



3D Oil Limited

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Letter from the Chairman and Managing Director

20 April 2009

Dear 3D Oil Shareholder,

DON'T BE MISLED BY DRILLSEARCH

As you would be aware Drillsearch Energy Limited (*Drillsearch*) has made a hostile and conditional offer to acquire all of your shares in 3D Oil Limited (*3D Oil*).

3D Oil notes that Drillsearch has recently made a number of statements, in particular in its letter to 3D Oil shareholders dated 9 April 2009. 3D Oil finds many of these statements objectionable and wishes to clarify the position to ensure that shareholders are not confused or misled. You should refer to the attachment to this letter (Appendix 1) which outlines 3D Oil's position in regard to the statements made by Drillsearch.

A detailed response to Drillsearch's offer was provided by 3D Oil in its Target's Statement dated 27 March 2009, which we encourage you to read. 3D Oil also wishes to draw attention to the following concerns with Drillsearch's takeover attempt:

- To date, Drillsearch has received less than 1% in acceptances since the takeover offer was announced three months ago. This demonstrates that the Drillsearch offer has no traction and continues to represent an unattractive and ill-conceived approach.
- 3D Oil's share price has consistently traded above the implied offer price, highlighting the unattractiveness of the offer.
- 3D Oil remains best placed to deliver incremental value for shareholders from its prospective West Seahorse oil field and various other 100% owned exploration prospects and leads.
- Drillsearch has a very limited knowledge of what is best for West Seahorse. Drillsearch's plan for the use of a floating storage and offloading vessel with respect to the West Seahorse field has previously been considered and rejected by 3D Oil as being commercially uneconomic and not technically feasible.
- Drillsearch's plans for West Seahorse largely mirror those previously articulated by 3D Oil. Drillsearch offers no incremental strategy or management expertise that will assist in bringing West Seahorse to production.

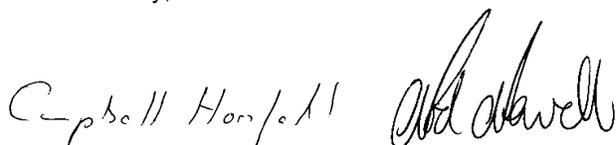
Drillsearch's takeover offer for 3D Oil is destined to fail. The lack of acceptances to date and the relative 3D Oil share price demonstrate that 3D Oil shareholders and the market are not convinced of the merit of the Drillsearch offer. Drillsearch's recent extension of the offer period until 26 May 2009 represents a desperate act, which will unfortunately result in additional takeover related costs being incurred by both companies.

The Board of 3D Oil continues to consider that the Drillsearch offer is not in the best interests of 3D Oil shareholders and unanimously recommend that all shareholders **REJECT** the Drillsearch offer. To **REJECT** the Drillsearch offer, 3D Oil shareholders are advised to take no action in response to communications from Drillsearch.

Some of the key reasons why your Directors are recommending you **REJECT** the offer are set out below:

