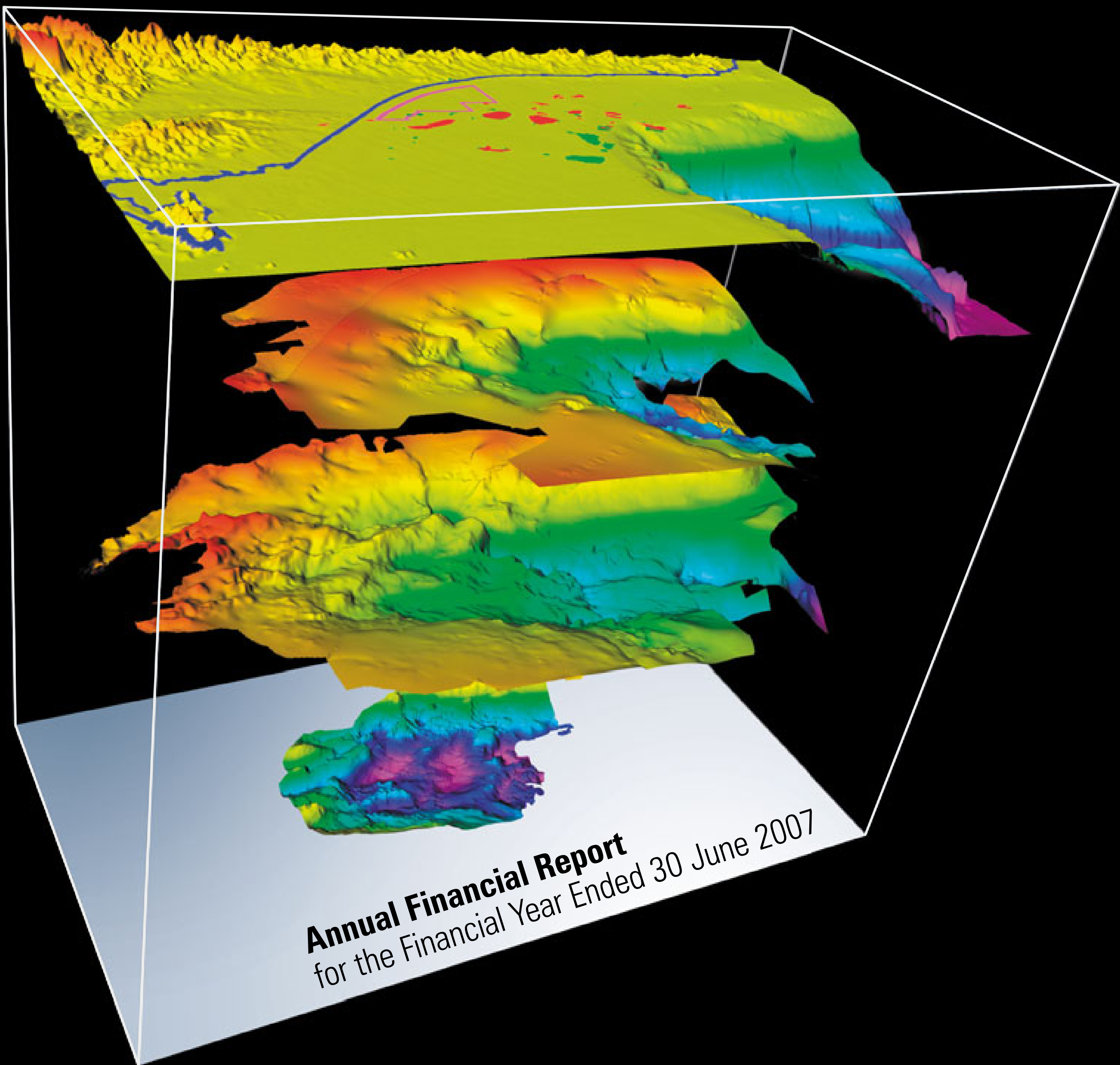
3D OIL

3D Oil Limited
ABN 40 105 597 279



Annual Financial Report
for the Financial Year Ended 30 June 2007

Corporate Directory

Board of Directors
Campbell Horsfall (Non-Executive Director and Chairman)
Noel Newell (Executive Managing Director)
Melanie Leydin (Executive Director)

Company Secretary
Melanie J Leydin

Place of Business
Level 5
164 Flinders Lane
Melbourne Victoria 3000
Telephone: 03 9650 9866
Web: www.3doil.com.au

Auditor
William Buck
Chartered Accountants
215 Spring Street
Melbourne Victoria 3000

Share Registry
Computershare Investor Services Pty Ltd
452 Johnston Street
Abbotsford Victoria 3067
Telephone: 03 9415 5000

Stock Exchange Listing
Home Exchange is Melbourne
ASX Code Fully Paid Shares: TDO
ASX Code Partly Paid Shares: TDOCA

Legal Advisors
Baker & McKenzie
Level 39, Rialto 525 Collins Street
Melbourne Victoria 3000

The cover image was provided to 3D Oil Limited by the Energy Geosience Group, GeoScience Victoria.

The assets depicted on pages 1, 2, 3 and 11 are not assets of the company, nor do they represent the actual drilling rig to be used on the permits of the Company.

Contents

Year in brief

3D Oil successfully listed on the Australian Stock Exchange on May 22, 2007

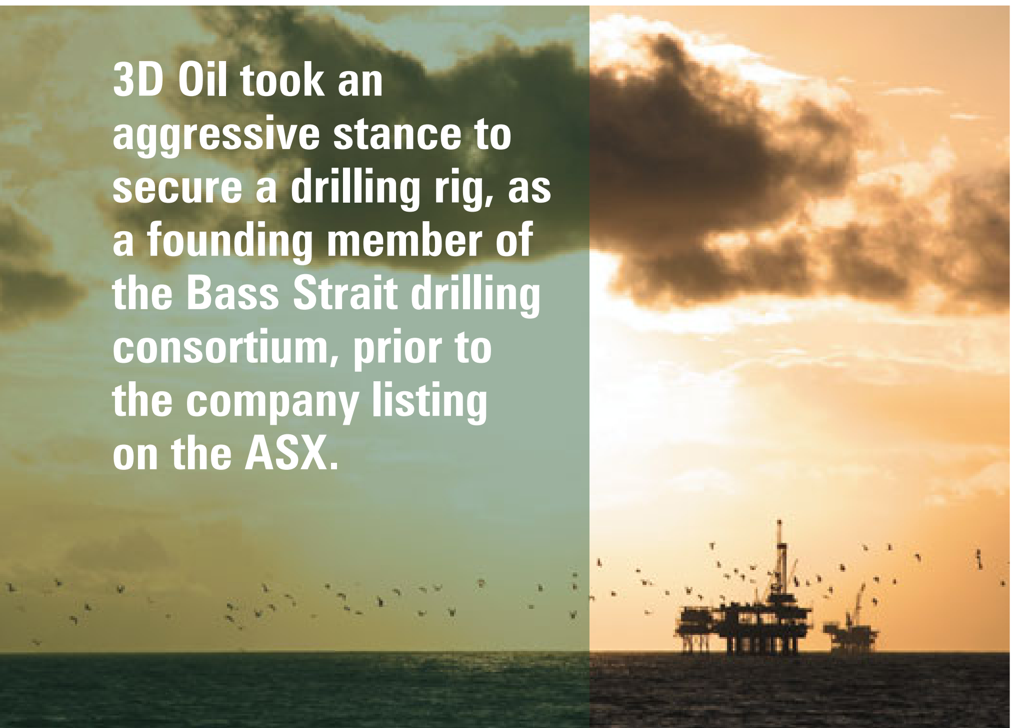
Two drilling slots for 2008 were secured with the Seadrill jack-up drilling unit "West Triton" to drill the West Seahorse-3 appraisal/development well and an exploration well in Vic/P57

Commencement of feasibility studies for the West Seahorse development and well planning the West Seahorse-3 appraisal/development well

Continuing evaluation of the West Seahorse Field provides encouragement for the commerciality of the field

A Heads of Agreement was signed with five other companies to secure a 2D seismic vessel to acquire 2D seismic in the Bass Strait region and enable 3D Oil to acquire seismic in T41-P

Noel Newell
Managing Director



3D Oil took an aggressive stance to secure a drilling rig, as a founding member of the Bass Strait drilling consortium, prior to the company listing on the ASX.

Letter from the Managing Director

Dear Shareholders

It is with great pleasure that I am able to write my first annual report for 3D Oil as an ASX listed company.

The company has quietly worked behind the scenes building and evaluating our portfolio to the point where we now have a most exciting year ahead of us. It is in this year that the company will start to realise the value this solid foundation work has provided.

Most exciting will be the commencement of the appraisal and development of the West Seahorse oil field and exploration within Vic/P57. The company is using the working capital raised from the IPO in May, 2007 and the approaching December 2007 call, to fund the drilling and planning associated with the West Seahorse field and Sea Lion prospect, commencement of the feasibility studies associated with the West Seahorse development and the acquisition of seismic in our Tasmanian T41-P permit.

As our activities grow so does our organisation with an expansion of our skill base to explore, appraise and develop our assets with world class practitioners in their disciplines.

