

3D Oil Limited

ABN 40 105 597 279

Half-year Financial Report - 31 December 2010

3D Oil Limited
Corporate directory
31 December 2010

Directors	Campbell Horsfall <i>Chairman and Non-Executive Director</i> Noel Newell <i>Managing Director</i> Melanie J Leydin <i>Non-Executive Director</i> Philippa Kelly <i>Non- Executive Director</i>
Company secretary	Melanie J Leydin
Registered office	Level 5, 164 Flinders Lane Melbourne Vic 3000 Telephone: (03) 9650 9866
Principal place of business	Level 5, 164 Flinders Lane Melbourne Victoria 3000 Telephone: (03) 9650 9866
Share register	Computershare Investor Services Pty Ltd 452 Johnston Street Abbotsford Victoria 3067 Telephone: (03) 9415 5000
Auditor	Grant Thornton Audit Pty Ltd Chartered Accountants 215 Spring Street Melbourne Victoria 3000
Solicitors	Baker & McKenzie Level 19, 181 William Street Melbourne Victoria 3000
Stock exchange listing	3D Oil Limited shares are listed on the Australian Securities Exchange (ASX code: TDO)
Website address	www.3doil.com.au

**3D Oil Limited
Directors' report
31 December 2010**

The directors present their report, together with the financial statements, on the company for the half-year ended 31 December 2010.

Directors

The following persons were directors of 3D Oil Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Mr Campbell Horsfall
Mr Noel Newell
Ms Melanie Leydin
Ms Philippa Kelly

Principal activities

During the financial half-year the principal continuing activities of the company consisted of:

- exploration and development of upstream oil and gas assets

Review of operations

The loss for the company after providing for income tax amounted to \$515,658 (31 December 2009: \$476,435).

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

Significant changes in the state of affairs

During the half-year the conditions of Exploration Permit for Petroleum VIC/P57 were varied to remove well expenditure from Year 6 and replace this with reprocessing of 360 sq km of Northern Fields open file 3D seismic data.

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

Auditor's independence declaration

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Noel Newell
Managing Director

15 March 2011
Melbourne

Review of Operations

3D Oil Limited is the operator and 100% equity holder of two permits in Bass Strait, VIC/P57 in the Gippsland basin, Victoria and T41-P in the Bass basin, Tasmania.



Location of permits

VIC/P57, Gippsland Basin Offshore Victoria

VIC/P57 is a large permit located in the NW of the offshore Gippsland basin. It contains the West Seahorse oil field and is surrounded by discoveries including Seahorse, Wirrah, Barracouta, Snapper, Golden Beach, Mulloway/Whiptail, Whiting, Emperor and Sweetlips. Four recent wells have intersected hydrocarbons in areas adjacent to VIC/P57: Longtom-2 and 3, Grayling-1, West Moonfish-1 and SE Remora-1. All were located from mapping on 3D seismic surveys. The non-commercial but historically important Lakes Entrance oil field is located immediately onshore from the northeast corner of the permit.

West Seahorse Field

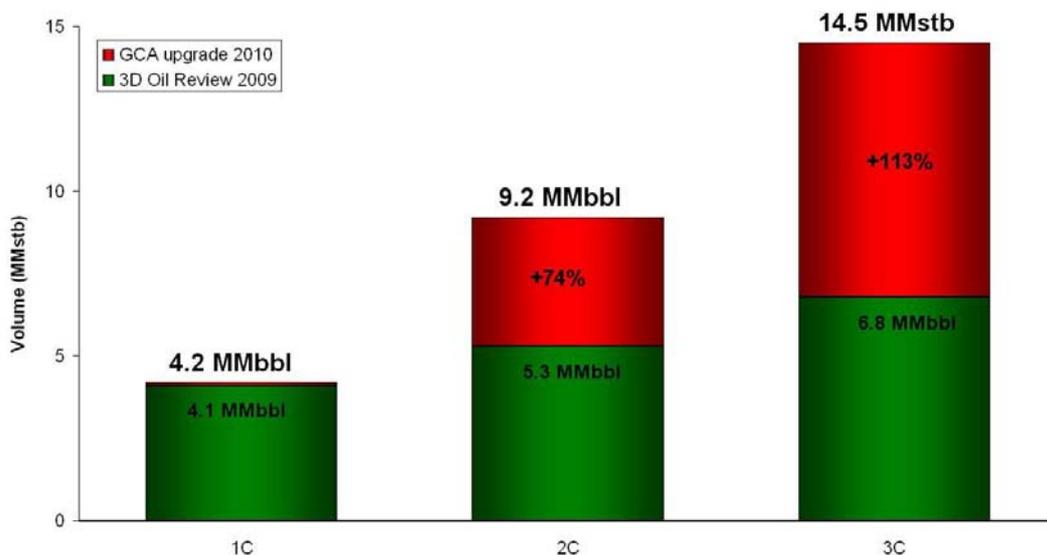
3D Oil continued the Front End Engineering and Design (FEED) work, in conjunction with WorleyParsons, for the West Seahorse oil development. Engineering studies are assessing the potential for an onshore third party tie in of the production from the field.

