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ASX Release

8 April 2010

3D Oil commences FEED for West Seahorse development

3D Oil Limited has begun Front End Engineering and Design (FEED) for the West Seahorse oil field development in Bass Strait and is on track to reach a Final Investment Decision (FID) in the second half of 2010.

The objective of the FEED is to ensure that the company's valuable crude oil reserves are developed in a cost effective and timely manner consistent with world best practice. The company is now seeking to fast track the FEED as outlined below.

The West Seahorse field, owned 100% by 3D Oil, has 2P reserves of 5.3 MMBbl with an additional 3.4 MMBbl of contingent resource (P50).

The commencement of the FEED follows an exhaustive review of the most economic development options for the field. This has resulted in the re-assessment of the option of a sub-sea well tied to shore with a production pipeline. Once onshore the production will be sent either to a new crude oil stabilisation plant or linked to existing third-party facilities.

3D Oil believes this development option offers the lowest capital and operating costs while also maximising the ultimate recovery from the field. It also provides the most favourable NPV estimates at both current and lower oil prices and ultimately provides robust project economics.

The company is in discussions with major financiers and will continue to review the funding options for the development until FID.

Development costs are currently estimated at under US\$80 MM including contingency and well re-entry.

The neighbouring Seahorse oil field has a sub-sea well completion and has almost 20-years of production history resulting in very high estimates of ultimate recoverable oil.

The FEED process will proceed in three stages. These are:

