3D OIL LIMITED

ABN 40 105 597 279

Annual Financial Report
for the Financial Year Ended 30 June 2009

3D OIL LIMITED
ABN 40 105 597 279

CORPORATE DIRECTORY

Board of Directors
Campbell Horsfall (Non-Executive Director and Chairman)
Noel Newell (Executive Managing Director)
Melanie J Leydin (Non-Executive Director)

Company Secretary
Melanie J Leydin

Place of Business
Level 5
164 Flinders Lane
MELBOURNE VIC 3000
Ph: 03 9650 9866
Web: www.3doil.com.au

Auditor
Grant Thornton
Chartered Accountants
215 Spring Street
MELBOURNE VIC 3000

Share Registry
Computershare Investor Services Pty Ltd
452 Johnson Street
ABBOTTSFORD VIC 3067
Telephone: (03) 9415 5000

Stock Exchange Listing
Home Exchange is Melbourne
ASX Code Fully Paid Shares: TDO

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REVIEW OF OPERATIONS

During the past year, 3D Oil Limited has focused on adding value to its acreage portfolio through rigorous technical evaluation. Most significantly, following a comprehensive review of the West Seahorse Field, a considerable upward revision in reserves resulted. Further, both permits are now in the position of having an attractive portfolio of prospects and leads. The focus in the coming months will be to seek a joint venture partner to accelerate exploitation of the company's assets.

The company has continued to review opportunities and is intending to add more high quality permits to its existing acreage portfolio as identified**.**

VIC/P57, GIPPSLAND BASIN OFFSHORE VICTORIA

Background

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

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

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

West Seahorse Field

During the year, an extensive reassessment of the West Seahorse Field has been completed including detailed reservoir analysis; detailed mapping of all hydrocarbon bearing horizons; high density depth conversion; reservoir fluid analysis; reservoir simulation and production forecasting; and reserve assessment. These were used to develop a field production model to simulate oil production over the life of the field. The model was calibrated against the neighbouring Seahorse Field, which has been producing from similar reservoir units and has approximately 20 years of production history. It is therefore an excellent analogue. A feature of the model is the very high production rates predicted, with the development well modeled to produce at over 8000 BOPD. This is typical of the Gippsland Basin where the combination of strong natural water drive and excellent reservoir properties result in very high flow rates. Clearly, high production rates during the start-up phase will provide a strong revenue stream with early project pay-back, enhancing the commerciality of the field.

Following this extensive review, there has been a revision to the reserves. A comparison to previously disclosed reserves is set out below.

During the year, the company carried out near-field mapping of the West Seahorse complex to identify potential tie-in opportunities. The Hippo prospect, located immediately to the west of the main West Seahorse accumulation, was identified during this exercise and is predicted to contain the same reservoir units that are oil-bearing at West Seahorse with the potential of an additional 1.5 MMbbl recoverable (Prospective Resource).

As currently mapped, Hippo is separated from the main accumulation by a structural saddle, however, in an upside case it could be connected to the main part of the field.

West Seahorse Development Plans

During the past year 3D Oil, in conjunction with Worley Parsons (***"Worley"*)**, has prepared revised development plans to take account of revised costings and oil price forecasting post the global economic downturn.

Multiple low cost development options were identified and evaluated. These options were then reduced to two, which are currently being developed. These are as follows:

1. Mobile Offshore Production Unit ("MOPU") with oil exported to shore; and
2. A subsea development tied back to ExxonMobil's Barracouta Platform.

Both options are being progressed and a final development path decision is subject to the outcome of negotiations with ExxonMobil regarding access to the Barracouta Platform and acceptable commercial arrangements.

A description of each of the above options follows.

Option 1: MOPU

A MOPU is a converted jack-up drill rig with oil production facilities on the main deck. The MOPU development of West Seahorse would be a standalone development and would consist of:

- The West Seahorse-3 well re-entered and sidetracked to an optimum location with a jack-up drill rig or potentially a land rig on the MOPU.
- A MOPU installed for the production of stabilised oil.
- Stabilised oil pipeline laid down to shore.
  - 14 kilometre long, 4 inch diameter (offshore section), to the closest landfall point
  - Horizontally directional drilled shore crossing
  - Onshore pipeline 27 kilometre long, 6 inch diameter, to appropriately zoned site
- Storage terminal
  - Tank storage facility
  - Crude oil to be trucked to Shell's Geelong refinery

The advantages of a MOPU development are:

- *Fast development time*. Recent MOPUs have been installed within 12 months from contract award.

- *MOPUs can be leased* reducing the upfront capital costs required for the project.

- *MOPUs can be relocated* making them suitable for fields with a short production life or sequential development of small fields.

- *MOPUs can be used to support the well conductor*, eliminating the need for a Wellhead Platform ("***WHP***") and also providing dry access to the well.

Option 2: Subsea Tie Back Development

This option entails recompleting West Seahorse-3 and producing to ExxonMobil's Barracouta (***"BTA"***) platform. A "Processing Tolling Fee" would be paid to ExxonMobil.

Key components of the option are likely to be:

- West Seahorse-3 sidetracked and recompleted as a subsea well using a jack-up drilling unit.

- Offshore pipelines (production and gas lift) from West Seahorse-3 (***"WSH"***) location to BTA (approx 10 kilometres).

  - 8 inch Production pipeline
  - 2 ½ inch gas lift pipeline

- Sub-sea tie-ins at BTA to connect the West Seahorse production and gas lift pipelines to the existing (Tarwhine) TWN production and gas lift pipelines.

- A Control Umbilical would be run from WSH to BTA. At BTA this would be brought onto the platform inside a J-tube to a new Hydraulic Power Unit ("HPU") to operate the WSH well.

The advantages of a subsea tie back development are:

- *Fast development time*. The West Seahorse-3 well would be recompleted as a subsea well and completed back to ExxonMobil's Barracouta platform. This is expected to be achievable within a 12 month time frame.

- *Significant reduction in regulatory approvals* in comparison with an onshore/offshore development.

- *Potential longer field life* with lower operating costs.

- *Potential synergies* exist with ExxonMobil's forthcoming Kipper and Marlin B Projects.

Exploration Review

Despite the permit's location close to numerous hydrocarbon discoveries, it is lightly drilled, with only two wells drilled away from the West Seahorse complex. Extensive mapping, incorporating the Northern Margin 3D seismic data, has confirmed the prospectivity of the permit and a portfolio of high quality prospects has been compiled, which will provide drilling candidates for future campaigns.

Drilling along the Rosedale Fault inversion trend has been one of the most successful exploration plays in the Gippsland Basin. Within Vic/P57 two attractive prospects are located along this inversion trend; the Sea Lion and Felix Prospects.