The company also undertook an evaluation of the 'Gurnard Formation' at the top of the Latrobe Group within the West Seahorse area. The formation is an open marine unit comprising thinly interbedded claystone, siltstone and sandstone laminae, in which the silts and sands commonly contain hydrocarbon shows. Despite the shows and the recovery of oil in Wardie-1 from wireline testing the formation had not been thoroughly evaluated. The company currently estimates the formation contains a significant oil in-place volume over the greater West Seahorse structure. 3D Oil has recently begun investigating the resource potential of this formation in the area.

This study was undertaken concurrently with the certification of the Reserves in the West Seahorse Field. Gaffney Cline and Associates (GCA) completed an independent review of 3D Oil's West Seahorse Field which resulted in a significant increase in the size of the oil accumulation. The GCA Most Likely or Best Case estimate for the entire West Seahorse Field represents an increase of 74% from 5.3 million barrels to 9.2 million barrels of recoverable oil. As well as justifying the company's position on the resource potential of the field, this report is expected to assist 3D Oil in progressing its selection of a strategic partner for the development.

Furthermore, the GCA High estimate represents over 100% increase on previous figures quoted by 3D Oil. The GCA high estimate for West Seahorse is 14.5 million barrels of recoverable oil.

Reserves Category	TDO - Review 2009 Reserves (MMstb)	GCA Certification 2010 Contingent Resource (MMstb)
1C	4.1	4.2
2C	5.3	9.2
3C	6.8	14.5



Plot of volume increase

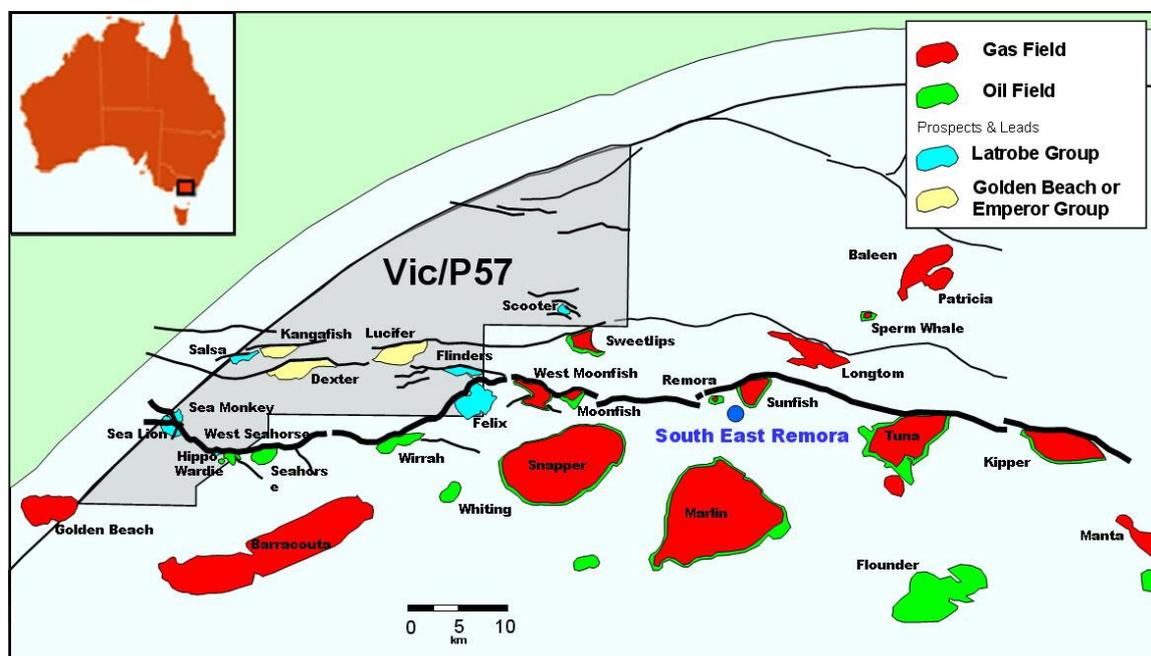
While the volumes have not currently been classified as Reserves, GCA is of the opinion that the Contingent Resources can readily be ascribed as Reserves as soon as the final commitment to developing the field is made. Furthermore, GCA consider that even the Low Case (1C) Contingent Resource is economically recoverable.

