Seahorse project.

Financing the West Seahorse development remains the company's primary challenge and it has focused on finding a twofold solution; securing a strategic joint venture partner and securing debt financing. In the case of the latter, the company has conducted discussions with a number of debt providers. These discussions have involved a detailed review of the development economics and risks, to which favourable responses have been received. Undoubtedly, the 20 year production history of the neighbouring analogous Seahorse Field supports the viability of West Seahorse.

The development plan for the field, a subsea tie back to shore of the suspended West Seahorse-3 well (Figure 7) has remained largely unchanged during past 12 months; though some minor changes have been incorporated. The 14 kilometre offshore line will consist of two pipelines, an 8 inch multi-phase and a 2 inch gas lift, as well as a control umbilical line. The shore crossing will be horizontal directionally drilled with onshore lines utilising existing hydrocarbon pipeline easements. The crude will be stabilised at a small new-build plant and either exported by road tanker or existing third-party oil pipeline.

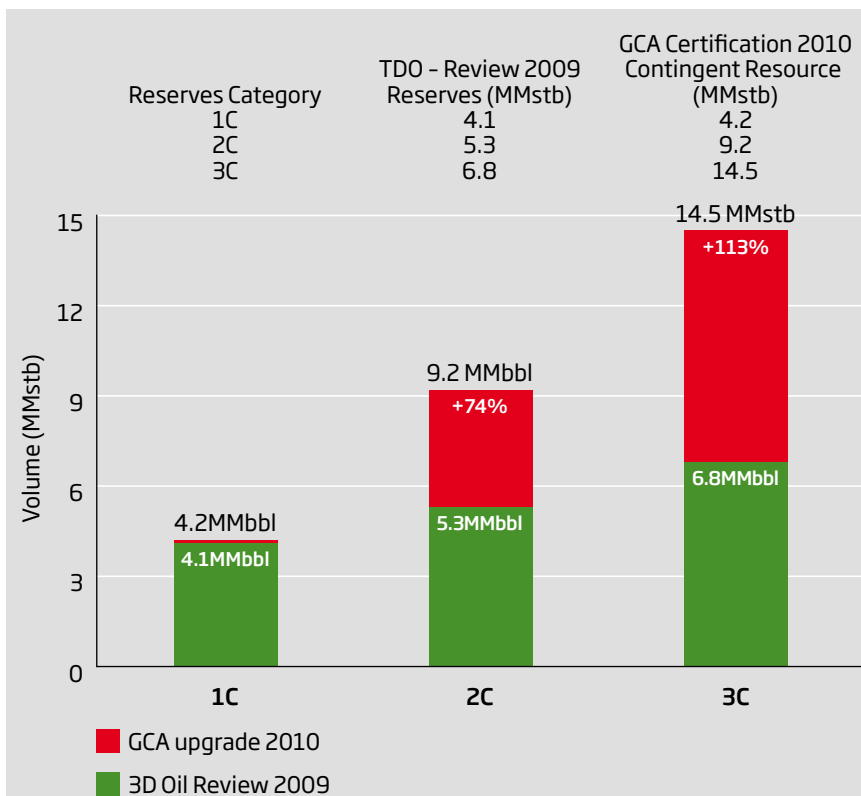


Figure 6. Comparison of West Seahorse field producible volumes estimates TDO 2009 and GCA 2011.

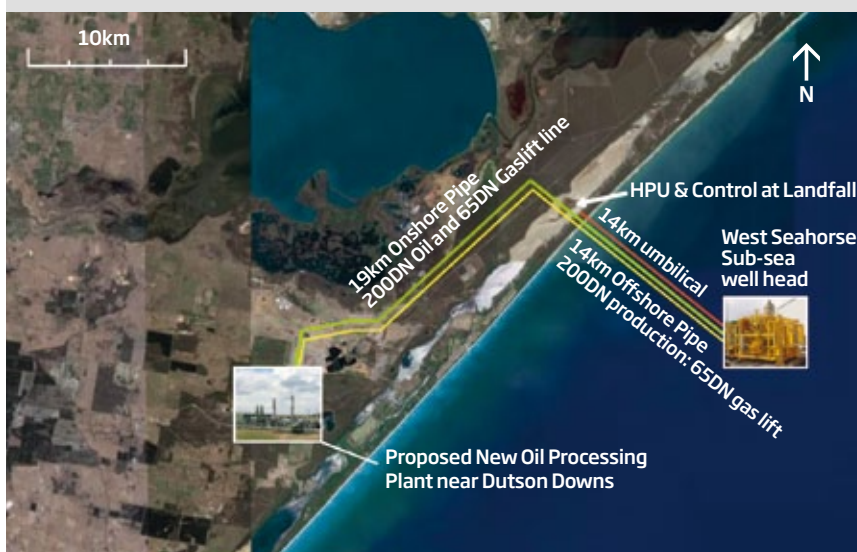


Figure 7. Proposed development concept for West Seahorse field.

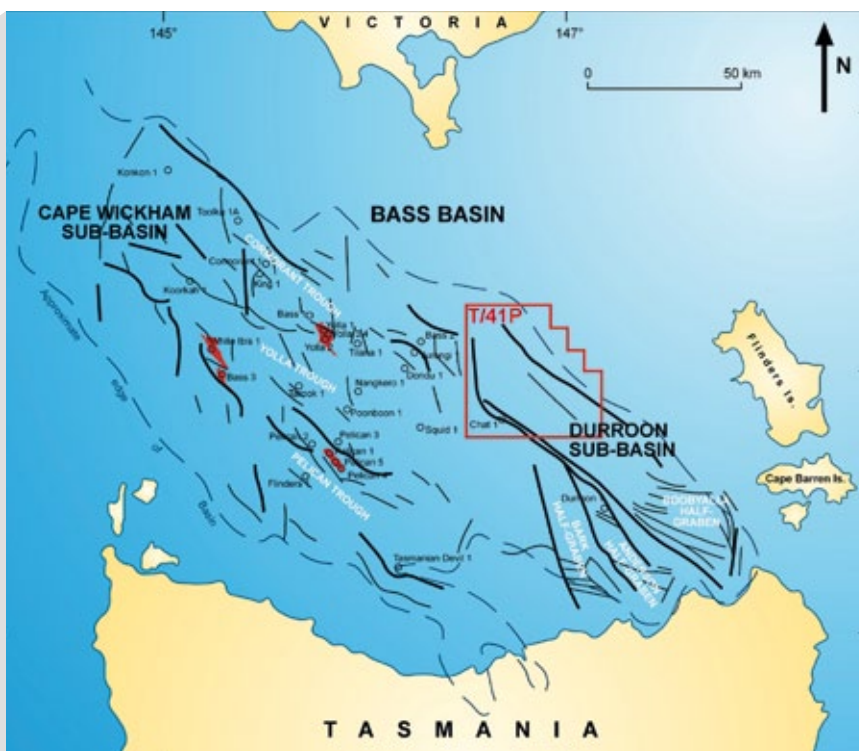


Figure 8. Location map for exploration permit T/41P.

T/41P, Bass Basin, Offshore Tasmania

Background

Situated in the eastern Bass Basin (Figure 8) exploration permit T/41P covers an area of approximately 2,700 square kilometres and has been held 100% by 3D Oil Limited since it was awarded in June 2005. As with all of the eastern Bass Basin, the area comprising T/41P had only been lightly explored, with various vintages of sparse, relatively old two dimensional (2D) seismic data and only one exploration well. Drilled in 1986, Chat-1 tested a reactivated fault block and encountered a residual oil column which indicates the T/41P permit area has had access to hydrocarbon charge in the past.

In 2008, 3D Oil acquired 2200 line kilometres of 2D seismic in T/41P, largely focused on the south-western half of the permit, where previous work suggested the best access to hydrocarbons occurs. Interpretation of this data culminated in multiple leads, with the potential to contain over 800 MMbbl of recoverable oil equivalent (un-risked).