While the continuing high oil price has provided record profits for producers it also has created a challenging environment for explorers and developers. One negative effect has been the increase in demand for and cost of drill rigs, associated materials and seismic acquisition vessels. While this may subside in the medium term, primarily resulting from newly built rigs coming into the market to meet this new demand, virtually all upstream companies are experiencing delays and increased costs in their work programs. 3D Oil is not immune from cost increases, but we are rigorously managing our budgets to minimise any impact.

3D Oil took an aggressive stance to secure a drilling rig, as a founding member of the Bass Strait drilling consortium, prior to the company listing on the ASX. The new build jack-up, West Triton, was secured earlier in the year. The rig, currently under construction in Singapore, is close to completion and is scheduled to arrive in Victorian waters in early 2008.

The formation of 3D Oil was largely motivated by a combination of favourable technical and commercial considerations existing in the Bass Strait at that time. A further component to the timing and strategy was a perceived competitive advantage in knowledge of this region allowing us to be ahead of the pack.

I believe that in both the Gippsland and Bass basins we have demonstrated perfect implementation of this strategy. The Vic/P57 and T41-P permits were acquired immediately prior to the 'pack' arriving and secured with modest work commitments relative to more recent programs. Furthermore, the Vic/P57 permit contained an existing oil field overlooked by the industry.

This strategy has allowed 3D Oil to be in very strong position relative to most of the new entrants and even many long term players. We currently have a potentially commercial oil field, an array of quality prospects delineated by 3D seismic within the prolific Gippsland basin and a promising lead inventory in the rapidly emerging Bass basin and all at 100%.

The acquisition of the West Seahorse oilfield was no accident; early production at low entry price, was always a key part of our strategy.

The high oil price environment and the need for many producers to secure reserves replacement has resulted in an increasing level of transactions for oil assets. Recent examples include Anzon's Basker Manta project, Nexus' Crux project and Wandoo's interests in the Cliff Head, BassGas and Wandoo projects. The high prices paid puts our ground floor acquisition of an oil field in a highly favourable context.

With the drilling of West Seahorse field in the New Year, we are confident we will increase our reserves base. 3D Oil's continuing evaluation of the field has been extremely encouraging to date.

With the confirmation of the reserves base and ultimately the demonstration of a very positive NPV for the field, we will be able to explore a number of funding options for the development. This will allow us to minimise the potential for share dilution, building value for our existing shareholders.

The West Seahorse-3 well is expected to be suspended as a future producer to allow rapid and cost effective development of the field following the planning, approvals and financing stage. 3D Oil is currently exploring the options for the most efficient and speedy method to bring this oil to market. These include the stand alone development, highlighted in our prospectus and we are currently undertaking a high level review of the onshore in relation to the placement of pipelines and processing plant. At the same time we will continue to actively explore other development options.

While 3D Oil is developing its ability as an operator, the commercialisation of West Seahorse is comparatively uncomplicated as an offshore development and I believe it is not unreasonable to expect first oil production by 2010.

Exploration will remain the company's primary mechanism for organic growth and value creation.

Vic/P57 is 750 km2 in area with almost 70% coverage of 3D seismic. Further, it is relative unexplored with only four wells drilled in total and none located with 3D seismic. At the time of listing, the company illustrated a number of the prospects and leads. Since then the company has undertaken further detailed evaluation of the seismic to both firm and add to this inventory.

3D Oil sees the future potential of Vic/P57 as outstanding with this increasing portfolio of quality prospects. These have the potential to be commercialised quickly as add-ons to the West Seahorse development.

Our current evaluation indicates the Sea Lion prospect to be the most favourable exploration candidate for this coming drilling campaign. It has very strong analogies with existing discoveries such as West Seahorse and Seahorse while being located between the former and shore. As a discovery it could be added to the West Seahorse discovery for a relatively minor increase in capital expenditure. For this reason even a small discovery could be commercialised.

Our decision to bid on T41-P, at a time when the industry was largely ambivalent in relation to the Bass basin, has recently been vindicated with a high level of bids and farm-in activity. Earlier this year a Tap Oil Ltd led consortium acquired a contiguous permit with a two well and 3D seismic bid while Beach Petroleum has farmed into two neighbouring permits with a full carry on a well in each.

This increase in activity in the basin is based on a rapidly changing industry perception of its prospectivity underlined by the commercialisation of the Yolla oil and gas field in recent years.

In the coming months we will undertake a 2D seismic survey within T41-P to further delineate and, hopefully, extend our current lead inventory. The permit is both large and relatively unexplored; however leads such as Dalrymple provide significant comfort to prospectivity of this region.

One of my key objectives in the short term is to strive to minimize the issue of new equity and to provide existing shareholders with maximum leverage through the coming exploration program. To this end the company has commenced discussions with several lending institutions to explore funding options for the development of West Seahorse.

Following a modest beginning I believe the next year will see 3D Oil rapidly emerge into mid-cap oil developer. The year will bring to fruition the solid behind scenes work carried out over the last few years and I am confident this will translate into a significant increase to shareholder value. I look forward to your support through this most exciting year.

Yours sincerely

Noel Newell
Managing Director

Review of Operations

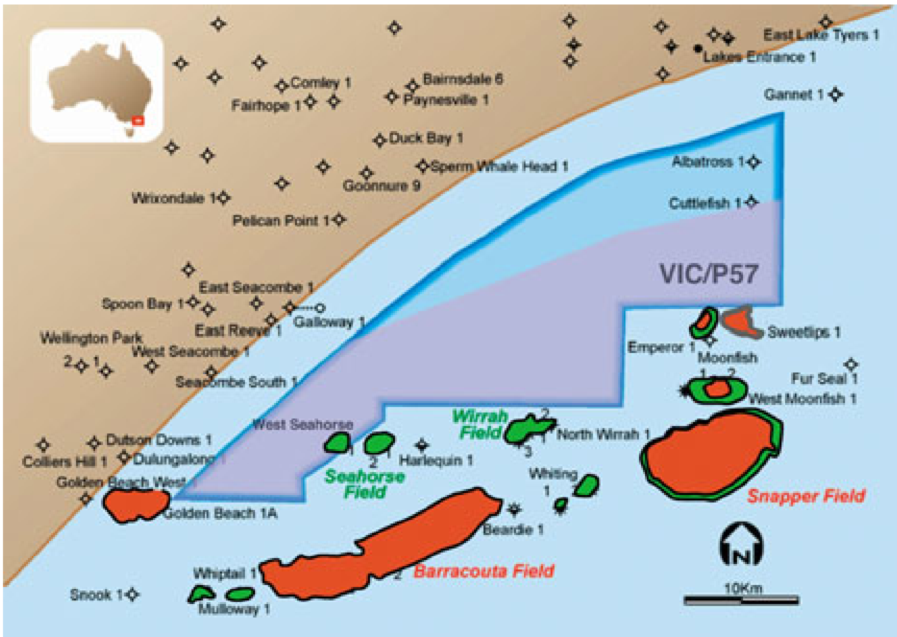
During the year, 3D Oil has concentrated its efforts on the following activities in its two exploration permits:

Vic/P57

– West Seahorse technical review
– West Seahorse development and planning
– Exploration review

T41-P

– Technical review



Vic/P57 Wells and fields

Vic/P57, Gippsland Basin Offshore Victoria

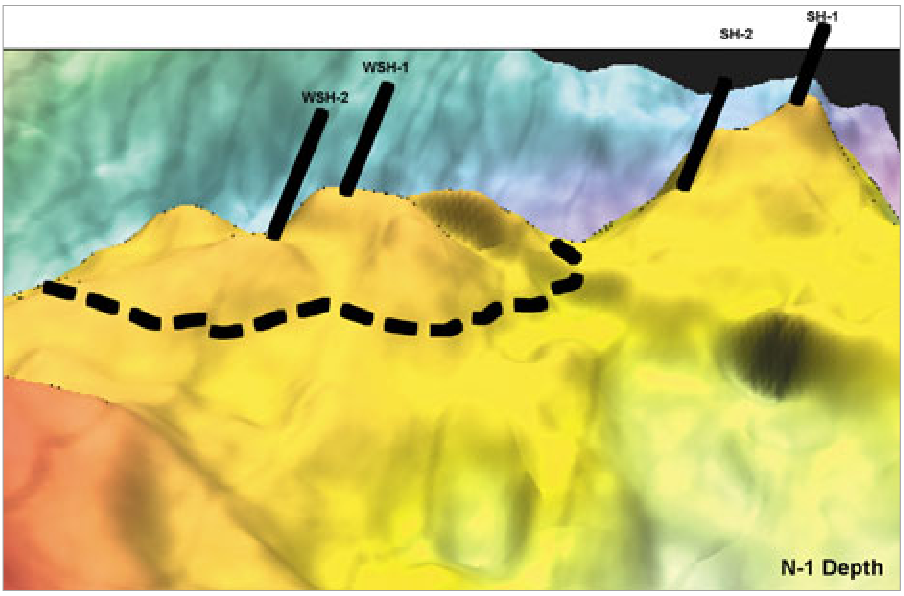
West Seahorse Technical Review

The discovery of oil in the West Seahorse structure in 1981 by Hudbay Oil Australia Limited followed the oil discovery in the neighbouring Seahorse Field by Esso in 1978. The well intersected 3 separate oil accumulations with a potential fourth untested. The uppermost zone, within the top of Latrobe Group, flowed 1800 bopd through a half inch choke. The oil is mildly biodegraded, paraffinic with a low gas oil ratio. The follow-up well, West Seahorse-2, only recovered a small quantity of oil from an RFT in the uppermost sand in the Latrobe Group but provided an indication of controls of reservoir continuity.

