EXOIL LIMITED

ABN 40 005 572 798

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2008

DIRECTORY

BOARD OF DIRECTORS

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

SECRETARY

J.G. Tuohy
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 solid progress through 2008 and is soon to participate in the drilling of the Spikey Beach Prospect in T38P. We have a 10% free carried interest in this well.

During 2007 – 2008 to date we have:

(i) successfully farmed out Vic/P53 to Stuart Petroleum Limited. This resulted in the drilling of the Bazzard feature within Vic/P53 (Exoil interest 16.6667%) at no cost to the Company;

(ii) drilled Coelacanth in Vic/P45. The farminee, Apache Energy, has returned its interest in Vic/P45 to us. We now again hold 50%;

(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% in the Beach farmout area);

(iv) acquired a large 2D seismic programme across our Bass Basin permits – 3,000 km in T/37P, 670 km in T/38P. We farmed out the cost of the survey;

(v) acquired 1,100 kms of new seismic in EPP34 in the Otway Basin – the Trocopa Survey.

(vi) identified the exciting and potentially very large 'Braveheart' stratigraphic prospect. We have committed to a 700 km infil 2D program in WA-332-P and WA-333-P and have secured a rig. Braveheart will be drilled in Q3 2009 (Exoil interest 35%);

(vii) continued our assessments of WA-342-P (which contains the known Cornea oil accumulation) (Exoil interest 35%);

(viii) farmed out our interest in WA-359-P to MEO Australia Limited on terms which relieved 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 (Exoil interest 20%).

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

The Braveheart 2D seismic survey over WA-332-P and WA-333-P resulted in the identification of the Braveheart prospect for which we have high hopes. Similarly, by reprocessing 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 recently we have farmed out a small part of WA-332-P and WA-333-P (which contains the Braveheart prospect) in order to fund a programme of infill 2D seismic which will better define the Braveheart prospect. These three permits have attracted considerable interest from substantial industry participants. As of the date of this report we are confident we will be able to farmout an interest in the permits to help fund the drilling costs.

Within T/38P in the Bass Basin, Exoil will be participating in the Spikey Beach well (Exoil interest: 10%).

In the balance of T/38P and across T/37P the Operator for the permits is now busy interpreting the extensive seismic programme (3,660 line kilometres) acquired last summer. We believe this seismic has the potential to reveal significant new features in these permits (Exoil interest: 35%).

The results of the Bazzard well in Vic/P53 were disappointing. That said, the Operator, Stuart Petroleum, was able to accurately pick the formation tops targeted in this well which is a testimony to the work they have done in relation to the notoriously difficult depth conversion challenges in this permit area. We are now working with Stuart to determine the best location for a further well in the permit.

The prospectivity of Vic/P53 has by no means been exhausted. There are further leads and prospects. If we have any drilling success you can be assured we are ready to act quickly to take advantage of such an outcome.

CHAIRMAN'S REVIEW (Continued)

In EPP34 we are still to receive the processed seismic data from our 1,100 kms Trocopa survey. We are hopeful this new seismic will also reveal more about this permit and this part of the Otway Basin.

Looking forward, our preference is to fund major exploration activities by farmout. The farm-out of part of our interest in Vic/P53, T/38P, WA-332-P, WA-333-P, WA-342-P and WA-359-P is a successful realisation of this strategy.

We face choices about how the cost of drilling in WA-332-P, WA-333-P and WA-342-P is to be funded. We are seeking farmin partners for WA-332-P, WA-333-P (the Braveheart prospect) and WA-342-P (the Cornea 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 special purpose company is also a matter we are actively considering.

We are well advanced with our plan to seek a quotation for our Company's securities on the National Stock Exchange. We will advise you once quotation has been achieved. In advance of this action, shareholders approved the splitting of the Company's shares on a 2 for 1 basis.

We recently appointed and welcome Mr J.G. Tuohy as Secretary of the Company.

In summary, 2007 – 2008 has been a year of significant achievement. Looking beyond the current economic turmoil, the future for the company remains exciting.

Yours sincerely

J.M.D. Willis
Chairman
29 October 2008

DIRECTORS' REPORT

The directors present their report together with the financial report of Exoil Limited ("the company") for the year ended 30 June 2008 and the auditor's report thereon.

DIRECTORS

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

JMD Willis LL.M (Hons) Dip Acc
Chairman
Non-Executive Director

Mr Willis is the principal of an oil and gas consulting company based in Melbourne. Prior to that he 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. He is now active in Australia. 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 period were:

Director	Board meetings attended	Board meetings held
EG Albers	1	1
JMD Willis	1	1
GA Menzies	1	1
PJ Albers	1	1

DIRECTORS' INTERESTS

As of 30 June 2008 the relevant interest of each of the directors in the Company is as follows:

Ordinary shares		*Options over ordinary shares*	
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

As described below, under the Share Capital and Share Options sections of the Directors' Report, the above holdings of shares and options doubled in number on 3 September 2008.

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 Offshore Petroleum Act (2006), associated Regulations and Directions, as well as the Environment Protection and Biodiversity Conservation Act (1999). During the year there were no known contraventions by the Company of any relevant environmental regulations.

CORPORATE GOVERNANCE

As Exoil Limited is not a listed company it is not required 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 period.

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 are dealt with by the Board as a whole with any interested directors abstaining or being absent as required either by the Corporations 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 $61,296 (2007: $763).

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 period 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
No shares have been issued by the Company during the year ended 30 June 2008.

At a general meeting of shareholders held on 3 September 2008 an ordinary resolution was passed subdividing the fully paid issued ordinary shares in the company into two ordinary shares each credited as fully paid up ordinary shares with the effect that issued capital of the company comprises 101,550,526 ordinary fully paid shares at the date of this report.

SHARE OPTIONS

No options were granted during the year ended 30 June 2008. As per above, as described under the Share Capital section of the Directors' Report, on 3 September 2008 the numbers of options issued were doubled and option prices halved as part of the share sub-division. There have been no other changes to the number or price of options to the date of this report.

Unissued shares under option
At the date of this report unissued ordinary shares of the Company under options were:

Expiry date	Exercise price	Number of options
31 December 2009	$0.15	2,350,000
31 December 2009	$0.20	1,350,000
		3,700,000

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, if the holder ceases to be an "Eligible Person" or six months (or such longer period as the Directors may determine) from when the holder ceases to be an Eligible Person due to retrenchment or normal retirement from the workforce. An Eligible Person is defined as executive officers of Exoil Limited including employees, directors, secretaries and seconded personnel who take part in the management of Exoil Limited

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

The likely developments in the consolidated entity's operations in future years and the expected result from those operations are dependent on exploration success in the permit areas in which the consolidated entity holds an interest.