To follow up the most prospective of these leads, 3D Oil then planned to conduct a three-dimensional (3D) seismic survey in early 2010, but this had to be deferred when the acquisition vessel became unavailable within the required timeframe. A 12-month suspension and extension to the work program conditions and permit term for Year 5 were granted by the Joint Authority in March 2010.

Review of Operations

Continued

Exploration

The primary exploration activity in T/41P in the past year has been the successful acquisition and processing of the 3D seismic survey that had been cancelled the previous year. After months of planning, tendering, contracting and gaining government approvals, the 264 square kilometre Dalrymple 3D seismic survey was conducted over five days in late January and early February 2011 with no delays or HSE incidents - ahead of schedule and under budget. The survey was acquired using the PGS 12-streamer vessel *MV Ramform Sterling* (Figures 9 and 10).

Processing of this survey with state-of-the-art techniques commenced in mid-February and was completed on schedule in August 2011. Figure 11 shows a preliminary image of one of the key surfaces juxtaposed against two orthogonal seismic lines from the new 3D seismic data.



Figure 9. *MV Ramform Sterling* just prior to starting the Dalrymple 3D seismic survey.

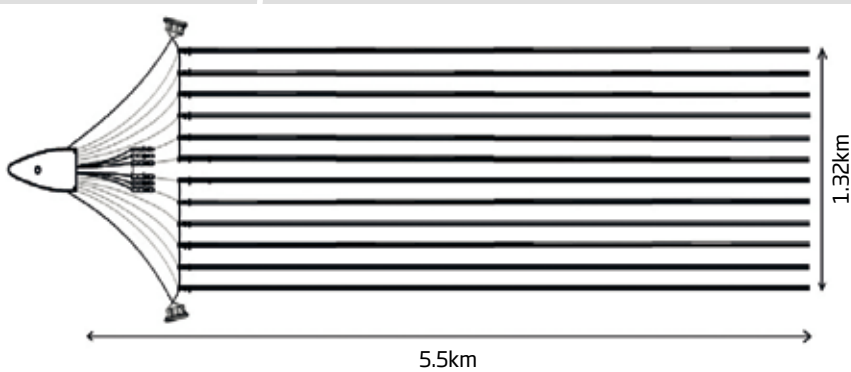


Figure 10. Schematic of hydrophone streamer array on the *MV Ramform Sterling*.

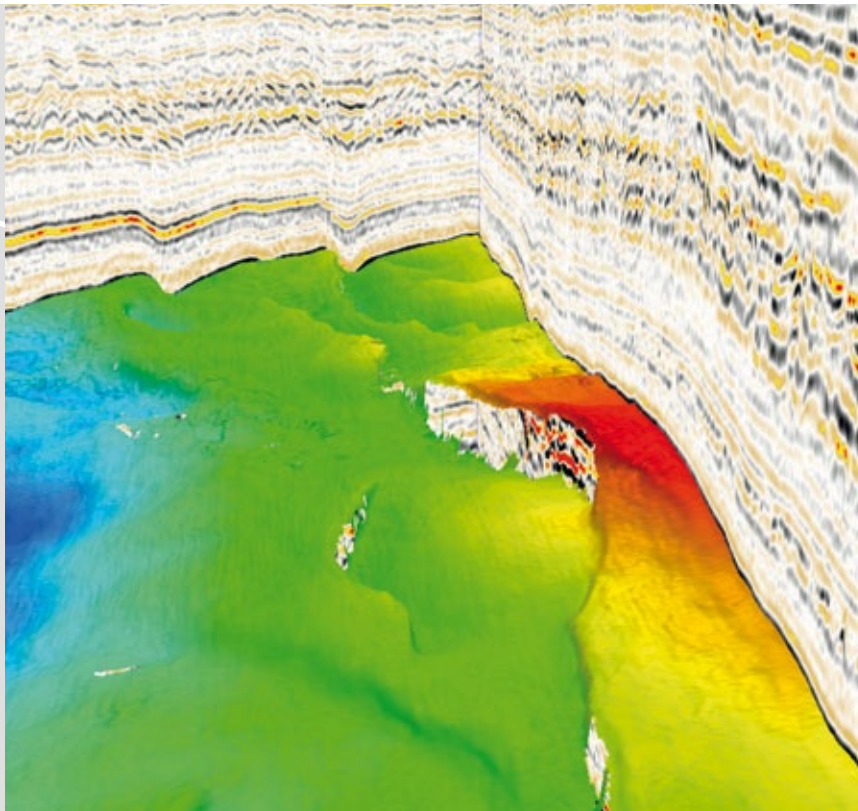


Figure 11. Preliminary three-dimensional perspective image of one of the prospective horizons interpreted in the Dalrymple 3D seismic data (looking north).

3D Oil has also been updating its geological studies over a large part of the Bass Basin during the year. The completion of this work, coupled with the interpretation of the new seismic data, will enable the leads within the Dalrymple survey area (Figure 12) to be upgraded to prospects, the best of which will then be considered for evaluation by exploration drilling.

With regard to drilling, the original T/41P permit work programme required that a decision on whether or not to commit to drill an exploration well be made prior to the middle of 2011. At the end of March 2011, in recognition of the fact that the newly-acquired seismic data would not be available to assist with this decision until much later in the year, the Joint Authority granted a variation to the work programme removing the requirement for an exploration well to be drilled before mid-2012.

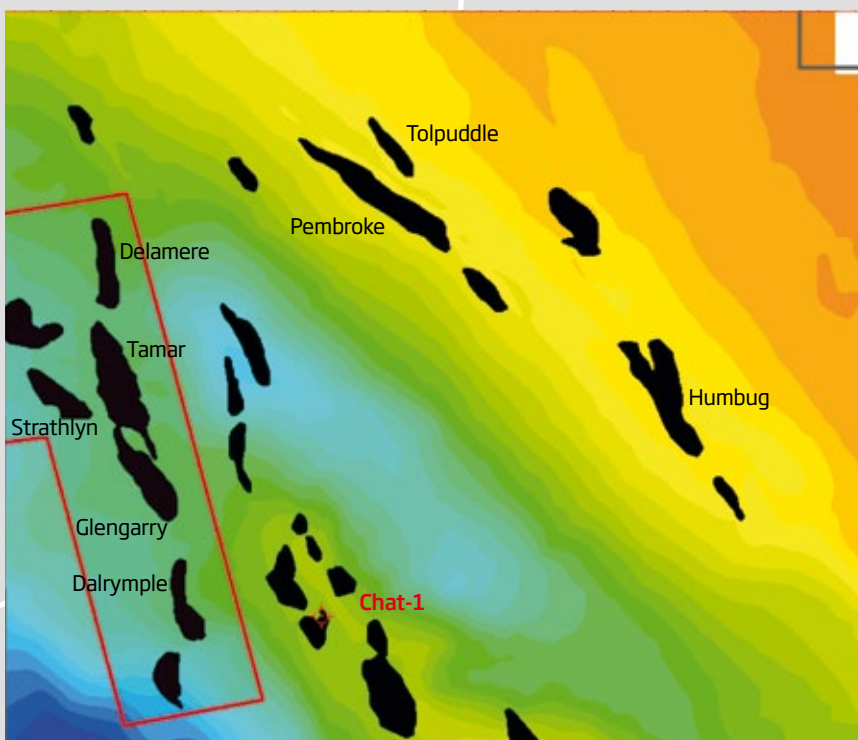


Figure 12. Previously mapped leads in the south-west of T/41P, and the outline of the Dalrymple 3D seismic survey.

Directors' Report

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2011.