Gaffney Cline & Associates is a globally recognised organisation with a world class reputation in the area of Reserves estimation and certification.

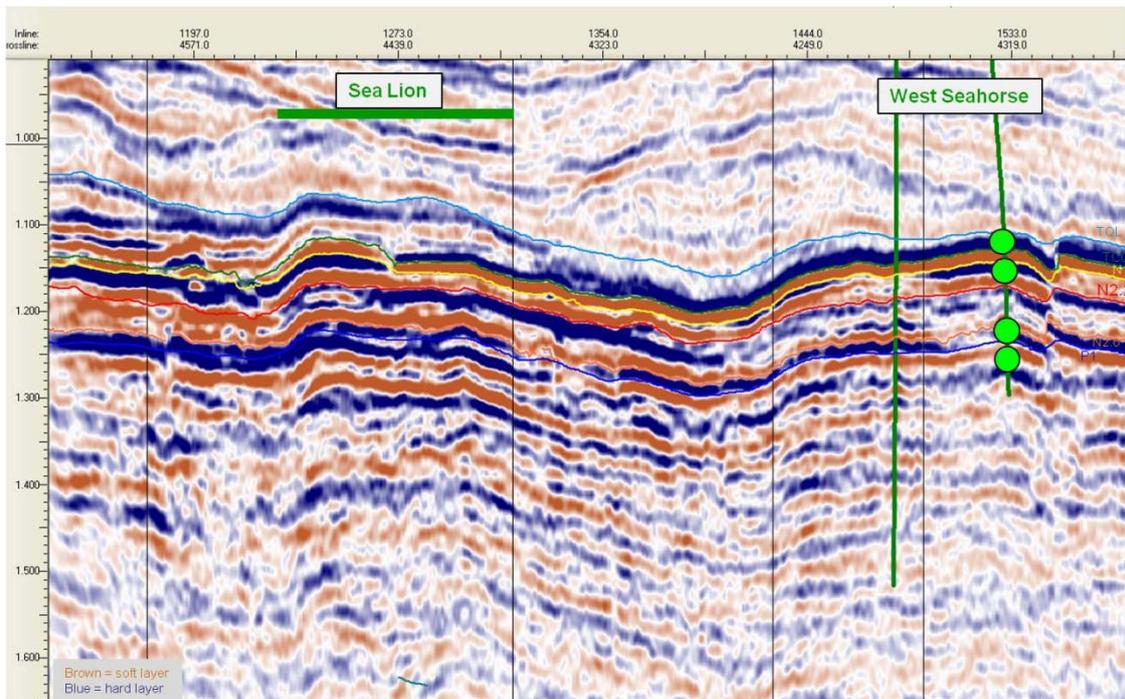
Exploration

3D Oil commenced state-of-the-art seismic reprocessing of 3D seismic data over VIC/P57 and selected adjacent areas which will result in improved seismic data over an area in excess of 500 square kilometres. This will enable better mapping of prospects and leads in the permit at all levels, especially in the previously poorly-imaged deeper section. In particular, the company is excited by the deep potential in the Felix and Sea Lion prospects.

