

EXOIL LIMITED

ABN 40 005 572 798

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2007

DIRECTORY

BOARD OF DIRECTORS

J.M.D Willis (Chairman)
E.G. Albers
G.A. Menzies
P.J. Albers

SECRETARY

E.G. Albers
Level 21,
500 Collins Street,
Melbourne, Victoria 3000

REGISTERED OFFICE AND PRINCIPAL ADMINISTRATION OFFICE

Level 21, 500 Collins Street,
Melbourne, Victoria 3000

Telephone: +61 (03) 8610 4700
Facsimile: +61 (03) 8610 4799
E-mail: admin@exoil.net

AUDITOR

PKF
Chartered Accountants
Level 14
140 William St
Melbourne, Victoria 3000

INCORPORATED IN VICTORIA

13 March 1980

WEBSITE

www.exoil.net

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FORWARD LOOKING STATEMENTS

This Financial Report includes certain forward-looking statements that have been based on current expectations about future acts, events and circumstances. These forward-looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward-looking statements.

These factors include, among other things, commercial and other risks associated with the meeting of objectives and other investment considerations, as well as other matters not yet known to the company or not currently considered material by the company.

RISK FACTORS

Exploration for oil and gas is speculative, expensive and subject to a wide range of risks. There can be no assurance that any well drilled by Exoil will result in the discovery of oil or gas, nor that any discovery will prove to be commercially viable. Individual investors should consider these matters in light of their personal circumstances (including financial and taxation affairs) and seek professional advice from their accountant, lawyer or other professional adviser as to the suitability of an investment in the company.

CHAIRMAN'S REVIEW

Dear Shareholders

Exoil has continued to make excellent progress through 2007 and, as a result of a number of concluded transactions, is soon to embark upon an exciting drilling programme, each one of which having significant potential for the company.

During 2007 we have:

- (i) successfully farmed out Vic/P53 to Stuart Petroleum Limited. This will result in the Bazzard feature, within Vic/P53 (Exoil interest 16.667%), being drilled in the third quarter of 2008;
- (ii) confirmed a drilling programme in Vic/P45 because our farminee, Apache Energy, has now concluded rig arrangements which means the Coelecanth well (Exoil interest 16.667%) will be drilled in Q1 2008;
- (iii) entered into an agreement with Beach Petroleum Limited to farmout part of T/38P on terms which will see the Company carried through all of the costs of a well to be drilled in the permit area, with the well timing expected to be in Q4 2008 (Exoil interest 10%);
- (iv) committed to the acquisition of a large 2D seismic programme across four of our permits – 3,000 km in T/37P, 250 km in T/38P, 1,000 km in Vic/P61 and 1,100 km EPP34.
- (v) identified the exciting and potentially large 'Braveheart' stratigraphic prospect, which has the potential to contain over 300 million barrels of oil (Exoil interest 35%);
- (vi) advanced our understanding of WA-342-P (which contains the Cornea oil accumulation) which has included receiving the data arising from the reprocessing of over 1,000 km² of 3D data previously acquired by Shell;
- (vii) farmed out our interest in WA-359-P to MEO Australia Limited on terms which relieve us of the seismic obligation in that permit. If MEO commits to the drilling of a well in the permit, Exoil can elect to be fully carried through the costs of that well for up to a 15% interest.

All of these activities are described in more detail in the Directors Report.

Our past exploration efforts are now starting to yield real results. Our commitment to the substantial Bazzard 3D survey and the subsequent sophisticated depth conversion analysis has lead directly to our being able to farmout Vic/P53 on terms which will see the company fully carried for a 16.66% interest through up to two wells.

The Braveheart 2D seismic survey over WA-332-P and WA-333-P has resulted in the identification of the Braveheart prospect for which we have high hopes. Similarly, by committing to the reprocessing of a large amount of 3D data over Cornea (WA-342-P), we have been able to obtain a much better image over Cornea and have identified a number of additional leads.

More generally, we can look forward in 2008 to an exciting programme of at least 3 wells and up to 7 wells together with a large seismic acquisition programme.

Funding for the activities of the Company remains an ongoing challenge. As was noted in last years report, our preference has been to fund major exploration activities by farmout. The farm-out of Vic/P53, T/38P and WA-359-P is a successful realisation of this strategy.

We face choices about how exploration in WA-332-P, WA-333-P and WA-342-P is to be funded. We are seeking farmin partners for WA-332-P and WA-333-P (the Braveheart prospect) but, if conditions permit, we may choose to retain the whole of our present interest by fully funding the wells. Seeking funds through a capital raising is also a matter we are actively considering.

CHAIRMAN'S REVIEW (Continued)

In the immediate future the outcome of drilling operations in Vic/P45 could have a material impact on the Company's future. Be assured that we are ready to move quickly to take advantage of any recognition of value we will achieve in the event of drilling success.

In summary, 2007 has been a year of significant achievement. 2008 will see a multi well programme unfold. The future for the company is exciting.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J.M.D. Willis', with a large, stylized loop at the beginning.

J.M.D. Willis
Chairman
16 November 2007

DIRECTORS' REPORT

The directors present their report together with the financial report of Exoil Limited ("the Company") for the year ended 30 June 2007 and the auditor's report thereon.

DIRECTORS

The directors of the Company in office throughout the year and to the date of this report are as follows:

JMD Willis LL.M (hons) Dip Acc
Chairperson
Independent Non-Executive Director

Mr Willis was a partner in a leading New Zealand law firm, Bell Gully for more than 25 years where his practice speciality was the upstream oil and gas area, particularly relating to issues concerning gas contracting and the development of oil and gas reserves, joint ventures and upstream petroleum related acquisitions. He has acted for the leading participants in the upstream petroleum industry in New Zealand. With Mr Albers he was co-founder and later a director of Southern Petroleum, a successful New Zealand explorer and partner, now wholly owned by Shell. Director since 2004.

EG Albers LL.B FAICD
Director, Company Secretary

Mr Albers is a company director with over thirty five years experience as a lawyer and administrator in corporate law, petroleum exploration and resource sector investment. During this period Mr Albers has sponsored the formation of companies that have made the original Maari (Moki) oilfield discovery in New Zealand, the Yolla Gas/Condensate discovery in Bass Strait, the Evans Shoal gasfield discovery/appraisal in the Timor Sea, the SE Gobe oilfield development in Papua New Guinea and the Oyong oil/gas discovery in Indonesia. Mr Albers is Chairman of Moby Oil & Gas Limited, Octanex NL, Strata Resources NL and a director of Bass Strait Oil Company Ltd and Cue Energy Resources Ltd. He is also a director of various other private and unlisted public companies. He is a member of the Petroleum Exploration Society of Australia. Director since 1981.

GA Menzies LL.M
Independent Non-Executive Director

Mr Menzies is a barrister and solicitor. He graduated from Melbourne University in 1971 and qualified for admission to the degree of Master of Laws in 1975. He was admitted to practice in 1972. Since 1987 he has carried on practice as a sole practitioner under the name of Menzies & Partners. In the course of his legal practice, Mr Menzies has been involved in a wide range of activities, including takeovers, litigation in respect thereof, numerous capital raisings and corporate reconstructions. He has been involved in the listing of a large number of public companies ranging from junior exploration to substantial mining companies. Over recent years, his activities have focused primarily on corporate reconstructions and capital raisings. Director since 2004.

PJ Albers
Non-Executive Director

Mrs Albers has had more than thirty five years of commercial experience including co ownership and management of a significant primary production operation. She has been a director of a number of corporations, including public companies, over the last fifteen years. Mrs Albers has a background in human resources, health and safety, and in public relations. Director since 1984.

DIRECTORS' REPORT (Continued)***DIRECTORS' MEETINGS***

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year were:

Director	Board meetings attended	Board meetings held
EG Albers	3	3
JMD Willis	3	3
GA Menzies	3	3
PJ Albers	2	3

DIRECTORS' INTERESTS

At the date of this report the relevant interest of each of the directors in the Company is as follows:

<i>Ordinary shares</i>		<i>Options over ordinary shares</i>	
EG Albers	40,059,992	EG Albers	100,000
JMD Willis	1,156,250	JMD Willis	200,000
GA Menzies	-	GA Menzies	200,000
PJ Albers	40,059,992	PJ Albers	100,000

ENVIRONMENT, HEALTH AND SAFETY

The Company has adopted an environmental, health and safety policy and conducts its operations in accordance with the APPEA Code of Practice.

The Company's petroleum exploration and development activities are subject to environmental conditions specified in the Petroleum (Submerged Lands) Act, associated Regulations and Directions, as well as the Environment Protection and Biodiversity Conservation Act 1999. During the period there were no known contraventions by the Company of any relevant environmental regulations.

CORPORATE GOVERNANCE

As Exoil Limited is not a listed company it does not have to comply with the "Principles of Good Corporate Governance and Best Practice Recommendations" (the CGC Paper) which was issued by the ASX Corporate Governance Council (CGC). However, this statement does outline the main corporate governance practices in place throughout the financial year.

The Directors are responsible for the strategic direction of the Company, the identification and implementation of corporate policies and goals and monitoring of the business and affairs of the Company on behalf of its members. One of the key objectives of the Board is to ensure timely, transparent and accurate communication with all members and compliance with all regulatory requirements.

Given that the Company is small, with limited activities and limited resources, the Board has not established a series of committees to address specific areas of corporate governance such as strategic review, nominations, operations and remuneration. These issues will be dealt with by the Board as a whole with any interested directors abstaining or being absent as required either by Act or as necessary to avoid conflict or possible breach of their fiduciary duties.

PRINCIPAL ACTIVITY

The principal activity of the Company during the course of the financial year was to acquire and explore areas prospective for oil in offshore waters within the jurisdiction of Australia.

DIRECTORS' REPORT (Continued)**REVIEW AND RESULTS OF OPERATIONS***Company overview*

The Income Statement shows a consolidated net loss of \$763 compared with a net profit of \$1,340,915 in 2006.

State of affairs

The Company is incorporated and domiciled in Australia and has no employees other than the directors.

The directors are not aware of any other matter or circumstance that has arisen during the financial year or since that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years, except as may be stated elsewhere in the financial report.

DIVIDENDS

No dividends have been paid, provided or recommended for payment by the Company during the year and to the date of this report.

SHARE CAPITAL*Issue of Ordinary Shares*

During the year the Company has issued 334,013 ordinary shares to Mr Geoff Geary in accordance with the Consultancy Services Agreement between Focus on Australia Pty Ltd and the Company dated 21 April 2005.

SHARE OPTIONS

No options were granted during the year or to the date of this report.

Unissued shares under option

At the date of this report unissued ordinary shares of the Company under options are:

Expiry date	Exercise price	Number of options
31 December 2009	\$0.30	1,175,000
31 December 2009	\$0.40	<u>675,000</u>
		<u>1,850,000</u>

These options do not entitle the holder to participate in any share issue of the company or any other body corporate and expire on the earlier of their expiry date or six months from the termination of the employee's employment.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company's strategy is to seek out substantial opportunities in the upstream oil and gas industry and to maximise the monetisation of the Company's current exploration interests and its investments in that sector.