Sea Lion Prospect

Sea Lion is located to the west of the West Seahorse oil field and represents one of the last remaining undrilled Top Latrobe inversion anticlines remaining in the Gippsland Basin. West Seahorse is a good analogue and Sealion also has closure mapped at multiple levels below the Top Latrobe Group. This play type, which developed during the same compressional episode that formed the giant Gippsland fields, has had a very high historical success rate in the Gippsland Basin. As currently mapped, Sealion has a closure height of about 25m, with mean prospective resource volume is 13 MMbbl of recoverable oil and upside potential for 35 MMbbl.

Felix Prospect

Felix is located between the Moonfish oil field and the Wirrah discovery and is very similar structurally to Moonfish, which produces oil from several levels. Other discoveries along this trend have oil at multiple levels and this provides Felix with significant upside volume potential. The mean resource volume is 22 MB of recoverable oil with upside potential for 115 MOEB depending on the number of successful levels. Oil and gas were encountered at five main levels at Moonfish with a further 17 smaller pay zones.

Emperor Subgroup Lead Trend

3D Oil continues to evaluate the leads in the emerging Emperor play, as exemplified by the neighbouring Longtom discovery, with a view to advancing them to prospect status.

The Emperor Subgroup play includes the Lucifer, Dexter and Kangafish leads, which are low-side, fault-dependent, structures associated with the Emperor fault along the basin's northern margin. The leads are of similar trapping style and on trend with the Longtom gas field.

Work to date confirms that the requisite play components are present across the permit, in particular, the trapping style appears to be identical to the Longtom gas field, however, there is still further detailed mapping required to progress the leads to prospect status (ie potentially drillable).

Other Leads

The Salsa lead, to the NE, is a further inversion anticline associated with the Rosedale Fault system at the Top Latrobe level providing attractive follow-up potential. This is a potentially large structure however it is located on the edge of the 3D seismic data set.

Scooter is a Top Latrobe structure formed when erosion by the Marlin Channel, has left a remnant closure with lateral seal provided by shale within the channel fill. Enhancement of trap sizes by the Marlin Channel has been very effective elsewhere in the basin.

Nicholson and Hector are additional Top Latrobe leads where extensive channeling that cross-cuts regional dip at the Top Latrobe surface has created the potential for a combination structural and stratigraphic trap. This area will be the subject of further technical work.

T41/P, BASS BASIN OFFSHORE TASMANIA

During the year, 3D Oil completed its mapping of the newly acquired 2200 km of 2D seismic data. The detailed mapping resulted in confirming and adding to the portfolio of leads. In total, fifteen leads have been identified, with the potential to contain over 800 MMbbl of recoverable oil equivalent, on an unrisked basis.

Some of the identified leads have associated seismic amplitude anomalies often indicative of the presence of hydrocarbons as is the case with other discoveries in the basin and region. The largest individual leads have the potential to contain over 100 MMbbl of recoverable oil.

The company has also carried out basin modeling to determine where the source kitchens are located. The results of this work indicate that the permit is in an excellent location to access source rocks and all the leads are located on migration pathways from both local and regional kitchens.

A 3D seismic survey is planned for early in 2010, focusing on the SW of the permit area where the best prospectivity occurs and potentially an exploration well to be drilled in 2011.

A significant drilling campaign is underway in the Bass Basin, in nearby permits, with the drilling of at least five wells in the coming months. 3D Oil is well positioned with 100% of a highly prospective permit and is actively investigating farmout opportunities.

SCHEDULE OF PETROLEUM EXPLORATION PERMITS AS AT 30 JUNE 2009

Project Name	Locality	Tenement	Equity
Gippsland Basin	Victoria	Exploration Permit VIC/P57	100%
Bass Basin	Tasmania	Exploration Permit T41P	100%

DIRECTORS' REPORT

The Directors of 3D Oil Limited (the "Company") submit herewith the annual financial report of the Company for the financial year ended 30 June 2009. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

DIRECTORS

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

Name	Particulars
Mr Campbell Horsfall	Chairman (appointed 23 January,2009 and Non-Executive Director
Qualifications	B.Comm., LL.B (Melb)
Experience	Campbell Horsfall is a commercial lawyer with extensive experience in the petroleum industry and has held positions as Company Solicitor for BP Australia Ltd, BHP Petroleum and Japan Australia LNG (MIMI) Pty Ltd and has been General Counsel of Vicpower Trading. Campbell holds Degrees in Law and Commerce from the University of Melbourne and a Diploma from the Securities Institute and practices as a lawyer in Melbourne. He has been a director of two other publically listed companies and was a non-executive director of Orchard Petroleum Limited. Orchard Petroleum was listed on the ASX and focused exclusively on oil and gas exploration and development in California's prolific hydrocarbon regions of the Sacramento and San Joaquin basins. The Company was delisted in June 2007 following a buy out by a private equity consortium, a transaction which yielded shareholders a return of up to three times their initial investment.
Directorships in listed entities	Nil
Relevant interests in shares and options	38,000 ordinary fully paid shares 500,000 options expiring 31 January 2011, exercisable at $0.50.
Mr Noel Newell	Executive Director
Qualifications	B App Sc (App Geol)
Experience	Noel Newell holds a Bachelor of Applied Science and has over 25 years experience in the oil and gas industry, with 20 years of this time with BHP Billiton and Petrofina. With these companies, he has been technically involved in exploration of areas around the globe, particularly South East Asia, and all major Australian offshore basins. Prior to leaving BHP Billiton in 2002, Noel was Principal Geologist, working within the Southern Margin Group and primarily responsible for exploration within the Gippsland Basin. Noel has a number of technical publications and has co-authored Best Paper and runner up Best Paper at the Australian Petroleum Production & Exploration Association conference and Best Paper at the Western Australian Basins Symposium. Noel is the founder of 3D Oil. Immediately prior to starting 3D Oil, Noel was a technical advisor to Nexus Energy Limited and directly involved in their move to explore in the offshore of the Gippsland Basin.
Directorships in listed entities	Nil
Relevant interests in shares and options	37,561,450 ordinary fully paid shares 4,000,000 options expiring 31 January 2011, exercisable at $0.50
Ms Melanie Leydin	Non-executive Director (appointed 23 January 2009) Company Secretary
Qualifications	B.Bus CA
	Ms Leydin is a Chartered Accountant and principal in a chartered accounting firm specialising in audit and company secretarial services. Ms Leydin has 18 years experience in the accounting profession and is a director and company secretary for a number of oil and gas, junior mining and exploration entities listed on the Australian Stock Exchange.
Directorships in listed entities	Jervois Mining Limited (resigned 29 December 2008)
Relevant interests in shares and options	150,000 ordinary fully paid shares Nil options

DIRECTORS' REPORT (CONT'D)

Name	Particulars
Mr Peter Willcox	Non-Executive Director and Chairman (resigned 23 January 2009)
Qualifications	MA
Experience	Peter Willcox has a long history in the global oil and gas industry. Mr Willcox was chief executive officer of BHP Petroleum from 1986 to 1994 and vice president of Amoco Production Co Ltd, along with holding various other roles in London, Houston, Egypt, Iran and Chicago between 1973 and 1986. Between 1966 and 1973 Mr Willcox occupied positions in London, Qatar and Abu Dhabi for Iraq Petroleum Company Ltd (a consortium of BP, Shell, Exxon, Mobil, and Total). He has previously been Chairman of AMP Ltd, Mayne Group Ltd, Mayne Pharma Ltd and CSIRO. Mr Willcox gained a physics degree at Cambridge University in the UK and completed the Senior Executive Programme at the Stanford School of Business.