Prior to the acquisition of the Northern Margin 3D seismic Prior to the acquisition of the Northern Margin 3D seismic survey the West Seahorse field was defined by a broad grid of 2D seismic dating from the seventies and eighties. The data constrained the feature poorly and suggested that it was appreciably smaller than the Seahorse field. The Northern Margin 3D seismic has provided much improved imaging of the field as well as high density velocity data for depth conversion. 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 workover of the Seahorse-1 well (2005) resulted in the well's return to production at 4000 bopd following a period of declining oil production.

The oil is a light (48° API) paraffinic crude which has undergone mild biodegradation resulting in a low gas to oil ratio. Two deeper oil zones were confirmed by pressure testing of the well while a fourth zone is indicated by electric logs. Reserve estimates for the West Seahorse field, of which approximately 85% is within VIC/P57, currently range from 2.9 MMstb (P1) to 9.2 MMstb (P3). In addition the Contingent Resource estimate for the field is 4.5 MMstb (best estimate).

The current interpretation of the West Seahorse field shows it to be substantially larger than interpreted by previous operators.



3D image of the West Seahorse Field

3D Oil will continue to actively explore other development options most notably the potential to tie in to existing facilities.

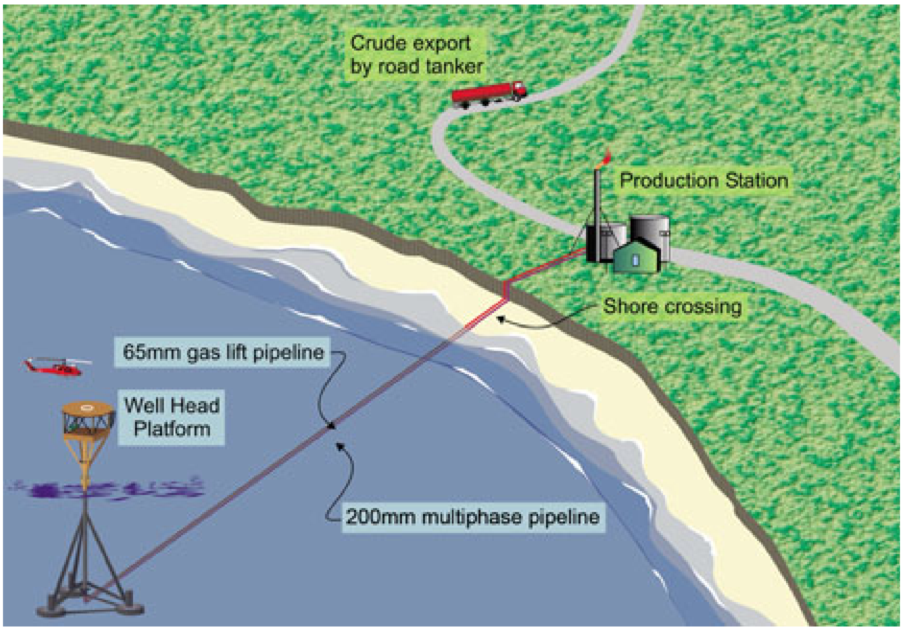
Over the last 12 months, a technical review of the field has been conducted, including detailed analysis of the well data and mapping of the 3D seismic data. Particular attention has been paid to depth conversion, as this area is prone to significant velocity anomalies in the shallow carbonate sediments. These studies are close to completion and will be the subject of pending press releases. The results to date are encouraging and the technical team considers that they have made significant improvements in their understanding of the West Seahorse field.

West Seahorse Development and Planning

3D Oil has commenced initial engineering studies for the West Seahorse field development. As per the prospectus, the field is planned to be developed on a stand alone basis with a wellhead platform, pipeline to shore and an onshore processing plant.

3D Oil has awarded a contract for the Onshore Planning Criteria which includes:

- Identification of all government permit and regulatory requirements. This includes Federal and State and Local requirements.
- Identification of potential onshore plant sites, onshore pipeline routes and pipeline shore crossings.



3D Oil is currently planning the award of an engineering study for pipeline installation and shore crossing engineering. This will review the offshore engineering requirements for the pipeline design. This will include a review of both bottom towed and barge installed pipelines for the West Seahorse development.

In conjunction with the planned drilling program, the number of wells to be drilled for West Seahorse, both for the forthcoming drilling program and possible future requirements, is being assessed. This includes the method of suspending the planned appraisal well and how to re-complete the well once the wellhead platform is installed. A review of installing the wellhead platform with a jack up drill rig is also being considered.

Ultimately our objective is to deliver first oil with the shortest lead time and least capital expenditure.

Review of Operations continued

The work has confirmed the prospectivity of the permit and a portfolio of high quality prospects is being compiled, which will provide drilling candidates for future campaigns.

Project Operations

The Company has signed a Drilling Services Agreement with Australian Drilling Associates (ADA), a drilling service provider and paid a deposit secured two drilling slots with the Seadrill jack-up "West Triton". The West Triton is a new build jackup drilling unit, which is due to arrive in the Gippsland basin in the first quarter 2008 to drill several wells for a number of operators in the vicinity.

Site surveys for the West Seahorse-3 and Sea Lion-1 locations have been carried out to ensure that the sea bed conditions are suitable for drilling and that there is no shallow gas. Planning for the wells is at an advanced stage.

The West Triton Jack-up drilling rig under construction in Singapore

Exploration Review

VIC/P57 is a large permit of approximately 750 km2 in extent located in the NW of the offshore Gippsland basin. It contains the West Seahorse oil field, located approximately 2 kilometres to the west of the producing Seahorse field. West Seahorse-1, drilled in 1981, flowed 1800 bopd, constrained by a half inch choke.

VIC/P57 is flanked to the south by several oil and gas fields including the giant Barracouta and Snapper gas fields. These are located on a large regional anticline, which is interpreted to shield the VIC/P57 region from significant gas charge. Consequently it is unlikely that any oil accumulations in VIC/P57 will have been displaced by gas. Other oil and gas fields flanking the permit include Golden Beach, Mulloway/Whiptail, Seahorse, Wirrah, 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 of Esso's Northern Margin 3D seismic survey. The non-commercial but historically important Lakes Entrance oil field is located immediately onshore from the northeast corner of the permit.

The permit is lightly drilled, containing only four exploration wells with only one drilled in the previous 25 years. Approximately 70% of VIC/P57 has been surveyed by the recently acquired Esso Northern Margin 3D seismic while the remainder is covered by reprocessed 2D seismic. To date, no wells have been located in the permit using 3D seismic.

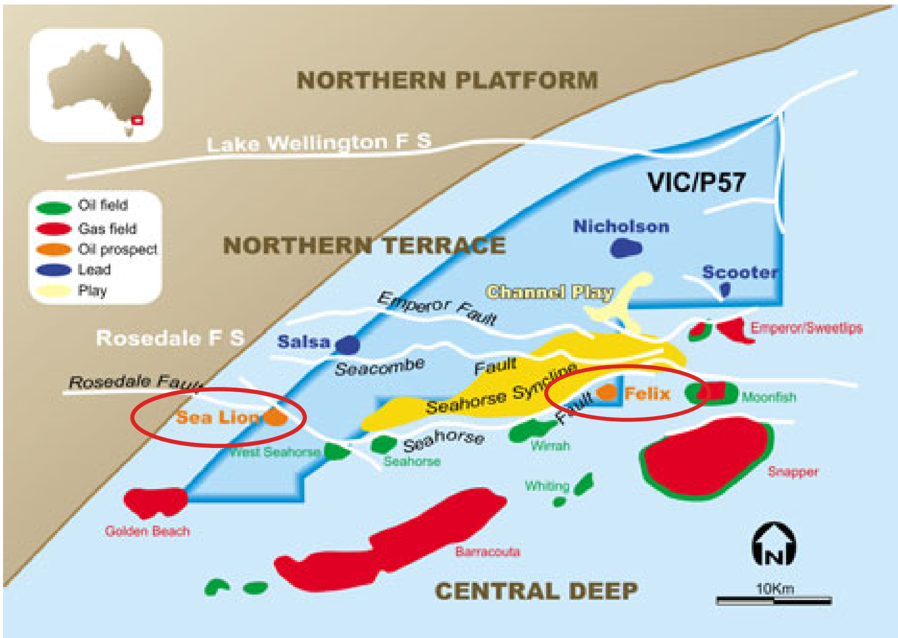
Over the last 12 months, the entire permit has been mapped, incorporating the Northern Margin 3D seismic data. The purpose of the study has been to identify prospective features to evaluate and incorporate in the prospect inventory. The work has confirmed the prospectivity of the permit and a portfolio of high quality prospects is being compiled, which will provide drilling candidates for future campaigns. Two of these prospects are described below;

