

3D OIL LIMITED
ABN 40 105 597 279

Annual Financial Report
for the Financial Year Ended 30 June 2008

3D OIL LIMITED
ABN 40 105 597 279

CORPORATE DIRECTORY

Board of Directors

Peter Willcox (Non-Executive Director and Chairman)
Noel Newell (Executive Managing Director)
Campbell Horsfall (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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LETTER FROM THE MANAGING DIRECTOR

Dear Shareholders

As our first full year as a publicly listed company draws to a close with the backdrop of the most turbulent financial environment of our times 3D Oil has taken a significant step in laying the foundations for the growth of the company.

I firstly want to iterate clearly the current position of 3D Oil;

- The company owns 100% of an oil field, West Seahorse, offshore Victoria
- The field has a suspended well for future production
- While the field is marginal it has significant attributes which I believe make it commercial
- 3D Oil has a good cash position for at least the next two years
- We have a portfolio of 23 quality leads and prospects in our two permits
- We have a small but highly experienced and dedicated team of professionals committed to 3D Oil's future

Since the commencement of 3D Oil my overwhelming priority has been to secure early production to underpin the stability and growth of the company. As a young company arriving in the market at a time of record oil prices this is a task that cannot be underestimated. Access to petroleum provinces is as competitive as it has ever been historically and when accessed, drilling costs are at near record levels. This fierce competition has translated into quite expensive transactions in our sector in recent times to secure reserves.

West Seahorse, a field acquired in a bid round and therefore at a low entry cost, provides 3D Oil with the opportunity to secure a cash flow. Whilst our drilling campaign did not increase our reserve base the field still remains economically viable. 3D Oil has made it a priority in the short term to find the most suitable development option for the field. It is pertinent to remember that the neighbouring Seahorse field, of similar size and geology, has been on production since 1991.

Prior to drilling 3D Oil undertook a pre FEED (Front End Engineering and Design) study with WorleyParsons to primarily evaluate the cost of a stand alone development with an onshore processing plant and to be immediately ready post drilling to go straight into development mode. Although we continue to explore this option I now believe an alternative development model may provide higher returns and we are aggressively exploring a number of these models prior to making our final decision. Our prime considerations are balanced between economic optimisation and time to first oil. I am very confident we will proceed to a development of this field in the short term.

Beyond West Seahorse exploration will continue to remain the company's primary mechanism for organic growth and value creation. In future we intend to share exploration risk, particularly drilling, within strategic partnerships.

3D Oil interprets the potential of the Vic/P57 permit as outstanding. The 750 km² block still remains largely unexplored, with only 4 exploration wells, despite being literally flanked by numerous oil and gas fields. Sea Lion and Felix are very exciting prospects as potentially the last remaining undrilled top Latrobe closures along the highly prospective Rosedale Fault on which nearly all related structures contain oil and gas. Independent experts, RPS Energy, detailed evaluation of Sea Lion provided a best estimate unrisked Prospective Resource of 20.7 MMstb. The adjacent Salsa Prospect provides a direct follow up to Sea Lion while being considerably larger.

Recent further detailed mapping of the 3D seismic in Vic/P57 has revealed a trend of deeper level leads which are on trend and look-a-like to the Longtom gas field. The Dexter, Kangafish and Lucifer leads combined could contain a considerable resource and we are currently undertaking detailed geological evaluation with the intention of raising them to prospect status.

A first pass interpretation of the recently acquired 2200 km of seismic in T41/P, offshore Tasmania, has been completed to reveal a series of new and exciting leads while confirming the previously identified leads. There also appear amplitude anomalies indicative of the presence of hydrocarbons; first pass studies (AVO analysis) has confirmed the validity of these.

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T41/P is a large block (2700 km²), virtually unexplored with only one well despite being only about 50 kilometres from the producing Yolla gas and condensate field. While the Bass Basin has been traditionally viewed as a gas province there is an emerging belief in the industry that it is in fact quite "oily". This is evidenced by the 28 MMbbl (2P) oil and condensate reserves in Yolla accompanying the 330 petajoules of gas.

Two exploration wells will be drilled in the Bass Basin by Beach Petroleum in the fourth quarter with the West Triton jack up drilling rig. While both wells are close to T41/P they are also in a similar geological setting and testing "top Eastern View" closures as we have currently mapped. Following, a further three wells are also likely to be drilled by Origin in the basin. This increase in activity is based on the growing industry perception of the prospectivity of the Bass Basin. We are in a very good position in T41/P with 100% equity and no work commitments over the next year.

Over the coming year my only objective will be to maximise value to shareholders and strive to minimise the issue of new equity. While the company has no immediate obligations in either permit we don't intend to sit still. We are aggressively seeking a suitable development option for West Seahorse and a leveraged position in both permits through the introduction of appropriate joint venture partners. We will also actively explore new venture opportunities where we can leverage off a competitive advantage; primarily knowledge.

A handwritten signature in black ink, appearing to read 'Noel Newell', written in a cursive style.

Noel Newell
Managing Director

Review of Operations

2008 has been a busy year for 3D Oil Limited, with the company undertaking its first major operations. These consisted of drilling the Wardie-1 and West Seahorse-3 wells in VIC/P57, Gippsland Basin, and the acquisition of 2200 km of 2D seismic data in T/41P, Bass Basin. Both operations were completed in under the scheduled time and under budget.

VIC/P57, GIPPSLAND BASIN OFFSHORE VICTORIA

Background

The Gippsland Basin, offshore Victoria, is historically Australia's most prolific oil and gas province, with initial reserves estimated at 4 billion barrels of oil and 11.5 trillion cubic feet of gas. Twenty one oil and gas fields are on production with most of the hydrocarbons reservoired within clastic sandstones of the Late Cretaceous to Tertiary Latrobe Group.

Vic/P57 is located in the NW of the Gippsland Basin and is flanked to the south by a number of oil and gas fields including the giant Barracouta and Snapper fields. The West Seahorse oil discovery lies within the permit and was drilled in 1981 by Hubbay Oil Australia. The 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. An appraisal well, West Seahorse-2 (1982), drilled into the flank of the field encountered only a small oil accumulation at the top of the Latrobe Group. The Seahorse field, in the neighbouring VIC/L8 License block, has strong similarities to West Seahorse and has been on production since 1991. A recent workover of the Seahorse-1 well (2005) arrested the field's decline, returning production to 4000 bopd.

Early exploration in the basin was conducted on 2D seismic data. The latest phase of exploration has been carried out using 3D seismic, improving both the imaging and the depth conversion.

Approximately 70% of VIC/P57 is covered with the Northern Margin 3D seismic survey acquired by Esso/BHPB in 2002. Analysis of the data indicated that West Seahorse-2 had been drilled into a low-lying saddle area. The area to the SE of the well was interpreted to be updip and had the potential to contain a significant volume of oil.