Directors

The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Campbell Horsfall

Mr Noel Newell

Ms Melanie Leydin

Ms Philippa Kelly

Mr Keith Edwards
(appointed 30 June 2011)

Principal activities

During the financial year the principal continuing activities of the company consisted of exploration and development of upstream oil and gas assets

Dividends

There were no dividends paid or declared during the current or previous financial year.

Review of operations

The loss for the company after providing for income tax amounted to \$1,003,568 (30 June 2010: \$857,435).

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

Financial Position

The net assets of the Company have decreased by \$956,461 to \$29,094,716 as at 30 June 2011 (2010: \$30,051,177) due to normal operating costs.

The Company's working capital, being current assets less current liabilities, was \$3,645,601 compared with working capital of \$8,348,495 in 2010. The working capital decrease is due to the exploration expenditure and working capital paid during the year.

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

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the company during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the company.

Environmental regulation

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 2011.

Name	Particulars
Mr Campbell Horsfall	Non-Executive Director and Chairman
Qualifications	B.Comm., LL.B (Melb)
Experience and expertise	Campbell Horsfall is a lawyer 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 was General Counsel of Vicpower Trading. (formerly the State Electricity Commission of Victoria) Campbell holds Degrees in Law and Commerce from the University of Melbourne and a Diploma from the Securities Institute and practices as a barrister in Melbourne. Campbell has commercial expertise in fund raisings, mergers and acquisitions as well as the day to day running of a an ASX listed public company. He has been a director of two other public companies and was a non-executive director of Orchard Petroleum Limited. Orchard Petroleum is an oil and gas exploration company based in California USA.
Other current directorships	None
Former directorships (in the last 3 years)	None
Special responsibilities	Member of Audit Committee and Remuneration and Nomination Committee
Relevant interests in shares	38,000 ordinary fully paid shares
Relevant interests in options	None

Name	Particulars
Mr Noel Newell	Executive Director
Qualifications	B App Sc (App Geol)
Experience and expertise	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.
Other current directorships	None
Former directorships (in the last 3 years)	None
Special responsibilities	None
Relevant interests in shares	37,805,150 ordinary fully paid shares
Relevant interests in options	None

Ms Melanie Leydin	Non-executive Director and Company Secretary
Qualifications	B.Bus CA
Experience	Ms Leydin is a Chartered Accountant and is a Registered Company Auditor. She Graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of chartered accounting firm, Leydin Freyer. In the course of her practice she audits listed and unlisted public companies involved in the resources industry. Her practice also involves outsourced company secretarial and accounting services to public companies in the resources sector. This involves preparation of statutory financial statements, annual reports, half year reports, stock exchange announcements and quarterly ASX reporting and other statutory requirements. Ms Leydin has 19 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.
Other current directorships	None
Former directorships (in the last 3 years)	Jervois Mining Limited (resigned 29 December 2008)
Special responsibilities	Chairman of Audit Committee and Member of Remuneration & Nomination Committee
Relevant interests in shares	150,000 ordinary fully paid shares
Relevant interests in options	None

Directors' Report

Continued

Name	Particulars
Ms Philippa Kelly	Non-Executive Director
Qualifications	LLB, FFin, GAICD
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 Finance & Business Affairs, and Campus Planning Committees and Treasurer of the Australian Drug Foundation.
Other current directorships	None
Former directorships (in the last 3 years)	None
Special responsibilities	Member of Audit Committee and Chairperson of Remuneration and Nomination Committee
Relevant interests in shares	145,000 ordinary fully paid shares
Relevant interests in options	None

Mr Keith Edwards	Non-Executive Director (appointed 30 June 2011)
Experience	Mr Edwards, who is Melbourne based, has extensive oil and gas experience. He has had over 28 years in the petroleum industry in company management, business development (both upstream and downstream) and project financing in addition to his foundation technical areas of petroleum engineering, oil and gas field development, engineering, operations, gas marketing, and project evaluation. He has worked with both oil majors (BHP Billiton and Shell International) and also a mid cap, Nexus Energy. His most recent position was as Nexus's General Manager of Business Development and Corporate Planning.
Other current directorships	None
Former directorships (in the last 3 years)	None
Special responsibilities	Member of Audit Committee and Remuneration and Nomination Committee
Relevant interests in shares	240,000 ordinary fully paid shares
Relevant interests in options	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Meetings of directors

The number of meetings of the company's Board of Directors and of each board committee held during the year ended 30 June 2011, and the number of meetings attended by each director were:

<i>Directors</i>	Full Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	<i>Attended</i>	<i>Held</i>	<i>Attended</i>	<i>Held</i>	<i>Attended</i>	<i>Held</i>
Mr C Horsfall	10	10	2	2	1	1
Mr N Newell	10	10	-	-	-	-
Ms M Leydin	10	10	2	2	1	1
Ms P Kelly	10	10	2	2	1	1
Mr K Edwards	-	-	-	-	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Directors' Report

Remuneration Report (Audited)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information

A Principles used to determine the nature and amount of remuneration

The objective of the company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- alignment of executive compensation
- transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity and company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the company.

Alignment to shareholders' interests:

- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

ASX listing rules requires that the aggregate non-executive directors remuneration shall be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 14 December 2006, where the shareholders approved an aggregate remuneration of \$200,000.

Executive remuneration

The company aims to reward executives with a level and mix of remuneration based on their position and responsibility, which are both fixed.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee, based on individual and business unit performance, the overall performance of the company and comparable market remunerations.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the company and adds additional value to the executive.

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.

The long-term incentives ('LTI') includes long service leave and share-based payments. Shares are awarded to executives over a period of four years based on long-term incentive measures. These include increase in shareholders value relative to the entire market and the increase compared to the consolidated entity's direct competitors.

Consolidated entity performance and link to 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.

B Details of remuneration
Amounts of remuneration

Details of the remuneration of the directors, other key management personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the company) and specified executives of the company are set out in the following tables.

2011	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees \$	Bonus \$	Non-monetary \$	Superannuation Contribution \$	Long Service Leave \$	Equity-settled \$	Total \$
Non-Executive Directors							
Mr C Horsfall	100,000	-	-	9,000	-	-	109,000
Ms M Leydin*	105,896	-	-	-	-	-	105,896
Ms P Kelly	43,602	-	-	3,924	-	-	47,526
Executive Directors							
Mr N Newell	321,101	-	-	28,696	6,137	-	355,934
Other Key Management Personnel							
Mr K Lanigan	270,300	-	-	24,287	4,343	-	298,930
	840,899	-	-	65,907	10,480	-	917,286

* This includes fees paid to Leydin Freyer Corporate Pty Ltd in respect of Directors fees, Company Secretarial and Accounting services

** Mr Keith Edward was appointed on 30 June 2011 and accordingly no Directors fees were paid in the 2011 financial year.

Directors' Report

Remuneration Report (Audited)

Continued

2010	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Bonus	Non-monetary	Superannuation Contribution	Long Service Leave	Equity-settled	Total
	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors							
Mr C Horsfall	100,000	-	-	9,000	-	-	109,000
Ms P Kelly *	21,798	-	-	1,962	-	-	23,760
Ms M Leydin **	108,948	-	-	-	-	-	108,948
Executive Directors							
Mr N Newell	294,000	-	-	26,460	-	-	320,460
Other Key Management Personnel							
Mr J Keall ***	100,625	-	-	9,056	12,795	-	122,476
Mr K Lanigan	150,743	-	-	13,308	-	1,222	165,273
	776,114	-	-	59,786	12,795	1,222	849,917

* Appointed 5 January 2010.

** This includes fees paid to Leydin Freyer Corporate Pty Ltd in respect of Directors fees, Company Secretarial and Accounting services

*** Resigned 27 December 2009

C Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Mr N Newell **Managing Director**

Agreement commenced:
1 November 2006

Details:

- 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 amount owing to him up until the Termination date.