DIRECTORS' REPORT (Continued)

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.

REVIEW OF PETROLEUM EXPLORATION ACTIVITIES

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

The Vic/P53 Joint Venture now consists 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)

Stuart was appointed as Operator and met 100% of the costs the Bazzard 1 well. Stuart can withdraw from the permit, at its election, 90 days after the conclusion of this well. Stuart paid a further US$1,150,000 to Moby and Exoil (in the ratio of ⅔ to Exoil and ⅓ to Moby). This enabled Moby and Exoil to meet pre-existing contractual obligations to Cue Petroleum. The Farminee will assume it's pro rata share of the overriding royalty (4%) obligations of Exoil and Moby to the original permit holder, Australia Crude Oil Company, Inc.

Vic/P45 - Offshore Gippsland – 50% interest – Exoil is the operator

The Vic/P45 Joint Venture consists of:

Moby Oil & Gas Limited	50%
Exoil Limited	50% (Operator)

Apache met 100% of the costs of the Coelacanth-1 well. Apache then elected to withdraw from a further commitment to drill a second well and is obligated to reconvey the farmout interest (66.6668%) to Moby and Exoil.

While remaining prospects are ready for drilling, the very tight market for offshore drilling rigs has pushed future Vic/P45 drilling activity into 2009.

T/37P and T/38P Bass Basin, Offshore from Tasmania - 35% interest – Cue Energy is the operator

The T37P and T38P Joint Venture consists of:

Cue Energy Resources Ltd	50%
Exoil Limited	35%
Gascorp Australia Pty Ltd	15%

Exoil (35%) with Cue Energy Resources Ltd (50%), and now Gascorp Australia Pty Ltd (15%), hold 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 kms^2 (T/37P), and 2,655 kms^2 (T/38P). Water depths across the areas are less than 75 metres. The T/37P 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 joined with a group of companies which jointly mobilized a seismic vessel to the Gippsland, Bass and Otway areas. 3,000 kms of new seismic data was acquired in T/37P and 670 line kms of seismic data in T/38P. Exoil farmed out its share of cost of this survey and as a consequence its interest in the Permits and Joint Venture has reduced to 35%.

DIRECTORS' REPORT (Continued)

The T/38P 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. Prospects and leads have been identified and have been analysed.

Beach Petroleum Limited agreed to farmin to part of T/38P and will earn an 80% interest in a defined portion (Spikey Beach blocks) 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 November 2008. Exoil will hold a 10% interest in the Spikey Beach blocks.

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 kms^2.

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

Browse Basin, Offshore from Western Australia – 29.75% interest – Exoil is the operator

Exoil, through its wholly owned subsidiary, Hawkestone Oil Pty Ltd, holds a 29.75% interest in three contiguous permits (WA-332-P, WA-333-P and WA-342-P) held by the Browse Joint Venture.

The Browse Joint Venture consists of:

Hawkestone Oil Pty Ltd (Operator)	29.75%
Batavia Oil & Gas Pty Ltd	29.75%
Alpha Oil & Natural Gas Pty Ltd	17.00%
Gascorp Australia Pty Ltd	15.00%
Goldsborough Energy Pty Ltd	8.50%

The Browse Joint Venture previously acquired the Braveheart 2D seismic program over the permits and has 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. AVO studies over the Braveheart Prospect which straddles WA-332-P and WA-333-P have provided a drilling target for the Braveheart Prospect. The joint venture has committed to a drilling rig for the drilling of Braveheart 1 in late 2009. In the meantime, the joint venture has elected to acquire a further 700 line kms of new 2D seismic as infill in WA-332-P and WA-333-P. This was funded by a farmout of 15% of each of WA-332-P, WA-333-P and WA-342-P.

In WA-342-P the Cornea Field was discovered by the early exploration wells Cornea-1, 1B and 2. They established the presence of a minimum 25 metres gas column and a minimum 18 metres oil column in the Albian *P. ludbrookiae* sandstones of the Jamieson Formation. The field is a large drape feature enclosing Albian sandstones. It accumulated 18 to 22 degree API oil derived from Early Cretaceous, Echuca Shoals Formation and possibly Late Jurassic source rocks in the Heywood Graben, located over 60 kilometres to the west. The field is split into three main structural components – Cornea South, with gas and oil, Cornea Central with gas and oil and Cornea North with gas and no underlying oil presence.

Similar Albian sandstone drape features have been recognised in the McDuff, Koolan North, Koolan and Koolan South leads on reprocessed Cornea 3D seismic, in a basement high trend parallel with the Cornea Field. These drape leads occur over lower basement topography than in the Cornea structure and as such also have the better quality Aptian to early Albian sandstone reservoirs draped over basement with the intervening seal interpreted to be intact. This potentially allows stacked hydrocarbon pools, as indicated by the AVO anomaly in the McDuff Lead which was not observed in the Cornea Field.

The joint venture has reprocessed approximately 1,000 kilometres of the Cornea 3D data in WA-342-P.

EPP34 Otway Basin, Offshore from South Australia - 15% interest – Exoil is the operator

The EPP34 Joint Venture consists of:

Exoil Limited (Operator)	15%
Moby Oil & Gas Limited	20%
National Energy Pty Ltd	15%
United Oil & Gas Pty Ltd	30%
Gascorp Australia Pty Ltd	10%
National Gas Australia Pty Ltd	10%

The Trocopa seismic grid of 1,100 km of new 2D data was acquired. Exoil farmed out its share of cost of the survey and has thus reduced its interest to 15%. Interpretation has focused on the northern shelfal section of the block, targeting the Early Cretaceous Pretty Hill Sandstone.

EPP35 Otway Basin, Offshore from South Australia – Exoil is the Operator

The EPP35 (Troas) Joint Venture consists of:

Exoil Limited (Operator)	20%
Gascorp Australia Pty Ltd	40%
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. The joint venture plan to shoot a 325 km² 3D seismic grid over the Troas Deep complex. We have agreed to farm out 10% interest in the permit in return for Gascorp meeting our remaining 20% share of the cost. 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)	20%
Gascorp Australia Pty Ltd	40%
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, EPP36 is postulated to have scope for marine influenced source rock in deep water. We have agreed to farm out 10% of our interest in the permit in return for Gascorp meeting our remaining 20% share of the cost. A 1,100 line kilometre 2D survey is planned for the 2008/2009 summer.