Sea Lion Prospect

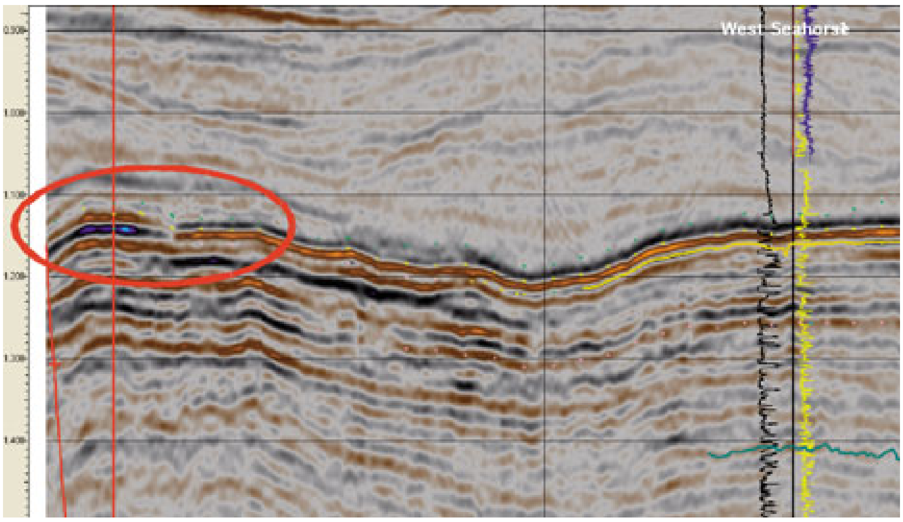
Sea Lion is a northwest-southeast inversion anticline 7 km west-north-west from the West Seahorse field. It is located adjacent to, and on the basin-ward side of the Rosedale-Seahorse fault. There is also a northern component to the prospect, North Sea Lion, formed from a splay from the Rosedale fault. The exploration potential in the Sea Lion prospect provides best estimate unrisked Prospective Resources of 20.7 MMstb.

Felix Prospect

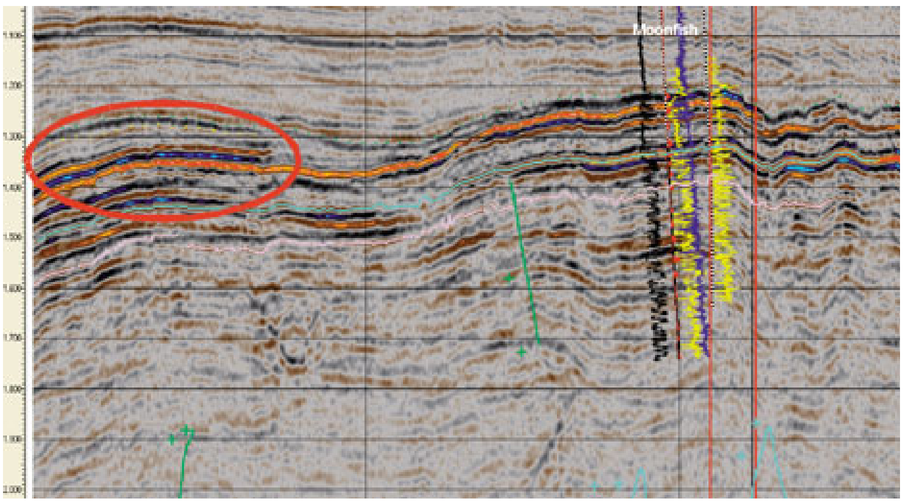
The Felix prospect is an inversion structure on the basinward side of the Seahorse fault and on trend with the Moonfish and Wirrah fields. Closure is mapped over three reservoir levels and increases with depth. The neighbouring Moonfish Field intersected 5 hydrocarbon zones; three of them oil, and is currently on production through the Snapper facilities. Felix requires a little more work to advance it to "drillable" stage.



Structural elements with prospects and leads



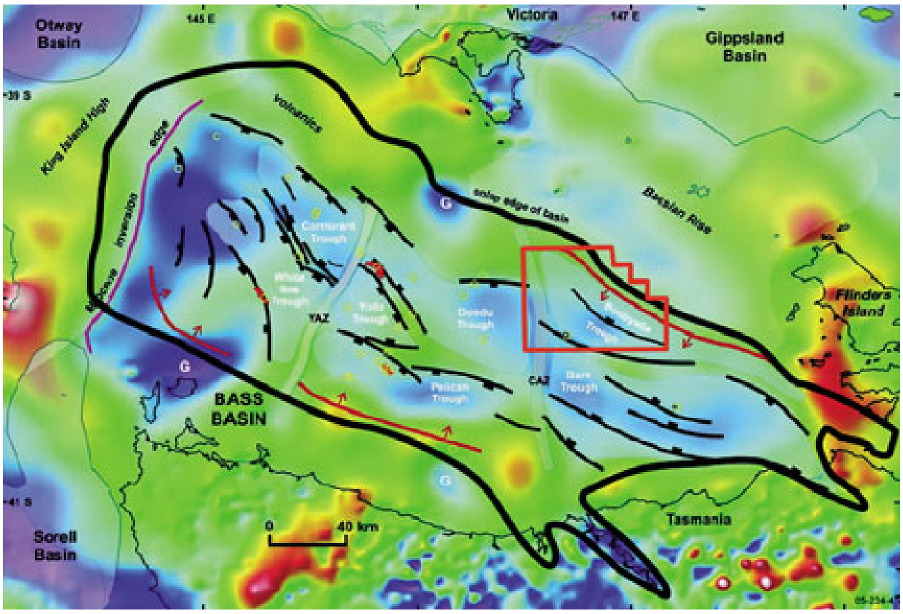
E-W Seismic line extending from West Seahorse to the Sea Lion Prospect



E-W Seismic line extending from Moonfish to the Felix Prospect

Review of Operations continued

Bass Basin structural elements with T41/P location



T41/P, Bass Basin Offshore Tasmania

Technical Review

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. The Chat-1 well, located on a broad seismic grid, tested a reactivated horst which demonstrates fault breach along strike. A residual oil column is interpreted in the well, suggesting that the trap was originally hydrocarbon-bearing but subsequently leaked. Seismic coverage within T41-P is sparse and consists of data from 6 surveys ranging in vintage from 1975 to 1990. 1,500km of this data has been reprocessed and was used for mapping prior to the award of the permit to the company.

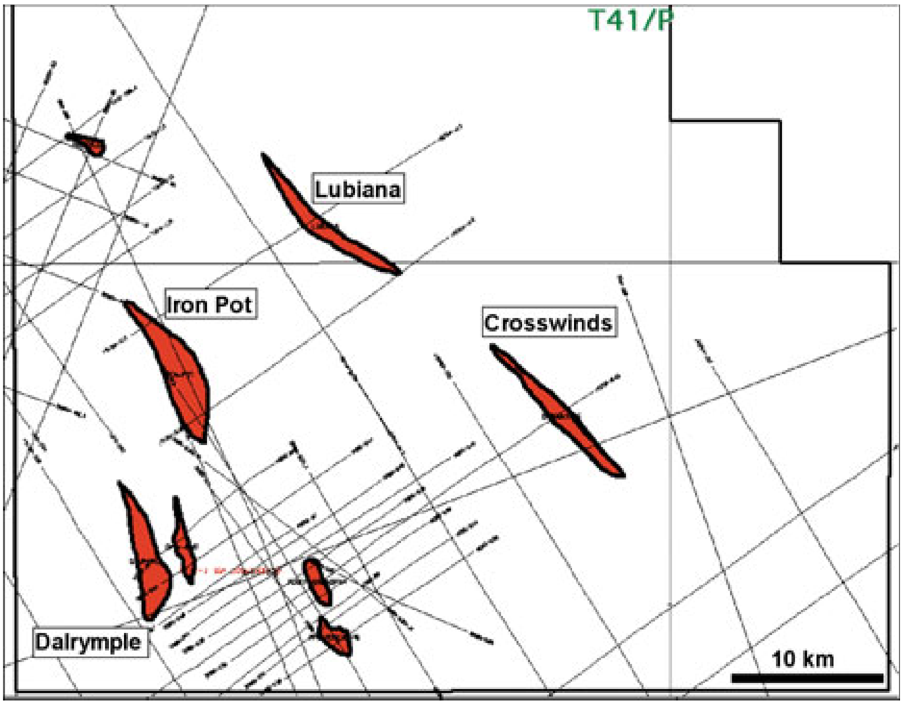
Since the T41/P permit was awarded in 2005, activity in the Bass basin has increased and the basin is now fully permitted. The industry's focus on the basin vindicates 3D Oil's decision to acquire the permit ahead of its competitors and provides us with valuable acreage at a time when competition for quality exploration opportunities is increasing. Over the next three years, 13 wells have been scheduled in the Bass basin and 3D Oil will be closely monitoring the drilling results as we mature our prospects towards drillable status.