The likely developments in the company's operations in future years and the expected result from those operations are dependent on exploration success in the permit areas in which the company holds an interest and the success of the investment in Rocky Mountain Minerals Inc.

INDEMNIFICATION AND INSURANCE OF DIRECTORS

During the year and to the date of this report, the company did not pay premiums in respect of contracts insuring directors of the company against liabilities arising from their position of directors of the company.

DIRECTORS' REPORT (Continued)

REVIEW OF PETROLEUM EXPLORATION ACTIVITIES

Vic/P53 - Offshore Gippsland Basin - 50% interest reducing to 16.6667% – Stuart will be the operator

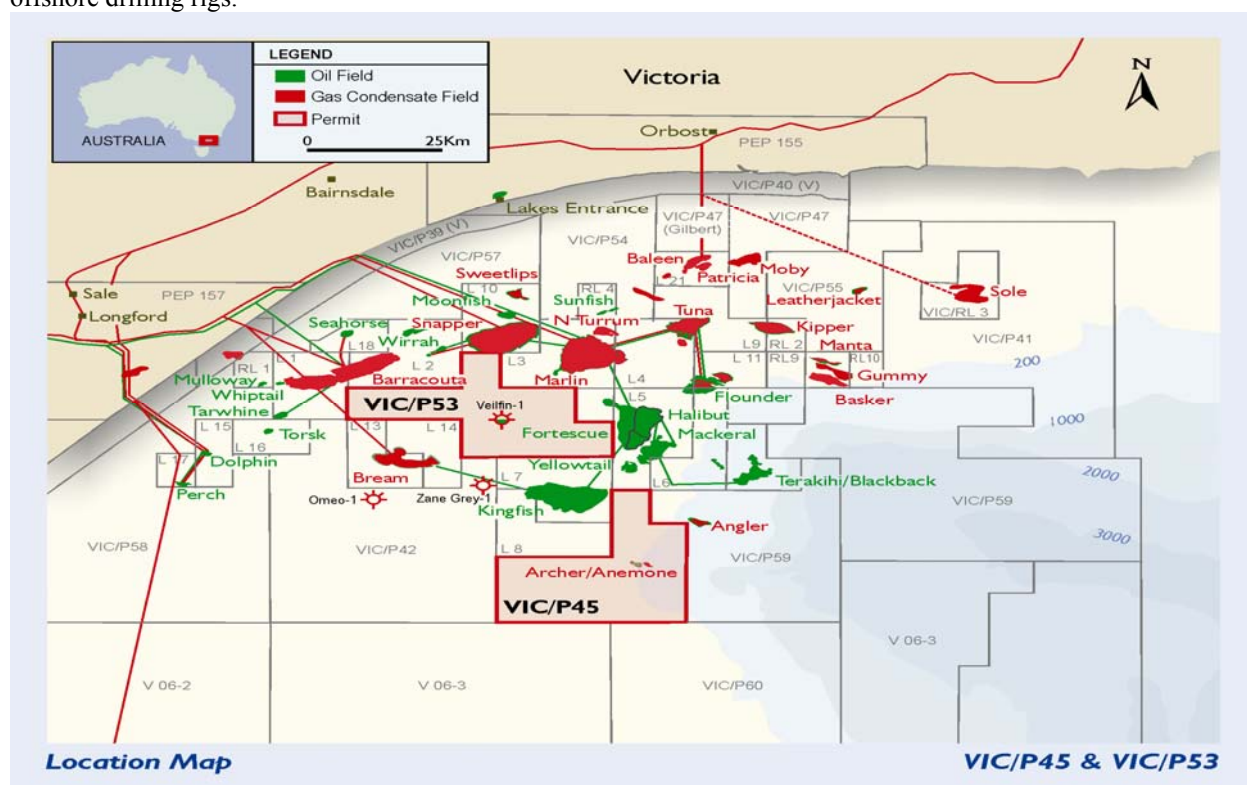
Following the recent farmout to Stuart Petroleum (Offshore) Pty Ltd (“Stuart”), the Vic/P53 Joint Venture (subject to Designated Authority approvals) will consist of:

Stuart	50% and Operator
Exoil Limited	16.6667%
Moby Oil & Gas Limited	8.3333%
Cue Petroleum Pty Ltd	25% (15% of this interest is held by Cue Petroleum to satisfy ACOC back-in rights pursuant to an agreement between Cue Petroleum and ACOC)

Pursuant to the farmin, Exoil and Moby sold to Stuart existing exploration information and reports for a total consideration of \$1,000,000, payable as to \$666,667 to Exoil and \$333,333 to Moby. At the date of this report these funds are held in escrow. The funds will be released from escrow to Exoil and Moby when Designated Authority approvals to the dealings are given and when and if the Designated Authority agrees to extend the third year of the permit to 16 October 2008 (to allow two wells to be drilled by then).

The farmin agreement obligations are subject to receipt of regulatory approvals and the granting of the permit suspension and extension application. Amounts in escrow return to the Farminee if the approvals are not given. Subject to this condition, Stuart has been appointed Operator and will pay a further \$2,000,000; \$1,333,333 to Exoil and \$666,667 to Moby and will meet 100% of the costs of two wells in the permit. Stuart can withdraw from the permit, at its election, after the conclusion of the first well. On the spudding of the first well, Stuart will pay a further US\$1,150,000 to Moby and Exoil (in the ratio of 2/3 to Exoil and 1/3 to Moby). This will enable Moby and Exoil to meet pre-existing contractual obligations to Cue Petroleum/ACOC. The Farminee will assume its pro rata share of the overriding royalty (4%) obligations of Exoil and Moby to ACOC et al (including Cue Petroleum).

Exoil, as previous operator, actively sought participation in a rig consortium. It also undertook new depth conversion seismic (PSDM) processing to refine the current prospects, including Bazzard, Catfish, West Cod and Updip Veilfin. Prospects matured for drilling are unlikely to be drilled until 2008 because of the tight market for offshore drilling rigs.



DIRECTORS' REPORT (Continued)*Vic/P45 - Offshore Gippsland - 16% interest – Apache is the operator*

The Vic/P45 Joint Venture consists of:

Apache Northwest Pty Ltd	66.6668% and Operator
Moby Oil & Gas Limited	16.6666%
Exoil Limited	16.6666%

Apache Northwest Pty Ltd, as Operator, have interpreted prospects and leads in Vic/P45, drawing upon the existing modern, 1,100 km² high quality 3D seismic survey that covers most of Vic/P45. Apache have advised that Coelecanth is the most likely well location.

Apache will meet 100% of the costs of the first and second well to be drilled in Vic/P45, provided that Apache may withdraw from this commitment after drilling the first well by reconveying the farmout interest (66.6668%) to Moby and Exoil. Any discovery location, as defined in the Petroleum (Submerged Lands) Act shall, at Apache's discretion, be excised from any such reconveyance (should there be one).

While prospects are ready for drilling, the very tight market for offshore drilling rigs has pushed Vic/P45 drilling activity into 2008.

T/37P and T/38P Bass Basin, Offshore from Tasmania - 50% interest – Cue Energy is the operator

Exoil (50%) with Cue Energy Resources Ltd (50%), holds two adjacent petroleum permits, T/37P and T/38P, located in the Bass Strait region, north of Tasmania and east of King Island. Each area consists of 40 graticular blocks, covering areas of approximately 2,670 kms² (T/37P), and 2,655 kms² (T/38P). Water depths across the areas are less than 75 metres. The T37/P permit is immediately adjacent to the Yolla gas condensate field which has recently begun production. Yolla also contains oil.

Interpretation of the existing seismic data has been completed and both time and depth maps have been constructed and integrated with existing well information. Prospects and leads have been identified and have been analysed.

Exoil has joined a group of companies that will jointly mobilize a seismic vessel to the Gippsland, Bass and Otway areas. Preparations are underway for seismic acquisition in the permits. It is planned to acquire 3,000 kms of new seismic data in T/37P and 450 line kms of seismic data in T/38P.

The T/38/P permit is immediately south of the producing Yolla gas condensate field. The permit contains the Pelican gas condensate discovery. Interpretation of the existing seismic data has been completed and both time and depth maps have been constructed and integrated with existing well information. Prospect and leads have been identified and have been analysed.

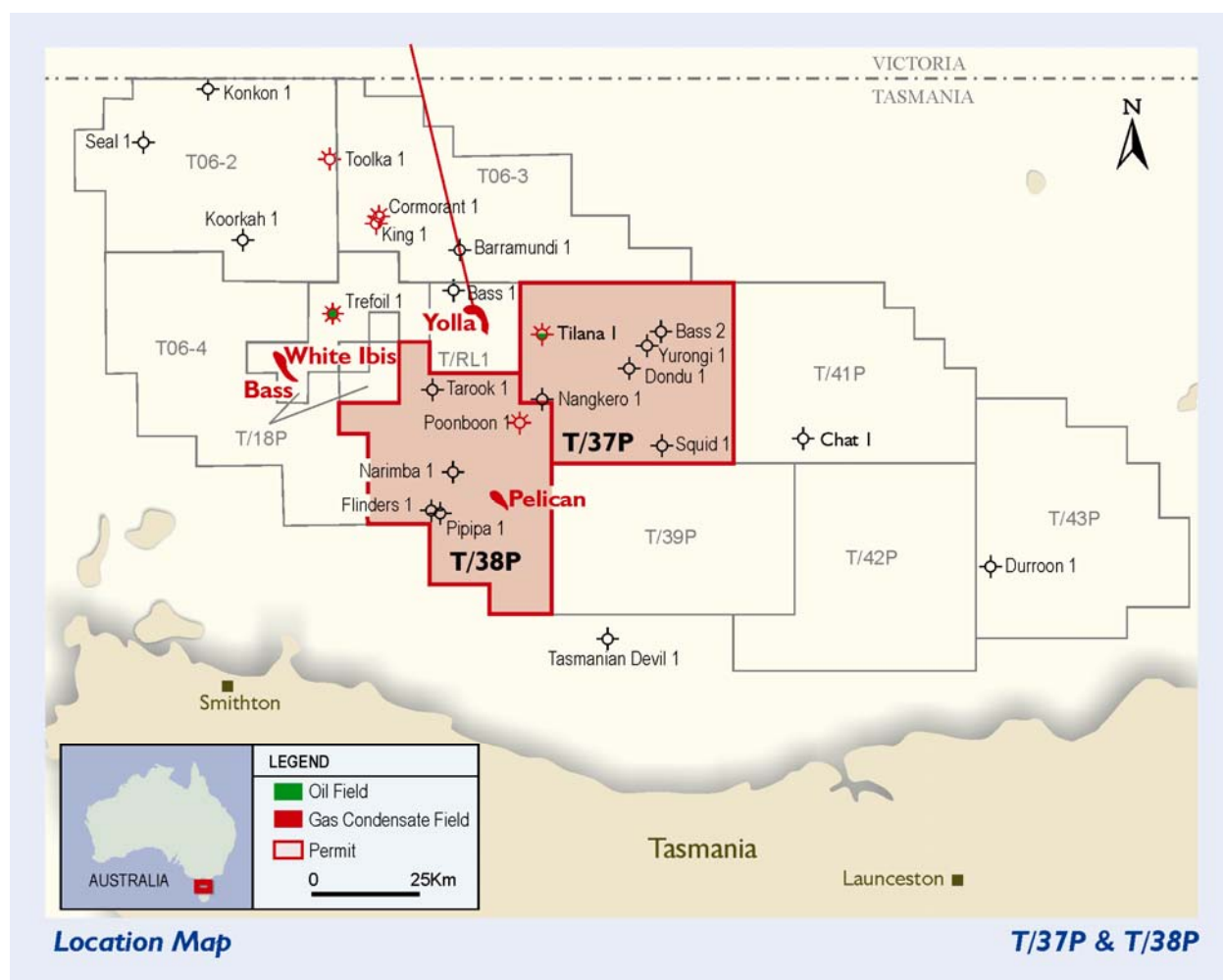
Recently, Beach Petroleum Limited agreed to farm in to T/38P. Beach will earn an 80% interest in a defined portion of the T38P permit by paying for the drilling of the Spikey Beach-1 exploration well. It will be operated by Beach and is expected to be drilled in the second half of 2008.