Drilling Review

Over the preceding 12 months the primary focus of 3D Oil Limited has been the preparation and drilling of two wells in Bass Strait, West Seahorse-3 and Wardie-1, using the new build jack-up drilling unit the West Triton. This was the first major operation performed by the company since listing in May 2007.

Leading up to drilling in late April to June 2008, the company undertook an extensive evaluation of the West Seahorse Field complex including detailed mapping and depth conversion analysis. This work revealed a new prospect, Wardie, within the greater West Seahorse complex. As a result 3D Oil Limited chose to drill an exploration well on the Wardie prospect ahead of an earlier planned exploration well on the Sea Lion prospect, located 7 km west-north-west of West Seahorse. Both were interpreted as similar in size.

The substitution of Wardie-1 for Sea Lion-1 provided the opportunity to drill the West Seahorse and Wardie structures as deviated wells from the same location, thereby saving significant rig time with only one rig move. There were also economic benefits in the event of a discovery at Wardie in a neighbouring location to the West Seahorse Field.

The West Seahorse-3 well was designed to be both an appraisal and development well on the West Seahorse Field. The well was targeting the N1, N2.6 and P1 reservoir units encountered in West Seahorse-1 but from a location interpreted to be updip of the discovery well. An additional level, the N2.3, which had encouraging oil indications in West Seahorse-1, provided an additional appraisal objective. The well was to be suspended as a future producer.

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The first well, West Seahorse-3 was spudded in late April 2008 and drilled to a measured depth of 1810 metres (1646.5 metres sub-sea). The well encountered the N1 oil reservoir on prognosis and established that the oil column extended below the lowest known oil in West Seahorse-1 while also providing a more reliable and modern data set. Excellent reservoir quality was encountered over this zone and the well has been suspended to enable re-entry and completion as a future oil producer.

The N2.6 and P1 reservoir units, which contained oil in West Seahorse-1, were intersected deep to prognosis and consequently below the oil water contacts ("OWC"). It is interpreted that a small localised fault was encountered below the N1 at this location and has resulted in the deeper section thickening in this area.

Latest mapping indicates this has not had a major impact on the size of the field at these levels. Samples were taken of the N1 oil and cores were collected from all the reservoir units. These will be used to assist in the field development planning. It should be noted that both the N1 and N2.6 reservoirs are produced from the neighbouring Seahorse Field from a subsea completion tied back to the Barracouta Platform.

The Wardie-1 exploration well was spudded in early May 2008, following the suspension of West Seahorse-3, and drilled to a measured depth of 1766 metres (1580.5 metres sub-sea). The well had a similar design to West Seahorse-3 with identical reservoir targets.

The Wardie-1 well intersected the Latrobe Group slightly deep to prognosis as a result of strong velocity gradient variations in the shallow section of this region. The presence of oil was confirmed by sampling over an 11 metre interval within a series of thin sands interbedded with coal and shale at the top of the Latrobe Group and stratigraphically higher than the N1 oil reservoir in the West Seahorse-1 and 3 wells. The quality of the reservoir of this zone at Wardie-1 was interpreted as too poor to justify suspension of the well as a future producer. The well was plugged however the conductor will be cut at a later date.

In conjunction with the drilling operation and in accordance with the Submerged Lands Act, 3D Oil Limited submitted and received approval from the Joint Authority for the following;

- Environment Plan
- West Triton Safety Case Revision (including Emergency Response Plan, Oil Spill Contingency Plan) for West Seahorse/Wardie Drilling & Well Testing Addendum
- Well Operations Management Plan (West Seahorse-3/Wardie-1)
- Application to Drill (West Seahorse-3/Wardie-1)
- Approval to Abandon/Suspend

West Seahorse Field

Following on from the drilling of West Seahorse-3, 3D Oil Limited, in conjunction with independent expert consultants, has undertaken an extensive evaluation of the West Seahorse Field utilising the newly acquired data from the drilling. This information has been incorporated with the existing 3D seismic data to generate a new volumetric evaluation of the hydrocarbons in the West Seahorse Field.

The work carried out to date includes:

- Detailed reservoir analysis
- Detailed mapping of all hydrocarbon bearing horizons
- High density depth conversion
- Reservoir fluid analysis
- Reservoir simulation
- Production forecasting and reserve assessment

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3D Oil Limited has paid particular attention to depth conversion of the West Seahorse Field both pre and post drilling. This area is prone to significant velocity anomalies and it provides a significant risk to field appraisal and development. New velocity data has been used to improve the field mapping at all reservoir levels to enable a comprehensive evaluation of reserves and contingent resources. The West Seahorse field contains three separate oil zones: the N1 (Top Latrobe), the N2.6 and the P1 (both intra Latrobe) formations. Reservoir analysis has confirmed the excellent quality of the reservoir units. All consist of thick, stacked fluvial channel sandstones and are expected to provide the high flow rates, supplemented by strong water drive, typical of the Gippsland Basin Latrobe Group reservoirs.

The “in-house” reserve assessment of the West Seahorse field has been completed in conjunction with independent consultants and follows SPE/WPC/AAPG guidelines. These guidelines require that Proved Reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable from a given date.

3D Oil Limited intends to commission an independent reserves certification of the West Seahorse field to provide independent verification of the reserves and the company’s methodology.

Reserves and Contingent Resources for the West Seahorse Field in Vic/P57

Reserves	1P MMstb	2P MMstb	3P MMstb
N1 and N2.6	3.12	4.63	6.04
	Low Estimate (P90)	Best Estimate (P50)	High Estimate (P10)
Contingent Resource	MMstb	MMstb	MMstb
P1 and NE Fault Block	1.98	3.23	5.41
Total Reserves plus Contingent Resource	5.1	7.86	11.45

The West Seahorse-3 well has been suspended as a future producer and can be sidetracked to a more optimal production location.

Exploration Review

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 and West Moonfish-1. All were located from mapping on 3D seismic survey. The non-commercial but historically important Lakes Entrance oil field is located immediately onshore from the northeast corner of the permit.

Despite the proximity to numerous hydrocarbon discoveries, the permit is lightly drilled, containing only four exploration wells. 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. Three of these prospects are described below:

Sea Lion

Sea Lion is located to the west of the West Seahorse oil field on an extension of the oil fairway. It is a simple inversion anticline against the Rosedale Fault with closure mapped at multiple levels below the Top Latrobe Group. This play type has had a very high historical success rate in the Gippsland Basin and there is oil at three reservoir levels in the nearby West Seahorse oil field. The P50 recoverable volume is about 20 MB. The *Salsa* lead, to the NE, is another inversion anticline at the Top Latrobe level and provides attractive follow-up potential. The *Scooter* lead, on a migration spill chain out of the Emperor and Sweetlips discoveries, is another Top Latrobe closure.