Within the Bass basin, hydrocarbon occurrence appears to be linked to proximity to depositional troughs. Two previously unrecognised troughs trending northwest to southeast, have been identified within T41-P and it is likely that at least one of these provided the initial charge into the Chat structure. Four leads have been identified from the broad 2D grid but more seismic is required to mature these to prospect status. Some of these leads demonstrate little or no late structural reactivation; interpreted as a key component to successful Bass basin exploration.

During the last 12 months, the seismic data has been mapped and nearby wells have been reviewed. The results of the work have been encouraging, confirming the high probability of there being an effective petroleum system operating in the permit. Detailed analysis of Chat-1 has identified up to 500m of hydrocarbon shows, which is interpreted to indicate that the Chat structure contained hydrocarbons in the past but has subsequently leaked. The Chat structure is located at the intersection of two major structural trends and has undergone a complex deformational history, resulting in breaching of the trap. The new leads consist of relatively simple structures and are considered to have higher structural and sealing integrity.

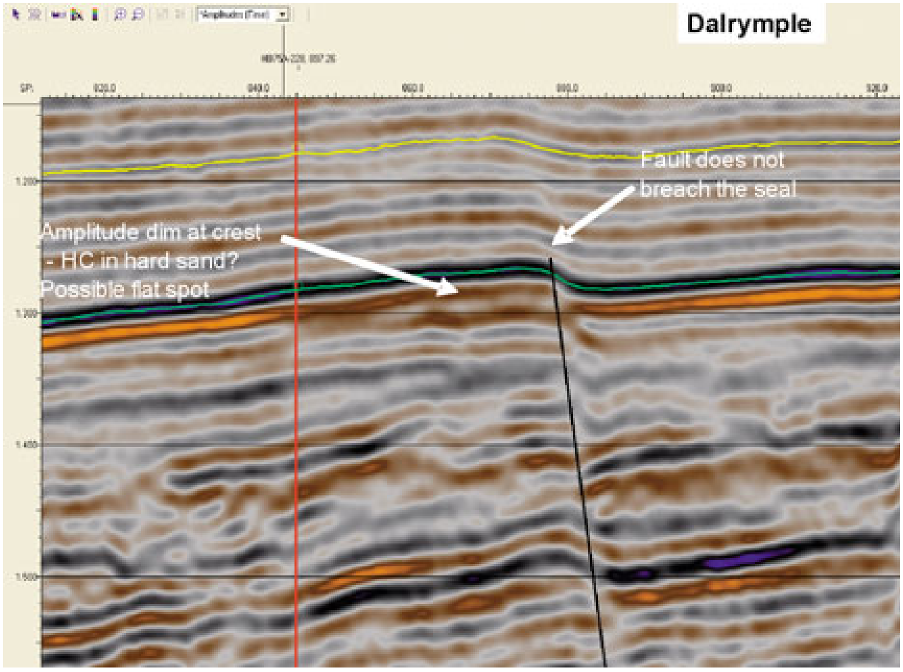
The industry's focus on the basin vindicates 3D Oil's decision to acquire the permit ahead of its competitors and provides us with valuable acreage at a time when competition for quality exploration opportunities is increasing.

Lead locations and the grid of reprocessed seismic data



The leads are moderate in size (40 – 140 MB recoverable) but are defined on only regional seismic data. More data is required to properly map the leads and mature them as drilling candidates. 3D Oil has joined a consortium of local operating companies, which is attempting to contract a 2D seismic vessel to acquire seismic data. At the time of writing, the consortium is close to awarding the contract.

The recent work has confirmed the Dalrymple lead as 3D Oil's highest rated feature. Dalrymple is 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. More seismic data will be acquired over Dalrymple to improve the structural definition and confirm the interpreted direct hydrocarbon indicator (DHI).



Seismic line over Dalrymple, illustrating the amplitude dimming.

Seismic amplitude dimming is present on the southernmost line, consistent with the presence of hydrocarbons in sandstone reservoir.

Corporate Governance Statement

The Board of Directors are responsible for the Corporate Governance practices of the Company. The Board guides and monitors the business and affairs of 3D Oil Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

While the company aims to comply with the ASX Best Practice Recommendations, its small size and the composition of its Board of Directors make it inappropriate or impractical to comply with all the recommendations.

The company currently complies with the ASX Best Practice Recommendations except for the following:

- The Board has not specifically established a remuneration committee.

  This function is undertaken by the Board as a whole with compensation arrangements for Directors and senior executives determined by the Board on recommendations of the Chairman and the Directors.

For further information on corporate governance policies adopted by 3D Oil Limited, refer to our website **www.3doil.com.au.**

The Board of Directors

The Board carries out its responsibilities according to the following mandate:

- The Chairman of the Board should be an independent Director;
- The Directors should possess a broad range of skills, qualifications and experience; and
- All available information in connection with items to be discussed at a meeting of the Board shall be provided to each Director prior to that meeting.

The primary responsibilities of the Board include:

- The approval of the annual and half-year financial statements;
- The establishment of the long term goals of the Company and strategic plans to achieve those goals;
- The review and adoption of annual budgets for the financial performance of the Company and monitoring the results on a monthly basis;
- Ensuring that the Company has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities;
- Reviewing Board structure and performance from time to time and making decisions on new appointments; and
- The issue of any shares, options, equity instruments or other securities in the Company or its subsidiaries.

On the day on which the Directors' report is made out the Board consisted of two Non-Executive Directors. Details of the Directors are set out in the Directors' Report.

Risk Management

The board is responsible for the Company's systems of internal controls. The Board constantly monitors the operational and financial aspects of the Company's activities and the Board considers the recommendations and advice of external auditors and other external advisers on the operational and financial risks that face the Company. The Board ensures that recommendations made by the external auditors and other external advisors are investigated and, where considered necessary, appropriate action is taken to ensure that the Company has an appropriate internal control environment in place to manage the key risks identified.

In addition, the Board investigates ways of enhancing existing risk management strategies.

Board Committees

Given the nature of the Company's current operations and the size of the Board, there is no remuneration or nomination committee. The functions of these types of committees are performed by the Board of Directors as a whole.

Audit and Risk Management Committee

The current members of the committee are:

- C Horsfall
- I Gorman

The committee is responsible for risk management and oversight of the Company's financial reporting policies and other operational risk areas.

Furthermore, the committee monitors the internal controls and the integrity of the Company's financial statements in compliance with the regulatory requirements. The committee is also responsible for the appointment, evaluation and oversight of the external auditor, ensuring that the independence of the external assurance function is maintained.

Code of Conduct

As part of the Board's commitment to the higher standard of conduct, the Company adopts a code of conduct to guide executives and management in carrying out their duties and responsibilities in compliance with all applicable laws and regulations. The code of conduct covers such matters as:

- Responsibilities to Shareholders;
- Compliance with laws and regulations;
- Relations with customers, suppliers, competitors and trade practices;
- Ethical responsibilities;
- Employment practices:
  - equal opportunity and unlawful harassment
  - safety of the workplace
- Responsibilities to the environment and the community, and;
- Corporate assets and information:
  - Company funds and property
  - corporate records and accounting
  - confidential and proprietary information
  - insider trading
  - legal disputes

In accordance with the Company's constitution and the Corporations Act 2001, Directors disclose to the Board any material contract in which they may have interest. In compliance with Section 195 of the Corporations Act 2001 any Director with a material personal interest in a matter being considered by the Board will not be present when the matter is being considered and will not vote on the matter.

Reappointment of Directors

The Company's Constitution provides that at every Annual General Meeting, one-third of Directors, and Directors appointed since the most recent Annual General Meeting, shall retire from office and, being eligible, may stand for re-election. All vacant directorships may be filled at the meeting.

Shareholders

Shareholders play an integral part in corporate governance. To give effect to this, the Board ensures that Shareholders are kept fully informed through:

– the Annual Report which is distributed to all Shareholders;

– disclosures made to the Australian Stock Exchange; and

– notices and explanatory memoranda of extraordinary and general meetings.