PRINCIPAL ACTIVITIES

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

OPERATION RESULTS

The Company's net loss for the year after applicable income tax was $940,340 (2008: $19,741,448).

REVIEW OF OPERATIONS

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

FINANCIAL POSITION

The net assets of the Company have decreased by $880,800 to $30,844,861 as at 30 June 2009. The major movement was due to the write off of exploration expenditure on the Wardie 1 Well.

The Company's working capital, being current assets less current liabilities, was $9,804,968 compared with working capital of $12,316,319 in 2008.

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

DIRECTORS' REPORT (CONT'D)

CHANGES IN STATE OF AFFAIRS

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

FUTURE DEVELOPMENTS

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

EVENTS SUBSEQUENT TO BALANCE DATE

There has not been any matter or circumstance, other than that referred to in Note 24, that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

DIVIDENDS

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

ENVIRONMENTAL REGULATIONS

The Company holds participating interests in a number of oil and gas areas. The various authorities granting such tenements require the licence holder to comply with the terms of the grant of the licence and all directions given to it under those terms of the licence. There have been no known breaches of the tenement conditions, and no such breaches have been notified by any government agencies during the year ended 30 June 2009.

SHARE OPTIONS

There were no share options granted to Directors and executives or their nominees during and since the end of the financial year. On 27 August 2008 189,000 options were issued to staff.

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

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

Item	Number of Shares under option	Exercise Price of options	Expiry Date of options
Unlisted Options	6,100,000	$0.50	31 January 2011
Unlisted Options	6,330,000	$0.60	31 January 2011
Unlisted Options	400,000	$0.75	31 March 2013
Unlisted Options	189,000	$0.25	30 June 2011

During the year and up to the date of this report 189,000 options were issued to staff, and 4,000,000 options lapsed. At 30 June 2009, 12,830,000 options were on issue.

DIRECTORS' REPORT (CONT'D)

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each Director. During the financial year, 13 Board meetings were held, 2 audit committee meetings and 1 remuneration committee meeting.

DIRECTORS	BOARD OF DIRECTORS		AUDIT COMMITTEE COMMITTEE		REMUNERATION COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Mr P. Willcox (1)	9	9	1	1	1	1
Mr N Newell	13	13	-	-	-	-
Mr C Horsfall	13	13	2	2	1	1
Ms M Leydin (2)	4	4	1	1	-	-

(1) Resigned 23 January 2009

(2) Appointed 23 January 2009

INDEMNIFICATION OF OFFICERS AND AUDITORS

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

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

NON-AUDIT SERVICES

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

There were no non-audit services provided by the Company's auditors during the year to 30 June 2009.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration under s.307C of the *Corporation Act 2001* in relation to the audit of the full year is included on page 17.

REMUNERATION REPORT (AUDITED)

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

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

Remuneration Philosophy

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

Executive Director Remuneration

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

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

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

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

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

Non-Executive Director Remuneration

Non-Executive Directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time. The limit of Non-Executive Director fees was set at a maximum of $250,000. Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the *Corporations Act 2001* at the time of the Directors retirement or termination. Non-Executive Directors' remuneration may include an incentive portion consisting of bonuses and/or options, as considered appropriate by the Board, which may be subject to shareholder approval in accordance with the ASX Listing Rules.

REMUNERATION REPORT (AUDITED) (CONT'D)

Performance Based Remuneration

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

Relationship between the remuneration policy and company performance

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

	30 June 2009	30 June 2008		30 June 2007	30 June 2006	30 June 2005
Revenue	587,992	1,740,306		228,396	3,833	47
Net profit/(loss) before tax	(940,340)	(19,741,448)		(1,471,727)	(79,221)	(111,644)
Net profit/(loss) after tax	(940,340)	(19,741,448)		(1,421,727)	(79,221)	(111,644)
Share price at start of year	$0.26	$0.50	**	N/A	N/A	N/A
Share price at end of year	$0.11	$0.26		N/A	N/A	N/A
Basic earnings per share	(0.46)	(10.05)		(1.67)	N/A	N/A
Diluted earning per share	(0.46)	(10.05)		(1.67)	N/A	N/A

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

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

Key Management Personnel Compensation

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

REMUNERATION REPORT (AUDITED) (CONT'D)

Details of Remuneration for Year Ended 30 June 2009

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

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

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

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

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

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

Details of Remuneration for Year Ended 30 June 2008

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

	Short-term employment benefits	Post-employment	Equity		
Directors	**Salary, Fees and Commissions $**	**Superannuation Contribution $**	**Shares Received as Compensation $**	**Options Received as Compensation $**	**Total $**
Mr P Willcox	78,645	7,078	-	709,600	795,323
Mr N Newell	280,000	25,200	-	-	305,200
Mr C Horsfall	44,411	-	-	-	44,411
Mr I Gorman	16,042	919	-	-	16,961
Executives					
Mr J Keall	230,000	20,700	-	-	250,700
Ms M Leydin	70,730	-	-	-	70,730
	719,828	**53,897**	-	**709,600**	**1,483,325**

REMUNERATION REPORT (AUDITED) (CONT'D)

Shares Issued as Part of Remuneration for the Year Ended 30 June 2008

There were no shares issued as part of remuneration during the year ended 30 June 2008.

Options Issued as Part of Remuneration for the Year Ended 30 June 2008

Options have been issued to Directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to increase goal congruence between Directors and executives and shareholders**.**

	Number of Options Granted	Number of Options Vested	Value of Options Granted at grant date $	Total Remuneration Represented by Options %	Exercise Price of Options $	Expiry Date of Options
Directors						
Mr P Willcox	4,000,000	4,000,000	709,600	89.22	0.50	31/01/2011
Mr N Newell	-	-	-	-	-	-
Mr C Horsfall	-	-	-	-	-	-
Executives						
Mr D Vuckovic	400,000	100,000	119,080	67.44	0.75	31/03/2013

Employment contracts

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

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

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

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

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

- Ms Leydin may resign from her position and thus terminate this contract by giving 6 months written notice.
- The Company may terminate this employment agreement by providing 6 months written notice.

REMUNERATION REPORT (AUDITED) (CONT'D)

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

The Exploration and Development Manager, Mr J Keall, is employed under contract. The current employment contract commenced on 16 April 2007 and has no fixed term. Under the terms of the present contract:

- Mr Keall may resign from his position and thus terminate this contract by giving 4 months written notice.
- The Company may terminate this employment agreement by providing 5 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 Keall 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 Keall will be entitled to be paid those outstanding amounts owing to him up until the Termination Date.