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Felix

Felix is located between the Moonfish oil field and the Wirrah discovery. Closure is mapped at multiple levels from the Intra-Latrobe into the Golden Beach Group. Both the adjacent discoveries have multiple levels of trapped hydrocarbons. The recoverable volume range is about 15-80 MB depending on the number of successful levels. Oil and gas were encountered at five main levels at Moonfish. Felix requires a little more work, mainly to do with optimising the drilling location, to advance it to “drillable” stage.

Dexter

Dexter is a low-side fault-dependant trap at the level of the Golden Beach Group. A possible direct hydrocarbon indicator (DHI) is interpreted over the crestal area. The trapping potential along the major basin-bounding faults of the Gippsland Basin has only recently been recognized and this trapping style was successful at the Kipper oil and gas field and at the Longtom gas field. More work around Dexter has identified immediate follow-up potential in the look-alike *Lucifer* and *Kangafish* leads along trend.

T41/P, BASS BASIN OFFSHORE TASMANIA

Technical Review

T41-P is a very large permit in the eastern Bass Basin. The Bass Basin has long been recognized to contain excellent quality source rocks and has had a high strike rate for intersecting hydrocarbons but commercial success has proven to be more difficult. This changed in 2006 with the opening of the Bass Gas project centred on the Yolla oil and gas discovery. The oil industry has acted swiftly in recognizing the potential in the basin and all remaining acreage has been permitted. Exploration activity has surged and over the next three years there are 13 wells scheduled to be drilled. Two of these wells will be drilled in the neighbouring permits during the third and fourth quarters of 2008. The industry's focus on the basin vindicates 3D Oil's decision to acquire the permit ahead of its competitors and provides us with valuable acreage at a time when competition for quality exploration opportunities is increasing.

3D Oil Limited's permit T41-P has been lightly explored with only one well, Chat-1, drilled in 1986. The well was located on a broad 2D seismic grid and tested a reactivated fault block. A residual oil column is interpreted in the well, suggesting that the trap was originally hydrocarbon-bearing but subsequently leaked. Importantly, this indicates that the permit has had access to hydrocarbon charge.

Existing seismic coverage within T41-P was sparse consisting of data from six surveys ranging in vintage from 1975 to 1990. Four moderate-sized leads (40 – 140 MB recoverable) were identified from the broad 2D grid but more seismic was required to mature these to prospect status.

Seismic Acquisition

3D Oil Limited joined a consortium of local operating companies to contract a 2D seismic vessel to acquire seismic data. The contract was awarded to CGG-Veritas and the 2D seismic vessel, the Pacific Titan was mobilized to Australia to acquire the data.

The seismic survey was designed to target the SW half of the permit where leads had been identified and where technical studies suggested there was the best access to hydrocarbons. The 3D Oil Limited seismic survey was successfully acquired in late April to early May 2008. Acquisition conditions were good and no weather down-time was experienced.

The seismic data has been processed and interpretation is underway. Preliminary mapping indicates that there is considerably more structuring than previously thought. The existing leads have been confirmed and our evaluation indicates a significant increase in the number of leads.

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Historically, discoveries in the Bass Basin have been either at the Top Eastern View level or in the lower Eastern View. The preliminary mapping suggests that many of the new and existing leads have the potential for stacked objectives, with significant volume upside. Significantly, there is extensive follow-up potential in the event of a discovery.

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SCHEDULE OF PETROLEUM EXPLORATION PERMITS AS AT 30 JUNE 2008

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

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DIRECTORS' REPORT

The Directors of 3D Oil Limited submit herewith the annual financial report of the Company for the financial year ended 30 June 2008. 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 Peter Willcox	Non-Executive Director and Chairman (Appointed 5 November 2007)
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.
Directorships in listed entities	Telstra Ltd AMP Ltd (resigned 6 September 2005) Mayne Group Ltd (resigned 18 November 2005) Mayne Pharma Ltd (resigned 5 February 2007)
Relevant interests in shares and options	25,000 ordinary fully paid shares 4,000,000 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	36,661,450 ordinary fully paid shares 4,000,000 options expiring 31 January 2011, exercisable at \$0.50
Mr Campbell Horsfall	Non-Executive Director
Qualifications	B.Com., LL.B (Melb)
Experience	Campbell Horsfall is a solicitor with extensive experience in the petroleum industry and has held positions as Company Solicitor for BP Australia Ltd, BHP Petroleum, Japan Australia LNG (MIMI) Pty Ltd and has, until recently, been General Counsel of Vicpower. Campbell holds Degree in Law and Commerce from the University of Melbourne and a Diploma from the Securities Institute and practices as a lawyer in Melbourne.
	He has been a director of two public companies and has been a non-executive director of Orchard Petroleum Limited since May 2002. Orchard Petroleum is listed on the ASX and focuses exclusively on oil and gas exploration and development in California's prolific hydrocarbon regions of the Sacramento and San Joaquin basins.
Directorships in listed entities	Orchard Petroleum Limited (resigned 30 June 2007)
Relevant interests in shares and options	Nil ordinary fully paid shares 500,000 options expiring 31 January 2011, exercisable at \$0.50.

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DIRECTORS' REPORT (CONT'D)

Name

Mr Ian Gorman

Particulars

Non-Executive Chairman (resigned 21 September 2007)

Experience

Ian Gorman as a B/A and M/A (Hons) in Physics from Oxford University, as well as a Post Graduate Diploma in Management from Deakin University. Ian has 25 years of international oil and gas experience within Shell International and BHP Billiton in conventional and unconventional oil and gas development. He has proven leadership in development planning, project start-up and production operations, together with strategic focus and business planning processes. He has extensive Australian and international field and basin experience with exposure to projects in over 20 countries.

He was formerly Global Technical Leader of the coal bed methane business in BHP Billiton. Prior to this role, he was Manager Petroleum Engineering Australia/Asia (BHP Billiton) and London. He was responsible for offshore Australian developments including Jabiru, Challis and Griffin. He has direct Bass Strait experience from previous roles in BHP including the discovery of Moonfish, appraisal of Blackback and in-field development of Kingfish/West Kingfish and the smaller oil fields.

Ian is also currently an executive director of Molopo Australia Limited and, until recently, was SPE Global Technical Director, Production and Operations. He has led SPE workshops in marginal field development and CBM development.

Ms Melanie J Leydin

Executive Director (appointed 21 September 2007 resigned 22 November 2007)
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 15 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.

PRINCIPAL ACTIVITIES

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

OPERATION RESULTS

The entity's net loss for the year after applicable income tax was \$19,471,448 (2007: \$1,471,727).