1	3D Oil has a robust strategy and committed management team — Drillsearch is not the right partner	<ul style="list-style-type: none"> ▪ 3D Oil is well placed to overcome the prevailing market conditions and execute its strategy to enhance the company's asset base and unlock significant upside value within 3D Oil. ▪ 3D Oil's Melbourne based executive team (to be terminated by Drillsearch if the takeover is successful) has a vastly better understanding of your company's assets and is better placed to manage 3D Oil. ▪ Drillsearch does not have a working knowledge of 3D Oil's assets. ▪ Drillsearch has suffered from significant management instability in recent times. The abrupt resignation of Drillsearch's Managing Director, Mr David Williams, arose from his concerns over the strategic merit in Drillsearch's offer for 3D Oil. No announcement has yet been made regarding a replacement for Mr Williams. ▪ Drillsearch also has limited offshore oil and gas experience relative to the experience of 3D Oil's team.
2	Superior prospects	<ul style="list-style-type: none"> ▪ 3D Oil has excellent future prospects. The company is committed to developing the West Seahorse oil field as a priority. The company is also seeking a partner to drill the neighbouring Sea Lion prospect. ▪ 3D Oil continues to advance its development plans for West Seahorse, whilst seeking alliances with suitable joint venture partners in order to bring the project to production. The 3D Oil team remains focussed on delivering the best outcome for 3D Oil shareholders. ▪ In addition, 3D Oil continues to progress its various 100% owned exploration activities. Progress has recently been made within the Vic/P57 permit with identification of new leads, Lucifer and Kangafish; and at least nine significant leads have been delineated by the new seismic data held for the T41-P permit. ▪ If you accept Drillsearch's offer you will be diluting your exposure to 3D Oil's assets and significant upside potential.
3	Value not recognised	<ul style="list-style-type: none"> ▪ The Drillsearch offer significantly undervalues your 3D Oil shares. ▪ 3D Oil has 2P reserves of 5.3 mmboe, more than double Drillsearch's reported 2P reserves of 2.6 mmboe. 3D Oil will contribute at least 67% of the combined 2P Reserves, but 3D Oil shareholders will receive less than 33% ownership of the merged group. ▪ 3D Oil has increased its reserves and contingent resources since Drillsearch made its offer. ▪ The implied value of Drillsearch's offer represents a significant discount to the current 3D Oil share price.
4	Offer comprises no cash	<ul style="list-style-type: none"> ▪ Drillsearch is offering all shares and no cash as consideration for your 3D Oil shares. You should be concerned about Drillsearch's future share price, which has deteriorated by over 34% since 9 January 2009¹.

Yours sincerely,



Campbell Horsfall
Chairman

Noel Newell
Managing Director

¹ Calculation period is from the closing price on 9 January 2009 (the trading day prior to Drillsearch disclosing its interest in 3D Oil) to the closing price on 16 April 2009.

APPENDIX 1: RECENT OBJECTIONABLE STATEMENTS MADE BY DRILLSERACH

The following clarifying statements are made by 3D Oil in reference to recent Drillsearch statements, including its letter to 3D Oil shareholders dated 9 April 2009:

Drillsearch's claims...	3D Oil's response...
1) <i>"3D Oil's future prospects are limited"</i>	<ul style="list-style-type: none"> ▪ 3D Oil has excellent future prospects – why else would Drillsearch be seeking to buy 3D Oil? ▪ 3D Oil's immediate objective is to develop the highly prospective West Seahorse oil field. In addition, 3D Oil continues to progress its 100% owned exploration interests. ▪ 3D Oil has substantial 2P reserves of 5.3 mmboe, holds a significant cash balance relative to its cash requirements and is well positioned to add real shareholder value in the years ahead. ▪ In contrast, Drillsearch has lower 2P reserves of only 2.6 mmboe, significant cash commitments going forward, questionable current production economics and an unfocussed corporate strategy involving taking various interests in numerous fields across Australia as well as a listed subsidiary in Canada.
2) <i>"3D Oil's strategy is to wait for the crisis to pass"</i>	<ul style="list-style-type: none"> ▪ This is false. 3D Oil continues to advance its development plans for West Seahorse in a challenging market and is actively seeking alliances with suitable joint venture partners in order to maximise value for shareholders.
3) <i>"3D Oil's reserves and contingent resources have fallen"</i>	<ul style="list-style-type: none"> ▪ This statement is misleading. It selectively ignores 3D Oil's release updating its reserves in August 2008. 3D Oil's reserves upgrade announced in March 2009 is a material increase on these previous reserves.
4) <i>"The status of 3D Oil's net share of West Seahorse reserves also is unclear...approximately 15% of the field's reserves lay outside of permit VIC/P57..."</i>	<ul style="list-style-type: none"> ▪ This statement is mischievous. 3D Oil's reserve and contingent resource estimates have consistently followed the guidelines set forth by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists and the ASX Listing Rules. ▪ 3D Oil stands by its reserves statements.
5) <i>"Without the share price activity based on the Drillsearch offer, Drillsearch doubts whether there would be natural buying support for the 3D Oil shares if the current offer lapsed"</i>	<ul style="list-style-type: none"> ▪ 3D Oil disagrees with this assertion. From 9 January 2009 (the day prior to Drillsearch announcing its interest in 3D Oil) to the close of trade on 16 April 2009, 3D Oil's share price has increased by approximately 8%. ▪ During this period, 3D Oil has substantially increased its reserves and the crude oil price has increased from approximately US\$40 bbl to approximately US\$50 bbl (ie an increase of 25%). ▪ Drillsearch's share price has declined by more than 34% over the same time period.
6) <i>"Drillsearch is the right partner to help 3D Oil"</i>	<ul style="list-style-type: none"> ▪ This is incorrect. There are no operational or technical synergies achieved by combining 3D Oil with Drillsearch. Please refer to point 1 of the accompanying letter.
7) <i>"...it is usual market practice for the board of a target company to...[apply] to the ASX for a release from the escrow agreements..."</i> <i>"The Board of Drillsearch is concerned that the Board of 3D Oil is not acting in the</i>	<ul style="list-style-type: none"> ▪ This claim is incorrect. ▪ The ASX has advised 3D Oil in writing that any such application made now would be unlikely to succeed. ▪ Drillsearch's claim as to the 3D Oil Board failing to act in shareholders' best interests is outrageous. ASX has advised 3D Oil in writing that it has no reason to believe this to be the case as far as ASX escrow is concerned.