The Non-Executive Chairman, Mr P Willcox, was employed under contract during the year. This contract ceased upon Mr Wilcox's resignation on 23 January 2009.

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

On behalf of the Directors

Noel Newell
Managing Director

MELBOURNE, 29 September 2009

Grant Thornton
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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 2009, I declare that, to the best of my knowledge and belief, there have been:

a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b No contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON
Chartered Accountants

Brad Taylor

Brad Taylor
Partner

Melbourne, 30 September 2009

DIRECTOR'S DECLARATION

The Directors declare that:

a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

b) in the Directors' opinion, the Remuneration Report, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company; and

c) the Directors have been given the declarations required by s.295A of the Corporations Act *2001.*

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

On behalf of the Directors

Noel Newell
Managing Director

MELBOURNE, 29 September 2009

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ABN 13 871 256 387

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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, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is 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. In Note 1, the directors also state, 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that 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 opinions.

Independence

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

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 2009 included on 3D Oil Limited's web site. The Company'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.

Auditor's Opinion

In our opinion:

a the financial report of 3D Oil Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 16 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of 3D Oil Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON
Chartered Accountants

Brad Taylor

Brad Taylor
Partner

Melbourne, 30 September 2009

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 $	2008 $
Revenue	2	587,992	1,740,306
Realised gain on foreign currency translation		1,188,051	-
Corporate expenses		(1,024,295)	(234,334)
Administrative expenses		(80,143)	(105,429)
Occupancy expenses		(83,681)	(79,393)
Employment expenses		(545,242)	(582,768)
Share based payments		(59,540)	(724,485)
Depreciation and amortisation		(35,829)	(34,894)
Unrealised loss on foreign currency translation		-	(2,458,179)
Exploration costs written off		(887,653)	(17,262,272)
Loss Before Income Tax	3	(940,340)	(19,741,448)
Income tax expense	4	-	-
Loss for the year		**(940,340)**	**(19,741,448)**
		Cents per Share	**Cents per Share**
Loss per Share			
Basic Loss per share		(0.46)	(10.05)
Diluted Loss per share		(0.46)	(10.05)

This statement is to be read in conjunction with the notes to the financial statements.

BALANCE SHEET
AS AT 30 JUNE 2009

	Note	2009 $	2008 $
Current Assets			
Cash and cash equivalents	20(a)	8,469,223	15,228,679
Trade and other receivables	7	245,763	3,488,313
Other current assets	8	2,461,760	4,231,208
Total Current Assets		11,176,746	22,948,200
Non-Current Assets			
Property, plant and equipment	9	22,260	39,381
Intangibles	10	29,016	42,405
Other non-current assets	11	21,506,108	19,838,046
Total Non-Current Assets		21,557,384	19,919,832
Total Assets		32,734,130	42,868,032
Current Liabilities			
Trade and other payables	12	1,159,742	10,599,308
Provisions	13	212,036	32,573
Total Current Liabilities		1,371,778	10,631,881
Non-Current Liabilities			
Provisions	13	517,491	510,490
Total Non-Current Liabilities		517,491	510,490
Total Liabilities		1,889,269	11,142,371
Net Assets		**30,844,861**	**31,725,661**
Equity			
Issued Capital	14	50,620,867	50,620,867
Reserves	15	1,960,075	2,610,135
Accumulated losses		(21,736,081)	(21,505,341)
Total Equity		**30,844,861**	**31,725,661**

This statement is to be read in conjunction with the notes to the financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

	Issued Capital **Note 14**	Accumulated Losses	Option Reserves **Note 15**	Total
Equity as at 1 July 2007	28,294,129	(1,936,993)	2,058,750	28,415,886
Loss for the year (A)	-	(19,741,448)	-	(19,741,448)
Issue of Options	-	-	724,485	724,485
Options lapsed during the period		173,100	(173,100)	-
Issue of Shares	23,520,000	-	-	23,520,000
Costs of Capital Raising	(1,193,262)	-	-	(1,193,262)
Equity as at 30 June 2008	**50,620,867**	**(21,505,341)**	**2,610,135**	**31,725,661**
Equity as at 1 July 2008	50,620,867	(21,505,341)	2,610,135	31,725,661
Loss for the year (A)	-	(940,340)	-	(940,340)
Issue of Options	-	-	59,540	59,540
Options lapsed during the period	-	709,600	(709,600)	-
Equity as at 30 June 2009	**50,620,867**	**(21,736,081)**	**1,960,075**	**30,844,861**

(A) Loss for the period equals total recognised income and expense for the period.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 $	2008 $
Cash flows from operating activities			
Receipts from customers		20,203	17,730
Interest received		641,177	1,741,149
Payments to suppliers and employees		(1,693,161)	(1,213,509)
Net cash (from) used in operating activities	20(c)	(1,031,781)	545,370
Cash flows from investing activities			
Payments for exploration and development expenditure		(6,910,408)	(27,360,265)
Deposits paid for exploration and development expenditure		-	(4,224,687)
Proceeds from foreign exchange investment		1,188,051	-
Payment for foreign exchange investment		-	(2,458,179)
Payment for plant and equipment		-	(14,851)
Payment for intangibles (software)		(5,318)	(43,686)
Net cash used in investing activities		(5,727,675)	(34,101,668)
Cash flows from financing activities			
Proceeds from issue of equity securities		-	7,020,000
Proceeds from final payment on partly paid shares		-	16,500,000
Payment for share issue costs		-	(1,193,262)
Net cash flows from financing activites		-	22,326,738
Net decrease in cash and cash equivalents		(6,759,456)	(11,229,560)
Cash and cash equivalents at beginning of the financial year		15,228,678	26,458,238
Cash and cash equivalents at the end of the financial year	20(a)	**8,469,222**	**15,228,678**

This statement is to be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1. SUMMARY OF ACCOUNTING POLICIES

Corporate Information

3D Oil Limited (the "Company") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authorative pronouncements on the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report complies with all Australian Accounting Standards and International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the Directors on 29 September 2009

Basis of preparation

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

Adoption of new and revised Accounting Standards

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The Company has also adopted the following standards as listed below which impacted on the Company's financial statements with respect to disclosure.

- AASB 101 'Presentation of Financial Statements (revised October 2006)
- AASB 7 'Financial Instruments: Disclosures'
- AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments'
- AASB 2007-7 'Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128] and Erratum: Proportionate Consolidation [AASB 101, AASB 107, AASB 121, AASB 127, Interpretation 113]

Significant accounting policies

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

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

(b) Financial instruments issued by the Company
Issued Capital

Ordinary shares are classified as equity. For further information see Note 14.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(c) Goods and services tax

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

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(d) Impairment of assets

At each reporting date or more frequently if events or changes in circumstances indicate a possible impairment, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are largely independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

(e) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

<u>Current and deferred tax for the period</u>
Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(f) Petroleum and Exploration Development Expenditure

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

(a) the rights to tenure of the area of interest are current; and

(b) at least one of the following conditions is also met:

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

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

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

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

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

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

(g) Financial Assets

Financial assets can be classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Company holds no financial assets 'at fair value through profit or loss', 'held-to-maturity investments' or 'available-for-sale' financial assets.