REVIEW OF OPERATIONS

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

FINANCIAL POSITION

The net assets of the entity have increased to \$31,725,661 as at 30 June 2008. The major movements were due to capital raisings during the year and expenditure on exploration and development in oil and gas.

The entity's working capital, being current assets less current liabilities was \$11,805,829 compared with working capital of \$26,469,670 in 2007.

As a result of the above together with the events occurring after balance date the Directors believe the Company is in a strong and stable position to expand and grow its current operations.

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DIRECTORS' REPORT (CONT'D)

CHANGES IN STATE OF AFFAIRS

During the financial year the company:

- The company received \$16,500,000 (before costs) via the final payment on partly paid shares of \$0.15 per share on 110,000,000 shares that were issued as partly paid in the company's Initial Public Offering in 2007.
- The company raised \$7,020,000 (before costs) through the issue of 13,500,000 shares.

FUTURE DEVELOPMENTS

Disclosure of further information regarding likely developments in the operations of the entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the entity. 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 entity, the results of those operations, or the state of affairs of the entity 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 economic entity 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 2008.

SHARE OPTIONS

Share options granted to Directors and executives or their nominees during and since the end of the financial year:

	Number of Options granted	Exercise Price of Options	Expiry Date of Options
Directors		\$	
Mr P. Willcox	4,000,000	\$0.50	31/01/2011
Mr D. Vuckovic	400,000	\$0.75	31/03/2013

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	11,100,000	\$0.50	31 January 2011
Unlisted Options	7,125,000	\$0.60	31 January 2011
Unlisted Options	400,000	\$0.75	31 March 2013

During the year and up to the date of this report 4,400,000 options were issued, and 1,000,000 options lapsed. At 30 June 2008, 18,625,000 options were on issue. Refer to the notes to the financial statements for details of options granted.

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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, 11 Board meetings were held, 1 audit committee meeting and 1 remuneration committee meeting.

DIRECTORS	BOARD OF DIRECTORS		AUDIT COMMITTEE COMMITTEE		REMUNERATION COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Mr P. Willcox ⁽¹⁾	7	7	1	1	1	1
Mr N Newell	11	11	-	-	-	-
Mr C Horsfall	11	11	1	1	1	1
Ms M Leydin ⁽³⁾	2	2	-	-	-	-
Mr I Gorman ⁽²⁾	2	2	-	-	-	-

(1) Appointed 5 November 2007

(2) Resigned 21 September 2007

(3) Appointed 21 September 2007, Resigned 22 November 2007

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 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 2008.

AUDITOR'S INDEPENDENCE DECLARATION

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

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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 Directors 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.

3D OIL LIMITED
ABN 40 105 597 279

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 listing December 2006:

	30 June 2008	30 June 2007	30 June 2006	30 June 2005
Revenue	1,740,306	228,396	3,833	47
Net profit/(loss) before tax	(17,283,270)	(1,471,727)	(79,221)	(111,644)
Net profit/(loss) after tax	(17,283,270)	(1,471,727)	(79,221)	(111,644)
Share price at listing date/start of year	\$0.50**	N/A	N/A	N/A
Share price at end of year	\$0.26	N/A	N/A	N/A
Basic earnings/(loss) per share	(8.80)cps	(1.67)cps	N/A	N/A
Diluted earnings/(loss) per share	(8.80)cps	(1.67)cps	N/A	N/A

*3D Oil Limited adopted the Australian equivalents to International Financial Reporting Standards with effect from 1 July 2004, which resulted in various changes in accounting policies from that date.

**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 consolidated entity.

Key Management Personnel Compensation

The aggregate compensation of the key management personnel of the entity and the company is set out below.

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REMUNERATION REPORT (AUDITED) (CONT'D)

Details of Remuneration for Year Ended 30 June 2008

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

	Short –term employment benefits	Post- employment	Equity		Total \$
	Salary, Fees and Commissions \$	Superannuation Contribution \$	Shares Received as Compensation \$	Options Received as Compensation \$	
Directors					
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

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	-	4,000,000	-	-	-	-
Mr. C Horsfall	-	500,000	-	-	-	-
Executives						
Mr D. Vuckovic	400,000	100,000	119,080	67.44	\$0.75	31/03/2013

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REMUNERATION REPORT (AUDITED) (CONT'D)

Details of Remuneration for Year Ended 30 June 2007

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

	Short –term employment benefits	Post-employment	Equity		Total
	Salary, Fees and Commissions \$	Superannuation Contribution \$	Shares Received as Compensation \$	Options Received as Compensation \$	
2007					
Directors					
Mr I Gorman	29,167	2,625	-	173,100	204,892
Mr N Newell	248,234	14,700	-	692,400	955,334
Mr C Horsfall	10,000	900	-	86,550	97,450
Executives					
Mr J Keall	64,389	5,795	-	234,600	304,784
Ms M Leydin	64,977	-	-	-	64,977
	416,767	24,020	-	1,186,650	1,627,437

Shares Issued as Part of Remuneration for the Year Ended 30 June 2007

There were no shares issued as part of remuneration during the year ended 30 June 2007.

Options Issued as Part of Remuneration for the Year Ended 30 June 2007

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	Value of Options Granted at grant date \$	Total Remuneration Represented by Options %	Exercise Price of Options \$	First Exercise Date	Expiry Date of Options
2007						
Directors						
Mr I Gorman	1,000,000	173,100	84.49	0.50	6/12/07	31/1/2011
Mr N Newell	4,000,000	692,400	72.47	0.50	6/12/07	31/1/2011
Mr C Horsfall	500,000	86,550	84.76	0.50	6/12/07	31/1/2011
Executives						
Mr J Keall	1,500,000	234,600	76.97	0.50	6/12/07	31/1/2011
Ms M Leydin	-	-	-	-	-	-

REMUNERATION REPORT (AUDITED) (CONT'D)

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 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, is employed under contract. The current employment contract commenced on 5 November 2007 and has no fixed term. Under the terms of the present contract:

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

The Non-Executive Director, Mr C Horsfall, is employed under contract. The current employment contract commenced on 15 November 2006 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 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 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.

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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

A handwritten signature in black ink, appearing to read 'Noel Newell', written in a cursive style.

Noel Newell
Managing Director

MELBOURNE, 29 September 2008

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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 2008, 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
Chartered Accountants



Brad Taylor
Partner
Melbourne, 29 September 2008

3D OIL LIMITED
ABN 40 105 597 279

DIRECTORS 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 entity; 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

A handwritten signature in black ink, appearing to read 'Noel Newell', written in a cursive style.

Noel Newell
Managing Director

MELBOURNE, 29 September 2008

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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 (the company) which comprises the balance sheet as at 30 June 2008, 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 of the company.

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.