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

The Vic/P61 Joint Venture consists of:

Exoil Limited	30% and Operator
Gascorp Australia Pty Ltd	30%
Moby Oil & Gas Limited	20% earning pursuant to farmin
Octanex N.L.	10% earning pursuant to farmin
Strata Resources N.L.	10% earning pursuant to farmin

DIRECTORS' REPORT (Continued)

Vic/P61 is located in the offshore Otway Basin, some 50-60 kilometres southwest of Port Campbell. The area comprises 30 graticular blocks covering approximately 1874 kms^2, 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 had planned to acquire 1,000 line Kms of new 2D seismic in Q1 2008. Unfortunately, we were not able to obtain environmental approvals for this survey because of concerns about the effects of seismic on blue and southern right whales. We are working on the issues but it remains to be seen whether we can obtain the approvals we need to acquire more seismic.

WA-359-P Dampier Basin / Rankin Trend, Offshore from Western Australia - 20% interest – MEO Australia is the Operator.

Participants in the permit are:

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

WA-359-P, in the Dampier Basin offshore, from Western Australia, covers an area of approximately 1,200 kms^2 in water depths of less than 500m.

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.

A small 2D seismic survey was acquired in the permit.

A wholly owned subsidiary of MEO Australia Limited (MEO) 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 (now completed) and electing to fund 90% of the cost of drilling the first exploration well in the permit. As of the date of this report MEO has not elected to fund a well.

MEO became the operator.

SUBSEQUENT EVENTS

At a general meeting of shareholders held on 3 September 2008 an ordinary resolution was passed subdividing the fully paid issued ordinary shares in the company into two ordinary shares each credited as fully paid up ordinary shares with the effect that the issued capital of the company comprises 101,550,526 ordinary fully paid shares from that date. The share sub-division also impacted Options. The numbers of option issued were doubled and option prices halved, also on 3 September 2008.

On 18 September 2008 Stuart Petroleum Limited, as operator of the Vic/P53 Joint Venture, announced that the Bazzard-1 well would commence drilling on or about 19 September 2008. The well was completed on 8 October 2008, when it was plugged and abandoned.

DIRECTORS' REPORT (Continued)

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 $2,000 was paid to the auditor for advice on tax compliance.

Signed in accordance with a resolution of the Directors.

G.A. Menzies
Director

Melbourne, 29 October 2008

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 2008 and performance for the year ended on that date; and

  (ii) comply with the Accounting Standards and Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a); and

(c) 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

G.A. Menzies
Director

Melbourne, 29 October 2008

INCOME STATEMENT
YEAR ENDED 30 JUNE 2008

	NOTE	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Revenue	2	312,518	314,286	311,583	848,334
Finance costs		(25,563)	(18,735)	(24,349)	(14,610)
Depreciation expense		(13,645)	(9,984)	(13,645)	(9,984)
Other expenses	3	(426,240)	(211,999)	(426,240)	(211,999)
(Loss) profit before tax		(152,930)	73,568	(152,651)	611,741
Income tax benefit (expense)	5	91,634	(74,331)	91,634	(183,050)
(Loss) profit after tax		(61,296)	(763)	(61,017)	428,691

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

BALANCE SHEET
AT 30 JUNE 2008

	NOTE	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
CURRENT ASSETS					
Cash and cash equivalents	22	970,987	113,744	974,743	77,659
Trade and other receivables	6	299,381	105,600	289,140	638,697
TOTAL CURRENT ASSETS		1,270,368	219,344	1,263,883	716,356
NON-CURRENT ASSETS					
Exploration and evaluation assets	7	3,732,656	5,102,468	2,852,385	4,607,028
Property, plant and equipment	8	78,033	26,390	78,033	26,390
Other financial assets	9	25,067	91,791	1,069,293	318,041
TOTAL NON-CURRENT ASSETS		3,835,756	5,220,649	3,999,711	4,951,459
TOTAL ASSETS		5,106,124	5,439,993	5,263,594	5,667,815
CURRENT LIABILITIES					
Trade and other payables	10	528,433	619,332	494,506	555,921
Tax liabilities		-	90,040	-	-
TOTAL CURRENT LIABILITIES		528,433	709,372	494,506	555,921
NON-CURRENT LIABILITIES					
Other payables	10	-	-	-	190,155
Deferred tax liabilities	11	573,861	665,495	573,861	665,495
TOTAL NON-CURRENT LIABILITIES		573,681	665,495	573,861	855,650
TOTAL LIABILITIES		1,102,294	1,374,867	1,068,367	1,411,571
NET ASSETS		4,003,830	4,065,126	4,195,227	4,256,244
EQUITY					
Contributed equity	12	2,959,055	2,959,055	2,959,055	2,959,055
Reserves	13	81,277	81,277	81,277	81,277
Retained earnings		963,498	1,024,794	1,154,895	1,215,912
TOTAL EQUITY		4,003,830	4,065,126	4,195,227	4,256,244

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

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2008

	Issued Capital $	Option Reserves $	Retained Earnings $	Total Equity $
CONSOLIDATED				
At 1 July 2007	2,959,055	81,277	1,024,794	4,065,126
Loss for the period	-	-	(61,296)	(61,296)
At 30 June 2008	2,959,055	81,277	963,498	4,003,830
At 1 July 2006	2,892,252	81,277	1,025,557	3,999,086
Shares issued	66,803	-	-	66,803
Loss for the period	-	-	(763)	(763)
At 30 June 2007	2,959,055	81,277	1,024,794	4,065,126
COMPANY				
At 1 July 2007	2,959,055	81,277	1,215,912	4,256,244
Loss for the period	-	-	(61,017)	(61,017)
At 30 June 2008	2,959,055	81,277	1,154,895	4,195,227
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
At 30 June 2007	2,959,055	81,277	1,215,912	4,256,244