Investments

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at 'fair value through profit or loss' which are initially measured at fair value.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and

receivables are measured at amortised cost using the effective interest method less impairment.

Effective Interest Rate Method

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate method for debt instruments other than those financial assets at 'fair value through profit and loss.'

Impairment of financial assets

Financial assets, other than those at 'fair value through profit or loss', are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial assets the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(h) Share-Based Payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in the Remuneration Report.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 that vested after 1 January 2005. No amount has been recognised in the financial statements in respect of the other equity-settled share-based payments.

(i) Employment Benefits

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

Liabilities recognised in respect of employee benefits expected to be settled within 12 months are measured at their normal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date. Consideration is given to expected future wage and salary rates, expected employee departures and expected periods of service. Expected future payments are discounted using government bond rates that match, as closely as possible the terms and maturity of expected future cash outflows.

(j) Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the Company commencing from the time the asset is held for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation
Plant and equipment	40%

The assets' residual vales and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater that its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(k) Provisions

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

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

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

(l) Revenue

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

<u>Interest Revenue</u>

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(m) Foreign Currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at balance date.

Exchange differences are recognised in profit or loss in the period in which they arise except that:

i. exchange differences which relate to assets under construction for future productive use are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
ii. exchange differences on transactions entered into in order to hedge certain foreign currency risks;
iii. exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

(n) Standards and Interpretations issued not yet effective

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Company and the Company's financial report:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101'	Effective for annual reporting periods beginning on or after 1 January 2009	30 June 2010
• AASB 8 'Operating Segments', AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	Effective for annual reporting periods beginning on or after 1 January 2009	30 June 2010

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the Company:

• AASB 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	Effective for annual reporting periods beginning on or after 1 January 2009	30 June 2010
• AASB 3 'Business Combinations' (2008), AASB 127 'Consolidated and Separate Financial Statements' and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'	AASB 3 (business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009) AASB 127 and AASB 2008-3 (1 July 2009)	30 June 2010
• AASB 2008-1 'Amendments to Australian Accounting Standard – Share-based payments: Vesting Conditions and Cancellations'	Effective for annual reporting periods beginning on or after 1 January 2009	30 June 2010
• AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	Effective for annual reporting periods beginning on or after 1 January 2009	30 June 2010
• AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	Effective for annual reporting periods beginning on or after 1 July 2009	30 June 2010
• AASB 2008-7 'Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'	Effective for annual reporting periods beginning on or after 1 January 2009	30 June 2010

(o) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

(p) Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, which are described in Note 1, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

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

	2009 $	2008 $

2. REVENUE

Revenue from continuing operations consisted of the following items

	2009 $	2008 $
Other Income		
Rent received	20,203	17,730
Interest revenue	567,789	1,722,576
Total Revenue	587,992	1,740,306

3. LOSS FROM OPERATIONS

Loss before income tax has been arrived at after crediting/(charging) the following gains and losses from continuing operations

	2009 $	2008 $
Depreciation and amortisation of non-current assets		
- Plant and equipment	(17,122)	(22,057)
- Software	(18,707)	(12,837)
	(35,829)	(34,894)
Post employment benefit plans - Superannuation contributions	(67,877)	(68,844)
Share based payments:		
- Equity settled share based payments	(59,540)	(724,485)
Charges to provisions:		
- Employment entitlements	(10,149)	(27,656)
Foreign Currency:		
Realised gain on foreign currency translation	1,188,051	-
Unrealised losses foreign currency translation	-	(2,458,179)
	1,188,051	(2,458,179)
Operating lease payments		
- Office lease	(79,815)	(76,996)
Expenses from takeover offer	727,990	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (CONT'D)

	2009 $	2008 $
4. INCOME TAX EXPENSE		
(a) The components of tax expense comprise:		
Current Tax	-	-
Deferred Tax	-	-
	-	-
(b) The prima facie tax from ordinary acivities before income tax is reconciled to the income tax expense as follows:		
Profit/(Loss) from Ordinary Activities	**(940,340)**	**(19,741,448)**
Income tax expense/(benefit) calculated at 30%	(282,102)	(5,922,435)
Add: Tax Effect of Permanent Differences:		
- Share based payments	17,862	217,345
- Other Permanent Differences	2,657	-
	(261,583)	(5,705,090)
Add/(Less) Temporary Differences:		
- Capitalised deductible exploration expenditure	(375,619)	(5,234,992)
- Realised foreign exchange gain	(376,906)	-
- Un-realised foreign currency losses	-	737,453
- Deductible share issue costs	(186,299)	(186,299)
- Other timing differences	27,827	9,698
Tax benefit for the year	(1,172,580)	(10,379,230)
Income tax losses not taken up as benefit	1,172,580	10,379,230
Tax Expense	-	-
Defered tax assets not brought to account as assets:		
- Tax Losses	12,460,472	11,287,892
- Temporary Differences	(6,252,177)	(5,341,180)
	6,208,295	5,946,712

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

i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised.

ii) The Company continues to comply with the conditions for deductibility imposed by law, and

iii) No change in tax legislation adversely affects the Company in realizing the benefits from deducting the losses.

5. KEY MANAGEMENT PERSONNEL

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

Mr P Willcox (Non-Executive Chairman) appointed 5 November 2007
Mr N Newell (Managing Director)
Mr C Horsfall (Non-Executive Director)
Mr J Keall (Exploration and Development Manager)
Ms M Leydin (Company Secretary and Chief Financial Officer)

(a) Key Management Personnel Compensation

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

(b) Aggregate Key Management Personnel Compensation

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

	2009 $	2008 $
Short-term employment benefits	771,057	719,828
Post employment benefits	63,894	53,897
Other long-term benefits	-	-
Termination benefits	-	-
Share based payments	-	709,600
	834,951	**1,483,325**

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

(c) Option holdings by Key Management Personnel or their nominees

	Balance 1.7.2007	Granted as Compensation	Net Change Other	Balance 30.6.2008	Vested and exercisable	Vested and unexercisable	Not Vested and unexercisable
Mr P Willcox[1]	-	4,000,000	-	4,000,000	4,000,000	4,000,000	-
Mr I Gorman[2]	1,000,000	-	(1,000,000)	-	-	-	-
Mr N Newell	4,000,000	-	-	4,000,000	4,000,000	4,000,000	-
Ms M Leydin	-	-	-	-	-	-	-
Mr C Horsfall	500,000			500,000	500,000	500,000	-
Mr J Keall	1,500,000			1,500,000	1,500,000	1,500,000	-
Mr D Vuckovic	-	500,000		500,000	100,000	100,000	400,000
	7,000,000	**4,500,000**	**(1,000,000)**	**10,500,000**	**10,100,000**	**10,100,000**	**400,000**