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 2008 included on 3D Oil Limited's web site. The company's directors are responsible for the integrity of the 3D Oil Limited web site. We have not been engaged to report on the integrity of the 3D Oil Limited's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site

Independence

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

Auditor's Opinion

In our opinion:

- (a) the financial report of 3D Oil Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the company's financial position as at 30 June 2008 and of their 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 15 to 19 of the directors' report for the year ended 30 June 2008. 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 2008, complies with section 300A of the *Corporations Act 2001*.



GRANT THORNTON
Chartered Accountants



Brad Taylor
Partner
Melbourne, 29 September 2008

3D OIL LIMITED
ABN 40 105 597 279

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 \$	2007 \$
Revenue	2	1,740,306	228,396
Corporate expenses		(234,334)	(93,306)
Administrative expenses		(105,429)	(84,020)
Occupancy expenses		(79,393)	-
Employment expenses		(582,768)	(292,166)
Share based payments		(724,485)	(1,205,150)
Depreciation and amortization		(34,894)	(25,481)
Unrealised loss on foreign currency translation		(2,458,179)	-
Exploration costs written off		(17,262,273)	-
Loss before income tax expense	3	(19,741,448)	(1,471,727)
Income tax expense	4	-	-
Loss for the year		(19,741,448)	(1,471,727)
Loss per share		Cents per Share	Cents per Share *
Basic loss per share		(10.05)	(1.67)
Diluted loss per share		(10.05)	(1.67)

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

3D OIL LIMITED
ABN 40 105 597 279

BALANCE SHEET
AS AT 30 JUNE 2008

	Note	2008 \$	2007 \$
Current Assets			
Cash and cash equivalents	20(a)	15,228,679	26,458,238
Trade and other receivables	7	3,488,313	362,986
Other current assets	8	4,231,208	3,000
Total Current Assets		<u>22,948,200</u>	<u>26,824,224</u>
Non-Current Assets			
Plant and equipment	9	39,381	46,588
Intangibles	10	42,405	11,556
Other non-current assets	11	19,838,046	1,888,072
Total Non-Current Assets		<u>19,919,832</u>	<u>1,946,216</u>
Total Assets		<u>42,868,032</u>	<u>28,770,440</u>
Current Liabilities			
Trade and other payables	12	10,599,308	339,147
Provisions	13	32,573	15,407
Total Current Liabilities		<u>10,631,881</u>	<u>354,554</u>
Non-Current Liabilities			
Provisions	13	510,490	-
Total Non-Current Liabilities		<u>510,490</u>	<u>-</u>
Total Liabilities		<u>11,142,371</u>	<u>354,554</u>
Net Assets		<u><u>31,725,661</u></u>	<u><u>28,415,886</u></u>
Equity			
Issued Capital	14	50,620,867	28,294,129
Reserves	15	2,610,135	2,058,750
Accumulated losses		(21,505,341)	(1,936,993)
Total Equity		<u><u>31,725,661</u></u>	<u><u>28,415,886</u></u>

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

3D OIL LIMITED
ABN 40 105 597 279

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008**

	Issued Capital Note 14	Accumulated Losses	Option Reserves Note 15	Total
Equity as at 1 July 2006	449,986	(465,266)	-	(15,280)
Loss for the period (A)	-	(1,471,727)	-	(1,471,727)
Issue of Options	-	-	2,058,750	2,058,750
Issue of Shares	30,615,000	-	-	30,615,000
Costs of Capital Raising	(2,770,857)	-	-	(2,770,857)
Equity as at 30 June 2007	28,294,129	(1,936,993)	2,058,750	28,415,886

Equity as at 1 July 2007	28,294,129	(1,936,993)	2,058,750	28,415,886
Loss for the period (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	23,514,473	-	-	23,514,473
Costs of Capital Raising	(1,187,735)	-	-	(1,187,735)
Equity as at 30 June 2008	50,620,867	(21,505,341)	2,610,135	31,725,661

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

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

3D OIL LIMITED
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CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	PARENT ENTITY	
		2008	2007
		\$	\$
Cash Flows From Operating Activities			
Receipts from customers		17,730	990
Interest received		1,741,149	56,548
Payments to suppliers and employees		<u>(1,213,509)</u>	<u>(301,208)</u>
	20(c)		
Net cash used in operating activities		<u>545,370</u>	<u>(243,670)</u>
Cash Flows From Investing Activities			
Payments for exploration and development expenditure		(27,360,265)	(1,888,072)
Deposits paid for exploration and development expenditure		(4,224,687)	
Payment for foreign exchange investment		(2,458,179)	-
Payment for plant and equipment		(14,850)	(47,339)
Payment for intangibles (software)		<u>(43,686)</u>	<u>(11,556)</u>
Net cash (used in)/provided by investing activities		<u>(34,101,667)</u>	<u>(1,946,967)</u>
Cash Flows From Financing Activities			
Proceeds from issue of equity securities		7,020,000	30,535,000
Proceeds from final payments on partly paid shares		16,500,000	-
Payment for share issue costs		<u>(1,193,262)</u>	<u>(1,917,257)</u>
Net cash flows from financing activities		<u>22,326,738</u>	<u>28,617,743</u>
Net Increase (Decrease) in cash and cash equivalents		(11,229,559)	26,427,106
Cash and cash equivalents at beginning of the financial year		<u>26,458,238</u>	<u>31,132</u>
Cash and cash equivalents at the end of the financial year	20(a)	<u>15,228,679</u>	<u>26,458,238</u>

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 2008

1. SUMMARY OF ACCOUNTING POLICIES

Corporate Information

3D Oil Limited 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 the Corporations Act 2001, Australian Accounting Standards, Australian Accounting Interpretations, other authoritative 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 2008.

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 Group 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 Group has also adopted the following standards as listed below which impacted on the Group'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 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 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

(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 entity 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 entity 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

(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.

Current and deferred tax for the period

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

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.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements as the fair value cannot be reliably determined.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

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 other 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 Group'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 entity 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.

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

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 group 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 including building and capitalized lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the economic entity 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 values 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 than 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.

(j) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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.