The company continued to review and improve the prospectivity of the Sea Lion Prospect. As currently mapped, Sea Lion has a closure height of about 25m, with a mean prospective resource volume of 13 MMbbl of recoverable oil and upside potential in excess of 30 MMbbl. However, recent work has highlighted the scope for previously unrecognised deeper prospectivity which has the potential to add a significant secondary target to Sea Lion.



Vic/P57 prospects and surrounding fields



Seismic image of the Sea Lion prospect and West Seahorse field

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

T/41P, Bass Basin offshore Tasmania

Located in the eastern half of the Bass Basin, Exploration Permit T/41P covers approximately 2,700 square kilometres and has been held 100% by 3D Oil Limited since mid-2005.

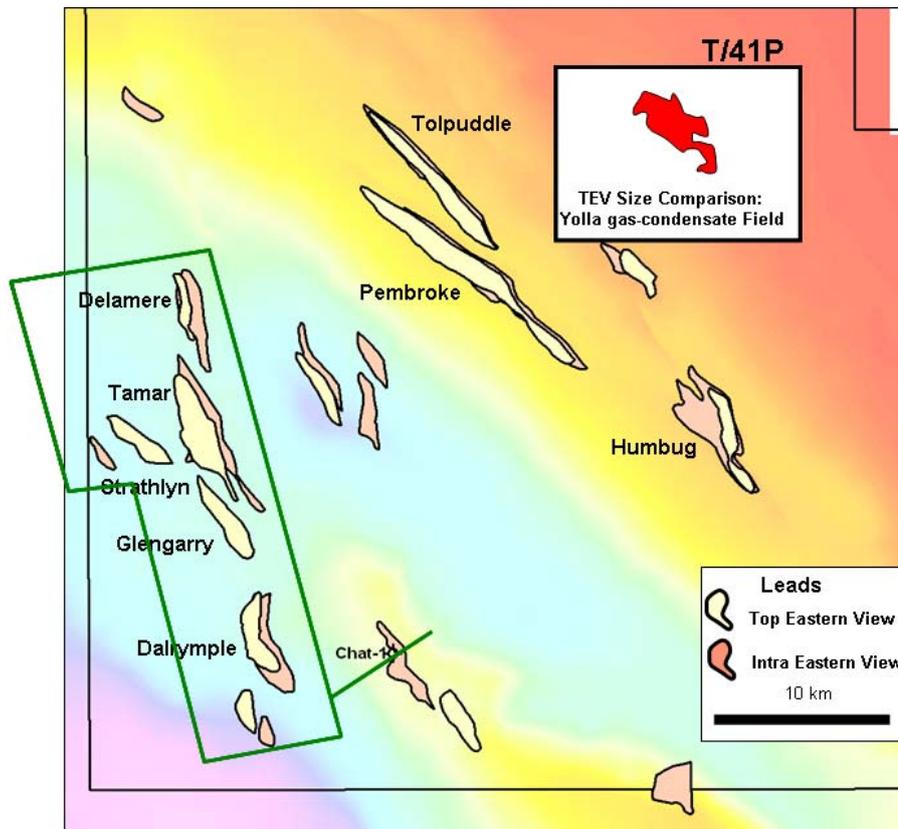
This part of the Bass Basin has only been lightly explored in the past, with only one exploration well, Chat-1, drilled in the permit area in 1986.

3D Oil Limited conducted a two-dimensional (2D) seismic survey over most of T/41P in 2008 and, based on interpretation and integration of that data with previous work, identified several features of interest, particularly in the south-west of the permit. The current inventory of opportunities consists of fifteen leads with the potential to contain a total of over 800 MMbbl of recoverable oil (on an unrisks basis).

With a view to obtaining a more detailed understanding of the most prospective of these leads, a three-dimensional (3D) seismic survey was planned for acquisition in early 2010, but had to be deferred due to vessel unavailability.

In the first half of 2010 the company reviewed and refined its planning for the 260 square kilometre Dalrymple 3D seismic survey. During the reporting period the survey acquisition

work was re-tendered and ultimately awarded to PGS' *Ramform Sterling* with an expected start date in early 2011. Also during this period all regulatory approvals for conducting the survey were obtained and tenders were sought for processing the survey data.