Mr C Horsfall **Chairman**

Agreement commenced:
23 January 2009

Details:

- 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.

Ms M Leydin **Non-Executive Director**

Agreement commenced:
23 January 2009

Details:

- 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.

Ms P Kelly **Non-Executive Director**

Agreement commenced:
5 January 2010

Details:

- 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.

Mr K Edwards **Non-Executive Director**

Agreement commenced:
1 July 2011

Details:

- Mr Edwards 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 Edwards 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 Edwards will be entitled to be paid those outstanding amounts owing to him up until the Termination date.

Mr K Lanigan **Exploration Manager**

Term of agreement:
7 December 2009

Details:

- 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.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Directors' Report

Remuneration Report (Audited)

Continued

D Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2011.

Options

There were no options issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2011.

There were no options granted to or exercised by directors and other key management personnel as part of compensation during the year ended 30 June 2011.

E Additional information

The earnings of the company for the five years to 30 June 2011 are summarised below:

	2007	2008	2009	2010	2011
	\$	\$	\$	\$	\$
Revenue	228,396	1,740,306	587,992	414,898	336,290
Net profit/(loss) before tax	(1,471,727)	(19,741,448)	(940,340)	(857,435)	(1,003,568)
Net profit/(loss) after tax	(1,471,727)	(19,741,448)	(940,340)	(857,435)	(1,003,568)

The factors that are considered to affect total shareholders return (TSR) are summarised below:

	2007	2008	2009	2010	2011
Share price at start of year *	-	0.50	0.26	0.11	0.20
Share price at end of year	-	0.26	0.11	0.20	0.14
Basic earnings per share (cents per share)	(1.67)	(10.05)	(0.46)	(0.42)	(0.49)
Diluted earnings per share (cents per share)	(1.67)	(10.05)	(0.46)	(0.42)	(0.49)

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

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of the company under option at the date of this report are as follows:

Grant Date	Expiry date	Exercise Price	Number Under Option
31 March 2008	31 March 2013	\$0.75	400,000
27 August 2009	31 January 2014	\$0.25	189,000
2 June 2010	30 November 2014	\$0.40	615,000
31 January 2011	31 January 2015	\$0.40	200,000
			1,404,000

Shares issued on the exercise of options

There were no shares of the company issued on the exercise of options during the year ended 30 June 2011.

Indemnity and insurance of officers

The company has indemnified the directors of the company for costs incurred, in their capacity as a director, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former audit partners of Grant Thornton Audit Pty Ltd

There are no officers of the company who are former audit partners of Grant Thornton Audit Pty Ltd.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Noel Newell
Managing Director
29 September 2011,
Melbourne.

Independence Declaration



Grant Thornton Audit Pty Ltd
ACN 130 913 594

Level 2
215 Spring Street
Melbourne
Victoria 3000
GPO Box 4984
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 2011, 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.

A handwritten signature in blue ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in blue ink that reads "Simon Trivett".

Simon Trivett
Director - Audit & Assurance

Melbourne, 29 September 2011

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Financial Report

For the Year Ended 30 June 2011

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General information

The financial report covers 3D Oil Limited as an individual entity. The financial report is presented in Australian dollars, which is 3D Oil Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

3D Oil Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is: Level 5, 164 Flinders Lane, Melbourne Victoria 3000

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 29 September 2011. The directors have the power to amend and reissue the financial report.

Statement of Comprehensive Income

For the year ended 30 June 2011

	Note	2011 \$	2010 \$
Revenue	4	336,290	414,898
Other income		(51,650)	11,479
Expenses			
Corporate expenses		(159,663)	(218,930)
Administrative expenses		(66,749)	(71,557)
Employment expenses		(833,850)	(641,904)
Occupancy expenses		(91,436)	(87,169)
Depreciation and amortisation expense	5	(26,746)	(27,971)
Exploration costs written off		(151,426)	(31,938)
Loss on sale of assets		-	(939)
Gain/(loss) on foreign currency translation		88,769	(139,653)
Share based payments		(47,107)	(63,751)
Loss before income tax expense		(1,003,568)	(857,435)
Income tax expense	6	-	-
Loss after income tax expense for the year attributable to the owners of 3D Oil Limited		(1,003,568)	(857,435)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of 3D Oil Limited		(1,003,568)	(857,435)
		Cents	Cents
Basic earnings per share	26	(0.49)	(0.42)
Diluted earnings per share	26	(0.49)	(0.42)

The above statement of comprehensive income should be read in conjunction with the accompanying notes

Statement of Financial Position

For the year ended 30 June 2011

	Note	2011 \$	2010 \$
Assets			
Current assets			
Cash and cash equivalents	7	3,857,995	8,378,658
Trade and other receivables	8	34,962	114,386
Other	9	34,848	56,802
Total current assets		3,927,805	8,549,846
Non-current assets			
Property, plant and equipment	10	18,914	14,215
Intangibles	11	54,018	38,230
Exploration and evaluation	12	25,921,401	22,177,579
Total non-current assets		25,994,333	22,230,024
Total Assets		29,922,138	30,779,870
Liabilities			
Current liabilities			
Trade and other payables	13	217,250	147,874
Provisions	14	64,954	53,477
Total current liabilities		282,204	201,351
Non-current liabilities			
Provisions	15	545,218	527,342
Total non-current liabilities		545,218	527,342
Total liabilities		827,422	728,693
Net assets		29,094,716	30,051,177
Equity			
Contributed equity	16	50,620,867	50,620,867
Reserves	17	185,283	2,023,826
Accumulated losses		(21,711,434)	(22,593,516)
Total Equity		29,094,716	30,051,177

The above statement of financial position should be read in conjunction with the accompanying notes

Statement of Changes in Equity

For the year ended 30 June 2011

	Contributed equity \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2009	50,620,867	1,960,075	(21,736,081)	30,844,861
Other comprehensive income for the year, net of tax	-	-	-	-
Loss after income tax expense for the year	-	-	(857,435)	(857,435)
Total comprehensive income for the year	-	-	(857,435)	(857,435)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	63,751	-	63,751
Balance at 30 June 2010	50,620,867	2,023,826	(22,593,516)	30,051,177
Balance at 1 July 2010	50,620,867	2,023,826	(22,593,516)	30,051,177
Other comprehensive income for the year, net of tax	-	-	-	-
Loss after income tax expense for the year	-	-	(1,003,568)	(1,003,568)
Total comprehensive income for the year	-	-	(1,003,568)	(1,003,568)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	47,107	-	47,107
Expiry of Options	-	(1,885,650)	1,885,650	-
Balance at 30 June 2011	50,620,867	185,283	(21,711,434)	29,094,716

The above statement of changes in equity should be read in conjunction with the accompanying notes

Statement of Cash Flows

For the year ended 30 June 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		13,012	13,666
Payments to suppliers and employees (inclusive of GST)		(1,065,022)	(1,857,752)
Interest received		415,999	383,627
Net cash used in operating activities	25	(636,011)	(1,460,459)
Cash flows from investing activities			
Payments for property, plant and equipment		(11,864)	(5,178)
Payments for intangibles		(35,370)	(25,100)
Payments for exploration and evaluation		(3,874,531)	(703,409)
Proceeds from sale of property, plant and equipment		-	200
Proceeds from foreign exchange investment		37,113	(128,175)
Proceeds from deposits refunded for exploration and development		-	2,231,556
Net cash from/(used in) investing activities		(3,884,652)	1,369,894
Cash flows from financing activities			
Net cash from financing activities		-	-
Net decrease in cash and cash equivalents		(4,520,663)	(90,565)
Cash and cash equivalents at the beginning of the financial year		8,378,658	8,469,223
Cash and cash equivalents at the end of the financial year	7	3,857,995	8,378,658

The above statement of cash flows should be read in conjunction with the accompanying notes

Notes to the Financial Statements

For the year ended 30 June 2011

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Going Concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. At 30 June 2011 the Company has cash and cash equivalents of \$3.8 million and a net decrease of cash during the financial year of \$4.5 million. This cash decrease was predominately due to the spend on exploration expenditure on VICP/57 and T41/P as detailed in the Review of Financial Position in the Director's Report.