(k) Revenue

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

Interest Revenue

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

(I) 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 Standard will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Group and the company's financial report:

- 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
- 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

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the Group and 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
- 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)
- 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
- 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
- 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
- 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

(m) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

	2008	2007
	\$	\$
2. REVENUE		
Revenue from continuing operations consisted of the following items		
Other Income		
Rent received	17,730	900
Interest revenue	1,722,576	227,496
	1,740,306	228,396
Total Revenue	1,740,306	228,396
3. LOSS FOR THE YEAR		
(a) Loss before income tax has been arrived at after crediting/ (charging) the following gains and losses from continuing operations		
Depreciation and amortisation of non-current assets:		
- Plant and equipment	(22,057)	(7,309)
- Software	(12,837)	(18,172)
	(34,894)	(25,481)
Post employment benefit plans – Superannuation Contribution	(68,844)	(24,176)
Share based payments:		
- Equity settled share based payments	(724,485)	(1,205,150)
Charges to provisions:		
- Employee entitlements	(27,656)	(15,407)
Unrealised foreign currency translation	(2,458,179)	-
Operating lease payments:		
- Office lease	(76,996)	(43,960)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

	2008 \$	2007 \$
4. INCOME TAX EXPENSE		
(a) The Components of Tax Expense comprise:		
Current Tax	-	-
Deferred Tax	-	-
	-	-
	-	-
(b) The prima facie tax from loss for the year before income tax is reconciled to the income tax expense as follows:		
Loss for the year	(19,741,449)	(1,471,727)
Income tax benefit calculated at 30%	(5,922,435)	(441,518)
Add:		
Tax Effect of:		
- Share Based Payments	217,345	361,545
	(5,705,090)	(79,973)
Add/(Less) Temporary Differences:		
- Capitalised Deductible Exploration Expenditure	(5,234,992)	(566,422)
- Unrealised Foreign Exchange Losses	737,453	-
- Deductible Share issue costs	(186,299)	(115,035)
- Other Timing Differences	9,698	48,058
	(10,379,230)	(713,372)
Tax benefit for the year	(10,379,230)	(713,372)
Income Tax losses carried forward not taken up as benefit	10,379,230	713,372
Tax Expense	-	-
Deferred tax assets not brought to account as assets:		
- Tax Losses	11,287,892	886,593
- Temporary Differences	(5,341,180)	(91,863)
	5,946,712	794,730

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

- i) the entity 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 entity continues to comply with the conditions for deductibility imposed by law, and
- iii) No change in tax legislation adversely affects the entity in realizing the benefits from deducting the losses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONT'D)

5. KEY MANAGEMENT PERSONNEL

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

Mr P Willcox (Non-Executive Chairman) appointed the 5 November 2007
 Mr I Gorman (Non-Executive Chairman) resigned 21 September 2007
 Mr N Newell (Managing Director)
 Mr C Horsfall (Non-Executive Director)
 Mr J Keall (Exploration and Development Manager)
 Mr D Vuckovic (Development Manager) appointed 5 March 2008
 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:

	2008 \$	2007 \$
Short-term employment benefits	719,828	416,767
Post employment benefits	53,897	24,020
Other long-term benefits	-	-
Termination benefits	-	-
Share based payments	709,600	1,186,650
	1,483,325	1,627,437

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 1.7.2006	Granted as Compensation	Net Change Other	Balance 30.6.2007
Mr I Gorman ⁽¹⁾	-	1,000,000	-	1,000,000
Mr N Newell	-	4,000,000	-	4,000,000
Mr C Horsfall ⁽²⁾	-	500,000	-	500,000
Mr J Keall	-	1,500,000	-	1,500,000
Ms M Leydin	-	-	-	-
	-	7,000,000	-	7,000,000

⁽¹⁾ Appointed as Director on 25 September 2006

⁽²⁾ Appointed as a Director on 20 November 2006

	Balance 1.7.2007	Granted as Compensation	Net Change Other	Balance 30.6.2008
Mr P Willcox ⁽¹⁾	-	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
Mr C Horsfall	500,000	-	-	500,000
Mr J Keall	1,500,000	-	-	1,500,000
Ms M Leydin	-	-	-	-
Mr D Vuckovic	-	500,000	-	500,000
	7,000,000	4,500,000	(1,000,000)	10,500,000

⁽¹⁾ Appointed as a Director on 5 November 2007

⁽²⁾ Resigned as Director on 21 September 2007

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONT'D)

(d) Shareholdings by Key Management Personnel or their nominees

	Balance 1.7.2006	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2007
Mr I Gorman ⁽¹⁾	-	-	-	-	-
Mr N Newell	36,661,450	-	-	-	36,661,450
Mr C Horsfall ⁽²⁾	-	-	-	-	-
Mr J Keall	-	-	-	-	-
Ms M Leydin	-	-	-	-	-
	36,661,450	-	-	-	36,661,450

⁽¹⁾ Appointed as Director on 25 September 2006

⁽²⁾ Appointed as a Director on 20 November 2006

	Balance 1.7.2007	Received as Compensation	Options Exercised	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 Director on 21 September 2007

	2008 \$	2007 \$
6. AUDITORS REMUNERATION		
Auditor of the Parent Entity – Grant Thornton		
Auditing or reviewing the financial report	26,472	23,731
Independent Accountants report	-	5,014
	26,472	28,745
7. TRADE AND OTHER RECEIVABLES		
Current		
Goods and services tax recoverable	3,335,941	192,069
Interest receivable	152,275	170,848
Other receivables	97	69
	3,488,313	362,986
^(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		
Prepayments	6,521	3,000
Deposits paid for Exploration Expenditure	4,224,687	-
	4,231,208	3,000

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

	2008	2007
	\$	\$
9. PLANT & EQUIPMENT		
Plant and equipment – at cost	66,306	51,455
Less: Accumulated depreciation	(29,925)	(4,867)
	36,381	46,588
<i>Movement in carrying value of plant and equipment</i>		
Opening carrying value	46,588	24,730
Additions	14,851	47,359
Transfer to intangibles	-	(18,192)
Depreciation expense	(25,058)	(7,309)
Closing carrying value	36,381	46,588
	2008	2007
	\$	\$
10. INTANGIBLES		
Software – at cost	55,242	11,556
Less accumulated amortisation	(12,837)	-
	42,405	11,556
<i>Movement in carrying value of intangibles</i>		
Opening carrying value	11,556	-
Additions	43,686	11,556
Transfer from plant & equipment	-	18,192
Amortisation expense	(12,837)	(18,192)
Closing carrying value	42,405	11,556
	2008	2007
	\$	\$
11. OTHER NON-CURRENT ASSETS		
Exploration and development expenditure	19,838,046	1,888,072
<i>Movement in Exploration and development Expenditure</i>		
Opening carrying value	1,888,072	-
Expenditure during the year	35,212,247	1,888,072
Written off expenditure	(17,262,273)	-
Impairment losses	-	-
Closing carrying value	19,838,046	1,888,072

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 \$31,584,952 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

	2008 \$	2007 \$
12. TRADE AND OTHER PAYABLES		
Current		
Trade payables	8,215,359	100,602
Amounts payable to:		
- Key management personnel	19,321	18,500
- Key management personnel related entities	-	183,828
Sundry payables and accrued expenses	2,364,628	36,217
	10,599,308	339,147

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

13. PROVISIONS

Current

Provision for employee benefits	32,573	15,407
	32,573	15,407

Non-current

Provision for employee benefits	10,490	-
Provision for Well Abandonment	500,000	-
	510,490	-