Location of Dalrymple 3D seismic survey, T/41P



PGS seismic vessel to acquire data in T41/P

Grant Thornton Audit Pty Ltd
ACN 130 913 594

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

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

**Auditor's Independence Declaration
To the Directors of 3D Oil Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of 3D Oil Limited for the half year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Simon Trivett
Director - Audit & Assurance Services

Melbourne, 15 March 2011

3D Oil Limited
Financial report
For the half-year ended 31 December 2010

Contents

	Page
Financial report	
Statement of comprehensive income	11
Statement of financial position	12
Statement of changes in equity	13
Statement of cash flows	14
Notes to the financial statements	15
Directors' declaration	17
Independent auditor's review report to the members of 3D Oil Limited	18

General information

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

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

3D Oil Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 5, 164 Flinders Lane
Melbourne Victoria 3000

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

The financial report was authorised for issue, in accordance with a resolution of directors, on 15 March 2011. The directors have the power to amend and reissue the financial report.

3D Oil Limited
Statement of comprehensive income
For the half-year ended 31 December 2010

	Note	31/12/2010 \$	31/12/2009 \$
Revenue	3	206,302	224,989
Expenses			
Corporate expenses		(87,637)	(134,539)
Administrative expenses		(42,779)	(39,825)
Employment expenses		(416,879)	(283,873)
Occupancy expenses		(45,192)	(42,695)
Depreciation and amortisation expense		(11,616)	(12,130)
Exploration costs written off		(79,806)	(6,048)
Unrealised exchange gains/loss		(23,807)	(148,614)
Share based payments		(14,244)	(33,700)
		<u>(515,658)</u>	<u>(476,435)</u>
Loss before income tax expense		(515,658)	(476,435)
Income tax expense		<u>-</u>	<u>-</u>
Loss after income tax expense for the half-year attributable to the owners of 3D Oil Limited		(515,658)	(476,435)
Other comprehensive income for the half-year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the half-year attributable to the owners of 3D Oil Limited		<u>(515,658)</u>	<u>(476,435)</u>
		Cents	Cents
Basic earnings per share	8	(0.25)	(0.23)
Diluted earnings per share	8	(0.25)	(0.23)

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

3D Oil Limited
Statement of financial position
As at 31 December 2010

	31/12/2010	30/6/2010
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	7,606,466	8,378,658
Trade and other receivables	39,667	114,386
Other	13,722	56,802
Total current assets	<u>7,659,855</u>	<u>8,549,846</u>
Non-current assets		
Property, plant and equipment	14,373	14,215
Intangibles	33,380	38,230
Exploration and evaluation	<u>22,814,134</u>	<u>22,177,579</u>
Total non-current assets	<u>22,861,887</u>	<u>22,230,024</u>
Total assets	<u>30,521,742</u>	<u>30,779,870</u>
Liabilities		
Current liabilities		
Trade and other payables	370,556	84,899
Employee benefits	57,283	53,477
Other	12,000	62,975
Total current liabilities	<u>439,839</u>	<u>201,351</u>
Non-current liabilities		
Employee benefits	32,140	27,342
Provisions	<u>500,000</u>	<u>500,000</u>
Total non-current liabilities	<u>532,140</u>	<u>527,342</u>
Total liabilities	<u>971,979</u>	<u>728,693</u>
Net assets	<u>29,549,763</u>	<u>30,051,177</u>
Equity		
Contributed equity	50,620,867	50,620,867
Reserves	2,038,070	2,023,826
Accumulated losses	<u>(23,109,174)</u>	<u>(22,593,516)</u>
Total equity	<u>29,549,763</u>	<u>30,051,177</u>

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

3D Oil Limited
Statement of changes in equity
For the half-year ended 31 December 2010

