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3D Oil Activities Update Report

VIC/P57

3D Oil Limited's West Seahorse-3 appraisal/development well, in permit VIC/P57 in the Gippsland Basin, is expected to start drilling later this week. The well is in Bass Strait, approximately 5 km to the west of the producing Seahorse Field.

The West Seahorse-3 well will be drilled using the newly built jack-up rig, the West Triton. West Seahorse-3 will be followed by an exploration well, Wardie-1. Both wells will be drilled from the same surface location to reduce rig moving costs.

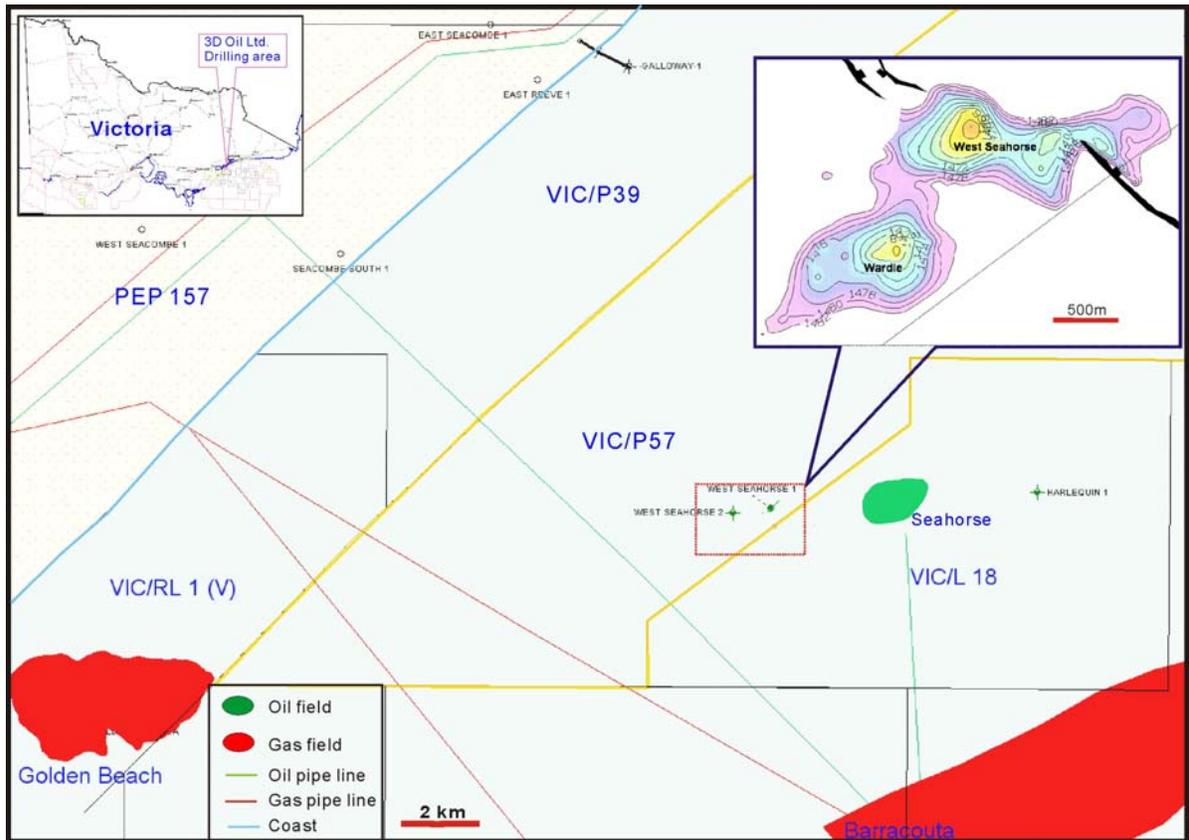
3D Oil Limited is the operator and 100% owner of the VIC/P57 permit. During the drilling campaign 3D Oil intends to provide updates every Tuesday and Friday.

West Seahorse Background

The West Seahorse-1 discovery well was drilled in 1981, by Hudbay Oil Australia Limited. It followed the discovery of oil in the neighbouring Seahorse field by Esso in 1978. The well intersected three separate oil accumulations with a potential fourth sand untested. The uppermost zone, within the top of Latrobe Group, flowed 1800 barrels of oil per day (bopd). The current interpretation of the West Seahorse field shows it to be substantially larger than interpreted by previous operators.