Movement in Provision for Well Abandonment

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

14. ISSUED CAPITAL

206,560,000 fully paid ordinary shares (2007: 83,060,000 (post-split))	50,260,867	3,564,986
110,000,000 partly paid shares	-	24,729,143
	50,620,867	28,294,129

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Changes to the corporations' law abolished the authorised capital and par value concept in relation to the Share Capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONT'D)

	2008		2007	
	No.	\$	No.	\$
(a) Fully paid ordinary shares				
Balance at 1 July 2006	83,060,000	3,564,986	266,550	449,986
Issue of shares (pre-split)	-	-	23,450	469,000
Share split on 1:259 basis	-	-	75,110,000	-
Issue of shares (post-split)	-	-	7,950,000	2,646,000
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 period	206,560,000	50,620,867	83,060,000	3,564,986
(b) Partly paid ordinary shares (i)				
Balance at 1 July 2006	-	-	-	-
Issue of shares in Initial Public Offering	-	-	110,000,000	27,500,000
Less: Costs of Capital Raising	-	-		(2,770,857)
Final call on partly paid shares and transfer to fully paid ordinary shares	-	-	(110,000,000)	(24,729,143)
	-	-	-	-

(i) Shares were \$0.40 partly paid to \$0.25. The remaining \$0.15 was due and payable by 16 December 2007.

(c) Terms and Conditions of Issued Capital

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity 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

	2008	2007
	No.	No.
Balance at beginning of the financial year	14,225,000	-
Granted during the financial year	4,400,000	14,225,000
Exercised during the financial year	-	-
Lapsed during the financial year	(1,000,000)	-
Balance at end of the financial year	17,625,000	14,225,000

10,100,000 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.

7,125,000 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

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 year the following options were granted for Directors, executives and promoters:

- 4,000,000 options to Non-executive directors valued at \$0.1774 per option.
- 400,000 options to Executives valued at \$0.2977 per option.

Details of the Directors' option valuations are included in the Remuneration Report.

16. DIVIDENDS

There have been no dividends paid or proposed in the 2007 or 2008 financial years.

	2008	2007
	\$	\$
17. COMMITMENTS FOR EXPENDITURE		
Operating Lease Commitments		
Not longer that 1 year	79,815	75,240
Longer that 1 year and not longer that 5 years	40,690	112,860
Longer than 5 years	-	-
	120,505	188,100
Exploration Licences - Commitments for Expenditure		
In order to maintain current rights of tenure to exploration tenements, the Company and economic entity is required to outlay rentals and to meet the minimum expenditure requirements of the State Mines Departments. Minimum expenditure commitments may be subject to renegotiations 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 later than one year	850,000	9,090,000
Later than on year but not later than five	-	17,900,000
Later than five years	-	-
	850,000	26,990,000

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 to 19 June 2009 is \$600,000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

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 2008 there were no related party transactions other than those detailed in the Remuneration Report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

	2008	2007
	\$	\$
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 of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash and cash equivalents	15,228,679	26,458,238
(b) Financing Facilities		
The company has no financing facilities in place at 30 June 2008.		
(c) Reconciliation of Loss for the year After Related Income Tax to Net Cash Flows From Operating Activities		
Loss after related income tax	(19,741,448)	(1,471,727)
Less: Non-cash activities:		
Depreciation and amortisation of non-current assets	34,894	25,481
Share based payments expense	724,485	1,205,150
Exploration costs written off	17,262,273	(888)
Provision for well abandonment	500,000	-
Unrealised loss on foreign currency translation	2,458,179	
Annual and long service leave provisions	27,656	15,407
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Current receivables	(587,185)	(362,986)
Increase/(decrease) in liabilities:		
Current payables	(133,484)	345,893
Net cash (used in) operating activities	545,370	(243,670)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main purpose of these financial instruments is to finance the entity'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 entity's policy that no trading in financial instruments shall be undertaken.

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

(a) Cash flow interest risk

The entity's exposure to the risks of changes in market interest rates relates primarily to the entity'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 entity'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 10 % higher or lower with all other variables held constant as a sensitivity analysis.

The entity 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 risk since the prior year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

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

	Note	Float Interest Rate		Non-Interest Bearing		Total Carrying Amount	
		2008	2007	2008	2007	2008	2007
Financial Assets							
Cash at bank		15,228,679	26,458,238	-	-	15,228,679	26,458,238
Trade and other receivables		-	-	3,488,313	362,986	3,488,313	362,986
Other Current Assets		3,408,271	-	822,937	-	4,231,208	3,000
Total		18,636,950	26,458,238	4,311,250	362,986	22,948,200	26,824,224
Weighted average interest rate		6.12%	5.27%				
Financial Liabilities							
Trade and other payables		-	-	10,599,308	339,147	10,599,308	339,147
Total				10,599,308	339,147	10,599,308	339,147
Weighted average interest rate		-	-				
Net Financial assets (liabilities)							
		18,636,950	26,458,238	(6,288,058)	23,839	12,348,892	26,485,077
Interest Rate Sensitivity							
						+10%	
		2008	2007	2008	2007		2007
		\$	\$	\$	\$		\$
Change in profit		(102,337)	(144,197)	102,337	102,337	144,197	144,197
Change in equity		(102,337)	(144,197)	102,337	102,337	144,197	144,197

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

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

A sensitivity of 10% has been selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates. A 10% sensitivity would move short term interest rates at 30 June 2008 from 6.72% to 7.40% representing a 68 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 is appropriate to be used for 2007.

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.

(b) Liquidity risk

The entity 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 entity aims at maintaining flexibility in funding by having plans in place to source additional capital as required.

Financial Liabilities

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

	2008	2007
Contracted maturities of payables as at balance date:		
Payable:		
- less than 6 months	8,255,693	339,147
- 6 to 12 months	2,343,614	-
- 1 to 5 years	-	-
- later than 5 years	-	-
Total	10,599,307	339,147

(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 entity's functional currency. The consolidated entity 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 2008 (CONT'D)

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

	Note	Amounts in foreign currency		Interest Rate Risk Sensitivity 2008			
		2008	2007	+20%		+20%	
		USD	USD\$	2008	2007	2008	2007
				\$	\$	\$	\$
Financial Assets							
Cash at bank		7,106,488	-	1,350,814	-	(1,350,814)	-
Other Current Assets		3,280,810	-	631,622	-	(631,622)	
Total		10,387,298	-	1,982,436		(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)		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 organized markets in standardized form. The company has no financial assets where carrying amount exceeds net fair values 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 entity has assessed that there is minimal risk that the cash and receivables balances are impaired.

The consolidated entity's receivables at balance date are detailed in Note 7

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

(g) Capital Risk Management

When managing capital, management's objectives is to ensure the entity 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 entity.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONT'D)

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

The entity does not have a defined share buy-back plan.