The Company also has exploration commitments as detailed in Note 23 of \$37.7 million over the next 6 years. In order for the Company to meet these commitments the Company will need to secure funding by means of a capital raising, debt financing, sale of assets, farm out or a combination of these. The Directors continue to monitor the ongoing funding requirements of the Company. The Directors are of the opinion that the financial report has been appropriately prepared on a going concern basis.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and under and over provision in prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Note 1. Significant accounting policies (continued)

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment: 3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangibles are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

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.

Notes to the Financial Statements

For the year ended 30 June 2011

Continued

Note 1. Significant accounting policies (continued)

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.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Provisions

Provisions are recognised when the company has a present (legal or constructive) obligation as a result of a past event, it is probable 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 reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the company receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability

Equity-settled awards by the parent to employees of subsidiaries are recognised in the parent's individual financial statements as an increase in investment in the subsidiary with a corresponding credit to equity and not as a charge to profit or loss. The investment in subsidiary is reduced by any contribution by the subsidiary.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the company or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the company or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of 3D Oil Limited, 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 elements in ordinary shares issued during the financial 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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2011. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Notes to the Financial Statements

For the year ended 30 June 2011

Continued

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and definite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Long service leave provision

As discussed in note 1, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 3. Operating segments

The Company 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.

Note 4. Revenue

	2011 \$	2010 \$
<i>Other revenue</i>		
Interest	323,180	401,232
Rent	13,110	13,666
Revenue	336,290	414,898

Note 5. Expenses

	2011 \$	2010 \$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	(6,549)	(12,085)
<i>Amortisation</i>		
Software	(20,197)	(15,886)
Total depreciation and amortisation	(26,746)	(27,971)
Post employment benefit plans - Superannuation contributions	(102,371)	(80,335)
Equity settled share based payments	(47,107)	(63,751)
Employment entitlements	(29,353)	(27,607)
	(178,831)	(171,693)
<i>Foreign Currency</i>		
Realised gain/loss on foreign currency translation	88,769	(139,653)
Unrealised gain on foreign currency translation	(51,650)	11,479
	37,119	(128,174)
<i>Operating lease payments</i>		
Office lease	(86,843)	(83,260)

Note 6. Income tax expense

	2011 \$	2010 \$
<i>Numerical reconciliation of income tax expense to prima facie tax payable</i>		
Loss before income tax expense	(1,003,568)	(857,435)
Tax at the Australian tax rate of 30%	(301,070)	(257,231)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
- Share-based payments	14,132	19,125
- Other Permanent Differences	1,377	1,203
	(285,561)	(236,903)
Capitalised deductible exploration expenditure	(1,120,371)	(338,445)
Realised foreign exchange gain	-	(3,444)
Deductible share issue costs	(186,299)	(186,299)
Other timing differences	44,953	(44,228)
Unrealised foreign exchange loss	15,495	-
Income tax losses not taken up as benefit	1,531,783	809,319
Income tax expense	-	-

Notes to the Financial Statements

For the year ended 30 June 2011

Continued

Note 6. Income tax expense (continued)

Petroleum Resource Rent tax

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 \$63,551,000 (2010: \$52,298,000) as at 30 June 2011. At 1 July 2011 this estimated amount is \$76,411,000 (2010: \$62,603,000) as compounding occurs annually on 1 July.

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.

	2011 \$	2010 \$
<i>Deferred tax assets not recognised</i>		
Deferred tax assets not recognised comprises temporary differences attributable to:		
- Tax Losses	14,801,545	13,269,790
- Temporary Differences	(7,138,504)	(6,824,593)
Total deferred tax assets not recognised	7,663,041	6,445,197

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

Note 7. Current assets - cash and cash equivalents

	2011 \$	2010 \$
Cash at bank	357,431	2,169,962
Cash on deposit	3,500,564	6,208,696
	3,857,995	8,378,658

Note 8. Current assets - trade and other receivables

	2011 \$	2010 \$
Interest receivable	3,673	96,492
GST receivable	31,289	17,894
	34,962	114,386

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.

Note 9. Current assets - other

	2011 \$	2010 \$
Prepayments	34,848	36,089
Deposits paid for exploration expenditure	-	20,713
	34,848	56,802

Note 10. Non-current assets - property, plant and equipment

	2011 \$	2010 \$
Plant and equipment - at cost	79,420	67,556
Less: Accumulated depreciation	(60,506)	(53,341)
	18,914	14,215

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Plant & Equipment \$	Total \$
Balance at 1 July 2009	22,261	22,261
Additions	5,178	5,178
Disposals	(1,139)	(1,139)
Depreciation expense	(12,085)	(12,085)
Balance at 30 June 2010	14,215	14,215
Additions	11,864	11,864
Depreciation expense	(7,165)	(7,165)
Balance at 30 June 2011	18,914	18,914

Notes to the Financial Statements

For the year ended 30 June 2011

Continued

Note 11. Non-current assets - intangibles

	2011 \$	2010 \$
Software - at cost	121,030	85,660
Less: Accumulated amortisation	(67,012)	(47,430)
	54,018	38,230

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Software \$	Total \$
Balance at 1 July 2009	29,016	29,016
Additions	25,100	25,100
Amortisation expense	(15,886)	(15,886)
Balance at 30 June 2010	38,230	38,230
Additions	35,370	35,370
Amortisation expense	(19,582)	(19,582)
Balance at 30 June 2011	54,018	54,018

Note 12. Non-current assets - exploration and evaluation

	2011 \$	2010 \$
Exploration and evaluation expenditure	25,921,401	22,177,579

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Exploration & Development	
	Expenditure \$	Total \$
Balance at 1 July 2009	21,506,108	21,506,108
Expenditure during the year	703,409	703,409
Write off of assets	(31,938)	(31,938)
Balance at 30 June 2010	22,177,579	22,177,579
Additions	3,895,248	3,895,248
Write off of assets	(151,426)	(151,426)
Balance at 30 June 2011	25,921,401	25,921,401

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.

Note 13. Current liabilities - trade and other payables

	2011 \$	2010 \$
Trade payables	157,308	75,403
Amounts payable to: Key Management Personnel	-	9,496
Sundry payables and accrued expenses	59,942	62,975
	217,250	147,874

Refer to note 19 for detailed information on financial instruments.

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.

Note 14. Current liabilities - provisions

	2011 \$	2010 \$
Employee benefits	64,954	53,477

Note 15. Non-current liabilities - provisions

	2011 \$	2010 \$
Employee benefits	45,218	27,342
Provision for well abandonment	500,000	500,000
	545,218	527,342

The provision for well abandonment represents the present value of 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.

Note 16. Equity - contributed

	2011 Shares	2010 Shares	2011 \$	2010 \$
Ordinary shares - fully paid	206,506,000	206,560,000	50,620,867	50,620,867

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management

The company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The company would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The company is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The company is subject to certain financing arrangements covenants and meeting these are given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2010 Annual Report.

Options

For further information in relation to unissued ordinary shares of 3D Oil Limited under option, refer to the Directors' report and Note 27.

Notes to the Financial Statements

For the year ended 30 June 2011

Continued

Note 17. Equity - reserves

	2011 \$	2010 \$
Options reserve	185,283	2,023,826
	Share based Payment \$	Total \$
Balance at 1 July 2009	1,960,075	1,960,075
Share based payments	63,751	63,751
Balance at 30 June 2010	2,023,826	2,023,826
Share based payments	47,107	47,107
Expiry of options	(1,885,650)	(1,885,650)
Balance at 30 June 2011	185,283	185,283

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

During the current year the following options were issued:

- 200,000 options to a consultant valued at \$0.08 per option.

Details of the option valuation are included in Note 27.

Note 18. Equity - dividends

There were no dividends paid or declared during the current or previous financial year.

Note 19. Financial instruments

Financial risk management objectives

The company's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by the Board. The policies employed to mitigate risk include identification and analysis of the risk exposure of the company and appropriate procedures, controls and risk limits. The Board identifies risk and evaluates the effectiveness of its responses.

Market risk

Foreign currency 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).

Price risk

Commodity price risk - Although the entity is not in production, the primary risk to the entity is the movement in the price of Tapis oil, as measured in Australian dollars per barrel. The entity has a certified oil resource of 9.2 million barrels. The carrying value of the entity's capitalised project costs and the economic viability of future developments are subject to the risk of movements in the Tapis oil price per barrel, and the effect that such movements may have on the economics of developing the resource and the resulting financial returns to be derived in future years.

Interest rate risk

The company's only exposure to interest rate risk is in relation to deposits held. Deposits are held with reputable banking financial institutions.

Note 19. Financial instruments (continued)

As at the reporting date, the company had the following variable rate borrowings and interest rate swap contracts outstanding:

	2011		2010	
	interest rate	Weighted average Balance	Weighted average interest rate	Balance
	%	\$	%	\$
Cash on hand	4.75	357,431	3.66	2,169,962
Cash on deposit	4.75	3,500,564	3.66	6,208,696
Net exposure to cash flow interest rate risk		3,857,995		8,378,658

An increase/decrease in interest rates of 30% or 1.43 percentage points would have a favourable/adverse affect on profit before tax of \$55,170 per annum. The percentage change is based on the expected volatility of interest rates using market data and analysis forecasts.

Credit risk

Credit risk is managed on a company basis. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company has minimal exposure to credit risk as its only receivables relate to security deposits, interest receivable, and GST refunds due.

Liquidity risk

Vigilant liquidity risk management requires the company to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The company manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The company's working capital, being current assets less current liabilities was \$3,645,601 at 30 June 2011. During the period the company had negative net cash flows of \$4,520,663. Based on this the directors are satisfied that the company will have sufficient funds to pay its debts as and when they fall due.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Notes to the Financial Statements

For the year ended 30 June 2011

Continued

Note 20. Key management personnel disclosures

Directors

The following persons were directors of 3D Oil Limited during the financial year:

Mr Campbell Horsfall (Chairman and Non-Executive Director)

Mr Noel Newell (Managing Director)

Ms Melanie Leydin (Non-Executive Director, Company Secretary, and Chief Financial Officer)

Ms Philippa Kelly (Non-Executive Director)

Mr Keith Edwards (Non-Executive Director)

Compensation

The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	2011 \$	2010 \$
Short-term employee benefits	840,899	776,114
Post-employment benefits	65,907	59,786
Long-term benefits	10,480	-
Termination benefits	-	12,795
Share-based payments	-	1,222
	917,286	849,917

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the company, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
2011					
Ordinary shares					
Mr C Horsfall	38,000	-	-	-	38,000
Mr N Newell	37,700,150	-	105,000	-	37,805,150
Ms M Leydin	150,000	-	-	-	150,000
Ms P Kelly	145,000	-	-	-	145,000
Mr K Edwards*	-	-	240,000	-	240,000
	38,033,150	-	345,000	-	38,378,150

*Mr K Edwards was appointed as a Non-Executive Director on 30 June 2011.

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
2010					
Ordinary shares					
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 *	-	-	145,000	-	145,000
	37,611,450	-	421,700	-	38,033,150

*Ms P Kelly was appointed as a Non-Executive Director on 5 January 2010.

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the company, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired Forfeited/ other	Balance at the end of the year
2011					
Options over ordinary shares					
Mr C Horsfall*	500,000	-	-	(500,000)	-
Mr N Newell*	4,000,000	-	-	(4,000,000)	-
Mr K Lanigan	265,000	-	-	(265,000)	-
	4,765,000	-	-	(4,765,000)	-

*These options expired on 31 January 2011.

	Balance at the start of the year	Granted	Exercised	Expired Forfeited/ other	Balance at the end of the year
2010					
Options over ordinary shares					
Mr C Horsfall	500,000	-	-	-	500,000
Mr N Newell	4,000,000	-	-	-	4,000,000
Mr J Keall **	1,500,000	-	-	(1,500,000)	-
Mr K Lanigan ***	-	265,000	-	-	265,000
	6,000,000	265,000	-	(1,500,000)	4,765,000

* Appointed 5 January 2010

** Resigned 27 November 2009

*** Appointed 7 December 2009

Note 21. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the company, and its related practices:

	2011 \$	2010 \$
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial report	33,500	33,000

Note 22. Contingent liabilities

There were no contingent liabilities in existence at 30 June 2011.

Notes to the Financial Statements

For the year ended 30 June 2011

Continued

Note 23. Commitments for expenditure

	2011 \$	2010 \$
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	90,316	86,743
One to five years	46,044	136,360
	136,360	223,103
Exploration Licenses - Commitments for Expenditure		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	700,000	4,500,000
One to five years	37,000,000	15,000,000
	37,700,000	19,500,000

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.

In August 2011 renewal of VIC/P57 was granted which includes minimum guaranteed work requirements for the first 3 years which also includes an exploration well in Year 3. The secondary work plan is on a year by year basis and also includes one exploration well in Year 5.

The T41/P conditions were varied in March 2011 to a \$409,000 commitment for the 2012 year.

Note 24. Events occurring after the reporting date

No matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Note 25. Reconciliation of loss after income tax to net cash used in operating activities

	2011 \$	2010 \$
Loss after income tax expense for the year	(1,003,568)	(857,435)
Adjustments for:		
Depreciation and amortisation	26,746	27,971
Share-based payments	47,107	63,751
Exploration costs written off	151,426	31,936
Realised (gain)/loss on foreign currency translation	(37,113)	139,653
Unrealised gain on foreign currency translation	-	(11,479)
Loss on sale of plant and equipment	-	939
Annual and long service leave provisions	29,353	27,607
Change in operating assets and liabilities:		
Decrease in trade and other receivables	79,421	131,378
(Increase)/decrease in prepayments	1,241	(2,912)
Increase/(decrease) in trade and other payables	69,376	(1,011,868)
Net cash used in operating activities	(636,011)	(1,460,459)

Note 26. per share

	2011 \$	2010 \$
Loss after income tax attributable to the owners of 3D Oil Limited	(1,003,568)	(857,435)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	206,560,000	206,560,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	206,560,000	206,560,000
	Cents	Cents
Basic earnings per share	(0.49)	(0.42)
Diluted earnings per share	(0.49)	(0.42)

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 Company has generated a loss for the financial year.