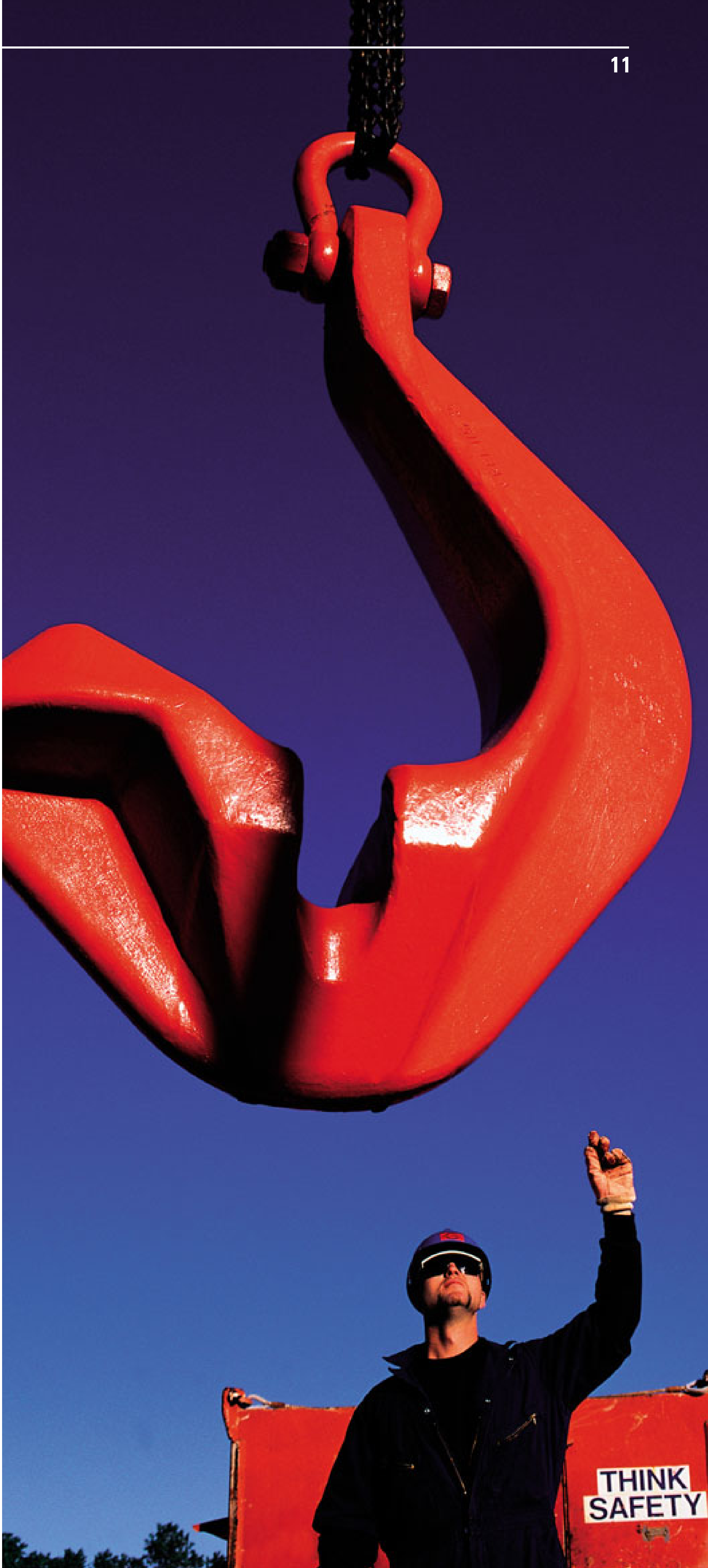
Shareholders may raise matters of concern at General Meetings and have the ultimate control in corporate governance as they vote for the members of the Board, the Company's governing body.

Independent Professional Advice

With the prior approval of the Chairman, each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

Review of Corporate Governance

The Company's corporate governance practices, Board and committee operations are subject to annual review and revision as required, and to performance assessment collectively and individually, under the direction of the Chairman.



Directors' Report

The Directors of 3D Oil Limited submit herewith the annual financial report of the Company for the financial year ended 30 June 2007. 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 Campbell Horsfall	**Non-Executive Director**
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 Degress 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
Relevant interests in shares and options	Nil ordinary fully paid shares 500,000 options expiring 31 January 2011, exercisable at $0.50.

Mr Noel Newell	**Executive Director**
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

Ms Melanie J Leydin	**Executive Director (appointed 21 September 2007) and Company Secretary**
Experience	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.
Directorships in listed entities	Jervois Mining Limited
Relevant interests in shares and options	Nil ordinary fully paid shares Nil options expiring 31 January 2011, exercisable at $0.50.

Mr Ian Gorman	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.
Directorships in listed entities	Molopo Australia Limited
Relevant interests in shares and options	Nil Shares 1,000,000 Options expiring 31 January 2011 exercisable at $0.50

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 $1,471,727 (2006: $79,221).

Review of Operations

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

Financial Position

The net assets of the entity have increased to $28,415,886 as at 30 June 2007. 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 $26,469,670 compared with negative working capital of $40,010 in 2006.

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.

Changes in State of Affairs

During the financial year the company:

- converted from a private company to a public company;
- raised $27,500,000 through the issue of 110,000,000 shares partly paid to $0.25; and
- issued further shares and options to seed capital investors as detailed in Note 14

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 mining and exploration tenements. The various authorities granting such tenements require the tenement holder to comply with the terms of the grant of the tenement and all directions given to it under those terms of the tenement. 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 2007.

Directors' Report continued

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 I Gorman	1,000,000	$0.50	31/01/2011
Mr N Newell	4,000,000	$0.50	31/01/2011
Mr C Horsfall	500,000	$0.50	31/01/2011
Mr J Keall	1,500,000	$0.50	31/01/2011

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	7,100,000	$0.50	31 January 2011
Unlisted Options	7,125,000	$0.60	31 January 2011

During the year and up to the date of this report 14,225,000 options were issued, and no options were exercised. At 30 June 2007, 14,225,000 options were on issue. Refer to the notes to the financial statements for details of options granted.

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.

Remuneration Report

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.

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. Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. 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.

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.

The amount of aggregate remuneration sought to be approved by Shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers the amount of Director fees being paid by comparable companies with similar responsibilities and the experience of the Non-Executive Directors when undertaking the annual review process.

The Company determines the maximum amount for remuneration, including thresholds for share-based remuneration, for Directors by resolution. Further details regarding components of Director and executive remuneration are provided in the notes to the financial statements.

Key Management Personnel Compensation

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

	2007 $	2006 $
Short-term employment benefits	416,767	–
Post employment benefits	24,020	–
Other long-term benefits	–	–
Termination benefits	–	–
Share based payments	1,186,650	–
	1,627,437	**–**

The compensation of each member of the key management personnel of the entity is set out below.

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		
	Salary, Fees and Commissions $	Superannuation Contribution $	Shares Received as Compensation $	Options Received as Compensation $	Total $
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
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**

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
Directors						
Mr I Gorman	1,000,000	0.1731	84.49	0.50	6/12/07	31/1/2011
Mr N Newell	4,000,000	0.1731	72.47	0.50	6/12/07	31/1/2011
Mr C Horsfall	500,000	0.1731	84.76	0.50	6/12/07	31/1/2011
Mr J Keall	1,500,000	0.1564	76.97	0.50	6/12/07	31/1/2011
Ms M Leydin	–	–	–	–	–	–

The value of options issued to I Gorman, N Newell and C Horsfall was calculated at 17.31 cents per option, based on the following assumptions:

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

Directors' Report continued

The value of options issued to J Keall was calculated at 15.64 cents per options, based on the following assumptions:

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

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.

Details of Remuneration for Year Ended 30 June 2006

There was no Directors or Key Management Personnel remuneration paid during the 2006 financial year.

Options Issued as Part of Remuneration for the Year Ended 30 June 2006

There were no options issued as part of remuneration during the year ended 30 June 2006.

Shares Issued as Part of Remuneration for the Year Ended 30 June 2006

There were no shares issued as part of remuneration during the year ended 30 June 2006.

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.

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. There is no separate remuneration or nomination committee.

Directors	Board of Directors	
	Held	Attended
Mr I Gorman	11	11
Mr N Newell	11	11
Mr C Horsfall	11	11

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.

The non-audit services provided by the Company's auditor during the year to June 2007 are as follows:

Independent Accountants Report $5,014.

Independence Statement

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 17.
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

Campbell Horsfall

Campbell Horsfall
Chairman

MELBOURNE, 28 September 2007

Independence Declaration

William Buck
Business Advisors
Chartered Accountants

Auditor's Independence Declaration

Under Section 307C of the Corporations Act 2001

To the Directors of 3D Oil Limited:

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2007 there have been:

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

William Buck
Chartered Accountants

Brad Taylor
Partner

Dated this 28th day of September 2007.

Melbourne, Australia.

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Independent Audit Report

William Buck
Business Advisors
Chartered Accountants

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 sheets as at 30 June 2007, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the company.

As permitted by the *Corporations Regulations 2001*, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), as required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading Remuneration Report on pages 22-24 of the Directors' report and not in the financial report. We have audited the remuneration disclosures on pages 22-24 of the Directors' report.

Directors' Responsibility for the Financial Report and the AASB 124 Remuneration Disclosures Contained in the Directors' 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 control 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.

The directors of the Company are responsible for the remuneration disclosures contained in the Directors' report.

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. Our responsibility is also to express an opinion on the remuneration disclosures contained in the Directors' report based on our audit.

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William Buck
Business Advisors
Chartered Accountants

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 judgment, 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 and the remuneration disclosures contained in the Directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, has been provided to the directors on the same date as this auditor's report.

Auditor's Opinion on the financial report

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 company's financial position as at 30 June 2007 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.

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Auditor's Opinion on the AASB 124 remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures on pages 22-24 of the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

William Buck
Chartered Accountants

Brad Taylor
Partner

Dated this 28th day of September 2007.

Melbourne, Australia.

