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3D Oil Limited

QUARTERLY ACTIVITIES REPORT FOR THE THREE MONTHS ENDED 31 DECEMBER 2010

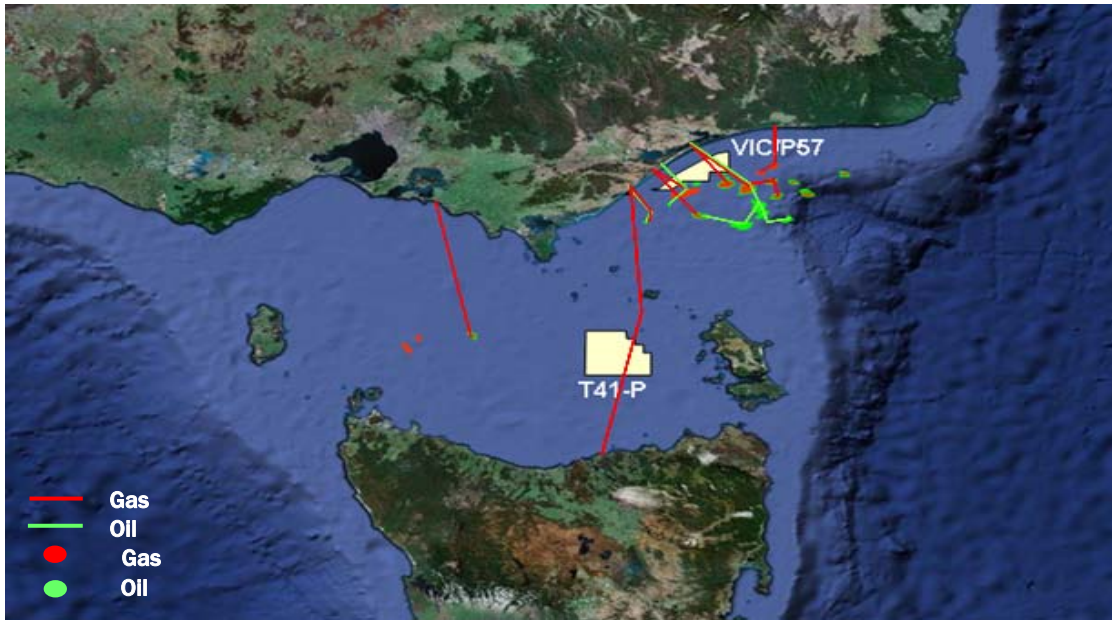
Overview

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

The Company also finalised all regulatory approvals and contracts for the acquisition of its Dalrymple 3D seismic survey within the offshore Bass Basin T41/P, which is expected to take place in early February 2011. The seismic vessel is being jointly mobilised with Origin Energy who are also acquiring seismic in the region.

Operational Review

3D Oil Limited is the operator and 100% equity holder of two permits in Bass Strait, VIC/P57 in the Gippsland Basin, Victoria and T/41P in the Bass Basin, Tasmania.