(1) Appointed as a Director on 5 November 2007 (2) Resigned as Director on 21 September 2007

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

(1) Re-signed as a Director on 23 January 2009 (2) Appointed as Director on 23 January 2009

(d) Shareholdings by Key Management Personnel or their nominees

	Balance 1.7.2007	Granted as Compensation	Net Change Other	Balance 30.6.2008
Mr P Willcox[(1)]	-	-	25,000	25,000
Mr I Gorman[(2)]	-	-	-	-
Mr N Newell	36,661,450	-	-	36,661,450
Mr C Horsfall	-			-
Mr J Keall	-			-
Ms M Leydin	-	-	-	-
	36,661,450	**-**	**25,000**	**36,686,450**

[(1)] Appointed as a Director on 5 November 2007
[(2)] Resigned as a Director on 21 September 2007

	Balance 1.7.2008	Received as Compensation	Net Change Other	Balance 30.6.2009
Mr C Horsfall	-	-	-	-
Mr P Willcox[(1)]	25,000	-	(25,000)	-
Mr N Newell	36,661,450	-	400,000	37,061,450
Mr J Keall	-	-	-	-
Ms M Leydin[(2)]	-	-	150,000	150,000
	36,686,450	**-**	**525,000**	**37,211,450**

[(1)] Resigned as a Director on 23 January 2009
[(2)] Appointed as Director on 23 January 2009

	2009 $	2008 $
6. AUDITORS REMUNERATION		
Auditor of the Entity - Grant Thornton		
Auditing or reviewing the financial report	28,700	26,472
	28,700	**26,472**
7. TRADE AND OTHER RECEIVABLES		
Current		
Goods and services tax receivables	166,876	3,335,941
Interest receivable	78,887	152,275
Other receivables	-	97
	245,763	**3,488,313**

(a) 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.
(b) Due to the short term nature of these receivables, their carrying value is assumed to be approximate their fair value.

8. OTHER CURRENT ASSETS

	2009 $	2008 $
Prepayments	33,177	6,521
Deposits paid for exploration expenditure	2,428,583	4,224,687
	2,461,760	**4,231,208**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (CONT'D)

	2009 $	2008 $
9. PLANT AND EQUIPMENT		
Plant and equipment - at cost	66,306	66,306
Less: accumulated depreciation	(44,046)	(26,925)
	22,260	**39,381**
Movement in carrying value of plant and equipment		
Opening carrying value	**36,381**	46,588
Additions	-	14,851
Depreciation expense	(17,122)	(25,058)
Carrying amount at end of the year	**19,259**	**36,381**
10. INTANGIBLES		
Software - at cost	60,560	55,242
Less accumulated amortisation	(31,544)	(12,837)
	29,016	**42,405**
Movement in carrying value of intangibles		
Opening carrying value	42,405	11,556
Additions	5,318	43,686
Amortisation expense	(18,707)	(12,837)
Closing carrying value	**29,016**	**42,405**
11. OTHER NON-CURRENT ASSETS		
Exploration and development expenditure	**21,506,108**	**19,838,046**
Movement in exploration and development expenditure		
Opening carrying value	19,838,046	1,888,072
Current year expenditure	7,340,884	35,212,247
Refunds received	(4,785,169)	-
Write-off expenditure	(887,653)	(17,262,272)
Balance at end of year	**21,506,108**	**19,838,047**

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.

Capitalised cost of $6,910,408 has been included in cash flows from investing activities in the cash flow statement and the remainder of the movement has been included in trade payables.

	2009 $	2008 $
12. TRADE AND OTHER PAYABLES		
Current		
Trade payables [(1)]	655,344	8,215,359
Amounts payable to:		
- Key management personnel	10,002	19,321
Sundry payables and accrued expenses	494,396	2,364,628
	1,159,742	**10,599,308**

1. The average credit period on purchases is 30 days. No interest is charged on the trade payables. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

13. PROVISIONS

	2009 $	2008 $
Current		
Provision for employee benefits [(a)]	35,721	32,573
Provision for demobilisation	176,315	-
	212,036	**32,573**
Non-Current		
Provision for employee benefits [(a)]	17,491	10,490
Provision for well abandonment	500,000	500,000
	517,491	**510,490**
Movement in provision for well abandonment		
Opening carrying value	500,000	-
Provision for the period	-	500,000
Closing carrying value	**500,000**	**500,000**

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

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

14. ISSUED CAPITAL

	2009 $	2008 $
206,560,000 fully paid ordinary shares (2008: 206,560,000)	**50,620,867**	**50,620,867**

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

Changes to the Corporations Act 2001 abolished the authorised capital and par value concept in relation to the Share Capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (CONT'D)

	2009		2008	
	No.	**$**	**No.**	**$**
(a) Fully paid ordinary shares				
Balance at beginning of period	206,560,000	50,620,867	83,060,000	3,564,986
Issue of shares upon final call of partly paid shares	-	-	110,000,000	16,500,000
Transfer of partly paid shares	-	-	-	24,729,143
Issue of shares	-	-	13,500,000	7,020,000
Less: Costs of capital raising	-	-	-	(1,193,262)
Balance at end of financial year	**206,560,000**	**50,620,867**	**206,560,000**	**50,620,867**

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

	2009 No.	2009 $	2008 No.	2008 $
(b) Partly paid ordinary shares				
Balance at beginning of period	-	-	110,000,000	24,729,143
Final call on partly paid shares and transfer to fully paid ordinary shares	-	-	(110,000,000)	(24,729,143)
Balance at end of financial year	-	-	-	-

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

(c) Terms and Conditions of Issued Capital

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

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

(d) Options

	2009	2008
	No.	**No.**
Balance at beginning of the financial year	17,625,000	14,225,000
Granted during the financial year	-	4,400,000
Exercised during the financial year	-	-
Cancelled during the financial year	(795,000)	-
Lapsed during the financial year	(4,000,000)	(1,000,000)
Balance at end of the financial year	**12,830,000**	**17,625,000**

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

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

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

Directors Options

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

15. RESERVES

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

During the prior year the following options were granted to Directors and executives:

- 4,000,000 options to a non-executive director valued at $0.1774 per option.
- 400,000 options to an executive valued at $0.2977 per option.

Details of the option valuations are included in Note 23.

Movement in Option Reserve

	2009 $	2008 $
Balance at beginning of the financial year	2,610,135	2,058,750
Share based payments	59,540	724,485
Lapsed and transferred to retained earnings	(709,600)	(173,100)
Balance at end of the financial year	**1,960,075**	**2,610,135**

16. DIVIDENDS

There have been no dividends paid or proposed in the 2008 or 2009 financial years.