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Director's 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

Campbell Horsfall
Chairman

MELBOURNE, 28 September 2007

Income Statement
for the Year Ended 30 June 2007

	Note	2007 $	2006 $
Revenue	2	228,396	3,833
Corporate expenses		(93,306)	–
Administrative expenses		(84,020)	(47,333)
Employment expenses		(292,166)	–
Share based payments		(1,205,150)	–
Depreciation and amortisation		(25,481)	
Exploration costs written off		–	(35,721)
Loss before income tax expense	3	(1,471,727)	(79,221)
Income tax expense	4	–	–
Profit/(loss) attributable to members of the parent entity		(1,471,727)	(79,221)

Earnings/(Loss) per share	**Cents per Share**	**Cents per Share***
Basic earnings per share	(1.67)	(0.01)
Diluted earnings per share	(1.67)	(0.01)

* Calculated on a post-split basis.

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

Balance Sheet
as at 30 June 2007

	Note	2007 $	2006 $
Current Assets			
Cash and cash equivalents	20(a)	26,458,238	31,132
Trade and other receivables	7	362,986	2,112
Other current assets	8	3,000	–
Total Current Assets		26,824,224	33,244
Non-Current Assets			
Plant and equipment	9	46,588	24,730
Intangibles	10	11,556	–
Other non-current assets	11	1,888,072	–
Total Non-Current Assets		1,946,216	24,730
Total Assets		28,770,440	57,974
Current Liabilities			
Trade and other payables	12	339,147	73,254
Provisions	13	15,407	–
Total Current Liabilities		354,554	73,254
Total Liabilities		354,554	73,254
Net Assets		28,415,886	(15,280)
Equity			
Issued Capital	14	28,294,129	449,986
Reserves	15	2,058,750	–
(Accumulated losses)		(1,936,993)	(465,266)
Total Equity		28,415,886	(15,280)

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

Statement of Changes in Equity
for the Year Ended 30 June 2007

	Issued Capital *Note 14*	Retained Earnings	Option Reserves *Note 15*	Total
Equity as at 1 July 2005	449,986	(386,045)	–	63,941
Loss for the period (A)	–	(79,221)	–	(79,221)
Issue of Options	–	–	–	–
Issue of Shares	–	–	–	–
Costs of Capital Raising	–	–	–	–
Equity as at 30 June 2006	**449,986**	**(465,266)**	**–**	**(15,280)**

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**

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

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

Cash Flow Statement
for the Year Ended 30 June 2007

	Note	2007 $	2006 $
Cash Flows From Operating Activities			
Receipts from customers		990	3,807
Interest received		56,548	26
Payments to suppliers and employees		(301,208)	(30,499)
Net cash used in operating activities	20(c)	(243,670)	(26,666)
Cash Flows From Investing Activities			
Payments for exploration and development expenditure		(1,888,072)	–
Payment for plant and equipment		(47,339)	(11,365)
Payment for intangibles (software)		(11,556)	–
Net cash (used in)/provided by investing activities		(1,946,967)	(11,365)
Cash Flows From Financing Activities			
Proceeds from issue of equity securities		30,535,000	–
Payment for share issue costs		(1,917,257)	–
Net cash flows from financing activities		28,617,743	–
Net Increase (Decrease) in cash and cash equivalents		26,427,106	(38,031)
Cash and cash equivalents at beginning of the financial year		31,132	69,163
Cash and cash equivalents at the end of the financial year	20(a)	26,458,238	31,132

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

Notes to the Financial Statements

Notes to and Forming Part of the Financial Statements

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.

Adoption of new and revised Accounting Standards

In the current year, the entity 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 adoption of these new and revised Standards and Interpretations has not resulted in changes to the entitiy's accounting policies.

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

• AASB 7 'Financial Instruments: Disclosures and consequential amendments to other accounting standards resulting from its issue.	Effective for annual reporting periods beginning on or after 1 January 2007.
• AASB 8 'Operating Segments beginning on or after 1 January 2009.	Effective for annual reporting periods
• AASB 101 'Presentation of Financial Statements' – revised standard	Effective for annual reporting periods beginning on or after 1 January 2007.
• AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED151 and other standards	Effective for annual reporting periods beginning on or after 1 July 2007.
• Interpretation 10 'Interim Financial Reporting and Impairment'.	Effective for annual reporting periods beginning on or after 1 November 2006.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company. The circumstances addressed by Interpretation 10, which prohibits the reversal of certain impairment losses, do not affect either the Company's previously reported results and accordingly, there will be no impact to these financial statements on adoption of the Interpretation.

The application of AASB 101 (revised), AASB 7 and AASB 2005-10 will not affect any of the amounts recognised in the financial statements, but will change the disclosures presently made in relation to the Company's financial instruments and the objectives, policies and processes for managing capital.

These Standards and Interpretations will be first applied in the financial report of the entity that relates to the annual reporting period beginning after the effective date of each pronouncement, which will be the Company's annual reporting period beginning on 1 July 2007.

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Urgent Issues Group Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the financial statements and notes of the entity comply with International Financial Reporting Standards ('IFRS'). The parent entity financial statements and notes also comply with IFRS except for the disclosure requirements in IAS 32 'Financial Instruments: Disclosure and Presentation' as the Australian equivalent Accounting Standard, AASB 132 'Financial Instruments: Disclosure and Presentation' does not require such disclosures to be presented by the parent entity where its separate financial statements are presented together with the financial statements of the entity. AASB 132 would not have any impact on the financial report of 3D Oil Limited should the entity have been required to disclose this information.

The financial statements were authorised for issue by the Directors on 28 September 2007.

Basis of preparation

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of A-IFRS 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 recognised 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 affects both current and future periods.

Notes to the Financial Statements continued

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2007.

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 and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(b) Financial instruments issued by the company

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.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

(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, 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 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 (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.

(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 liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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.

(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.

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) 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.

Notes to the Financial Statements continued

(h) 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 Group in respect of services provided by employees up to reporting date.

(i) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

<u>Plant and equipment</u>

Plant and equipment are measured on the cost basis.

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 fro 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.

<u>Depreciation</u>

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 vales 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 that 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 recognized 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 recognized 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 recognized 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.

<u>Interest Revenue</u>

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.

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.

2. Revenue	**2007 $**	**2006 $**
Revenue from continuing operations consisted of the following items		
Revenue from the Sale of Goods	–	–
Revenue from the Rendering of services	–	–
	–	–
Other Income		
Rent received	900	–
Interest revenue	227,496	3,833
	228,396	3,833
Total Revenue	**228,396**	**3,833**

3. Profit/(Loss) from Operations

(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	7,309	8,693
– Software	18,172	–
	25,481	8,693
Post employment benefit plans – Contribution	24,176	–
Share based payments:		
– Equity settled share based payments	1,205,150	–
Charges to provisions:		
– Employee entitlements	15,407	–
Operating lease payments		
– Office lease	43,960	–

Notes to the Financial Statements continued

4. Income Tax Expense	2007 $	2006 $
(a) The Components of Tax Expense comprise:		
Current Tax	–	–
Deferred Tax	–	–
	–	**–**

(b) The prima facie tax from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Profit/(Loss) from Ordinary Activities	**(1,471,727)**	**(79,221)**
Income tax expense/(benefit) calculated at 30%	(441,518)	(23,766)
Add: Tax Effect of:		
– Share Based Payments	361,545	–
Add/(Less) Temporary Differences:		
– Capitalised Deductible Exploration Expenditure	(566,422)	–
– Deductible Share issue costs	(115,035)	–
– Other Timing Differences	48,058	–
Tax benefit for the year	(713,372)	(23,766)
Income Tax losses carried forward not taken up as benefit	713,372	23,766
Tax Expense	**–**	**–**
Deferred tax assets not brought to account as assets:		
– Tax Losses	886,593	273,097
– Temporary Differences	(91,863)	–
	794,730	**273,097**

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 realized.

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.

5. Key Management Personnel

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

Mr I Gorman	(Non–Executive Chairman)
Mr N Newell	(Managing Director)
Mr C Horsfall	(Non–Executive Director)
Mr J Keall	(Exploration and Development Manager)
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) 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

(c) 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

6. Auditors Remuneration

	2007 $	2006 $
Auditor of the Parent Entity – William Buck		
Auditing or reviewing the financial report	23,731	–
Independent Accountants report	5,014	–
	28,745	**–**

7. Trade and Other Receivables

Current		
Goods and services tax recoverable	192,069	2,112
Interest receivable	170,848	–
Other receivables	69	–
	362,986	**2,112**

Notes to the Financial Statements continued

8. Other Current Assets

	2007 $	2006 $
Prepayments	**3,000**	**–**

9. Plant & Equipment

Plant and equipment – at cost	51,455	37,532
Less: Accumulated depreciation	(4,867)	(12,802)
	46,588	**24,730**
Movement in carrying value of plant and equipment		
Opening carrying value	24,730	22,058
Additions	47,359	11,365
Transfer to intangibles	(18,192)	–
Depreciation expense	(7,309)	(8,693)
Closing carrying value	**46,588**	**24,730**

10. Intangibles

Software – at cost	11,556	–
Less accumulated amortisation	–	–
	11,556	**–**
Movement in carrying value of intangibles		
Opening carrying value	–	–
Additions	11,556	–
Transfer from plant & equipment	18,192	–
Amortisation expense	(18,192)	–
Write off of intangibles [(i)]	–	–
Closing carrying value	**11,556**	**–**

(i) Software purchased in 2004 with a cost of $22,052 and a written down value of Nil was written off during the financial year.