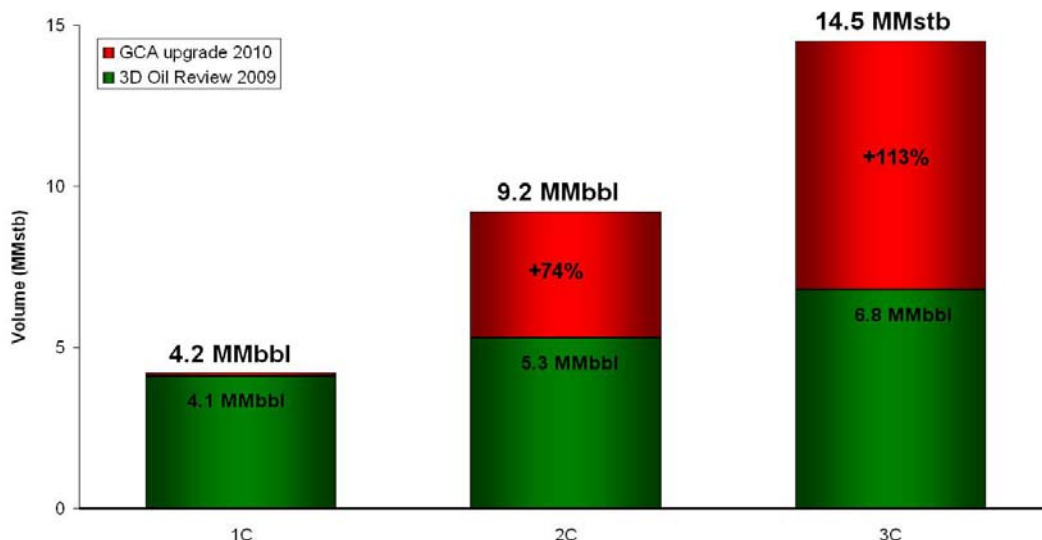
Location of permits

VIC/P57, Gippsland Basin offshore Victoria

During the December quarter GCA completed its independent evaluation of 3D Oil's 100% owned West Seahorse Field. Estimated Low, Best Case and High Case recoverable volumes were 4.2, 9.2, and 14.5 MMstb, respectively.

The Best Case estimate for the entire West Seahorse field represents an increase of 74% from 5.3 million barrels to 9.2 million barrels of recoverable oil. Furthermore, the GCA High estimate represents over 100% increase on previous figures quoted by 3D Oil. The GCA high estimate for West Seahorse is 14.5 million barrels of recoverable oil.