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 2008

	NOTE	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		80,152	7,632	79,215	1,680
Management fee received		-	20,905	-	20,905
Administration fee received		219,759	279,301	219,759	279,301
Proceeds from tenement farmouts		2,108,133	-	2,108,133	-
Payments to suppliers of exploration services		(774,386)	(699,566)	(356,733)	(479,189)
Payments to other suppliers and employees		(349,982)	(212,562)	(349,983)	(212,560)
Tax paid		(90,040)	-	-	-
Interest paid		(29,687)	(14,611)	(28,470)	(14,611)
Net cash provided by/(used in) operating activities	(i)	1,163,949	(618,901)	1,671,921	(404,474)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for office & computer equipment		(69,715)	(2,458)	(69,715)	(2,458)
Proceeds from sale of investments		7,500	-	7,500	-
Net cash used in investing activities		(62,215)	(2,458)	(62,215)	(2,458)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments to related entities		(244,491)	-	(244,491)	-
Receipts from related entities		-	244,491	-	244,491
Payments on behalf of subsidiary		-	-	(468,131)	-
Net cash (used in) from financing activities		(244,491)	244,491	(712,622)	244,491
Net increase (decrease) in cash assets		857,243	(376,868)	897,084	(162,441)
Cash and cash equivalents at beginning of period		113,744	490,612	77,659	240,100
CASH AND CASH EQUIVALENTS AT END OF PERIOD		970,987	113,744	974,743	77,659

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

	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
(Loss) profit after income tax	(61,296)	(763)	(61,017)	428,691
Adjusted for non cash items:				
Depreciation of plant and equipment	13,645	9,984	13,645	9,984
Net movement in value of investments	59,224	(7,011)	59,224	(7,011)
Management fees	-	-	-	(540,000)
Loss on scrapping of assets	4,427	-	4,427	-
Changes in assets and liabilities:				
(Increase) decrease in receivables	(193,782)	64,190	(190,442)	64,389
(Decrease) increase in tax liabilities	(181,674)	74,331	(91,634)	183,050
Increase in payables	153,593	502	183,075	85,092
Decrease (increase) in exploration expenditure	1,369,812	(760,134)	1,754,643	(628,669)
Net Cash provided by/(used in) Operating Activities	1,163,949	(618,901)	1,671,921	(404,474)

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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2008

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 year ended 30 June 2008 comprise the company and its 100% owned subsidiary, Hawkestone Oil Pty Ltd (together referred to as the 'consolidated entity').

The principal activity of the consolidated 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 29 October, 2008.

(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.

(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 had working capital of $741,935 as at 30 June 2008. 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 basis 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, minimum work obligations for the initial three 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 the consolidated entity requires further funding for its programs then it is its intention that the additional

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Going concern (continued)
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 obligations by either partial sale of its interests or farmout, the latter course of action being part of its overall strategy.

(d) Principles of consolidation
The consolidated financial statements have been prepared by Exoil 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 the 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 taxation authority is included as a current asset or liability in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2008

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 fully repaid during the year to director-related parties, Great Missenden Holdings Pty Ltd, National Gas Australia Pty Ltd and Cue Energy Resources Limited incurred 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 year are as follows:

• Computer equipment	4 years
• Office equipment	4 - 20 years
• Leasehold improvements	10 years

(j) Investments
Financial instruments classified as held for trading are measured at fair value through the profit or 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 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 2008

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) Fair value
Fair values for financial instruments traded in active markets are based on quoted market prices at balance sheet date. The quoted market price for financial assets is the current bid price and/or the quoted market price.

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. Assumptions used are based on observable market prices and rates at balance date. Estimated discounted cash flows are used to determine fair value of the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) 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 2007. 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.

	NOTE	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
NOTE 2 REVENUE					
Management fees		-	20,905	-	560,905
Interest income		80,152	7,632	79,217	1,680
Recovery of administration costs	17	219,759	278,301	219,759	278,301
Increase on revaluation of investments		-	6,448	-	6,448
Exchange gain		12,607	-	12,607	-
Other Income		-	1,000	-	1,000
		312,518	314,286	311,583	848,334
NOTE 3 OTHER EXPENSES					
Audit fees	4	33,000	29,000	33,000	29,000
Consulting fees		34,176	15,643	34,176	15,643
Directors fees	16	22,500	15,000	22,500	15,000
Management fees		66,098	41,160	66,098	41,160
Other expenses		77,611	15,491	77,611	15,491
Rent		133,631	95,705	133,631	95,705
Impairment of investments		59,224	-	59,224	-
		426,240	211,999	426,240	211,999
NOTE 4 AUDITOR'S REMUNERATION					
Fees for audit of the financial statements (i)		33,000	29,000	33,000	29,000
Fees for tax compliance		2,000	6,000	2,000	6,000
		35,000	35,000	35,000	35,000

(i) Audit fees of $20,000 have been included for the year ended at 30 June 2008 for a one-off audit performed for the ten month period ended 30 April 2008.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2008

NOTE 5 INCOME TAX

	NOTE	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Components of income tax benefit (expense)					
Current tax expense					
Current period		-	-	-	-
Adjustment for prior period		-	(473)	-	-
Deferred tax expense					
Origination and reversal of temporary differences		91,634	(73,858)	91,634	(183,050)
Total income tax benefit (expense)		91,634	(74,331)	91,634	(183,050)
(Loss) profit before tax		(152,930)	73,568	(152,651)	611,741
Income tax benefit (expense) using statutory income tax rate of 30% (2007: 30%)		45,879	(22,070)	45,795	(183,552)
Tax effect of:					
Non deductible items		(32)	(308)	(32)	(308)
Non assessable items		3,782	-	3,782	-
Prospectus costs		780	780	780	780
Tax losses recognised of prior periods		41,309	(473)	41,309	-
Deferred tax asset not brought to account		(84)	(52,260)	-	-
Income tax benefit (expense)		91,634	(74,331)	91,634	(183,050)
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		316,425	200,892	-	-
Less: Deferred tax liability not brought to account for exploration costs capitalised		(264,081)	(148,632)	-	-
Tax capital losses carried forward		360,000	360,000	-	-
		412,344	412,260	-	-

NOTE 6 TRADE AND OTHER RECEIVABLES

	NOTE	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
CURRENT					
Trade receivables		-	6,177	-	6,175
Receivables from director related entities	17	59,500	68,455	59,500	68,455
Receivables from subsidiary		-	-	-	540,000
Other receivables		239,881	30,968	229,640	24,067
		299,381	105,600	289,140	638,697

The carrying amount of all receivables is equal to their fair value as they are short term. None of the receivables are impaired or past due. The maximum credit risk for the company is the gross value of all receivables. All receivables are non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2008

	NOTE	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $

NOTE 7 EXPLORATION AND EVALUATION ASSETS

	NOTE	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Exploration costs capitalised at beginning of period		5,102,468	4,342,334	4,607,028	3,978,358
Costs for the period		738,521	760,134	353,690	628,670
Recoupment of costs from farmin (1) & (2)		(2,108,333)	-	(2,108,333)	-
Exploration costs capitalised at end of period	15	3,732,656	5,102,468	2,852,385	4,607,028

(1) On the 3 December 2007 $2,000,000 was received from Stuart Petroleum Limited per the VIC P/53 Grant of Option and Farm-in agreements for the recoupment of exploration costs previously capitalised.
(2) On the 3 April 2008 $108,333 was received from MEO Australia Limited per the WA-359-P Farm-in agreement for the recoupment of exploration costs previously capitalised.