Preparations are underway to conduct a site survey over the Spikey Beach-1 drilling location.

DIRECTORS' REPORT (Continued)

The Bass Basin is a moderately explored basin with 33 wells drilled since 1965. The basin has a drilling density of approximately one well per 1,320 kms².

The Company's target in these Bass Basin permits is oil. Significantly, a number of wells in the Bass Basin have either found reservoir oil or encountered strong live oil indications.



Browse Basin, Offshore from Western Australia - 35% interest – Exoil is the operator

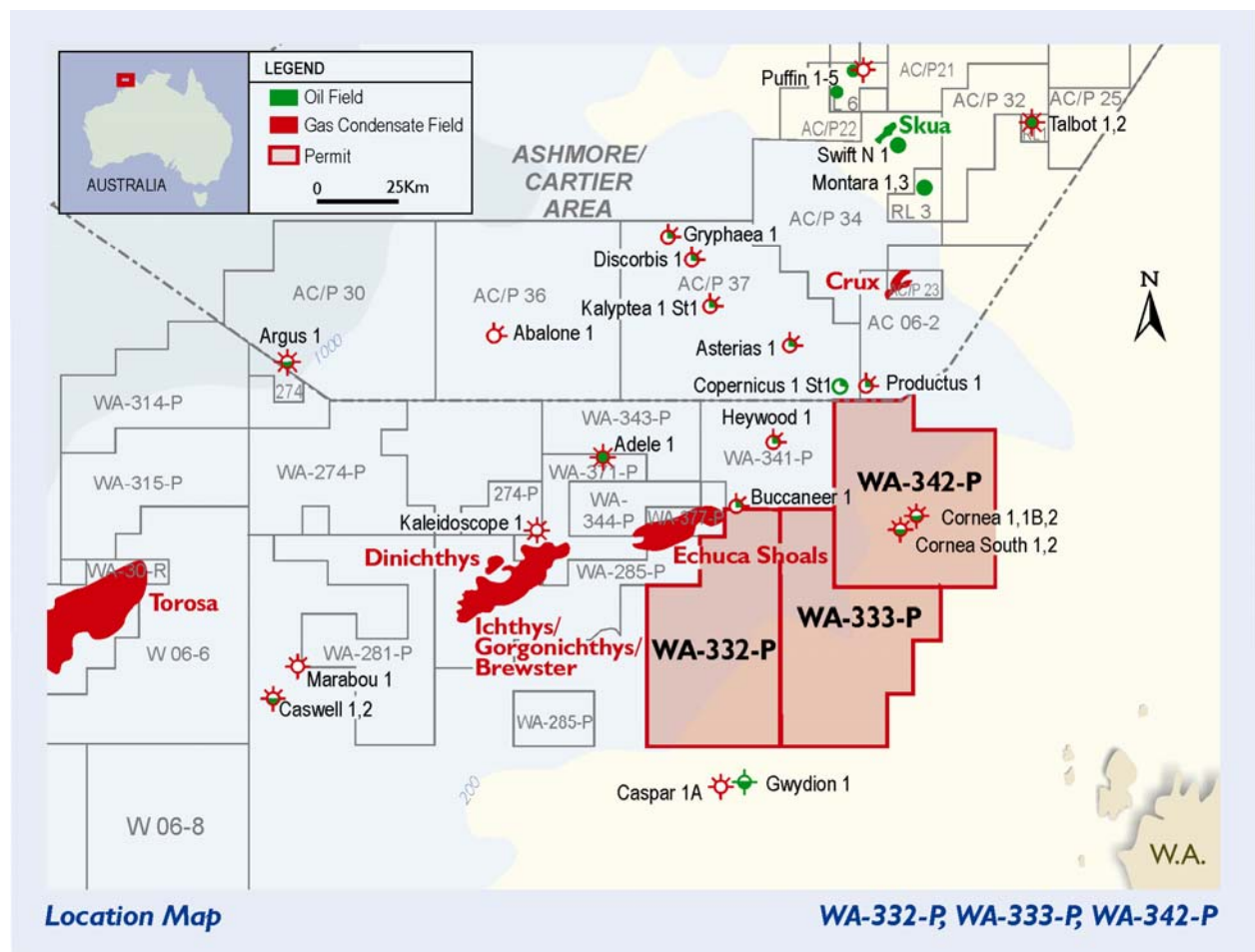
Exoil, through its wholly owned subsidiary, Hawkestone Oil Pty Ltd, holds a 35% interest in three contiguous permits (WA-332-P, WA-333-P and WA-342-P) held by the Browse Joint Venture.

The Browse Basin region, off the coast of Western Australia, has a 40-year history of exploration. It is an established petroleum sub-province and it forms a part of the extensive series of continental margin sedimentary basins that, together, comprise the North West Shelf hydrocarbon province of Australia. The Browse Basin has been host to a series of major gas, gas condensate and oil discoveries which began with the 1971 discovery at Scott Reef-1. The first discovery at Scott Reef-1 was followed, over the years, by major discoveries at Brewster, Brecknock, and Brecknock South. In a later phase of exploration, oil discoveries were made at Gwydion and Cornea. The latest major discoveries in the Browse Basin have been made at Dinichthys, Titanichthys and Gorganichthys (the Ichthys Gas/Condensate Fields). The latter, a giant 556.02 MMBL condensate and 10.7 TCF gas field is approximately 50

DIRECTORS' REPORT (Continued)

kilometers to the west of the Permits. The Permits lie up-dip of these major central Browse Basin gas, and gas/condensate discoveries. For the most part they lie on trend with the Crux Field and with basin margin oil and gas accumulations at Gwydion and the Cornea. The permits are presently lightly explored. There is one well on the boundary of WA-332-P (Prudhoe-1), one well in WA-333-P (Rob Roy-1) and a total of fourteen wells in WA-342-P, mostly associated with the undeveloped Cornea oil and gas accumulation.

The Browse Joint Venture previously acquired the Braveheart 2D seismic program over the permits and have obtained available open file reports and basic 2D and 3D seismic data acquired by previous explorers. This includes 2,000 km² of high quality 3D seismic known as the Cornea 3D survey which is held by the Browse Joint Venture. The data sets have been integrated with the acquisition and processing of the Braveheart 2D seismic survey to infill the existing grid of data, with lead specific coverage. Geological and geophysical evaluation of the Permits is continuing, including the reprocessing of 900 km² of the Cornea 3D survey and AVO studies over the Braveheart Prospect which straddles WA-332-P and WA-333-P and the Updip Prudhoe feature in WA-332-P.



DIRECTORS' REPORT (Continued)

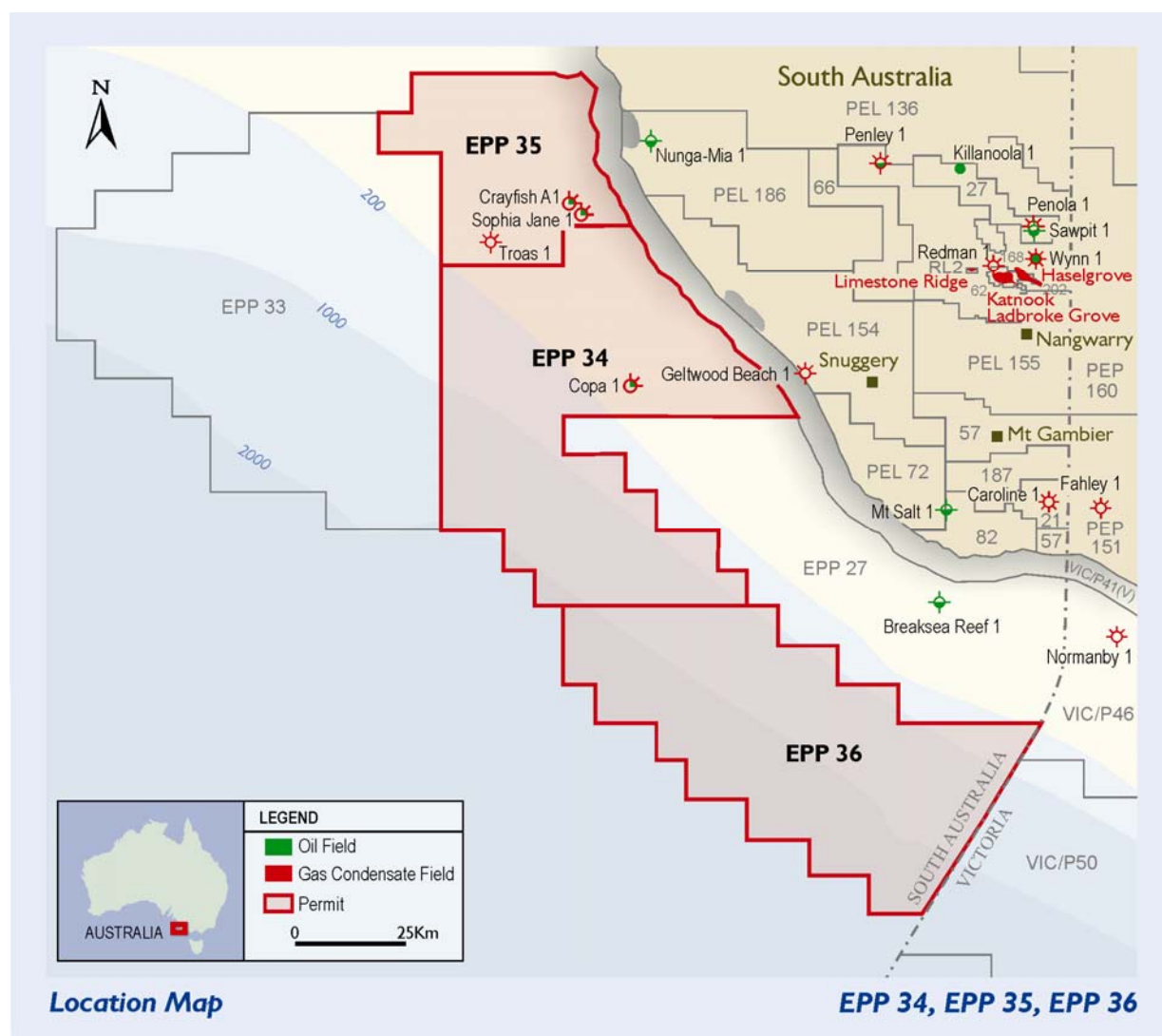
EPP34 Otway Basin, Offshore from South Australia - 25% interest – Exoil is the operator

The EPP 34 Joint Venture consists of:

Exoil Limited (Operator)	25%
Moby Oil & Gas Limited	20%
National Energy Pty Ltd	25%
United Oil & Gas Pty Ltd	30%

Acquisition, loading and interpretation of existing 2D digital seismic data from more than 10 surveys, previously shot within or adjacent to EPP 34, was completed.