17. COMMITMENTS FOR EXPENDITURE

Operating Lease Commitments		
Not longer than 1 year	83,007	79,815
Longer than 1 year and not longer then 5 years	221,879	40,690
Longer than 5 years	-	-
	304,886	**120,505**

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

Not longer than 1 year	4,250,000	850,000
Longer than 1 year and not longer than 5 years	15,000,000	-
Longer than 5 years	-	-
	19,250,000	**850,000**

The Minimum Guaranteed Dry Hole Work Programme commitments for Exploration Permit Vic/P57 have been fulfilled with the drilling of Wardie-1 and West Seahorse-3 wells. The Secondary Work Programme commitments are on a year by year basis and the commitment to 20 June 2009 is $250,000.

The conditions of Exploration Permit T/41P were amended on 17 June 2008 and are on a year by year basis. The current year commitment is $19,000,000.

18. SEGMENT INFORMATION

The Company only operates one industry segment, the development of oil and gas and one geographical segment, Australia.

19. RELATED PARTY DISCLOSURES

Key Management Personnel Compensation

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

Transactions with Key Management Personnel

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

During the year ended 30 June 2009 there were no related party transactions other than those detailed in the Remuneration Report.

	2009 $	2008 $
20. NOTES TO THE CASH FLOW STATEMENT		
(a) Reconciliation of Cash and Cash Equivalents		
For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:		
Cash and cash equivalents	8,469,223	15,228,679

(b) Financing Facilities

The Company has no financing facilities in place at 30 June 2009.

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

	2009 $	2008 $
Loss after related income tax	(940,340)	(19,741,448)
Less: Non-cash activities:		
Depreciation and amortisation of non-current assets	35,829	34,894
Share based payments expense	59,540	724,485
Exploration costs written off	887,653	17,262,272
Provision for well abandonment	-	500,000
Realised gain on foreign currency translation	(1,188,051)	-
Un-realised loss on foreign currency translation	-	2,458,179
Annual and long service leave provisions	10,149	27,656
Changes in net assets and liabilities:		
(Increase)/Decrease in assets:		
Current receivables	253,485	(587,185)
Prepayments	(26,656)	-
Increase/(Decrease) in liabilities:		
Current payables	(123,388)	(133,484)
Net cash from (used in) operating activities	**(1,031,779)**	**545,369**

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

(a) Cash flow interest rate risk

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (CONT'D)

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

	Note	Float Interest Rate		Non-Interest Bearing		Total Carrying Amount	
		2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
Financial Assets							
Cash and cash equivalents		8,469,223	15,228,679	-	-	8,469,223	15,228,679
Trade and other Receivables		-	-	245,763	3,488,313	245,763	3,488,313
Other current assets		-	3,408,271	2,461,760	822,937	2,461,760	4,231,208
Total		**8,469,223**	**18,636,950**	**2,707,523**	**4,311,250**	**11,176,746**	**22,948,200**
Weighted average interest rate		4.24%	6.12%				
Financial Liabilities							
Trade and other payables				1,159,742	10,599,308	1,159,742	10,599,308
Total		**-**	**-**	**1,159,742**	**10,599,308**	**1,159,742**	**10,599,308**
Weighted average interest rate		-	-				
Net Financial assets (liabilities)		**8,469,223**	**18,636,950**	**1,547,781**	**(6,288,058)**	**10,017,004**	**12,348,892**

Interest Rate Sensitivity

	-40% 2009 $	-10% 2008 $	40% 2009 $	10% 2008 $
Change in profit	(143,638)	(102,337)	143,638	102,337
Change in equity	(143,638)	(102,337)	143,638	102,337

A sensitivity of 40% has been selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates. A 40% sensitivity would move short term interest rates at 30 June 2009 from 4.24% to 5.94% representing a 170 basis points shift. This would represent two to three increases which is reasonably possible in the current environment with the bias coming from the Reserve Bank of Australia and confirmed by market expectations that interest rates in Australia are more likely to move up than down in the coming period. This sensitivity used in the previous financial year was 10%.

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

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk

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

Financial Assets

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

	2009 $	2008 $
Contracted maturities of receivables and cash and cash equivalents as at balance date:		
Payable:		
- less than 6 months	706,835	18,521,220
- 6 to 12 months	8,008,151	195,772
- 1 to 5 years	-	-
- later than 5 years	-	-

Financial Liabilities

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

	2009 $	2008 $
Contracted maturities of payables as at balance date:		
Payable:		
- less than 6 months	1,159,742	8,255,693
- 6 to 12 months	-	2,343,614
- 1 to 5 years	-	-
- later than 5 years	-	-
Total	**1,159,742**	**10,599,308**

(c) Commodity Price Risk

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

(d) Foreign Exchange Risk

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (CONT'D)

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

	Amounts in foreign		Foreign Exchange Rate Risk Sensitivity 2009			
			20%	20%	-20%	-20%
	2009	2008	2009	2008	2009	2008
	USD	USD	$	$	$	$
Financial Assets						
Cash and cash equivalents	215,867	7,106,488	35,035	1,350,814	(35,035)	(1,350,814)
Other current assets	1,482,169	3,280,810	240,556	631,622	(240,556)	(631,622)
Total	**1,698,036**	**10,387,298**	**275,591**	**1,982,436**	**(275,591)**	**(1,982,436)**
Financial Liabilities						
Trade and other payables	-	1,465,198	-	(282,080)	-	282,080
Total	**-**	**1,465,198**	**-**	**1,700,356**	**-**	**(1,700,356)**
Net Financial assets (liabilities)	**1,698,036**	**8,922,100**				

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

(e) Net Fair Values

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

(f) Credit Risk

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

The Company's receivables at balance date are detailed in Note 7.

The maximum exposure to credit risk on financial assets of the Company which have been recognised on the Balance Sheet is generally the carrying amount.

(g) Capital Risk Management

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

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

The Company does not have a defined share buy-back plan. No dividends were paid in 2008 or 2009.

There is no current intention to incur debt funding on behalf of the company as on-going petroleum exploration expenditure will be funded via equity or joint ventures with other companies.

The Company is not subject to any externally imposed capital requirements. Management reviews management accounts on a monthly basis and reviews actual expenditure against budget on a monthly basis.