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



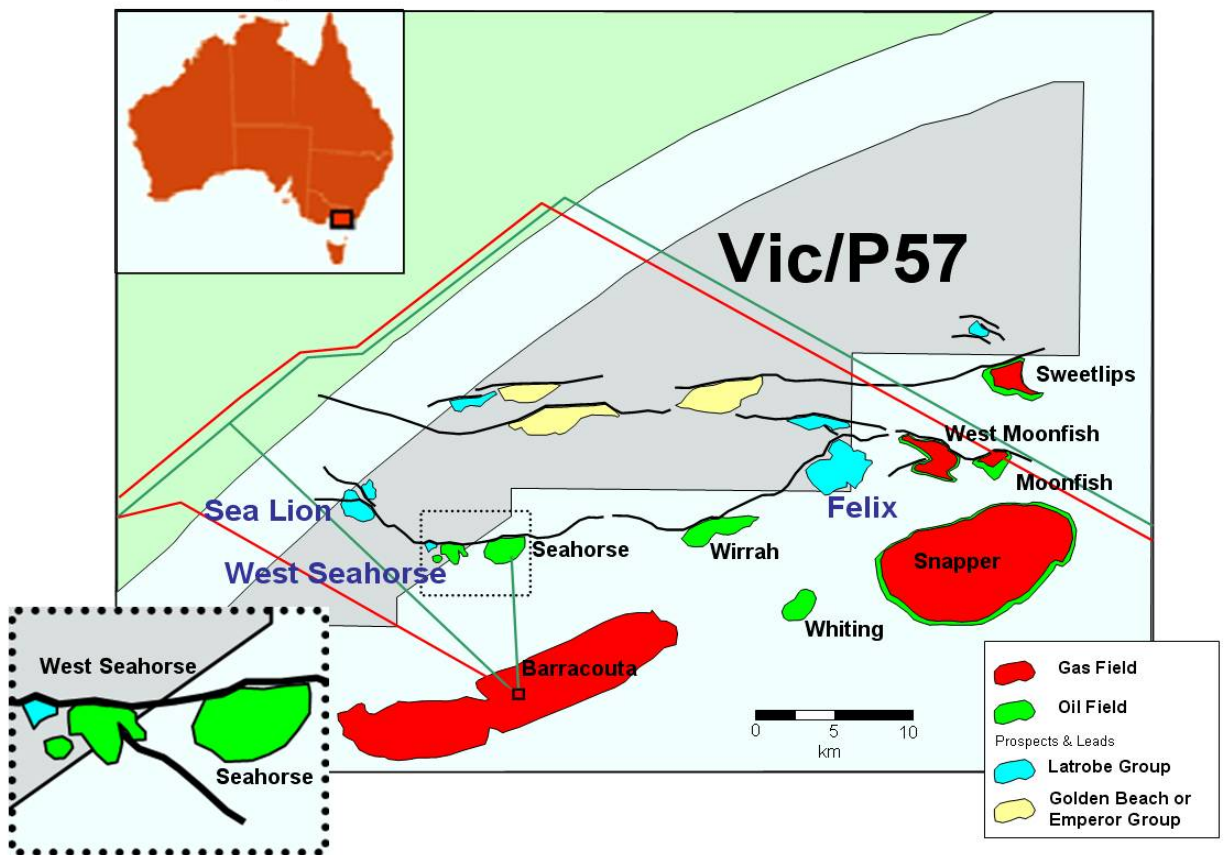
Plot of volume increase

While the volumes have not currently been given as reserves, GCA is of the opinion that the contingent resources can readily be ascribed as reserves as soon as the final commitment to developing the field is made. Furthermore, GCA consider that even the Low Case (1C) contingent resource is economically recoverable.

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

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

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



Vic/P57 prospects and surrounding fields

T/41P, Bass Basin offshore Tasmania

During the December quarter 3D Oil completed all of the preparations to conduct the 260 square kilometer Dalrymple 3D seismic survey in the south-west of T/41P. All regulatory approvals and contractual arrangements were finalized and the survey, which is being conducted by the PGS *Ramform Sterling*, is currently scheduled for acquisition in early February 2011. In order to process this new data soon after it is acquired, tenders were issued and proposals received in the quarter, and a contract for this work will be issued soon.



PGS seismic vessel to acquire data in T41/P

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

3D OIL LIMITED

ABN

40 105 597 279

Quarter ended ("current quarter")

31 December 2010

Consolidated statement of cash flows

	Current quarter \$A	Year to date (6 months) \$A
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	3,243	5,405
1.2 Payments for		
(a) exploration and evaluation (net of refunds)	(276,710)	(545,961)
(b) development	-	-
(c) production	-	-
(d) administration	(283,019)	(515,003)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	126,746	290,680
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 GST Refund	-	-
1.8 Refund of exploration deposit	-	-
Net Operating Cash Flows	(429,740)	(748,194)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects/farmins	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(429,740)	(748,194)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(429,740)	(748,194)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – Capital raising costs	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(429,740)	(748,194)
1.20	Cash at beginning of quarter/year to date	8,042,557	8,378,658
1.21	Exchange rate adjustments to item 1.20	(6,350)	(23,997)
1.22	Cash at end of quarter	7,606,467	7,606,467

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A
1.23	Aggregate amount of payments to the parties included in item 1.2	97,661
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Director's fees, salaries and fees paid to related entities during the December 2010 quarter.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,700
4.2 Development	
4.3 Production	
4.4 Administration	250
Total	2,950

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	281,071	303,419
5.2 Deposits at call	7,278,569	7,692,311
5.3 Bank overdraft		-
5.4 Other – Bank Guarantee	46,427	46,827
Total: Cash at end of quarter (item 1.22)	7,606,467	8,042,557

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	-	-	-	-
6.2 Interests in mining tenements acquired or increased	-	-	-	-

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>	-	-	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 +Ordinary securities	206,560,000	206,560,000	-	-
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs (c) Released from ASX restriction	- - -	- - -	- - -	- - -
7.5 +Convertible debt securities <i>(description)</i>	-	-	-	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	- -	- -	- -	- -
7.7 Options <i>(description and conversion factor)</i>	6,100,000 6,330,000 400,000 189,000 615,000	- - - - -	<i>Exercise price</i> \$0.50 \$0.60 \$0.75 \$0.25 \$0.40	<i>Expiry date</i> 31 January 2011 31 January 2011 31 March 2013 30 June 2014 30 November 2014
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired/lapsed during quarter	-	-	-	-
317.1 Debentures 1 <i>(totals only)</i>	-	-	-	-
7.12 Unsecured notes <i>(totals only)</i>	-	-	-	-

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 18 January 2011
Company secretary

Print name: MELANIE LEYDIN

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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