A seismic grid of 1,100 km of new 2D data to be acquired has been developed, to be shot as part of a proposed group shoot program in early 2008. Reprocessing of old data is also likely. Interpretation has focused on the northern shelfal section of the block, targeting the Early Cretaceous Pretty Hill Sandstone.



DIRECTORS' REPORT (Continued)*EPP35 Otway Basin, Offshore from South Australia – Exoil is the Operator*

The EPP35 (Troas) Joint Venture consists of:

Exoil Limited (Operator)	30%
Gascorp Australia Limited	30%
National Energy Pty Ltd	20%
Moby Oil & Gas Limited	20%

EPP35 contains the Troas Gas Accumulation, where gas indications were noted over more than 1,000 metres of sedimentary section. It therefore has a proven hydrocarbon system in place. Our focus has been on the Troas Deep Prospect. We plan to shoot a 325 km² 3D seismic grid over the Troas Deep complex. The permit is endowed with a wide range of potential prospects, with fair to good seismic and well data coverage. The permit is located approximately 100 km from the gas pipeline to Adelaide.

EPP36 Otway Basin, Offshore from South Australia – Exoil is the Operator

The EPP36 Joint Venture consists of:

Exoil Limited (Operator)	30%
Gascorp Australia Limited	30%
National Energy Pty Ltd	20%
Moby Oil & Gas Limited	20%

EPP36 is a deep water area, parallel to the Morum Sub-basin. It is thought to have excellent reservoir potential for stacked plays in thick Upper Cretaceous section. Because of its proximity to the Morum Sub-basin, EPP 36 is postulated to have scope for marine influenced source rock in deep water.

Vic/P61 Otway Basin, Offshore from Victoria - 30% interest – Exoil is the operator

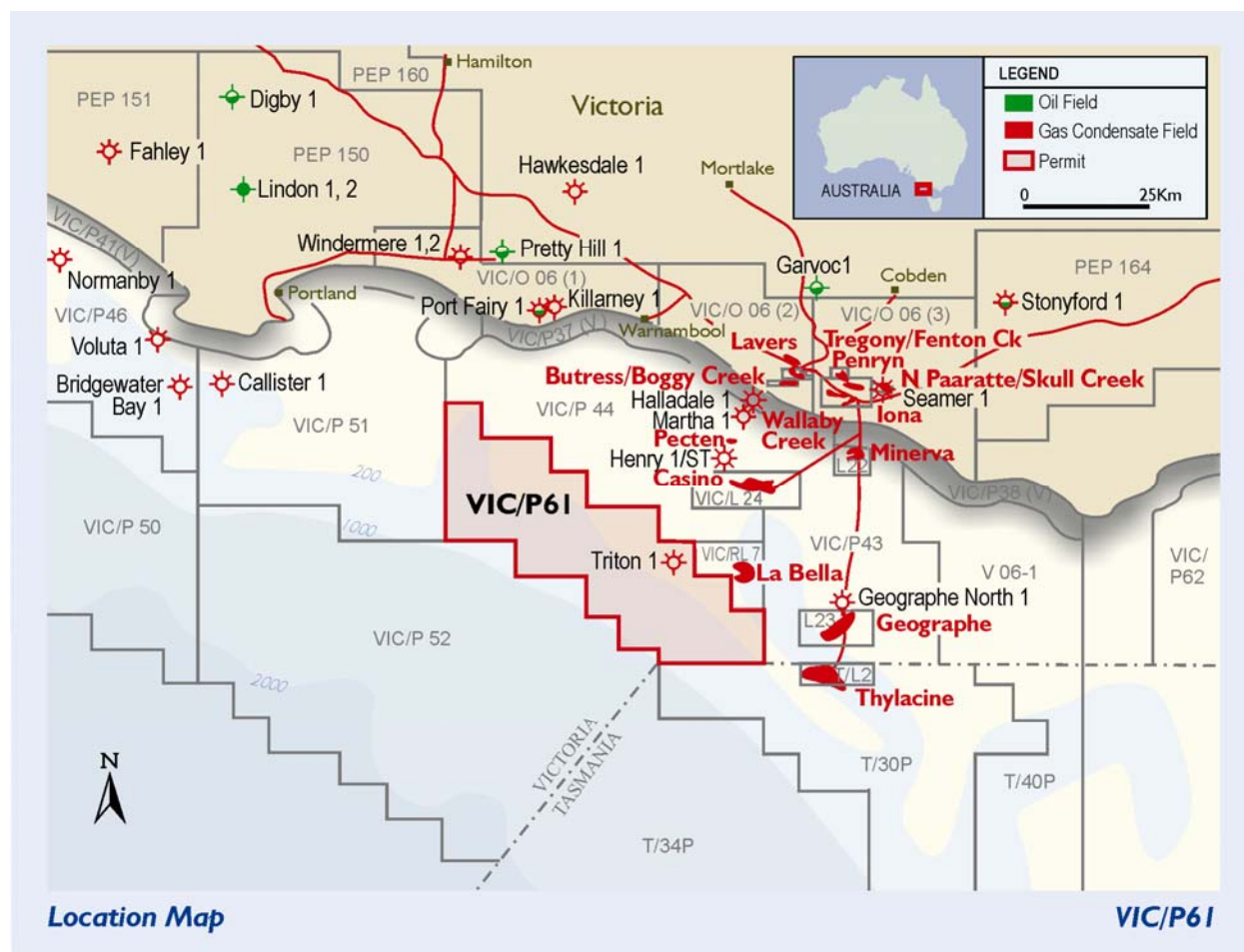
The Vic/P61 Joint Venture consists of:

Exoil Limited (Operator)	30%
Gascorp Australia Limited	30%
Otway Oil & Gas Pty Ltd	20%
Southern Energy Pty Ltd	20%

Vic/P61, which is located in the offshore Otway Basin, some 50-60 kilometres southwest of Port Campbell. The area comprises 30 graticular blocks covering approximately 1874 kms², and is situated on the shelf margin of the Otway Basin, where water depths vary between 80-500m. The block's eastern boundary is close to gas discoveries and new developments at Minerva, Geographe, Thylacine and Casino. Seismic surveys over the block are entirely 2D and vary in quality and extent.

The Joint Venture plans to acquire 1,000 line kms of new 2D seismic as part of the joint mobilization of the seismic vessel referred to previously.

DIRECTORS' REPORT (Continued)



WA-359-P Dampier Basin / Rankin Trend, Offshore from Western Australia - 20% interest – MEO Australia is now the Operator (subject to farmout approval from the Designated Authority).

WA-359-P, in the Dampier Basin offshore, from Western Australia, covers an area of approximately 1,200 kms² in water depths of less than 500m. Exoil had a 50% participating interest in a joint venture with Cue Energy Resources Limited, also 50%.

Interpretation of the existing seismic data has been completed and regional time and depth maps have been constructed and integrated with well information. Prospect mapping is complete and prospect packages have been prepared. A scoping economic study for potential hydrocarbon accumulations has also been completed.

Preparations are underway for seismic acquisition in the permit.

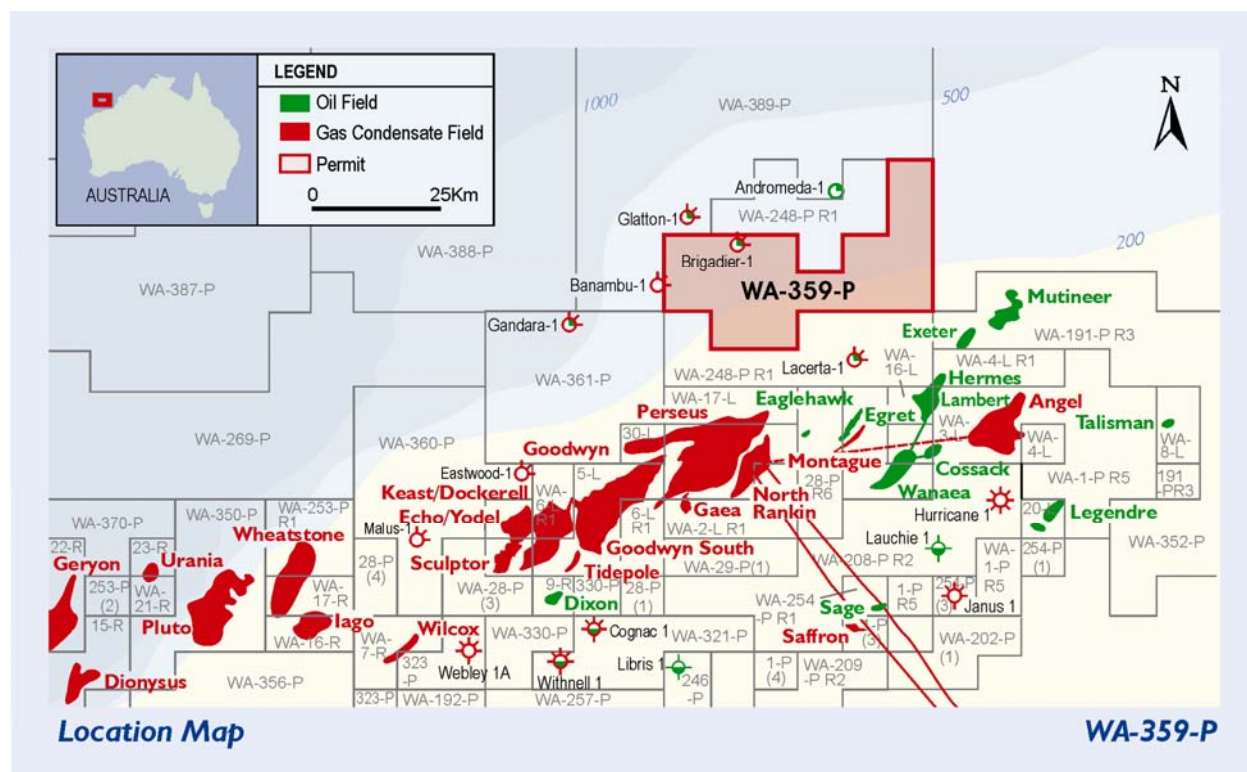
A wholly owned subsidiary of MEO Australia Limited (MEO) has recently farmed into Exoil's 50% interest in permit WA-359-P. MEO will earn a 60% interest in each permit by meeting the year-3 commitment seismic in each permit and electing to fund 90% of the cost of drilling the first exploration well in each permit.