	Contributed equity \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2009	50,620,867	1,960,075	(21,736,081)	30,844,861
Other comprehensive income for the half-year, net of tax	-	-	-	-
Loss after income tax expense for the half-year	-	-	(476,435)	(476,435)
Total comprehensive income for the half-year	-	-	(476,435)	(476,435)
<i>Transactions with owners in their capacity as owners:</i> Share-based payments	-	33,700	-	33,700
Balance at 31 December 2009	<u>50,620,867</u>	<u>1,993,775</u>	<u>(22,212,516)</u>	<u>30,402,126</u>
	Contributed equity \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2010	50,620,867	2,023,826	(22,593,516)	30,051,177
Other comprehensive income for the half-year, net of tax	-	-	-	-
Loss after income tax expense for the half-year	-	-	(515,658)	(515,658)
Total comprehensive income for the half-year	-	-	(515,658)	(515,658)
<i>Transactions with owners in their capacity as owners:</i> Share-based payments	-	14,244	-	14,244
Balance at 31 December 2010	<u>50,620,867</u>	<u>2,038,070</u>	<u>(23,109,174)</u>	<u>29,549,763</u>

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

3D Oil Limited
Statement of cash flows
For the half-year ended 31 December 2010

Note	31/12/2010	31/12/2009
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	5,897	7,956
Payments to suppliers and employees (inclusive of GST)	(351,701)	(850,806)
Interest received	296,897	213,998
GST refunded	-	153,042
	<u>(48,907)</u>	<u>(475,810)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Payments for property, plant and equipment	(3,699)	(1,445)
Payments for intangibles	(3,225)	-
Payments for exploration and evaluation	(716,361)	(907,599)
Proceeds from sale of property, plant and equipment	-	200
	<u>(723,285)</u>	<u>(908,844)</u>
Net cash used in investing activities		
Cash flows from financing activities		
	<u>-</u>	<u>-</u>
Net cash from financing activities		
	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents		
	(772,192)	(1,384,654)
Cash and cash equivalents at the beginning of the financial half-year	8,378,658	8,469,223
	<u>7,606,466</u>	<u>7,084,569</u>
Cash and cash equivalents at the end of the financial half-year	<u>7,606,466</u>	<u>7,084,569</u>

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

3D Oil Limited
Notes to the financial statements
31 December 2010

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2010 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

New, revised or amending Accounting Standards and Interpretations adopted

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

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

Any significant impact on the accounting policies of the company from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy.

Note 2. Operating segments

Identification of reportable operating segments

The company is organised into one operating segment : as an explorer and development of oil and gas in the Gippsland Basin offshore Victoria and the Bass Basin offshore Tasmania. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The information reported to the CODM is on at least a monthly basis.

Note 3. Revenue

	31/12/2010	31/12/2009
	\$	\$
<i>Other revenue</i>		
Interest	200,405	217,033
Rent	5,897	7,956
Revenue	<u>206,302</u>	<u>224,989</u>

3D Oil Limited
Notes to the financial statements
31 December 2010

Note 4. Equity - dividends

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

Note 5. Contingent liabilities

There were no contingent liabilities in existence at 31 December 2010.

Note 6. Commitments for expenditure

There have been no material changes to commitments for expenditure since the Company's annual report for the financial year report for the year ended 30 June 2010.

Note 7. Events occurring after the reporting date

On 24 January 2011, the Company issued 200,000 options to an employee exercisable at \$0.40 and expiring on 31 January 2015.

No other matter or circumstance has arisen since 31 December 2010 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Note 8. Earnings per share

	31/12/2010	31/12/2009
	\$	\$
Loss after income tax attributable to the owners of 3D Oil Limited	<u>(515,658)</u>	<u>(476,435)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>206,560,000</u>	<u>206,560,000</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>206,560,000</u>	<u>206,560,000</u>
	Cents	Cents
Basic earnings per share	(0.25)	(0.23)
Diluted earnings per share	(0.25)	(0.23)

3D Oil Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the company's financial position as at 31 December 2010 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors



Noel Newell
Managing Director

15 March 2011
Melbourne

Grant Thornton Audit Pty Ltd
ACN 130 913 594

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

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

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

We have reviewed the accompanying half-year financial report of 3D Oil Limited (“the Company”), which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors’ declaration

Directors’ responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

Auditor’s responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of 3D Oil Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of 3D Oil Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Simon Trivett
Director - Audit & Assurance Services

Melbourne, 15 March 2011