Furthermore the West Seahorse-2 well appears to be located on the edge of the field, suggesting that larger hydrocarbon intersections might be encountered higher on the structure. The neighbouring Seahorse field has produced oil since 1990/1991 through a subsea completion connected to the Barracouta platform. A recent work-over of the Seahorse-1 well (2005) resulted in the well's return to production at 4000 bopd following a period of declining oil production. VIC/P57 is flanked to the south by several oil and gas fields including the giant Barracouta and Snapper gas fields as well as the smaller Golden Beach, Mulloway/Whiptail, Seahorse, Wirrah, Whiting, Emperor and Sweetlips fields. Four recent wells have intersected hydrocarbons in areas adjacent to VIC/P57: Longtom-2 and 3, Grayling-1 and West Moonfish-1.

Location Map



West Seahorse Field: Development Concept

Assuming successful delineation drilling, the development of the West Seahorse field will be undertaken to have first oil at the earliest possible date. On a stand alone basis the development will consist of an unmanned monotower producing from a single well with the potential for add-on including Wardie-1. The field is expected to produce for ten years. The well fluid will be exported to an onshore processing plant via eight inch pipeline. The produced solution gas will be dehydrated, recompressed and piped (via 2.5 inch pipeline) to the monotower for gas lift. The onshore facility will include crude stabilization, water treatment, chemical injection and utilities. The Company will also consider offshore tie-back to third party facilities.

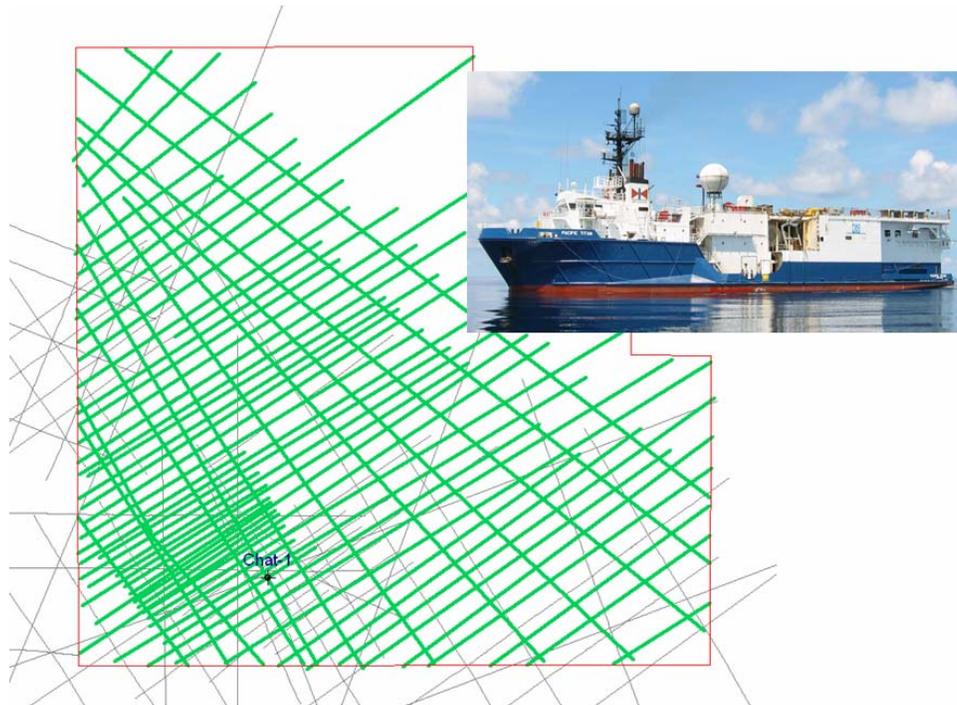
T41/P

The CGG-Veritas seismic vessel, Pacific Titan has started 3D Oil's seismic survey in permit T41/P in the Bass basin. The programme consists of 2200km of 2D seismic and is scheduled to take approximately 20 days. The survey focuses on the southern part of the permit, to delineate previously identified leads, which will be matured as future drilling prospects.

T41-P covers approximately 2805 km² in the eastern Bass basin in water depths generally less than 90m. The permit has been lightly explored with only one well, Chat-1, drilled in 1986. Seismic coverage within T41-P is sparse and consists of data from 6 surveys the most recent of which was acquired in 1990 with 1,500km of this data having been reprocessed.

Mapping of this data has identified four main leads. The most highly rated lead is Dalrymple, a tilted fault block trap identified on three seismic lines. Seismic amplitude dimming is present on the southernmost line, consistent with the presence of hydrocarbons in sandstone reservoir.

3D Oil Limited is the operator and 100% owner of the T41/P permit.



New seismic programme over T41-P and the CGG Pacific Titan.

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Yours sincerely

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

NOEL NEWELL
Managing Director