11. Other Non–Current Assets

Exploration and development expenditure	**1,888,072**	**–**
Movement in Exploration and development expenditure		
Opening carrying value	–	–
Expenditure during the year	1,888,072	35,721
Written off expenditure	–	(35,721)
Impairment losses	–	–
Closing carrying value	**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 $1,888,072 has been included in cash flows from investing activities in the cash flow statement.

12. Trade and Other Payables

	2007 $	2006 $
Current		
Trade payables [i]	100,602	73,254
Amounts payable to:		
– Key management personnel	18,500	–
– Key management personnel related entities	183,828	–
Sundry payables and accrued expenses	36,217	–
	339,147	**73,254**

(i) 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

Provision for employee entitlements	**15,407**	**–**

14. Issued Capital

83,060,000 fully paid ordinary shares (2006: 266,550 (pre–split))	3,564,986	449,986
110,000,000 partly paid shares (2006: Nil)	24,729,143	–
	28,294,129	**449,986**

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.

	No. of Shares	$
(a) Fully paid ordinary shares		
Balance at 1 July 2005	266,550	449,986
Share Issues	–	–
Balance at 30 June 2006	**266,550**	**449,986**
Balance at 1 July 2006	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
Balance at 30 June 2007	**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)
Balance at 30 June 2007	**110,000,000**	**24,729,143**

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

Notes to the Financial Statements continued

(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

	2007 No.	2006 No.
Balance at beginning of the financial year	–	–
Granted during the financial year	14,225,000	–
Exercised during the financial year	–	–
Lapsed during the financial year	–	–
Balance at end of the financial year	**14,225,000**	**–**

7,100,000 options entitles the holder to subscribe for one ordinary share in 3D Oil Limited upon the payment of $0.50.

7,125,000 options entitles the holder to subscribe for one ordinary share in 3D Oil Limited upon thepayment of $0.60.

All the 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.

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:

- 5,500,000 options to Directors valued at $0.1731 per option.
- 100,000 options to Executives valued at $0.185 per option.
- 1,500,000 options to Executives valued at $0.1564 per option.
- 4,000,000 options to Promoters valued at $0.2134 per option.

Details of the Director option valuation are included in the Remuneration Report.

16. Dividends	2007 $	2006 $
There have been no dividends paid or proposed in the 2006 or 2007 financial years.		

17. Commitments For Expenditure	2007 $	2006 $
Operating Lease Commitments		
Not longer that 1 year	75,240	–
Longer that 1 year and not longer that 5 years	112,860	–
Longer than 5 years	–	–
	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 renegotiation 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	9,090,000	3,100,000
Later than one year but not later than five	17,900,000	23,040,000
Later than five years	–	850,000
	26,990,000	**26,990,000**

18. Segment information

The Company only operates in the development of oil and gas within 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 2007 there were no related party transactions other than those detailed in the Remuneration Report.

20. Notes to the Statement of Cash Flows	2007 $	2006 $
(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 statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash and cash equivalents	**26,458,238**	**31,132**

(b) Financing Facilities

The company has no financing facilities in place at 30 June 2007.

Notes to the Financial Statements continued

(c) Reconciliation of Net Profit/(Loss) From Ordinary Activities After Related Income Tax to Net Cash Flows From Operating Activities	2007 $	2006 $
Profit/(loss) after related income tax	(1,471,727)	(79,221)
Less: Non–cash activities:		
Depreciation and amortisation of non–current assets	25,481	8,693
Share based payments expense	1,205,150	–
Annual leave provision	15,407	–
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Current receivables	(362,986)	1,214
Other current assets	(888)	(764)
Increase/(decrease) in liabilities:		
Current payables	345,893	43,412
Net cash (used in) operating activities	**(243,670)**	**(26,666)**

(d) Non–Cash Financing and Investing Activities

During the year the Company settled $80,000 in debts through the issue of 4,000 fully paid ordinary shares (pre–split) at an issue price of $20.00.

21. Financial Instruments

(a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

(b) Interest Rate Risk

The following table details the entity's exposure to interest rate risk as at the 30 June 2007:

			Fixed Interest Rate Maturity				
2007	**Average Interest Rate %**	**Variable Interest Rate $**	**Less than 1 Year $**	**1 to 5 Years $**	**More than 5 Years $**	**Non-Interest Bearing $**	**Total $**
Financial Assets							
Cash	5.4	26,458,238	–	–	–	–	26,458,238
Trade and other receivables		–	–	–	–	362,986	362,986
Other current assets		–	–	–	–	3,000	3,000
		26,458,238	–	–	–	365,986	26,824,224
Financial Liabilities							
Payables		–	–	–	–	339,147	339,147
		–	–	–	–	339,147	339,147

The following table details the entity's exposure to interest rate risk as at the 30 June 2006:

			Fixed Interest Rate Maturity				
2006	**Average Interest Rate %**	**Variable Interest Rate $**	**Less than 1 Year $**	**1 to 5 Years $**	**More than 5 Years $**	**Non-Interest Bearing $**	**Total $**
Financial Assets							
Cash	4.8	31,132	–	–	–	–	31,132
Other current assets		–	–	–	–	2,112	2,112
		31,132	–	–	–	2,112	33,244
Financial Liabilities							
Payables		–	–	–	–	73,254	73,254
		–	–	–	–	73,254	73,254

(c) Credit Risk
Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the entity. The entity has adopted a policy of managing its exposure to credit risk by assessment of the creditworthiness of potential customers and obtaining sufficient collateral or other security where appropriate. The carrying amount of financial assets included in the accounts represents the exposure of the entity to credit risk.

(d) Fair Value
The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.

(f) Liquidity Risk Management
Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

22. Earnings Per Share

	2007 Cents Per Share	**2006 Cents Per Share**
Basic earnings (loss) per share	(1.67)	(0.01) (i)
Diluted earnings (loss) per share	(1.67)	(0.01) (i)

(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)	(1,471,727)	(79,221)
	2007 No	**2006 No**
Weighted average number of ordinary shares (ii)	88,273,743	69,036,450(iii)

(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.

	7,794,932	–

(iii) Calculated on a post–split basis.

Notes to the Financial Statements continued

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 2007.

23. Contingent Liabilities

Estimates of the potential financial effect of contingent liabilities that may become payable:

There has been a claim by a supplier to the Consortium , of which 3D Oil is a member, of a number of unpaid invoices and a breach of contract. The Consortium believes that whilst there is some financial obligation they disagree with the quantum of the claim by the supplier. The maximum obligation by the consortium is approximately $1,300,000.

The exposure for 3D Oil Limited as part of the consortium is a maximum of $200,000.

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.

Additional Shareholder Information

The shareholder information set out below was applicable as at 31 August 2007.

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 – 1,000	4	586	0.01
1,001 – 5,000	44	153,350	0.01
5,001 – 10,000	106	938,573	0.64
10,001 – 100,000	352	15,145,532	7.85
100,001 and over	131	176,621,959	91.49
Total	**637**	**193,060,000**	**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	%
N Newell <*Newell Family A/C*>	36,661,450	18.99
HSBC Custody Nominees (Aust) Limited GSI ECSA	17,049,216	8.83
Bond Street Custodians Limited <*Macquarie Smaller Co's A/C*>	11,835,000	6.13
UBS Nominees Pty Ltd	8,500,000	4.40
Fugro Multi Client Services Pty Ltd	6,475,000	3.35
Bill Hopper	6,475,000	3.35
HSBC Custody Nominees (Aust) Limited	6,250,000	3.24
Bond Street Custodians Limited <*Macquarie Aus Long Eq Fund*>	4,100,200	2.12
CS Third Nominees Pty Ltd <*SBABP A/C*>	3,840,000	1.99
Bond Street Custodians Limited <*Macquarie Alpha Opportunities Fund*>	3,400,000	1.76
Noel Mainwerring	3,237,500	1.68
Vin and Wendy Naidu	3,237,500	1.68
Andrew Paterson	3,237,500	1.68
Pengold Pty Ltd	3,237,500	1.68
ANZ Nominees Limited <*Cash Income A/C*>	3,211,331	1.66
HSBC Custody Nominees (Aust) Limited GSI EDA	3,107,784	1.61
National Nominees Limited	2,900,000	1.50
Elite Sunshine Pty Ltd <*Superfund A/C*>	2,500,000	1.29
Bond Street Custodians Limited <*Macquarie Aust Mkt Neutral Fund*>	2,499,800	1.29
Invia Custodian Pty Ltd	2,000,000	1.04
	133,754,781	**69.28**

4. Restricted Securities

As at 31 August 2007, 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.

Shareholder Information continued

5. Substantial Shareholders

As at 31 August 2007 the substantial shareholders were as follows:

Name of Shareholder	No of Shares	% of Issued Capital
Noel Newell	36,661,450	18.99
Macquarie Bank Limited	20,100,000	10.41
Commonwealth Bank of Australia	15,343,808	7.95

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.

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