MEO will become the operator for the permits, once the farmin has received required government approvals.

DIRECTORS' REPORT (Continued)

Participants in each permit subsequent to the earning phase will be:

North West Shelf Exploration Pty Ltd (MEO Australia Limited Subsidiary)	60%
Cue Exploration Pty Ltd	20%
Exoil Limited	20%



SUBSEQUENT EVENTS

On 16 July 2007, Beach Petroleum Limited agreed to farm-in to T/38P. Beach will earn an 80% interest in a defined portion of the T38P permit by paying for the drilling of the Spikey Beach-1 exploration well. It will be operated by Beach and is expected to be drilled in the second half of 2008.

On 17 August 2007, the company farmed out a 33.333% interest in Vic/P53 reducing its interest to 16.6667%. In consideration for the farmout, and subject to regulatory approvals, the company will receive \$2,000,000 and the farminee has agreed to drill up to two wells in the permit area and to pay the company a further US\$766,667 on spudding of the first well.

On 24 October 2007, the company farmed out a 30% interest in WA-359-P reducing its interest to 20%. In consideration for the farmout, and subject to regulatory approvals, the company will receive a portion of the total consideration to be paid to the joint venture participants of \$216,667. The farminee has agreed to meeting the year three seismic commitment and electing to fund 90% of the cost of drilling the first exploration well.

EXOIL LIMITED

ABN 40 005 572 798

AUDITOR'S INDEPENDENCE DECLARATION AND NON-AUDIT SERVICES

The auditor's independence declaration, as required under section 307C of the Corporations Act 2001, is attached to this report.

During the year fees of \$6,000 were paid to the auditor for non-audit services.

Signed in accordance with a resolution of the Directors.



EG Albers
Director

Melbourne, 16 November 2007

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Exoil Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company and the consolidated entity are in accordance with the Corporations Act 2001 and:
 - (i) give a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2007 and performance for the year ended on that date; and
 - (ii) comply with the Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



E.G. Albers
Director

Melbourne, 16 November 2007

EXOIL LIMITED

ABN 40 005 572 798

INCOME STATEMENT YEAR ENDED 30 JUNE 2007

	NOTE	Consolidated		The Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
Revenue	2	314,286	3,010,585	848,334	2,096,734
Finance costs		(18,735)	(191,119)	(14,610)	(191,119)
Depreciation expense		(9,984)	(9,132)	(9,984)	(9,132)
Other expenses	3	(211,999)	(788,215)	(211,999)	(311,664)
Profit before tax		73,568	2,022,119	611,741	1,584,819
Income tax expense	5	(74,331)	(681,204)	(183,050)	(482,445)
Profit (loss) after tax		(763)	1,340,915	428,691	1,102,374

The Income Statement is to be read in conjunction with the Notes to the Financial Statements

EXOIL LIMITED

ABN 40 005 572 798

BALANCE SHEET AT 30 JUNE 2007

	NOTE	Consolidated		The Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents		113,744	490,612	77,659	240,100
Trade and other receivables	6	105,600	169,789	638,697	163,086
TOTAL CURRENT ASSETS		219,344	660,401	716,356	403,186
NON-CURRENT ASSETS					
Exploration costs	7	5,102,468	4,342,334	4,607,028	3,978,358
Property, plant and equipment	8	26,390	33,916	26,390	33,916
Other financial assets	9	91,791	84,781	318,041	311,031
TOTAL NON-CURRENT ASSETS		5,220,649	4,461,031	4,951,459	4,323,305
TOTAL ASSETS		5,439,993	5,121,432	5,667,815	4,726,491
CURRENT LIABILITIES					
Trade and other payables	10	619,332	441,142	555,921	293,141
Tax liabilities		90,040	87,292	-	-
TOTAL CURRENT LIABILITIES		709,372	528,434	555,921	293,141
NON-CURRENT LIABILITIES					
Other payables	10	-	-	190,155	190,155
Deferred tax liabilities	11	665,495	593,912	665,495	482,445
TOTAL NON-CURRENT LIABILITIES		665,495	593,912	855,650	672,600
TOTAL LIABILITIES		1,374,867	1,122,346	1,411,571	965,741
NET ASSETS		4,065,126	3,999,086	4,256,244	3,760,750
EQUITY					
Contributed equity	12	2,959,055	2,892,252	2,959,055	2,892,252
Reserves	13	81,277	81,277	81,277	81,277
Retained earnings		1,024,794	1,025,557	1,215,912	787,221
TOTAL EQUITY		4,065,126	3,999,086	4,256,244	3,760,750

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements

EXOIL LIMITED

ABN 40 005 572 798

STATEMENT OF CHANGES IN EQUITY YEAR ENDED 30 JUNE 2007

	Issued Capital \$	Option Reserves \$	Retained Earnings \$	Total Equity \$
CONSOLIDATED				
At 1 July 2006	2,892,252	81,277	1,025,557	3,999,086
Shares issued	66,803	-	-	66,803
Profit (loss) for the period	-	-	(763)	(763)
	<u>2,959,055</u>	<u>81,277</u>	<u>1,024,794</u>	<u>4,065,126</u>
At 30 June 2007	<u>2,959,055</u>	<u>81,277</u>	<u>1,024,794</u>	<u>4,065,126</u>
At 1 July 2005	1,892,252	121,533	(355,614)	1,658,171
Options exercised	1,000,000	-	-	1,000,000
Expired options	-	(40,256)	40,256	-
Profit for the period	-	-	1,340,915	1,340,915
	<u>2,892,252</u>	<u>81,277</u>	<u>1,025,557</u>	<u>3,999,086</u>
At 30 June 2006	<u>2,892,252</u>	<u>81,277</u>	<u>1,025,557</u>	<u>3,999,086</u>
COMPANY				
At 1 July 2006	2,892,252	81,277	787,221	3,760,750
Shares issued	66,803	-	-	66,803
Profit for the period	-	-	428,691	428,691
	<u>2,959,055</u>	<u>81,277</u>	<u>1,215,912</u>	<u>4,256,244</u>
At 30 June 2007	<u>2,959,055</u>	<u>81,277</u>	<u>1,215,912</u>	<u>4,256,244</u>
At 1 July 2005	1,892,252	121,533	(355,409)	1,658,376
Options exercised	1,000,000	-	-	1,000,000
Expired options	-	(40,256)	40,256	-
Profit for the period	-	-	1,102,374	1,102,374
	<u>2,892,252</u>	<u>81,277</u>	<u>787,221</u>	<u>3,760,750</u>
At 30 June 2006	<u>2,892,252</u>	<u>81,277</u>	<u>787,221</u>	<u>3,760,750</u>

The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements

CASH FLOW STATEMENT
YEAR ENDED 30 JUNE 2007

	NOTE	Consolidated		The Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		7,632	9,398	1,680	9,398
Management fee received		20,905	65,000	20,905	65,000
Administration fee received		279,301	-	279,301	-
Payments to suppliers of exploration services		(699,566)	(513,066)	(479,189)	(513,066)
Payments to other suppliers and employees		(212,562)	(848,790)	(212,560)	(848,790)
Interest expense		<u>(14,611)</u>	<u>(16)</u>	<u>(14,611)</u>	<u>(16)</u>
Net cash used in operating activities	(i)	(618,901)	(1,287,474)	(404,474)	(1,287,474)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for office & computer equipment		(2,458)	(3,359)	(2,458)	(3,359)
Proceeds from sale of tenement		-	2,936,186	-	-
Proceeds from sale of investments		-	1,480	-	1,480
Net cash from/(used in) investing activities		<u>(2,458)</u>	<u>2,934,307</u>	<u>(2,458)</u>	<u>(1,879)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments to related entities		-	(1,413,071)	-	(1,161,049)
Receipts from related entities		244,491	220,248	244,491	2,653,900
Net cash from/ (used in) financing activities		<u>244,491</u>	<u>(1,192,823)</u>	<u>244,491</u>	<u>1,492,851</u>
Net (decrease) increase in cash assets		(376,868)	454,010	(162,441)	203,498
Cash and cash equivalents at 1 July		<u>490,612</u>	<u>36,602</u>	<u>240,100</u>	<u>36,602</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE		<u>113,744</u>	<u>490,612</u>	<u>77,659</u>	<u>240,100</u>

(i) RECONCILIATION OF NET CASH WITH PROFIT/ (LOSS) AFTER INCOME TAX

Profit (loss) after income tax	(763)	1,340,915	428,691	1,102,374
<i>Adjusted for non cash items:</i>				
Depreciation of plant and equipment	9,984	9,132	9,984	9,132
Net movement in value of investments	(7,011)	31,971	(7,011)	31,971
Management fees	-	-	(540,000)	(1,140,000)
Payments on behalf of subsidiary ¹	-	438,343	-	-
Gain from sale of assets	-	(2,934,707)	-	(882,336)
Cost of sale of permit sold	-	474,028	-	-
<i>Changes in assets and liabilities:</i>				
Decrease (increase) in receivables	64,190	96,678	64,389	102,382
Increase in tax liabilities	74,331	593,912	183,050	482,445
Increase (decrease) in payables	502	(824,910)	85,092	(488,189)
Decrease (increase) in exploration expenditure	(760,134)	(512,836)	(628,669)	(505,253)
Net Cash Used In Operating Activities	(618,901)	(1,287,474)	(404,474)	(1,287,474)

¹ Hawkestone Oil Pty Ltd has no bank account. The cash it holds is its share of the Browse Joint Venture's cash balance. Exoil Limited makes all payments on behalf of the consolidated entity.

The Cash Flow Statement is to be read in conjunction with the Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS**30 JUNE 2007****NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Exoil Limited is a public company incorporated and domiciled in Australia with its registered office and principal place of business located at level 21, 500 Collins Street, Melbourne, Victoria 3000. The consolidated financial report of the company for the financial year ended 30 June 2007 comprise the company and its 100% owned subsidiary, Hawkestone Oil Pty Ltd (together referred to as the 'consolidated entity') and the consolidated entity's interest in associates and jointly controlled entities.

The principal activity of the entity during the year was to acquire and explore areas prospective for oil in offshore waters within the jurisdiction of Australia.

The financial report was authorised by the directors for issue on 16 November, 2007.

(a) Statement of compliance

The consolidated financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial statements and notes comply with IFRS and interpretations adopted by the International Accounting Standards Board. The parent entity financial statement and notes also comply with IFRS except that it has elected to apply relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132, Financial Instruments : Presentation.

(b) Basis of preparation

The financial report is presented in Australian dollars and has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected financial assets for which the fair value basis of accounting has been applied.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in note 1(p).