Ultimate recovery of 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

	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Office Equipment				
At cost	20,616	18,952	20,616	18,952
Accumulated depreciation	(5,542)	(3,487)	(5,542)	(3,487)
	15,074	15,465	15,074	15,465
Computer Equipment				
At cost	31,268	33,092	31,268	33,092
Accumulated depreciation	(16,224)	(22,167)	(16,224)	(22,167)
	15,044	10,925	15,044	10,925
Leasehold Improvement				
At cost	51,465	-	51,465	-
Accumulated depreciation	(3,550)	-	(3,550)	-
	47,915	-	47,915	-
Total property, plant and equipment	78,033	26,390	78,033	26,390

Reconciliations of each class of property, plant & equipment is set out below:

	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Office Equipment				
Balance at beginning of period	15,465	14,718	15,465	14,718
Additions	1,664	2,458	1,664	2,458
Depreciation	(2,055)	(1,711)	(2,055)	(1,711)
Balance at end of period	15,074	15,465	15,074	15,465

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2008

	NOTE	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
NOTE 8 PROPERTY, PLANT & EQUIPMENT (Continued)					
Computer Equipment					
-Balance at beginning of period		10,925	19,198	10,925	19,198
-Additions		16,586	-	16,586	-
-Write offs		(4,427)	-	(4,427)	-
-Depreciation		(8,040)	(8,273)	(8,040)	(8,273)
-Balance at end of period		15,044	10,925	15,044	10,925
Leasehold Improvement					
-Balance at beginning of period		-	-	-	-
-Additions		51,465	-	51,465	-
-Depreciation		(3,550)	-	(3,550)	-
-Balance at end of period		47,915	-	47,915	-

NOTE 9 OTHER FINANCIAL ASSETS

		Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Investments in controlled entities[(1)]					
Unlisted shares at cost		-	-	226,250	226,250
Receivable from subsidiary		-	-	817,976	-
		-	-	1,044,226	226,250
Investment held for trading at fair value through the profit or loss					
Listed equities at cost		112,506	120,006	112,506	120,006
Impairment in value		(87,439)	(28,215)	(87,439)	(28,215)
		25,067	91,791	25,067	91,791
Total other financial assets		25,067	91,791	1,069,293	318,041
Listed shares comprise:					
Rocky Mountain Minerals, Inc[(2,3)]		24,933	88,370	24,933	88,370
Moby Oil & Gas Ltd [(2)]		-	3,375	-	3,375
Other		134	46	134	46

(1) *Exoil Limited has provided management services to its 100% wholly owned subsidiary, Hawkestone Oil Pty Ltd ("Hawkestone"), and advanced funds to Hawkestone for its exploration activity. These advances have not been made for a predetermined period. While management's intention is that Hawkestone will settle its debt to Exoil Limited as and when funds become available, there exists no set date as to when this transaction will occur. The investment is valued at original cost. Hawkestone holds an interest in the Browse Joint Venture permits (Note 15). During 2006 the Browse Joint Venture sold 100% of its interest in the WA-341-P permit. Hawkestone's share of proceeds from the sale was $2,936,186. At balance date the carrying value of Hawkestone's interest in the Browse Joint Venture permits was $654,561 (2007: $269,730). Hawkestone is incorporated in Australia and balances on 30 June.*

(2) *Director related entity of Mr EG Albers*

(3) *Exoil has a 2.98% interest (2007:2.98%) 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.*

Details of market price risk and sensitivity can be found in Note 18.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2008

NOTE 10 TRADE AND OTHER PAYABLES

	NOTE	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
CURRENT					
Trade creditors and accruals		402,050	124,602	399,604	111,022
Director-related entity other payables	17	96,707	141,246	65,226	91,414
Director-related advance	17	-	244,491	-	244,491
Payables by joint ventures		29,676	108,993	29,676	108,994
		528,433	619,332	494,506	555,921
NON CURRENT					
Payable to subsidiary		-	-	-	190,155
		-	-	-	190,155

Trade and other payables are current liabilities of which the fair value is equal to the current carrying amount. Information about the company's exposure to foreign exchange risk in relation to trade payables, including sensitivities to changes in foreign exchange rates, is provided in Note 18.

NOTE 11 DEFERRED TAX LIABILITIES

	Assets 2008 $	Assets 2007 $	Liabilities 2008 $	Liabilities 2007 $	Net 2008 $	Net 2007 $
Consolidated						
Investment revaluations	(26,233)	(8,465)	-	-	(26,233)	(8,465)
Exploration costs	-	-	855,716	1,382,108	855,716	1,382,108
Accrued expenses	(9,600)	(4,200)	-	-	(9,600)	(4,200)
Tax Losses	(246,022)	(703,948)	-	-	(246,022)	(703,948)
	(281,855)	(716,613)	855,716	1,382,108	573,861	665,495
Company						
Investment revaluations	(26,233)	(8,465)	-	-	(26,233)	(8,465)
Exploration costs	-	-	855,716	1,382,108	855,716	1,382,108
Accrued expenses	(9,600)	(4,200)	-	-	(9,600)	(4,200)
Tax Losses	(246,022)	(703,948)	-	-	(246,022)	(703,948)
	(281,855)	(716,613)	855,716	1,382,108	573,861	665,495

NOTE 12 CONTRIBUTED EQUITY

	2008 Shares	2007 Shares	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Issued Capital						
Ordinary shares fully paid	50,775,263	50,775,263	2,959,055	2,959,055	2,959,055	2,959,055
Ordinary Shares						
Ordinary shares on issue at 1 July	50,775,263	50,441,250	2,959,055	2,892,252	2,959,055	2,892,252
Options exercised	-	-	-	-	-	-
Shares issued (1)	-	334,013	-	66,803	-	66,803
Ordinary shares on issue at 30 June	50,775,263	50,775,263	2,959,055	2,959,055	2,959,055	2,959,055

(1) On the 31 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.

At a general meeting of shareholders held on 3 September 2008 an ordinary resolution was passed subdividing the fully paid issued ordinary shares in the company into two ordinary shares each credited as fully paid up ordinary shares with the effect that the issued capital of the company comprises 101,550,526 ordinary fully paid shares from that date.