Note 27. Share-based payments

Set out below are summaries of options movements during the financial year:

2011

Granted date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
14/12/2006	31/01/2011	\$0.60	4,000,000	-	-	(4,000,000)	-
14/12/2006	31/01/2011	\$0.50	5,500,000	-	-	(5,500,000)	-
14/12/2006	31/01/2011	\$0.50	100,000	-	-	(100,000)	-
14/12/2006	31/01/2011	\$0.50	1,500,000	-	-	(1,500,000)	-
31/03/2008	31/03/2013	\$0.75	400,000	-	-	-	400,000
27/08/2009	30/06/2014	\$0.25	125,000	-	-	-	125,000
27/08/2009	30/06/2014	\$0.25	64,000	-	-	-	64,000
02/06/2010	30/11/2014	\$0.40	-	265,000	-	-	265,000
02/06/2010	30/11/2014	\$0.40	-	150,000	-	-	150,000
02/06/2010	30/11/2014	\$0.40	-	200,000	-	-	200,000
24/01/2011	31/01/2015	\$0.40	-	200,000	-	-	200,000
			11,689,000	815,000	-	(11,100,000)	1,404,000

2010

Granted date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
14/12/2006	31/01/2011	\$0.60	4,000,000	-	-	-	4,000,000
14/12/2006	31/01/2011	\$0.50	5,500,000	-	-	-	5,500,000
14/12/2006	31/01/2011	\$0.50	100,000	-	-	-	100,000
14/12/2006	31/01/2011	\$0.50	1,500,000	-	-	-	1,500,000
31/03/2008	31/03/2013	\$0.75	400,000	-	-	-	400,000
27/08/2009	30/06/2014	\$0.25	125,000	-	-	-	125,000
27/08/2009	30/06/2014	\$0.25	64,000	-	-	-	64,000
			11,689,000	-	-	-	11,689,000

Notes to the Financial Statements

For the year ended 30 June 2011

Continued

Note 27. Share-based payments (continued)

For the options on issue during the previous and current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
14/12/2006	31/01/2011*		\$0.60	83.00%	0.00%	5.93%	\$0.213
14/12/2006	31/01/2011*		\$0.50	83.00%	0.00%	5.93%	\$0.173
14/12/2006	31/01/2011*		\$0.50	83.00%	0.00%	5.93%	\$0.185
14/12/2006	31/01/2011*		\$0.50	83.00%	0.00%	3.56%	\$0.156
31/03/2008	31/03/2013	\$0.59	\$0.75	83.00%	0.00%	6.09%	\$0.030
27/08/2009	30/06/2014	\$0.19	\$0.25	80.00%	0.00%	4.97%	\$0.049
27/08/2009	30/06/2014	\$0.19	\$0.25	80.00%	0.00%	4.97%	\$0.440
02/06/2010	30/11/2014	\$0.19	\$0.40	80.00%	0.00%	4.97%	\$0.083
02/06/2010	30/11/2014	\$0.19	\$0.40	80.00%	0.00%	4.97%	\$0.076
02/06/2010	30/11/2014	\$0.19	\$0.40	80.00%	0.00%	5.16%	\$0.083
24/01/2011	31/01/2015	\$0.25	\$0.40	80.00%	0.00%	5.16%	\$0.931

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

Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors



Noel Newell
Managing Director
29 September 2011,
Melbourne



Grant Thornton Audit Pty Ltd
ACN 130 913 594

Level 2
215 Spring Street
Melbourne
Victoria 3000
GPO Box 4984
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 "Entity"), which comprises the statement of financial position as at 30 June 2011, 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 of the company.

Directors responsibility for the financial report

The Directors of the Entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards 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

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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 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.

Electronic presentation of audited financial report

This auditor's report relates to the financial report of 3D Oil Limited for the year ended 30 June 2011 included on 3D Oil Limited's web site. The Entity's Directors are responsible for the integrity of 3D Oil Limited's web site. We have not been engaged to report on the integrity of 3D Oil Limited's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

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 Entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards 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 18 to 25 of the directors' report for the year ended 30 June 2011. The Directors of the Entity 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 2011, complies with section 300A of the Corporations Act 2001.

A handwritten signature in blue ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in blue ink that reads "Simon Trivett".

Simon Trivett
Director - Audit & Assurance

Melbourne, 29 September 2011

Corporate Governance Statement

The Board of Directors ('the Board') of 3D Oil Limited (the 'company') is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of the company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the company's compliance with the ASX Corporate Governance Council's Revised Principles and Recommendations.

Principles and Recommendations	Compliance	Comply
Principle 1 - Lay solid foundations for management and oversight		
1.1 Establish the functions reserved to the Board and those delegated to manage and disclose those functions.	The Board is responsible for the overall corporate governance of the company. The Board has adopted a Board charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to management. The Board has adopted a Delegations of Authority that sets limits of authority for senior executives. On appointment of a director, the company issues a letter of appointment setting out the terms and conditions of appointment to the Board.	Complies.
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 performance of the Company as a whole.	Complies.
1.3 Provide the information indicated in <i>Guide to reporting on Principle 1</i> .	A Board charter has been disclosed on the company's website and is summarised in this Corporate Governance Statement.	Complies.
	A performance evaluation process is included in the Board Charter, which has been disclosed on the company's website and is summarised in this Corporate Governance Statement.	Complies.
	The Board will conduct a performance evaluation for senior executives at June 2012 in accordance with the process above.	Complies.
Principle 2 - Structure the Board to add value		
2.1 A majority of the Board should be independent directors.	The majority of the Board's directors are independent directors of the company. Mr Campbell Horsfall is an independent Non-Executive Director and Chairman. Mr Keith Edwards is an independent Non-Executive Director. Ms Melanie Leydin is Non-Executive Director. Ms Philippa Kelly is an independent Non-Executive Director. Mr Noel Newell is an Executive Director.	Complies.
2.2 The chair should be an independent director.	Mr Campbell Horsfall is the Chairman and is an independent Non-Executive Director.	Complies.
2.3 The roles of chair and chief executive officer should not be exercised by the same individual.	Mr Campbell Horsfall is the Chairman and Mr Noel Newell the Executive Director.	Complies.

Corporate Governance Statement

Continued

Principles and Recommendations	Compliance	Comply
2.4 The Board should establish a nomination committee.	The company has established a Nomination and Remuneration Committee. The Board has undertaken a review of the mix of skills and experience on the Board in light of the company's principal activities and direction, and has considered diversity in succession planning. The Board considers the current mix of skills and experience of members of the Board and its senior management is sufficient to meet the requirements of the company. The Board supports the nomination and re-election of the directors at the company's forthcoming Annual General Meeting.	Complies
2.5 Disclose the process for evaluating the performance of the Board, its committees and individual directors.	The company conducts the process for evaluating the performance of the Board, its committees and individual directors as outlined in the Board Charter which is available on the company's website. The Board's induction program provides incoming directors with information that will enable them to carry out their duties in the best interests of the company. This includes supporting ongoing education of directors for the benefit of the company.	Complies.
2.6 Provide the information indicated in the <i>Guide to reporting on Principle 2</i> .	This information has been disclosed (where applicable) in the directors' report attached to this Corporate Governance Statement. Mr Campbell Horsfall, Mr Keith Edwards and Ms Philippa Kelly are independent directors of the company. A director is considered independent when he substantially satisfies the test for independence as set out in the ASX Corporate Governance Recommendations. Members of the Board are able to take independent professional advice at the expense of the company. Mr Campbell Horsfall, Non-Executive Chairman, was appointed to the Board in January 2009. Mr Noel Newell, Executive Director and Chief Executive Officer, was appointed to the Board at incorporation of the Company. Mr Keith Edwards, Non-Executive Director, was appointed to the Board in June 2011. Ms Philippa Kelly, Non-Executive Director, was appointed to the Board in January 2010. Ms Melanie Leydin, Non-Executive Director, was appointed to the Board in January 2009. The Board has undertaken a review of the mix of skills and experience on the Board in light of the company's principal activities and direction, and has considered diversity in succession planning. The Board considers the current mix of skills and experience of members of the Board and its senior management is sufficient to meet the requirements of the company. In accordance with the information suggested in <i>Guide to Reporting on Principle 2</i>, the company has disclosed full details of its directors in the director's report attached to this Corporate Governance Statement. Other disclosure material on the Structure of the Board has been made available on the company's website.	Complies. Complies