22. EARNINGS PER SHARE

	2009 Cents per share	2008 Cents per share
Basic earnings (loss) per share	(0.46)	(10.05)
Diluted earnings (loss) per share	(0.46)	(10.05)

(i) Calculated on a post-split basis
The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows

Earnings (i)	(940,340)	(19,741,448)
	2009 No	**2008 No**
Weighted average number of ordinary shares (ii)	206,560,000	196,388,767

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

(ii) The following weighted average of potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of shares, used in the calculation of diluted earnings per share.	223,772,027	213,908,288

Diluted Earnings Per Share

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

23. SHARE BASED PAYMENTS

During the prior year the Company issued 4,000,000 options to P Willcox, exercisable at $0.50 and expiring 31 January 2011. The options having been valued using the Black-Scholes methodology at $0.1774. The following variables were used in this calculation:

Share Price:	$0.47
Exercise Price:	$0.50
Volatility:	78.58%
Time to Maturity:	4.25 years
Risk Free Interest Rate:	6.73%

During the prior year the Company issued 400,000 options to D Vuckovic, exercisable at $0.75 and expiring 31 March 2013. The options having been valued using the Black-Scholes methodology at $0.2977. The following variables were used in this calculation:

Share Price:	$0.61
Exercise Price:	$0.75
Volatility:	71.71%
Time to Maturity:	5 years
Risk Free Interest Rate:	6.085%

24. EVENTS AFTER THE BALANCE SHEET DATE

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

- The issue of 189,000 options to staff on 27 August 2009, exercisable at $0.25 and expiring on 30 June 2014.

ADDITIONAL SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 1 September 2009.

1. Distribution of Shareholders

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

Category of holding	Holders	Number of Shares	% of Capital
1 - 500	9	627	0.00%
501 - 1,001	19	17,930	0.01%
1,001 - 5,000	142	461,939	0.22%
5,001 - 10,000	183	1,593,368	0.77%
10,001 - 100,000	433	16,840,561	8.15%
100,001 and over	154	187,645,575	90.85%
Total	**940**	**206,560,000**	**100.00%**

(b) There are nil shareholders with less than a marketable parcel of ordinary shares.

2. Twenty Largest Shareholders

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

SHAREHOLDER	HOLDING	%
Noel Newell <Newell Family A/C>	36,661,450	17.75%
GKI Resort Pty Limited <The GKI Resort A/C>	15,080,000	7.30%
Bond Street Custodians Limited <Officium Emerging Res A/C>	11,784,449	5.71%
H Louey Pang & Co. Pty Ltd <Demaria Family A/C>	9,956,612	4.82%
Furgo Multi Client Services Pty Ltd	6,475,000	3.13%
Bill Hopper	6,475,000	3.13%
Pand Jr Pty Ltd <John Demaria Family A/C>	4,580,529	2.22%
J K Demaria Pty Ltd	4,168,002	2.02%
National Nominees Limited	3,290,000	1.59%
V Haidu & W Naidu	3,237,500	1.57%
Andrew Paterson	3,237,500	1.57%
Pengold Pty Ltd	3,237,500	1.57%
DMG & Partners Securities Pte Ltd <Clients A/C>	3,118,000	1.51%
Noel Mainwaring	3,056,500	1.48%
Clodene Pty Ltd	2,620,100	1.27%
Bluestar Management Pty Ltd	2,600,000	1.26%
Mr R Barwick	2,500,000	1.21%
Ellie Sunshine Pty Ltd <Ellie Sunshine Super Fund A/C>	2,500,000	1.21%
Mad Fish Management Pty Ltd	2,500,000	1.21%
Ta Securities Holdings Berhad	2,240,000	1.08%

ADDITIONAL SHAREHOLDER INFORMATION

3. Restricted Securities

As at 1 September 2009, the Company had no securities subject to escrow arrangement.

4. Substantial Shareholders

As at 1 September 2009 the substantial shareholders were as follows:

Name of Shareholder	No of Shares	% of Issued Capital
Noel Newell <Newell Family A/C>	36,661,450	17.75%
GKI Resort Pty Limited <The GKI Resort A/C>	15,080,000	7.30%
Bond Street Custodians Limited <Officium Emerging Res A/C>	11,784,449	5.71%

5. Voting Rights

At a general meeting of shareholders:

(a) On a show of hands, each person who is a member or sole proxy has one vote.

(b) On a poll, each shareholder is entitled to one vote for each fully paid share.

CORPORATE GOVERNANCE STATEMENT

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

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

CORPORATE GOVERNANCE STATEMENT

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

CORPORATE GOVERNANCE STATEMENT

Principal No	Best Practice Recommendation	Compliance	Reason for Non-compliance
4.3	The audit committee should have a formal charter.	The formal charter can be accessed at www.3doil.com.au.	Not applicable.
4.4	Provide the information in the Guide to reporting on Principle 4.	The names of the members of the Audit Committee are disclosed above. The qualifications of the members of the Audit Committee are disclosed in the Directors' Report which forms part of this Annual Report. The audit committee will meet twice in each year, before sign off of the annual and half year financial statements. The external auditor, Grant Thornton, has a rotation policy such that lead partners are rotated every 5 years and review partners are rotated every 5 years.	Not applicable.
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has adopted a Disclosure Policy which can be accessed at www.3doil.com.au	Not applicable.
5.2	Provide the information indicated in the Guide to reporting on Principle 5.	The information has been disclosed in the Annual Report.	Not applicable.
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy	The Company has adopted a Shareholder Communications Policy which can be accessed at www.3doil.com.au.	Not applicable.
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	The information has been disclosed in the Annual Report	Not applicable.
7.1	Establish policies for the oversight and management of material business risk and disclose a summary of those policies.	The Company has adopted Risk Management Policy which can be accessed at www.3doil.com.au.This policy outlines the material risks face by the Company as identified by the Board. Given the size and scale of 3D Oil Limited it does not have a Risk sub-committee or Internal Audit function.	Not applicable.

CORPORATE GOVERNANCE STATEMENT

Principal No	Best Practice Recommendation	Compliance	Reason for Non-compliance
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 to report on risk management and internal control.	Management has not formally reported to the board as to the effectiveness of the company's management of its material business risks. Given the nature and size of the Company and the Board's ultimate responsibility to manage the risks of the Company this is not considered critical. The Company intends to develop the risk reporting framework into a detailed policy as its operations continue to grow.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial office (or equivalent) that the declaration provided in accordance with section 295A is the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Board receives assurance from Mr Noel Newell (Managing Director) and the chief financial officer in the form of a declaration, prior to approving financial statement.	Not applicable.
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	The information has been disclosed in the Annual Report.	Not applicable.
8.1	The board should establish a remuneration committee.	The Board has an established Remuneration Committee. The Remuneration Committee has two members, consisting of the Independent directors, Campbell Horsfall and Melanie Leydin. There was a single meeting of the Remuneration Committee during the reporting period which was attended by all member of the Remuneration Committee. The Remuneration Committee is chaired by Campbell Horsfall. The Remuneration committee charter can be access at www.3doil.com.au.	Not applicable
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The structure of non-executive directors' remuneration is clearly distinguished from that of executive directors and senior executives, as described in the Directors' Report which forms part of this Annual Report.	Not applicable.

CORPORATE GOVERNANCE STATEMENT

Principal No	Best Practice Recommendation	Compliance	Reason for Non-compliance
8.3	Companies should provide the information indicated in the guide to reporting on Principle 8.	The information has been disclosed in the Annual Report.	Not applicable.