No dividends were paid in 2007 and no dividends are expected to be paid in 2008.

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 quarterly basis.

22. EARNINGS PER SHARE

	2008 Cents Per Share	2007 Cents Per Share
Basic earnings (loss) per share	<u>(10.05)</u>	<u>(1.67)</u>
Diluted earnings (loss) per share	<u>(10.05)</u>	<u>(1.67)</u>

(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)	<u>(19,741,448)</u>	<u>(1,471,727)</u>
	2008 No	2007 No
Weighted average number of ordinary shares (ii)	<u>196,388,767</u>	<u>88,273,743</u>

(i) Earnings are the same as profit 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.

	<u>213,908,288</u>	<u>7,794,932</u>
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(iii) Calculated on a post-split basis.

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 2008.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

23. SHARE BASED PAYMENTS

During the year the company issued 4,000,000 options to P Willcox, exercisable at \$0.50 and expiring 30 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 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%

During the previous year the company issued options to I Gorman, N Newell and C Horsfall, exercisable at \$0.50 and expiring 31 January 2011. These options having been valued using the Black-Scholes methodology at \$0.1731. The following variables were used in this calculation:

Share Price:	\$0.40
Exercise Price:	\$0.50
Volatility:	83%
Time to Maturity:	2.9 years
Risk Free Interest Rate:	5.93%

During the previous year the company issued 1,500,000 options to J Keall, exercisable at \$0.50 and expiring 31 January 2011. These options having been valued using the Black-Scholes methodology at \$0.1564. The following variables were used in this calculation:

Share Price:	\$0.40
Exercise Price:	\$0.50
Volatility:	70%
Time to Maturity:	3.56 years
Risk Free Interest Rate:	6.415%

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

3D OIL LIMITED
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ADDITIONAL SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 15 September 2008.

1. Distribution of Shareholders

(a) Analysis of number of shareholders (Partly paid and fully paid) by size of holding.

Category of holding	Holders	Number of Shares	% of Capital
1 – 500	7	383	0.00
501 – 1,000	24	22,291	0.01
1,001 – 5,000	160	517,169	0.25
5,001 – 10,000	182	1,601,643	0.78
10,001 – 100,000	437	16,489,206	7.99
100,001 and over	154	187,929,308	90.97
Total	964	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	%
HSBC Custody Nominees (Australia) Limited GSI ECSA	15,819,314	7.66%
Bond Street Custodians Limited <Macquarie Smaller Co's A/C>	14,393,884	6.97%
UBS Nominees Pty Ltd	10,200,000	4.94%
Bond Street Custodians Limited <Officium Emerging Res A/C>	5,789,880	2.80%
Bond Street Custodians Limited <Macquarie Alpha Opport A/C>	4,487,470	2.17%
HSBC Custody Nominees (Australia) Limited GSI EDA	4,453,409	2.16%
Bond Street Custodians Limited <Macq Aus Long Short Eq A/C>	4,352,710	2.11%
National Nominees Limited	4,016,358	1.94%
Bond Street Custodians Limited <Macq Aus Mkt Neutral A/C>	2,801,952	1.36%
J P Morgan Nominees Australia Limited	2,595,538	1.26%
Ellie Sunshine Pty Ltd <Ellie Sunshine Superfund A/C>	2,500,000	1.21%
Fortis Clearing Nominees P/L <Settlement A/C>	1,925,100	0.93%
UBS Wealth Management	1,635,100	0.79%
J K Demaria Pty Ltd	1,498,000	0.73%
Pand JR Pty Ltd	1,367,145	0.66%
Mad Fish Management Pty Ltd	1,300,000	0.63%
Brene No 132 Nominees Pty Ltd	1,275,833	0.62%
Uob Kay Hian (Hong Kong) Limited <Clients A/C>	1,250,000	0.61%
Mr J Bell <Australian Drilling S/F A/C>	1,198,711	0.58%
Presfan Pty Ltd <Waghorn Super Fund A/C>	1,100,000	0.53%
	83,960,404	40.64%

ADDITIONAL SHAREHOLDER INFORMATION

4. Restricted Securities

As at 15 September 2008, the company had the following securities subject to escrow arrangement:

Security	No	Escrow Expiry
Fully paid ordinary shares	83,060,000	21 May 2009
Unlisted options ⁽¹⁾	14,225,000	21 May 2009

⁽¹⁾ 7,125,000 Options exercisable at \$0.60 each up to 30 September 2009, 7,100,000 options exercisable at \$0.50 each up to 30 September 2009..

5. Substantial Shareholders

As at 15 September 2008 the substantial shareholders were as follows:

Name of Shareholder	No of Shares	% of Issued Capital
HSBC Custody Nominees (Australia) Limited GSI ECSA	15,819,314	7.66%
Bond Street Custodians Limited <Macquarie Smaller Co's A/C>	14,393,884	6.97%

6. 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 elected to early adopt 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.	A definition of director independence can be accessed at www.3doil.com.au . Currently 3D Oil Limited has two independent directors and one non independent directors.	Not applicable
2.2	The chair should be an independent director.	The Chairman, Mr Peter Willcox, 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 Peter Willcox and the Managing Director is Mr Noel Newell. .	Not applicable
2.4	The board should establish a nomination committee.	The board does not have a nomination committee.	It is not a company policy to have a nomination committee, given the size and scale of 3D Oil Limited. The role of a nomination committee is carried out by the full Board. The full board considers the appointment of new directors, on an informal basis. The Board's policy for the appointment of new directors to the Board can be accessed at www.3doil.com.au .

CORPORATE GOVERNANCE STATEMENT

Principal No	Best Practice Recommendation	Compliance	Reason for Non-compliance
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.
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 are 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: <ul style="list-style-type: none"> • 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.

CORPORATE GOVERNANCE STATEMENT

Principal No	Best Practice Recommendation	Compliance	Reason for Non-compliance
4.2	The audit committee should be structured so that it: consists only of non-executive directors; <ul style="list-style-type: none"> • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the board; • has at least three members 	The Audit Committee has two members, consisting of the independent directors, Peter Willcox, and Campbell Horsfall . The Audit Committee is chaired by Campbell Horsfall.	Not applicable.
4.3	The audit committee should have a formal charter.	The formal charter can be accessed at www.3doil.com.au .	Not applicable.
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.

CORPORATE GOVERNANCE STATEMENT

Principal No	Best Practice Recommendation	Compliance	Reason for Non-compliance
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.
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 officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Board receives assurance from Mr Noel Newell (Managing Director) and the chief financial officer in the form of a declaration, prior to approving financial 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.

CORPORATE GOVERNANCE STATEMENT

Principal No	Best Practice Recommendation	Compliance	Reason for Non-compliance
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 Peter Willcox. 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.
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.