The accounting policies set out below have been applied consistently to all periods presented in the financial report.

(c) Going concern

The consolidated entity has negative working capital of \$490,028 as at 30 June 2007. Its future is dependent upon obtaining external finance to fund exploration commitments and operations. The Directors believe such sources of finance will be available and have prepared the financial report on a going concern in accordance with the historical cost convention except for non-current listed investments which are measured at market value.

Expenditure commitments include obligations arising from farm-in arrangements, and minimum work obligations for the initial 3 year period of exploration permits and thereafter annually. Minimum work obligations, may, subject to negotiation and approval, be varied. They may also be satisfied by farmout, sale, relinquishment or surrender of a permit.

The consolidated entity has limited financial resources and will need to raise additional capital from time to time. Any such fund raisings will be subject to factors beyond the control of the consolidated entity and its Directors. When Exoil Limited and its subsidiaries require further funding for its programs then it is the consolidated entity's

NOTES TO THE FINANCIAL STATEMENTS**30 JUNE 2007****NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(c) Going concern (continued)**

intention that the additional funds would be raised in a manner deemed most expedient by the Board of Directors at the time, taking into account working capital, exploration results, budgets, sharemarket conditions, capital raising opportunities and the interest of industry in co-participation in the consolidated entity's programs.

It is the consolidated entity's plan that this capital will be raised by any one or a combination of the following manners: placement of shares to excluded offerees, pro-rata issue to shareholders, the exercise of outstanding options, and/or a further issue of shares. Should these methods not be considered to be viable, or in the best interests of shareholders, then it would be the consolidated entity's intention to meet its obligation by either partial sale of its interests or farmout, the latter course of action being part of its overall strategy. Refer to note 20 for details on farmout arrangements subsequent to 30 June 2007.

(d) Principles of consolidation

The consolidated financial statements have been prepared by Exoil Limited in accordance with paragraph Aus 9.1 of AASB 127, Consolidated and Separate Financial Statements.

(i) Subsidiaries

Subsidiaries are entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Investments in subsidiaries are carried at their cost of acquisition in the company's financial statements.

(ii) Jointly controlled operations and assets

The interest of the company and of the consolidated entity in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

(iii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(e) Taxes*Income Tax*

Income taxes are accounted for using the comprehensive balance sheet liability method whereby:

- The tax consequences of recovering (settling) all assets (liabilities) are reflected in the financial statements;
- Current and deferred tax is recognised as income or expense except to the extent that the tax related to equity items or to a business combination;
- A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available to realise the asset;
- Deferred tax asset and liabilities are measured at the tax rates that are expected to apply to the period where the asset is realised or the liability settled.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS**30 JUNE 2007****NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(e) Taxes (continued)**

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(f) Receivables

Trade and other receivables are stated at their amortised cost less impairment losses.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and at call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(h) Payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 60-day terms. Advances received from director-related parties, Great Missenden Holdings Pty Ltd and National Gas Australia Pty Ltd are charged interest at a rate of 1% per month.

(i) Property, plant and equipment

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses.

Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each class of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

- | | |
|----------------------|--------------|
| • Computer equipment | 4 years |
| • Office equipment | 4 - 20 years |

(j) Investments

Financial instruments are classified as at fair value through the profit and loss. All resultant gain or loss is recognised in the current year's profit or loss.

The fair value of financial instruments is their quoted price at the balance sheet date.

(k) Share Capital

Ordinary share capital is recognised at the fair value of the consideration received by the company. Transactions costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the consideration received.

(l) Impairment

The carrying amounts of the consolidated entity's assets, other than deferred tax are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Calculation of recoverable amount

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other groups or assets, in which case, the recoverable amount is determined for the class of assets to which the asset belongs.

Reversals of impairment

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS**30 JUNE 2007****NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(l) Impairment (continued)**

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Exploration costs

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis.

Exploration and evaluation costs are only recognised if the rights of the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- (ii) 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.

Exploration and evaluation costs are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

(n) Restoration, rehabilitation and environment expenditure

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are provided for as part of the cost of those activities. Costs are estimated on the basis of current legal requirements, anticipated technology and future costs that have been discounted to their present value. Estimates of future costs are reassessed at each reporting date.

(o) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Interest income is recognised when control of the right to receive the interest payment is attained.

(p) Accounting estimates and judgements

Management determine the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates. There are no estimates and judgements that are considered to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

There is, however, a risk that actual expenditure to achieve minimum work obligations could differ from estimates disclosed in the notes to the financial statements (see Note 14). The estimated amounts represent the higher end of possible future expenditure. Work requirements achieved by farm-ins materially reduce the level of expenditure incurred by the Company to comply with work program commitments.

(q) New and Revised Accounting Standards

The consolidated entity has adopted all of the new and revised Accounting Standards issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2006. The Directors do not believe that new and revised standards issued by AASB that are not yet effective will have any material financial impact on the financial statements.

(r) Correction of error

An income tax expense adjustment is required to be recorded for the 2006 year. The impact of this correction is as follows:

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2007
NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
(r) Correction of error (continued)

	Consolidated		The Company	
	2006	2006	2006	2006
	Financial	Re-stated	Financial	Re-stated
	Report		Report	
	\$	\$	\$	\$
Profit before tax	2,022,119	2,022,119	1,584,819	1,584,819
Income tax expense	(89,567)	(681,204)	-	(482,445)
Profit after tax	1,932,552	1,340,915	1,584,819	1,102,374
Deferred tax liabilities	2,275	593,912	-	482,445
Net assets	4,590,723	3,999,086	4,243,195	3,760,750
Retained earnings	1,617,194	1,025,557	1,269,666	787,221
Total equity	4,590,723	3,999,086	4,243,195	3,760,750

	NOTE	Consolidated		The Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
NOTE 2 REVENUE					
Management fees		20,905	65,000	560,905	1,205,000
Interest income		7,632	9,398	1,680	9,398
Gain from sale of exploration tenement		-	2,934,707	-	880,856
Gain from sale of asset		-	1,480	-	1,480
Recovery of administration costs		278,301	-	278,301	-
Increase on revaluation of investments		6,448	-	6,448	-
Other Income		1,000	-	1,000	-
		<u>314,286</u>	<u>3,010,585</u>	<u>848,334</u>	<u>2,096,734</u>

NOTE 3 OTHER EXPENSES

Audit fees		29,000	15,000	29,000	15,000
Carrying value of tenement sold		-	476,467	-	-
Consulting fees		15,643	19,438	15,643	19,438
Directors Fees		15,000	50,000	15,000	50,000
Exploration costs		-	9,110	-	9,110
Legal fees		-	13,000	-	13,000
Management fees	17	41,160	52,155	41,160	52,155
Other expenses		15,491	28,130	15,491	28,046
Rent		95,705	93,434	95,705	93,434
Write down of investments		-	31,481	-	31,481
		<u>211,999</u>	<u>788,215</u>	<u>211,999</u>	<u>311,664</u>

NOTE 4 AUDITORS' REMUNERATION

Fees for audit of the financial statements		29,000	15,000	29,000	15,000
Fees for tax compliance		6,000	-	6,000	-
		<u>35,000</u>	<u>15,000</u>	<u>35,000</u>	<u>15,000</u>

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2007

	NOTE	Consolidated		The Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
NOTE 5 INCOME TAX					
Components of income tax expense					
<i>Current tax expense</i>					
Current period		-	(87,292)	-	-
Adjustment for prior period		(473)	-	-	-
<i>Deferred tax expense</i>					
Origination and reversal of temporary differences		(73,858)	(593,912)	(183,050)	(482,445)
Total income tax (expense) benefit		<u>(74,331)</u>	<u>(681,204)</u>	<u>(183,050)</u>	<u>(482,445)</u>
Profit before tax		73,568	2,022,119	611,741	1,584,819
Income tax expense using statutory income tax rate of 30% (2006: 30%)		(22,070)	(606,636)	(183,522)	(475,446)
Tax effect of:					
Non deductible items		(308)	(4,449)	(308)	(4,449)
Prospectus costs		780	-	780	-
Current tax of prior periods		(473)	(70,119)	-	(2,550)
Deferred tax asset not brought to account		(52,260)	-	-	-
Income tax expense		<u>(74,331)</u>	<u>(681,204)</u>	<u>(183,050)</u>	<u>(482,445)</u>
Estimated potential future income tax benefit arising from tax losses and temporary differences calculated at a rate of 30% not brought to account at balance date as realisation of the benefit is not probable.					
Tax revenue losses carried forward		200,892	-	-	-
Less: Deferred tax liability not brought to account for exploration costs capitalised		(148,632)	-	-	-
Tax capital losses carried forward		360,000	360,000	-	-
		<u>412,260</u>	<u>360,000</u>	<u>-</u>	<u>-</u>

NOTE 6 TRADE AND OTHER RECEIVABLES
CURRENT

Trade receivables		6,177	58,759	6,175	57,761
Receivables from director related entities	17	68,455	54,176	68,455	54,174
Receivables from subsidiary		-	-	540,000	-
Other receivables		30,968	56,854	24,067	51,151
		<u>105,600</u>	<u>169,789</u>	<u>638,697</u>	<u>163,086</u>

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2007

		Consolidated		The Company	
	NOTE	2007	2006	2007	2006
		\$	\$	\$	\$

NOTE 7 EXPLORATION COSTS

Exploration costs capitalised at beginning of year		4,342,334	3,829,498	3,978,358	3,473,105
Cost for the year		760,134	989,303	628,670	505,253
Disposal of tenement		-	(476,467)	-	-
Exploration costs capitalised at end of year	15	<u>5,102,468</u>	<u>4,342,334</u>	<u>4,607,028</u>	<u>3,978,358</u>

Ultimate recovery of deferred exploration costs carried forward is dependent upon exploration success and/or the company maintaining appropriate funding to support continued exploration activities.