The company has unlimited authorised capital with no par value.

Terms and Conditions of Contributed Equity
Ordinary shares confer on the holder the right to receive dividends as declared and, in the event of a winding up of 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 (2007: Nil), or were exercised (2007: Nil) or expired (2007: Nil). 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.

As per above on 3 September 2008 the numbers of options issued were doubled and option prices halved as part of the share sub-division approved by shareholders at that date.

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 14 COMMITMENTS

	NOTE	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Estimated joint venture work program commitments					
Payable not later than one year		12,607,500	12,332,500	1,512,500	1,745,000
Payable after one year and before three years		4,890,000	8,330,000	4,890,000	8,330,000
		17,497,500	20,662,500	6,402,500	10,075,000

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

	NOTE	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Office lease commitments					
Payable not later than one year		161,687	105,334	161,687	105,334
Payable after one year and before five years		580,250	741,936	580,250	741,936
		741,937	847,270	741,937	847,270

NOTE 15 INTEREST IN JOINT VENTURES

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

Joint Venture	Note	Interest 2008	Interest 2007	Permits Held
Browse Basin (i)	17	35%	35%	WA-332-P, WA-333-P & WA-342-P
T/37P & T/38P (ii) (iii)	17	35%	50%	
Vic/P45(iv)	17	50%	16.7%	
Vic/P53	17	16.7%	50%	
Vic/P61	17	30%	30%	
WA-359-P	17	20%	50%	
Western Otway Joint Venture (v)	17	15%	25%	EPP34
EPP35(vi)	17	30%	30%	
EPP36(vii)	17	30%	30%	

(i) Gascorp Australia Pty Ltd ("Gascorp") has committed to a farmin obligation per a farmin agreement effective 30 June 2008 (Note 20). When the work has been performed the consolidated entity's interest in all three permits will be 29.75%
(ii)A defined portion of the T/38P permit was farmed out to Beach Petroleum on 1 October 2007.
(iii)Gascorp farmed into both permits in June 2008.
(iv)Apache Northwest Pty Ltd relinquished its interest in the Vic/P45 permit on 15 May 2008.
(v) In June 2008 Gascorp farmed into this permit.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2008

NOTE 15 INTEREST IN JOINT VENTURES (Continued)

(vi) EPP35 Farmin
Exoil signed a farm-out agreement with Gascorp, effective 30 June 2008, in relation to EPP35. In return for Gascorp funding seismic survey costs for EPP35 Exoil has agreed to farm-out a 10% interest in the permit.

Whilst Gascorp has committed to the farmin obligation as at 30 June 2008, the farmin work has not been performed or the funds outlayed as at the date of signing this report. When the seismic program is complete Exoil's interest in the permit will be 20%.

(vii) EPP36 Farmin
Exoil signed a farm-out agreement with Gascorp, effective 30 June 2008, in relation to EPP36. In return for Gascorp funding seismic survey costs for EPP36 Exoil has agreed to farm-out a 10% interest in the permit.

Whilst Gascorp has committed to the farmin obligation as at 30 June 2008, the farmin work has not been performed or the funds outlayed as at the date of signing this report. When the seismic program is complete Exoil's interest in the permit will be 20%.

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

		Consolidated		**The Company**	
	NOTE	**2008**	**2007**	**2008**	**2007**
		$	**$**	**$**	**$**
CURRENT ASSETS					
Cash assets (1)		187,102	96,347	190,858	60,262
Trade & other receivables		231,225	25,242	221,981	17,384
NON-CURRENT ASSETS					
Exploration and evaluation assets	7	3,732,656	5,102,468	2,852,385	4,607,028
Other financial assets		-	3,375	-	3,375
CURRENT LIABILITIES					
Trade & other payables		400,271	215,918	366,793	156,632

(i) The Browse Joint Venture has no overdraft facility. The account was temporarily allowed to be in a credit balance by the Joint Venture Operator's bank until funded by Joint Venture partners on 17 July 2008. That is why Consolidated Cash assets are lower than company cash assets by $3,756.

NOTE 16 KEY MANAGEMENT PERSONNEL

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 for the year ended 30 June 2008 was $22,500 (2007: $15,000).

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2008

NOTE 16 KEY MANAGEMENT PERSONNEL (Continued)

Ordinary shares issued by Exoil Limited to Key Management Personnel

	Opening Balance	Received as Remuneration	Options Exercised	Other	Closing Balance
2008					
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
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

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

No shares were granted to key management personnel during the reporting year as compensation. Per Note 12, the number of shares held by each person in the table above for 2008 doubled on 3 September 2008.

Options (exercisable by 31 December 2009 at 30-40 cents per share)

	Opening Balance	Options Granted	Options Expired	Closing Balance
2008				
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
	975,000	-	-	975,000
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
	975,000	-	-	975,000

No options exercisable by 31 December 2009 were exercised in the year ended 30 June 2007 or the year ended 30 June 2008. Per Note 12, the number of options held by each person in the table above for 2008 doubled on 3 September 2008 and option exercise prices halved.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2008

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

Company	Service Provided	2008 $	2007 $
Capricorn	Management of exploration tenements	96,111	48,835
Capricorn	Corporate management and administration	12,000	-
GMH	Provision of geological equipment for joint ventures in WA	-	12,600
Setright	Accounting, project management and company secretarial services	48,730	41,160
Setright	Accounting, project management of joint ventures	23,247	32,951
Upstream	Management and consulting services to the company	17,200	8,000
Upstream	Management and consulting to joint ventures	45,523	14,900
NGA	Provision of office services to joint venture in WA	37,063	-

(ii)Advance of funds
During 2008 funds advanced to the company were repaid in full to:

NGA, a director-related entity of EG Albers and PJ Albers
GMH, a director-related entity of EG Albers and PJ Albers
Cue Energy Resources Limited ("Cue"), a director-related entity of EG Albers

Interest paid / accrued on advances for the year at an interest rate of 1% per month

	2008 $	2007 $
GMH	8,689	8,625
NGA	4,273	5,066
Cue	11,384	-

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2008

NOTE 17 RELATED PARTY DISCLOSURES (Continued)
(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
RMMI Australia Pty Ltd ("RMMI"), a director-related entity of EG Albers
Goldsborough Limited ("Goldsborough"), a director-related entity of EG Albers

Company	**2008** **$**	**2007** **$**
Moby	25,584	29,804
Capricorn	32,318	37,255
Octanex	38,781	53,642
Strata	6,463	8,940
Auralandia	19,391	26,821
NGA	38,781	53,642
Setright	38,781	53,642
RMMI	12,927	5,615
Goldsborough	6,463	8,940
Total	219,489	278,301

(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 Pty Ltd ("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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2008

NOTE 17 RELATED PARTY DISCLOSURES (Continued)

(v) Investments in Director-related Companies
In 2007 the company held investments in Moby of which Directors EG Albers and GA Menzies are directors and shareholders (Note 9). This investment was sold during the year.