Drillsearch's claims...**3D Oil's response...**

best interests of its shareholders unless such an application is made to ASX forthwith."

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| 8) <i>"Drillsearch notes various inconsistent statements made by 3D Oil regarding its net cash holdings"</i> | <ul style="list-style-type: none">▪ This assertion is denied.▪ Drillsearch's comments suggest that it does not appreciate the reporting requirements stipulated by Australian Accounting Standards and the ASX Listing Rules. |
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| 9) <i>"Your best action is to ACCEPT Drillsearch's offer"</i> | <ul style="list-style-type: none">▪ Drillsearch's offer is an opportunistic attempt to acquire 3D Oil and its valuable crude oil and cash assets cheaply. It is not in shareholders' interests to swap their 3D Oil investment for shares in a company with an uncertain future and misguided strategy.▪ As Drillsearch's offer does not comprise any cash, 3D Oil shareholders should be concerned with the potential for continued Drillsearch share price weakness.▪ If you accept Drillsearch's Offer you will be diluting your exposure to 3D Oil's valuable assets and upside potential. |
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| 10) <i>"The [Great Artesian] merger... has been very successful." AND</i>

<i>"...we [Drillsearch] see ourselves as one of [the] successful [junior oil and gas] consolidators... and the Great Artesian merger is an example of that."</i> | <ul style="list-style-type: none">▪ The facts do not support Drillsearch's assertions.▪ Since the merger between Great Artesian and Drillsearch was completed on 12 August 2008 to the close of trading on 16 April 2009, the value of Drillsearch's shares has declined by over 58%, while the S&P/ASX 300 Energy Index declined by approximately 15% over the same period. |
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| 11) <i>"Drillsearch's Board has a successful track record of effective communication with its shareholders and financial markets."</i> | <ul style="list-style-type: none">▪ Drillsearch has a poor track record of informing its shareholders and the market. 3D Oil notes the following vagaries in Drillsearch's recent communications with the market:<ul style="list-style-type: none">○ Page 8 of its Bidder's Statement contemplates the issue of 60 million shares in Drillsearch, which arises in relation to a transaction that was announced on 3 July 2008. Why has Drillsearch provided no details as to when it expects to complete this transaction?○ Great Artesian Oil & Gas Limited (a company controlled by Drillsearch) owns 47,910,488 Drillsearch shares. Drillsearch must cease to control Great Artesian or Great Artesian must cease to control its Drillsearch shares before 12 August 2009. Why has Drillsearch not updated the market on the timing and share price implications of any such sale?○ Why hasn't Drillsearch proceeded with the steps necessary to issue 60 million options to its corporate adviser and disclose what minimum percentage acceptance level they vest?○ Why hasn't Drillsearch advised 3D Oil shareholders of the consequences of Drillsearch's self admitted breach of the Corporations Act regarding the distribution of its Bidder's Statement? |
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