NOTE 8 PROPERTY, PLANT & EQUIPMENT

Office Equipment					
At cost		18,952	16,494	18,952	16,494
Accumulated depreciation		(3,487)	(1,776)	(3,487)	(1,776)
		<u>15,465</u>	<u>14,718</u>	<u>15,465</u>	<u>14,718</u>

Computer Equipment					
At cost		33,092	33,092	33,092	33,092
Accumulated depreciation		(22,167)	(13,894)	(22,167)	(13,894)
		<u>10,925</u>	<u>19,198</u>	<u>10,925</u>	<u>19,198</u>

Total property, plant and equipment		<u>26,390</u>	<u>33,916</u>	<u>26,390</u>	<u>33,916</u>
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Reconciliations of each class of property, plant & equipment is set out below:

<i>Office Equipment</i>					
Balance at beginning of year		14,718	13,742	14,718	13,742
Additions		2,458	2,000	2,458	2,000
Depreciation		(1,711)	(1,024)	(1,711)	(1,024)

Balance at end of year		<u>15,465</u>	<u>14,718</u>	<u>15,465</u>	<u>14,718</u>
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<i>Computer Equipment</i>					
-Balance at beginning of year		19,198	25,947	19,198	25,947
-Additions		-	1,359	-	1,359
-Depreciation		(8,273)	(8,108)	(8,273)	(8,108)
-Balance at end of year		<u>10,925</u>	<u>19,198</u>	<u>10,925</u>	<u>19,198</u>

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2007

NOTE	Consolidated		The Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 9 OTHER FINANCIAL ASSETS				
<i>Investments in controlled entities</i>				
Unlisted shares at cost	-	-	226,250	226,250
<i>Investments in other entities</i>				
Listed shares at cost	120,006	120,006	120,006	120,006
Provision for diminution in value	(28,215)	(35,225)	(28,215)	(35,225)
	<u>91,791</u>	<u>84,781</u>	<u>91,791</u>	<u>84,781</u>
Total financial assets	<u>91,791</u>	<u>84,781</u>	<u>318,041</u>	<u>311,031</u>
<i>Listed shares comprise:</i>				
Rocky Mountain Minerals, Inc ^(1,2)	88,370	81,922	88,370	81,922
Moby Oil & Gas Ltd ⁽¹⁾	3,375	2,813	3,375	2,813
Other	46	46	46	46

⁽¹⁾ Director related entity of Mr EG Albers

⁽²⁾ Exoil has a 2.98% interest(2006:2.98%) in this company which is engaged in the acquisition, development, exploration and operation of natural resource properties. The company has no proven mineral or petroleum reserves.

NOTE 10 TRADE AND OTHER PAYABLES

CURRENT					
Trade creditors and accruals		124,602	237,089	111,022	206,920
Director-related entity other payables	17	141,246	124,287	91,414	6,455
Director-related advance	17	244,491	-	244,491	-
Payables by joint ventures		108,993	79,766	108,994	79,766
		<u>619,332</u>	<u>441,142</u>	<u>555,921</u>	<u>293,141</u>
NON CURRENT					
Payable to subsidiary		-	-	190,155	190,155
		<u>-</u>	<u>-</u>	<u>190,155</u>	<u>190,155</u>

NOTE 11 DEFERRED TAX LIABILITIES

	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$
Consolidated						
Investment revaluations	(8,465)	(10,568)	-	-	(8,465)	(10,568)
Exploration costs	-	-	1,382,108	1,304,975	1,382,108	1,304,975
Accrued expenses	(4,200)	(4,500)	-	-	(4,200)	(4,500)
Tax Losses	(703,948)	(695,995)	-	-	(703,948)	(695,995)
	<u>(716,613)</u>	<u>(711,063)</u>	<u>1,382,108</u>	<u>1,304,975</u>	<u>665,495</u>	<u>593,912</u>

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2007
NOTE 11 DEFERRED TAX LIABILITIES (Continued)

	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$
Company						
Investment revaluations	(8,465)	(10,568)	-	-	(8,465)	(10,568)
Exploration costs	-	-	1,382,108	1,193,508	1,382,108	1,193,508
Accrued expenses	(4,200)	(4,500)	-	-	(4,200)	(4,500)
Tax Losses	(703,948)	(695,995)	-	-	(703,948)	(695,995)
	<u>(716,613)</u>	<u>(711,063)</u>	<u>1,382,108</u>	<u>1,193,508</u>	<u>665,495</u>	<u>482,445</u>

	2007	2006	Consolidated	The Company
	Shares	Shares	2007	2006
	\$	\$	\$	\$

NOTE 12 CONTRIBUTED EQUITY
Issued Capital

Ordinary shares fully paid	50,775,263	50,441,250	2,959,055	2,892,252	2,959,055	2,892,252
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Ordinary Shares

Ordinary shares on issue at 1 July	50,441,250	45,441,250	2,892,252	1,892,252	2,892,252	1,892,252
Options exercised	-	5,000,000	-	1,000,000	-	1,000,000
Shares issued ⁽¹⁾	334,013	-	66,803	-	66,803	-
Ordinary shares on issue at 30 June	<u>50,775,263</u>	<u>50,441,250</u>	<u>2,959,055</u>	<u>2,892,252</u>	<u>2,959,055</u>	<u>2,892,252</u>

⁽¹⁾ On the 31st July 2006 the company issued shares to Mr Geoff Geary in accordance with the Consultancy Services Agreement between Focus on Australia Pty Ltd and the company dated 21 April 2005.

Terms and Conditions of Contributed Equity

Ordinary shares confer on the holder the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held (irrespective of the amounts paid up). Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

Options over Unissued Shares

The company has granted options over unissued shares in the company, each option conferring the right to subscribe for one fully paid ordinary share. The options do not confer the right to dividends or to vote at meetings of members. Shares allotted on exercise of the options will rank pari passu in all respects with other fully paid ordinary shares. Each option will entitle the holder to participate in new issues in which shares or other securities are offered to members on the prior exercise of the option.

During the year no options were granted (2006 : Nil), or were exercised (2006 : 5,000,000) or expired (2006: 1,906,250). At balance date there were a total of 1,850,000 options over unissued shares outstanding with an expiry date of 31 December, 2009. 1,175,000 of the options are exercisable at 30 cents per share and 675,000 are exercisable at 40 cents per share.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2007

NOTE 13 OPTION RESERVE

An option reserve was established to hold the value of options granted as remuneration to directors and executives of the Company. This treatment is in line with AIFRS requirements for share based payments to be recognised in the income statement when made.

NOTE	Consolidated		The Company	
	2007	2006	2007	2006
	\$	\$	\$	\$

NOTE 14 COMMITMENTS

Estimated joint venture work program commitments

Payable not later than one year	12,332,500	26,722,500	1,745,000	26,075,000
Payable after one year and before three years	8,330,000	16,577,500	8,330,000	5,902,500
	<u>20,662,500</u>	<u>43,300,000</u>	<u>10,075,000</u>	<u>31,977,500</u>

Exploration commitments may, with approval, be deferred or varied, or avoided by sale, farmout or relinquishment of permit interests.

Office lease commitments

Payable not later than one year	105,334	91,393	105,334	91,393
Payable after one year and before five years	741,936	31,173	741,936	31,173
	<u>847,270</u>	<u>122,566</u>	<u>847,270</u>	<u>122,566</u>

NOTE 15 INTEREST IN JOINT VENTURES

The company has an interest in the assets, liabilities and output of joint venture operations for the exploration and development of petroleum in Australia. The company has taken up its share of joint venture transactions based on the company's contributions to the joint ventures. Expenditure commitments in respect of the joint ventures are disclosed in Note 14. Details of the company's interests in the joint ventures are:

Joint Venture	Note	Interest 2007	Interest 2006	Permits Held
Browse Basin	17	35%	35%	WA-332-P, WA-333-P & WA-342-P
T/37P & T/38P (i)	17	50%	50%	
Vic/P45	17	16.7%	16.7%	
Vic/P53 (ii)	17	50%	50%	
Vic/P61	17	30%	30%	
WA-359-P (iii)	17	50%	50%	EPP34
Western Otway Joint Venture	17	25%	25%	
EPP35	17	30%	-	
EPP36	17	30%	-	

(i) Since balance date the company has agreed to farm out a defined portion of the T/38P permit. (Refer note 20).

(ii) Since balance date the company has agreed to farm out a 33.333 % interest. (Refer note 20).

(iii) Since balance date the company has agreed to farm out a 30 % interest. (Refer note 20).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2007

NOTE 15 INTEREST IN JOINT VENTURES (Continued)

Assets and liabilities of the joint venture operations are included in the financial statements as follows:

	NOTE	Consolidated		The Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
CURRENT ASSETS					
Cash Assets		96,347	322,399	60,262	71,887
Trade & other receivables		25,242	18,173	17,384	12,469
NON-CURRENT ASSETS					
Exploration costs	7	5,102,468	4,342,334	4,607,028	3,978,358
Other financial assets		3,375	2,813	3,375	2,813
CURRENT LIABILITIES					
Trade & other payables		215,918	79,316	156,632	79,316

NOTE 16 DIRECTOR AND EXECUTIVE DISCLOSURES

Key management personnel disclosures

Non-executive Directors

PJ Albers
GA Menzies
JMD Willis

Executive Director

EG Albers

Executive

M Muzzin

Key management personnel remuneration

The Board of directors is responsible for determining and reviewing compensation arrangements for key management personnel.

Remuneration for key management personnel in the year ended 30 June 2007 totalled \$15,000 of accrued directors' fees (2006: \$50,000). No legal fees were paid to GA Menzies (2006 : \$10,000).

Ordinary shares issued by Exoil Limited to Key Management Personnel

	Opening Balance	Received as Remuneration	Options Exercised	Other	Closing Balance
2007					
JMD Willis	1,156,250	-	-	-	1,156,250
EG Albers *	40,059,992	-	-	-	40,059,992
PJ Albers *	40,059,992	-	-	-	40,059,992
MA Muzzin	1,556,250	-	-	-	1,556,250
	42,772,492	-	-	-	42,772,492
2006					
JMD Willis	1,156,250	-	-	-	1,156,250
EG Albers *	35,059,992	-	5,000,000	-	40,059,992
PJ Albers *	35,059,992	-	5,000,000	-	40,059,992
MA Muzzin	1,556,250	-	-	-	1,556,250
A Rechner	1,441,667	-	-	-	1,441,667
	39,214,519	-	5,000,000	-	44,214,159

* Ordinary shares in which more than one director holds an interest.

A Rechner resigned from the company 14 February 2006.

No shares were granted to key management personnel during the reporting period as compensation.

NOTES TO THE FINANCIAL STATEMENTS**30 JUNE 2007****NOTE 16 DIRECTOR AND EXECUTIVE DISCLOSURES (Continued)****Options (exercisable by 31 December 2009 at 30-40 cents per share)**

	Opening Balance	Options Granted	Options Expired	Closing Balance
2007				
JMD Willis	200,000	-	-	200,000
EG Albers	100,000	-	-	100,000
PJ Albers	100,000	-	-	100,000
GA Menzies	200,000	-	-	200,000
MA Muzzin	375,000	-	-	375,000
	<u>975,000</u>	<u>-</u>	<u>-</u>	<u>975,000</u>

2006

JMD Willis	200,000	-	-	200,000
EG Albers	100,000	-	-	100,000
PJ Albers	100,000	-	-	100,000
GA Menzies	200,000	-	-	200,000
A Rechner	200,000	-	(200,000)	-
MA Muzzin	375,000	-	-	375,000
PJ Williams	300,000	-	(300,000)	-
	<u>1,475,000</u>	<u>-</u>	<u>(500,000)</u>	<u>975,000</u>

PJ Williams resigned from the company 10 February 2006.

No 31 December 2009 options were exercised in the years ended 30 June 2006 and 30 June 2007.

Options (exercisable by 30 June 2006 at 20 cents per share)

	Opening Balance	Options Expired	Options Exercised	Options Assigned ¹	Closing Balance
2006					
JMD Willis	681,250	-	-	(681,250)	-
EG Albers /PJ Albers	#3,250,000	-	\$(5,000,000)	#1,750,000	-
A Rechner	500,000	(500,000)	-	-	-
MA Muzzin	984,375	-	-	(984,375)	-
	<u>5,415,625</u>	<u>(500,000)</u>	<u>(5,000,000)</u>	<u>84,375</u>	<u>-</u>

Options in which more than one director holds an interest.