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

	NOTE	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Receivables:					
Moby Oil & Gas Limited		5,908	12,605	5,908	12,605
National Energy Pty Ltd		-	6,888	-	6,888
Otway Oil and Gas Limited		-	7,275	-	7,275
Southern Energy Pty Ltd		-	7,282	-	7,282
Auralandia NL		4,026	4,915	4,026	4,915
Natural Gas Australia Pty Ltd		8,051	9,830	8,051	9,830
Octanex N.L.		8,051	9,830	8,051	9,830
Strata Resources NL		3,142	1,638	3,142	1,638
Capricorn Mining Pty Ltd		6,708	8,192	6,708	8,192
RMMI Australia Pty Ltd		14,220	-	14,220	-
Goldsborough Limited		1,342	-	1,342	-
Setright Oil & Gas Pty Ltd		8,052	-	8,052	-
		59,500	68,455	59,500	68,455
Payables					
Batavia Oil & Gas Pty Ltd		-	5,021	-	5,021
Great Missenden Holdings Pty Ltd		-	34,500	-	6,930
Setright Oil & Gas Pty Ltd		10,910	22,451	10,475	22,248
Goldsborough Energy Pty Ltd		-	1,434	-	1,434
Upstream Consulting Pty Ltd		14,010	12,195	12,624	12,041
Capricorn Mining Pty Ltd		57,287	65,645	42,127	43,740
National Gas Australia Pty Ltd		14,500	-	-	-
		96,707	141,246	65,226	91,414
Interest bearing advance					
Great Missenden Holdings Pty Ltd		-	163,625	-	163,625
National Gas Australia Pty Ltd		-	80,866	-	80,866
		-	244,491	-	244,491

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2008

NOTE 18 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

	NOTE	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Financial Assets					
Investments held for trading at fair value through the profit or loss	9	25,067	91,791	25,067	91,791
Loans and receivables (including cash and cash equivalents)		1,270,368	219,344	1,263,883	716,356
		1,295,435	311,135	1,288,950	808,147
Financial Liabilities					
Amortised Cost	10	528,433	619,332	494,506	555,921

Recognition and derecognition
The regular way purchases and sales of financial assets and financial liabilities are recognised on trade date is the date on which the consolidated entity commits to purchase or sell the financial assets or financial liabilities. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Exposure to credit, liquidity, interest rate, foreign currency and equity price risks arises in the normal course of the consolidated entity's business. The consolidated entity's overall risk management approach is to identify the risks and implement safeguards which seek to minimise potential adverse effects on the financial performance of the consolidated entity's business. The board of directors are responsible for monitoring and managing the financial risks of the consolidated entity.

Credit risk
Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. At the balance sheet date there were no significant concentrations of credit risk as the consolidated entity has no trade sales or trade receivables. The maximum exposure to credit risk of financial assets is represented by the carrying amounts of each financial asset in the balance sheet.

Liquidity risk
Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. Liquidity risk is monitored to ensure sufficient monies are available to meet contractual obligations as and when they fall due.

Interest rate risk
All financial liabilities and financial assets at floating rates expose the consolidated entity to cash flow interest rate risk the consolidated entity has no exposure to interest rate risk at balance date, other than in relation to cash and cash equivalents which attract an interest rate.

Sensitivity Analysis
At balance date a 1% (100 basis point) increase/decrease in the interest rate would increase/decrease the consolidated entity post tax profit and net assets by $6,811 (2007: $810) and for the company by $6,837 (2007: $558).

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2008

NOTE 18 FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk

The consolidated entity is exposed to foreign currency risk arising from purchases of goods and services that are denominated in a currency other than the Australian dollar functional currency. 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. Through its interest in the Western Otway Joint Venture the consolidated entity had an exposure to a US dollar payable of US$263,143 at 30 June 2008.

There was no material exposure to foreign currency in 2007.

Sensitivity Analysis

If the Australian dollar strengthened /weakened by 10% against the US dollar with all other variables held constant, the payable for the company and consolidated entity would have been A$24,852 lower / A$27,337 higher. The company's exposure was settled since balance date for A$279,529.

Equity price risks

Equity price risk arises from available for sale investments held by the parent and consolidated entity in the form of investments in listed equities. The portfolio of investments is managed internally by Exoil management who buy and sell equities based on their own analyses of returns.

Available for sale investments in listed equities of $25,067 (2007: $91,791) for the consolidated entity and the parent entity are subject to movements in prices of the investment markets.

The consolidated entity and company investments in listed equities are listed on the Australian Stock Exchange and in the United States on the Over-the Counter Bulletin Board (OTC-BB). A 10% (2007: 10%) increase / decrease at the reporting date in closing share price of each share held would have increased/decreased consolidated equity by $2,507 (2007: $9,179). There would have been no effect on profit.

Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders.

It is the company's and consolidated entity's plan that 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 exploration obligations by either partial sale of its interests or farmout, the latter course of action being part of its overall strategy.

The company and consolidated entity are not subject to any externally imposed capital requirements.

NOTE 19 SEGMENT INFORMATION

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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2008

NOTE 20 CONTINGENT ASSETS AND LIABILITIES

Vic/P53 Farmin
In accordance with the Vic/P53 farmin agreement dated 17 August 2007, Stuart Petroleum Limited ('Stuart') was obliged to pay an aggregate amount of US$1,150,000 to Exoil (US$766,667) and Moby Oil & Gas Limited (US$383,333), not later than ten days prior to the spudding of the first well in the permit, to meet the obligation of Moby and Exoil to Cue Petroleum Pty Ltd ("Cue') for those amounts, incurred when Moby and Exoil acquired an interest in the permit. These funds were received from Stuart and forwarded to Cue during September 2008.