Principles and Recommendations	Compliance	Comply
Principle 3 – Promote ethical and responsible decision making		
3.1 Establish a code of conduct and disclose the code or a summary of the code.	The Board has adopted a code of conduct. The code establishes a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct. The code is available on the company's website. The Board has undertaken a review of the mix of skills and experience on the Board in light of the company's principal activities and direction.	Complies.
3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	The Board will prepare a Diversity Policy that considers the benefits of diversity, ways to promote a culture of diversity, factors to be taken into account in the selection process of candidates for Board and senior management positions in the company, education programs to develop skills and experience in preparation for Board and senior management positions, processes to include review and appointment of directors, and identify key measurable diversity performance objectives for the Board, CEO and senior management.	Does not comply however the Board has committed the company to review and prepare a Diversity Policy that considers all aspects of diversity in accordance with corporate governance guidelines.
3.3 Provide the information indicated in <i>Guide to reporting on Principle 3</i> .	On completion and acceptance of a Diversity Policy, the company will report in each annual report the measurable objectives for achieving gender diversity set by the Board. The company will include in the directors' report the proportion of women employees and their positions held within the company.	Does not comply however the Board has committed the company to review and prepare a Diversity Policy that considers all aspects of diversity in accordance with corporate governance guidelines. Does not comply.
Principle 4 – Safeguard integrity in financial reporting		
4.1 The Board should establish an audit committee.	The Board has established an audit and risk committee which operates under an audit and risk committee charter to focus on issues relevant to the integrity of the company's financial reporting.	Complies.
4.2 The audit committee should be structured so that it consists of only non-executive directors, a majority of independent directors, is chaired by an independent chair who is not chair of the Board and have at least 3 members.	Members of the audit and risk committee are Ms Melanie Leydin (Chair), Ms Philippa Kelly, Mr Keith Edwards and Mr Campbell Horsfall. Ms Melanie Leydin is a Non-Executive Director and is not chair of the Board. The committee consists of four non-executive directors.	Complies
4.3 The audit committee should have a formal charter.	The Board has adopted an audit and risk charter. This charter is available on the company's website.	Complies.

Corporate Governance Statement

Continued

Principles and Recommendations	Compliance	Comply
4.4 Provide the information indicated in <i>Guide to reporting on Principle 4</i> .	In accordance with the information suggested in <i>Guide to Reporting on Principle 2</i>, this has been disclosed in the directors' report attached to this Corporate Governance Statement and is summarised in this Corporate Governance Statement. The members of the audit and risk committee are appointed by the Board and recommendations from the committee are presented to the Board for further discussion and resolution. The audit and risk committee held two meetings during the period to the date of the directors' report and will meet at least twice per annum. The audit and risk charter, and information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners (which is determined by the audit committee), is available on the company's website.	Complies.
Principle 5 - Make timely and balanced disclosure		
5.1 Establish written policies designed to ensure compliance with ASX Listing Rules 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 continuous disclosure policy, to ensure that it complies with the continuous disclosure regime under the ASX Listing Rules and the Corporations Act 2001. This policy is available on the company's website.	Complies.
5.2 Provide the information indicated in the <i>Guide to reporting on Principle 5</i> .	The company's continuous disclosure policy is available on the company's website.	Complies.
Principle 6 - Respect the rights of shareholders		
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. The company uses its website (www.3doil.com.au), annual report, market announcements, media disclosures and webcasting to communicate with its shareholders, as well as encourages participation at general meetings. This policy is available on the company's website.	Complies.
6.2 Provide the information indicated in the <i>Guide to reporting on Principle 6</i> .	The company's shareholder communications policy is available on the company's website.	Complies.
Principle 7 - Recognise and manage risk		
7.1 Establish policies for the oversight and management of material business risks and disclose a summary of these policies.	The company has adopted a risk management statement within the audit and risk committee charter. The audit and risk committee is responsible for managing risk; however, ultimate responsibility for risk oversight and risk management rests with the Board. The audit and risk charter is available on the company's website and is summarised in this Corporate Governance Statement.	Complies.

Principles and Recommendations	Compliance	Comply
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 control systems designed and implemented by the Directors and the Financial Officer are adequate given the size and nature of the Company's activities. The Board informally reviews and requests management 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.
7.3 The Board should disclose whether it has received assurance from the chief executive officer and chief financial officer 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 efficiently and effectively in all material respects in relation to the financial reporting risks.	The Board has received a statement from the chief executive officer and chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	Complies.
7.4 Provide the information indicated in <i>Guide to reporting on Principle 7</i> .	The Board has adopted an audit and risk charter which includes a statement of the company's risk policies. This charter is available on the company's website and is summarised in this Corporate Governance Statement. The company has identified key risks within the business and has received a statement of assurance from the chief executive officer and chief financial officer.	Complies.

Corporate Governance Statement

Continued

Principles and Recommendations	Compliance	Comply
Principle 8 – Remunerate fairly and responsibly		
8.1 The Board should establish a remuneration committee.	The Board has established a Nomination and Remuneration Committee and has adopted a remuneration charter. The remuneration committee: • consists of a majority of independent directors Mr Campbell Horsfall, Mr Keith Edwards, Ms Melanie Leydin and Ms Philippa Kelly; • is chaired by Ms Philippa Kelly an independent director; and • has four members.	Complies.
8.2 Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The company complies with the guidelines for executive remuneration packages and non-executive director remuneration. No senior executive is involved directly in deciding their own remuneration.	Complies.
8.3 Provide the information indicated in the <i>Guide to reporting on Principle 8</i> .	The Board has adopted a Nomination and Remuneration Committee charter. The company does not have any schemes for retirement benefits other than superannuation for non-executive directors.	Complies.

3D Oil Limited's corporate governance practices were in place for the financial year ended 30 June 2011 and to the date of signing the directors' report.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by 3D Oil Limited, refer to our website: www.3doil.com.au

Shareholder Information

The shareholder information set out below was applicable as at 31 August 2011.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	32
1,001 to 5,000	166
5,001 to 10,000	164
10,001 to 100,000	456
100,001 and over	163
	981
Holding less than a marketable parcel	125

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
Noel Newell <Newell Family A/C>	36,661,450	17.75
Bond Street Custodians Limited <Officium Emerging Res A/C>	17,187,307	8.32
GKI Resourt Pty Limited <GKI Resort A/C>	13,860,000	6.71
H Louey Pang & Co Pty Ltd <DemariaFamily A/C>	11,600,000	5.62
Pand Jr Pty Ltd <John Demaria Family A/C>	6,865,201	3.32
Fugro Multi Client Services Pty Ltd	6,475,000	3.14
Bill Hopper	6,475,000	3.14
J K Demaria Pty Ltd	4,115,532	1.99
National Nominees Limited	3,520,000	1.70
DMG & Partners Securities Pte Ltd <Clients A/C>	3,298,943	1.60
Andrew Paterson	3,237,500	1.57
Pengold Pty Ltd	3,237,500	1.57
Vin Naidu + Wendy Naidu	3,037,500	1.47
Noel Mainwerring	2,950,000	1.43
Mr Russel Barwick	2,500,000	1.21
Eilie Sunshine Pty Ltd <Eilie Sunshine Superfund A/C>	2,500,000	1.21
Phillip Securities Pte Ltd <Client Account>	2,402,000	1.16
Vobe Resources Pty Ltd <Superannuation Fund A/C>	2,300,000	1.11
Mr Joseph Hannah	1,993,200	0.97
Nefco Nominees Pty Ltd	1,824,571	0.88
	136,040,704	65.87

Shareholder Information

Continued

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	1,404,000	7

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Noel Newell <Newell Family A/C>	36,661,450	17.75
Bond Street Custodians Limited <Officicum Emerging Res A/C>	17,187,307	8.32
GKI Resourt Pty Limited <GKI Resort A/C>	13,860,000	6.71
H Louey Pang & Co Pty Ltd <DemariaFamily A/C>	11,600,000	5.62

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.



3D Oil Limited