¹ 30 June 2006 options belonging to JMD Willis, MA Muzzin, and Conningsborough Nominees Pty Ltd (84,375) were assigned to EG and PJ Albers to enable them to exercise 5,000,000 30 June 2006 options.

NOTES TO THE FINANCIAL STATEMENTS**30 JUNE 2007****NOTE 17 RELATED PARTY DISCLOSURES****Ultimate Parent**

Great Australia Corporation Pty Ltd is the immediate parent company and its ultimate parent company is Seaquest Petroleum Pty Ltd.

Director-related Entities

Companies in which an Exoil director holds office, or that a director holds shares in that company, or that provide services to the company, or that the company provides services to, or to a joint venture in which the company has an interest or that also hold an interest in those joint ventures.

(i) Providers of Services

During the year services were provided under normal commercial terms and conditions by:

Capricorn Mining Pty Ltd, ("Capricorn"), a director-related entity of EG Albers

Great Missenden Holdings Pty Ltd ("GMH"), a director-related entity of EG Albers and PJ Albers

Setright Oil & Gas Pty Ltd, ("Setright"), a director-related entity of EG Albers and PJ Albers

Upstream Consulting Pty Ltd ("Upstream"), a director-related entity of JMD Willis

Company	Service Provided	2007 \$	2006 \$
Capricorn	Management of exploration tenements	48,835	22,008
GMH	Provision of geological equipment for joint ventures in WA	12,600	28,263
Setright	Accounting, project management and company secretarial services	41,160	52,155
Setright	Accounting, project management of joint ventures	32,951	123,856
Upstream	Management and consulting services to the company	8,000	-
Upstream	Management and consulting to joint ventures	14,900	-

(ii) Advance of funds

During the year funds were advanced to the company at an interest rate of 1% per month by:

National Gas Australia Pty Ltd ("NGA"), a director-related entity of EG Albers and PJ Albers

GMH, a director-related entity of EG Albers and PJ Albers

Interest accrued on advances for the year

GMH	8,625	-
NGA	5,066	-

(iii) Services Provider

During the year office services and amenities were provided by the company under normal commercial terms and conditions to:

Moby Oil & Gas Ltd, ("Moby"), a director-related entity of EG Albers and GA Menzies

Capricorn, a director-related entity of EG Albers

Octanex N.L., ("Octanex"), a director-related entity of EG Albers, P J Albers and GA Menzies

Strata Resources NL, ("Strata"), a director-related entity of EG Albers, P J Albers and GA Menzies

Auralandia NL, ("Auralandia"), a director-related entity of EG Albers and PJ Albers

NGA, a director-related entity of EG Albers and PJ Albers

Setright, a director-related entity of EG Albers and P J Albers

NOTES TO THE FINANCIAL STATEMENTS**30 JUNE 2007****NOTE 17 RELATED PARTY DISCLOSURES (Continued)***iii) Services Provider(continued)*

Company	2007	2006
	\$	\$
Moby	35,762	-
Capricorn	44,702	-
Octanex	53,642	-
Strata	8,940	-
Auralandia	26,821	-
NGA	53,642	-
Setright	53,642	-

(iv) Joint Venture Participants

The company holds interests in petroleum exploration joint ventures with certain director-related entities:

- As a participant of the Bass Basin Joint Venture (T37/P and T/38P) with operator Cue Energy Resources Ltd (“Cue”), a director-related entity of EG Albers.
- As operator of the Browse Basin Joint Venture with Batavia Oil & Gas Pty Ltd, Alpha Oil and Gas Pty Ltd and Goldsborough Energy Pty Ltd, all director-related entities of EG Albers.
- The participants with Exoil Ltd in the Western Otway Joint Venture, National Energy Pty Ltd , a director-related entity of EG Albers, and United Oil and Gas Pty Ltd and Moby both director-related entities of EG Albers and GA Menzies.
- As a participant of the Vic/P45 Joint Venture with Moby, a director-related entity of EG Albers and GA Menzies.
- As the operator of the Vic/P53 Joint Venture with Cue a director-related entity of EG Albers and Moby a director-related entity of EG Albers and GA Menzies
- As the operator of the Vic/P61 Joint Venture with Gascorp Australia Limited (“Gascorp”), Otway Oil and Gas Pty Ltd and Southern Energy, all director-related entities of EG Albers. GA Menzies and JMD Willis are also directors of Gascorp.
- As a participant of the WA359P with operator Cue a director-related entity of EG Albers.
- As the operator of both the EPP35 and EPP36 joint ventures with Moby, Gascorp and National Energy Pty Ltd all director related entities of EG Albers. GA Menzies and JMD Willis are also directors of Gascorp,

(v) Investments in Director-related Companies

At balance date the company held investments in Moby of which Director EG Albers and GA Menzies are directors and shareholders (Note 9).

NOTES TO THE FINANCIAL STATEMENTS**30 JUNE 2007****NOTE 17 RELATED PARTY DISCLOSURES (Continued)**

Amounts payable by and payable to related parties including those under joint venture arrangements:

	Consolidated		The Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Receivables:				
Alpha Oil & Gas Pty Ltd	-	961	-	961
Australian Oil and Gas Corporation	-	123	-	121
United Oil & Gas Pty Ltd	-	14,946	-	14,946
Moby Oil & Gas Limited	12,605	5,510	12,605	5,510
National Energy Pty Ltd	6,888	6,888	6,888	6,888
Otway Oil and Gas Limited	7,275	7,289	7,275	7,289
Southern Energy Pty Ltd	7,282	7,289	7,282	7,289
Gascorp Australia Limited	-	11,170	-	11,170
Auralandia NL	4,915	-	4,915	-
Natural Gas Australia Pty Ltd	9,830	-	9,830	-
Octanex N.L.	9,830	-	9,830	-
Strata Resources NL	1,638	-	1,638	-
Capricorn Mining Pty Ltd	8,192	-	8,192	-
	<u>68,455</u>	<u>54,176</u>	<u>68,455</u>	<u>54,174</u>
	=====	=====	=====	=====
Payables				
Batavia Oil & Gas Pty Ltd	5,021	5,021	5,021	5,021
Great Missenden Holdings Pty Ltd	34,500	-	6,930	-
Setright Oil & Gas Pty Ltd	22,451	-	22,248	-
Goldsborough Energy Pty Ltd	1,434	1,434	1,434	1,434
Uptream Consulting Pty Ltd	12,195	-	12,041	-
Capricorn Mining Pty Ltd	65,645	-	43,740	-
National Gas Australia Pty Ltd	-	117,832	-	-
	<u>141,246</u>	<u>124,287</u>	<u>91,414</u>	<u>6,455</u>
	=====	=====	=====	=====
Interest bearing advance				
Great Missenden Holdings Pty Ltd	163,625	-	163,625	-
National Gas Australia Pty Ltd	80,866	-	80,866	-
	<u>244,491</u>	<u>-</u>	<u>244,491</u>	<u>-</u>
	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2007

NOTE 18 FINANCIAL INSTRUMENTS

CONSOLIDATED	Floating Interest Rate		Fixed Interest Rate		Non-Interest Bearing		Total Carrying Amount as per Balance Sheet		Weighted Average Effective Interest Rate	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$	%	%
FINANCIAL ASSETS										
Cash	113,744	490,612	-	-	-	-	113,744	490,612	1.48%	2.96%
Receivables	-	-	-	-	105,600	169,789	105,600	169,789	N/A	N/A
Other financial assets	-	-	-	-	91,791	84,781	91,791	84,781	N/A	N/A
	113,744	490,612	-	-	197,391	254,570	311,135	745,182		
FINANCIAL LIABILITIES										
Payables	-	-	244,491	-	374,842	441,142	619,333	441,142	12.8%	N/A
	-	-	244,491	-	374,842	441,142	619,333	441,142		

Exposure to credit, interest rate and currency risks arises in the normal course of the consolidated entity's business.

Credit risk

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk of financial assets is represented by the carrying amounts of each financial asset in the balance sheet.

Interest rate risk

The consolidated entity has no significant exposure to interest rate risk at balance date, other than in relation to cash and cash equivalents which attract an interest rate.

Foreign currency risk

The consolidated entity incurs seismic, exploration and well drillings costs in US dollars. To this extent, the consolidated entity is exposed to exchange rate fluctuations between the Australian and US dollar.

Estimation of Fair values

All financial assets and liabilities are stated at cost, which approximates fair value.

NOTE 19 SEGMENT INFORMATION

The economic entity operates in Australia in the petroleum exploration industry.

NOTE 20 EVENTS SUBSEQUENT TO BALANCE DATE

On 16 July 2007, Beach Petroleum Limited agreed to farm in to T/38P. Beach will earn an 80% interest in a defined portion of the T/38P permit by paying for the drilling of the Spikey Beach-1 exploration well. It will be operated by Beach and is expected to be drilled in the second half of 2008.

On 17 August 2007, the company farmed out a 33.333% interest in Vic/P53 reducing its interest to 16.6667%. In consideration for the farmout, and subject to regulatory approvals, the company will receive \$2,000,000 and the farminee has agreed to drill up to two wells in the permit area and to pay the company a further US\$766,667 on spudding of the first well.

On 24 October 2007, the company farmed out a 30% interest in WA-359-P reducing its interest to 20%. In consideration for the farmout, and subject to regulatory approvals, the company will receive a portion of the total consideration to be paid to the joint venture participants of \$216,667. The farminee has agreed to meeting the year three seismic commitment and electing to fund 90% of the cost of drilling the first exploration well.



Chartered Accountants
& Business Advisers

16 November 2007

The Directors
Exoil Limited
Level 21
500 Collins Street
MELBOURNE VIC 3000

Dear Directors

INDEPENDENCE DECLARATION

As lead engagement partner for the audit of Exoil Limited for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF

PKF
Chartered Accountants

M L Port

M L Port
Partner

Tel: +61 3 9603 1700 | Fax: +61 3 9602 3870 | www.pkf.com.au
PKF | ABN 83 236 985 726
Level 14, 140 William Street | Melbourne | Victoria 3000 | Australia
GPO Box 5099 | Melbourne | Victoria 3001

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Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EXOIL LIMITED

We have audited the accompanying financial report of Exoil Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 "Presentation of Financial Statements", that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Tel: +61 3 9603 1700 | Fax: +61 3 9602 3870 | www.pkf.com.au

PKF | ABN 83 236 985 726

Level 14, 140 William Street | Melbourne | Victoria 3000 | Australia

GPO Box 5099 | Melbourne | Victoria 3001

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Chartered Accountants
& Business Advisers

Auditor's Opinion

In our opinion:

- (a) the financial report of Exoil Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity'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; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a) except that the company has elected to apply relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 "Financial Instruments: Presentation".

PKF

PKF
Chartered Accountants

M L Port

M L Port
Partner

16 November 2007
Melbourne