T/37P Farmin
On 29 April 2008, Exoil entered into a Call Option Agreement and a Put Option Agreement with Gascorp Australia Pty Ltd ("Gascorp") relating to the 15% interest in T/37P acquired by Gascorp under the farmin agreement signed the same day. Under the Call Option Agreement, Exoil can call upon Gascorp to reassign the 15% interest in T/37P to Exoil. The consideration payable, if the Call Option is exercised, is the agreement of Exoil to repay to Gascorp the sum of $1,663,000 paid under the relevant farmin agreement, plus interest at 0.75% per month, together with the grant of a 1% overriding royalty on the 15% interest to be reassigned. Under the Put Option Agreement, Gascorp can require Exoil to take a reassignment of the 15% interest. If the put option is exercised by Gascorp, Exoil must repay $1,663,000 to Gascorp plus interest at 0.75% per month and grant Gascorp a 1% overriding royalty on the 15% interest so reassigned.

T/38P Farmin
On 29 April 2008, Exoil entered into a Call Option Agreement and a Put Option Agreement with Gascorp relating to the 15% interest in T/38P acquired by Gascorp under the farmin agreement signed the same day. Under the Call Option Agreement, Exoil can call upon Gascorp to reassign the 15% interest in T/38P to Exoil. The consideration payable, if the Call Option is exercised, is the agreement of Exoil to repay to Gascorp the sum of $453,000 paid under the relevant farmin agreement, plus interest at 0.75% per month, together with the grant of a 1% overriding royalty on the 15% interest to be reassigned. Under the Put Option Agreement, Gascorp can require Exoil to take a reassignment of the 15% interest. If the put option is exercised by Gascorp, Exoil must repay $453,000 to Gascorp plus interest at 0.75% per month and grant Gascorp a 1% overriding royalty on the 15% interest so reassigned.

EPP34 Farmin
On 29 April 2008, Exoil entered into a Call Option Agreement and a Put Option Agreement with Gascorp relating to the 10% interest in EPP 34 acquired by Gascorp under the farmin agreement signed the same day. Under the Call Option Agreement, Exoil can call upon Gascorp to reassign the 10% interest in EPP 34 to Exoil. The consideration payable, if the Call Option is exercised, is the agreement of Exoil to repay to Gascorp the sum of $525,000 paid under the relevant farmin agreement, plus interest at 0.75% per month, together with the grant of a 1% overriding royalty on the 10% interest to be reassigned. Under the Put Option Agreement, Gascorp can require Exoil to take a reassignment of the 10% interest. If the put option is exercised by Gascorp, Exoil must repay $525,000 to Gascorp plus interest at 0.75% per month and grant Gascorp a 1% overriding royalty on the 10% interest so reassigned.

Browse Joint Venture Permits Farmin
Hawkestone Oil Pty Ltd ("Hawkestone'), the fully owned subsidiary of Exoil, along with other participants in the Browse Joint Venture, signed a farm-out agreement with Gascorp, effective 30 June 2008, in relation to all three of the Browse Joint Venture permits. In return for Gascorp funding seismic survey costs for WA-332-P and WA-333-P Exoil has agreed to farm-out a 5.25% interest the three Browse Joint Venture permits.

Whilst Gascorp Australia Pty Ltd has committed to the farmin obligation as at the 30 June 2008 , the farmin work has not been performed or the funds been outlayed as at the date of signing this report.

Hawkestone, and the other Browse Joint Venture participants, entered into a Put Option Agreement, effective 30 June 2008, with Gascorp relating to the 5.25% interests to be acquired by Gascorp under the farmin agreement. Under the Put Option Agreement, Gascorp can require Hawkestone to take a reassignment of the 5.25% interests. If the put option is exercised by Gascorp, Hawkestone must repay its pre-farmin share of $1,200,000 to Gascorp plus interest at 0.75% per month.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2008

NOTE 20 CONTINGENT ASSETS AND LIABILITIES(Continued)

Gascorp Put Option Agreements
In relation to the above Put Option agreements between Gascorp and Exoil, Gascorp has stated that "the put options will only be exercised if Exoil is in a working capital position where it is capable of repaying the relevant sum without having a significant negative impact on such working capital or the going concern status of Exoil. In the event that Exoil was in such a disadvantaged position, then Exoil can elect that the term of the Put Option be extended for a further period of 15 months. If at the end of such further period of 15 months that Exoil was again not then in a position to repay the relevant sum without having negative impact on the working capital or going concern status of Exoil, then the Put Option would lapse.

However, nothing herein shall disqualify Gascorp from simultaneously exercising any of the Put Option agreements and subscribing new share capital to Exoil Limited for an amount not less than the value of the Put Option and any increments of interest due upon its exercise.

Furthermore, nothing herein shall disqualify Gascorp from accepting any other form of consideration offered by Exoil (such as other tenements or other non-cash interests) upon exercise of the Put Option agreements, provided that, accepting such consideration would not jeopardise the capital position or going concern basis of Exoil."

Rental Bank Guarantee
A contingent liability exists in the form of a rental bank guarantee for $43,450.

NOTE 21 EVENTS SUBSEQUENT TO BALANCE DATE

At a general meeting of shareholders held on 3 September 2008 an ordinary resolution was passed subdividing the fully paid issued ordinary shares in the company into two ordinary shares each credited as fully paid up ordinary shares with the effect that the issued capital of the company comprises 101,550,526 ordinary fully paid shares from that date. The share sub-division also impacted Options. The numbers of option issued were doubled and option prices halved, also on 3 September 2008.

On 18 September 2008 Stuart Petroleum Limited, as operator of the Vic/P53 Joint Venture, announced that the Bazzard-1 well would commence drilling on or about 19 September 2008. The well was completed on 8 October 2008, when it was plugged and abandoned.

NOTE 22 CASH AND CASH EQUIVALENTS
The Browse Joint Venture, in which the interest is held by the subsidiary of Exoil, Hawkestone, has no bank overdraft facility. The bank account for the Joint Venture was temporarily allowed to be in a credit balance by the Joint Venture Operator's bank until funded by Joint Venture partners on 17 July 2008. Consequently, consolidated entity cash assets are lower than company cash assets by $3,756 at 30 June 2008.

PKF

Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF EXOIL LIMITED

As lead auditor for the audit of Exoil Limited for the year ended 30 June 2008, 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.

This declaration is in respect of Exoil Limited and the entity it controlled during the year.

PKF

PKF
East Coast Practice

M L Port
Partner

29 October 2008
Melbourne

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

PKF

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF EXOIL LIMITED

We have audited the accompanying financial report of Exoil Limited ("the company") and the consolidated entity for the year ended 30 June 2008. The financial report comprises the balance sheet as at 30 June 2008, 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 for both 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*.

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 financial position of the company and the consolidated entity as at 30 June 2008 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).

PKF

PKF
East Coast Practice

M L Port
Partner

29 October 2008
Melbourne

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