

EXOIL LIMITED

ABN 40 005 572 798

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2008

EXOIL LIMITED

ABN 40 005 572 798

DIRECTORY

BOARD OF DIRECTORS

J.M.D Willis (Chairman)

E.G. Albers

G.A. Menzies

P.J. Albers

SECRETARY

J.G. Tuohy

REGISTERED OFFICE

Level 21

500 Collins Street

Melbourne, Victoria 3000

Telephone: +61 (03) 8610 4700

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AUDITOR

PKF

Chartered Accountants

Level 14

140 William St

Melbourne, Victoria 3000

SHARE REGISTRY

Link Market Services Limited

Level 1

333 Collins Street

Melbourne, Victoria 3000

Telephone: (03) 9615 9800

Facsimile: (03) 9615 9900

STOCK EXCHANGE LISTING

National Stock Exchange of Australia Ltd

384 Hunter Street

Newcastle, NSW 2300 Australia

Website: www.nsga.com.au

NSX Code: EXX Ordinary Shares

INCORPORATED

Incorporated in Victoria, Australia on

5 July 1979

WEBSITE: www.exoil.net

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CURRENCY

The company's functional and presentation currency is Australian Dollars

FORWARD LOOKING STATEMENTS

This 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.

DIRECTORS' REPORT

The directors present their report on the consolidated results of Exoil Limited (*NSX Code: EXX*) and its wholly-owned subsidiary, Hawkestone Oil Pty Ltd, (“the company”, “the group” or “Exoil”) for the half year ended 31 December 2008.

DIRECTORS

The directors in office during the entire half year and to the date of this report are:-

JMD Willis LL.M (Hons), Dip Acc

Chairman

Independent Non-Executive Director

Mr Willis was a partner in a leading New Zealand law firm, Bell Gully for more than 25 years where his practice speciality was the upstream oil and gas area, particularly relating to issues concerning gas contracting and the development of oil and gas reserves, joint ventures and upstream petroleum related acquisitions. He has acted for the leading participants in the upstream petroleum industry in New Zealand. With Mr Albers he was co-founder and later a director of Southern Petroleum NL, a successful New Zealand oil and gas exploration and production company, now wholly owned by Shell. Director since 8 September 2004.

EG Albers LL.B, FAICD

Non-Executive Director

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 he 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 and 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 5 July 1979.

GA Menzies LL.B

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 explorers to substantial mining companies. Over recent years, his activities have focused primarily on corporate reconstructions and capital raisings. Director since 16 September 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 2 October 1984.

OPERATING RESULT FOR THE YEAR

The company recorded a loss after tax for the half year of \$340,807. (2007: profit of \$26,993)

REVIEW OF OPERATIONS

Exoil Limited operates and holds interests in eight petroleum exploration permits and is a participant in another four permits, all located in the offshore waters of Australia.

PETROLEUM EXPLORATION INTERESTS

VIC/P53, GIPPSLAND BASIN (Exoil 25% interest reducing to 16.667% as a result of farmout)

The Vic/P53 Joint Venture consists of:

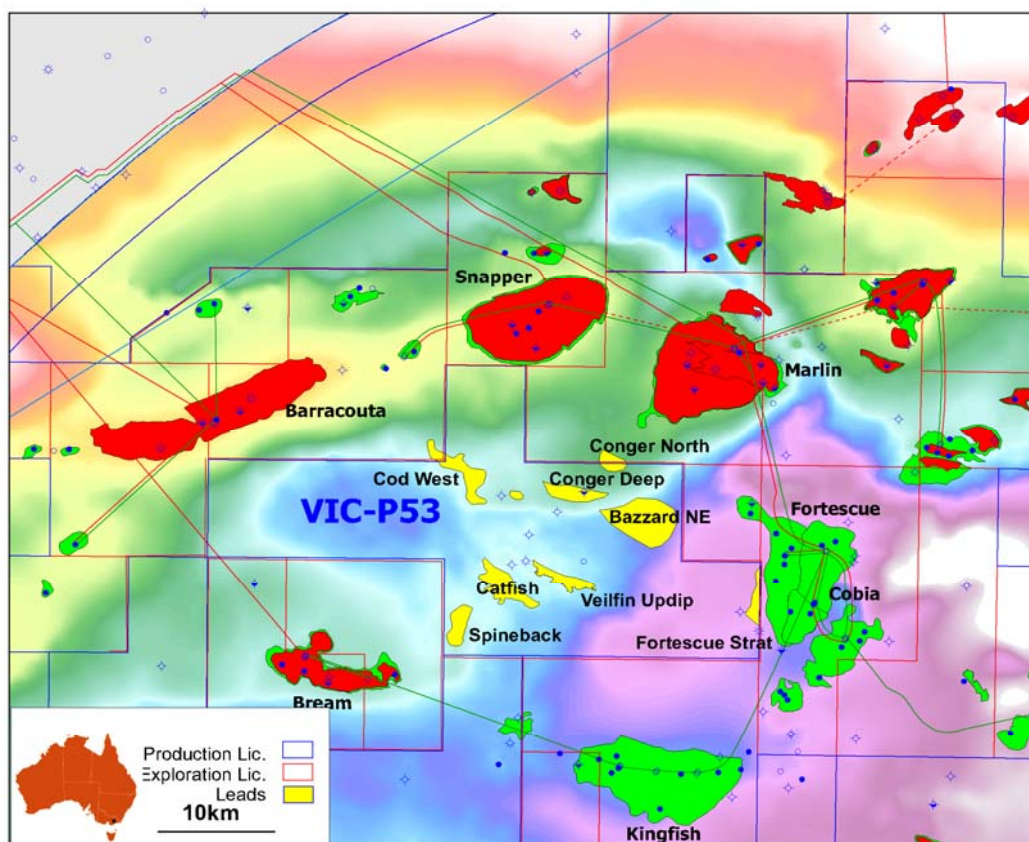
Stuart Petroleum Ltd (ASX Code: STU)	50% and Operator
Cue Petroleum Pty Ltd	25% *
Exoil Limited	16.667%
Moby Oil & Gas Limited (ASX Code: MOG)	8.333%

* Subject to a back-in right in favour of Australia Crude Oil company with respect to a 15% interest.

Stuart Petroleum Ltd (“Stuart”) was previously assigned a 50% participating interest in the permit by the company and Moby Oil & Gas Limited (“Moby”) as a consequence of farmin terms and has been appointed as Operator.

During the half year under review, Bazzard-1 was drilled but failed to encounter hydrocarbons.

Stuart must drill a second well at its cost or else reconvey its interest back to the company and Moby on a 2/3rd and 1/3rd basis respectively. Stuart has been granted an extension of time until 30 June 2009 in which to make its election of whether to drill a second well.



Prospects and Leads Map – Vic/P53

EXOIL LIMITED

ABN 40 005 572 798

VIC/P45, GIPPSLAND BASIN (Exoil 50% interest)

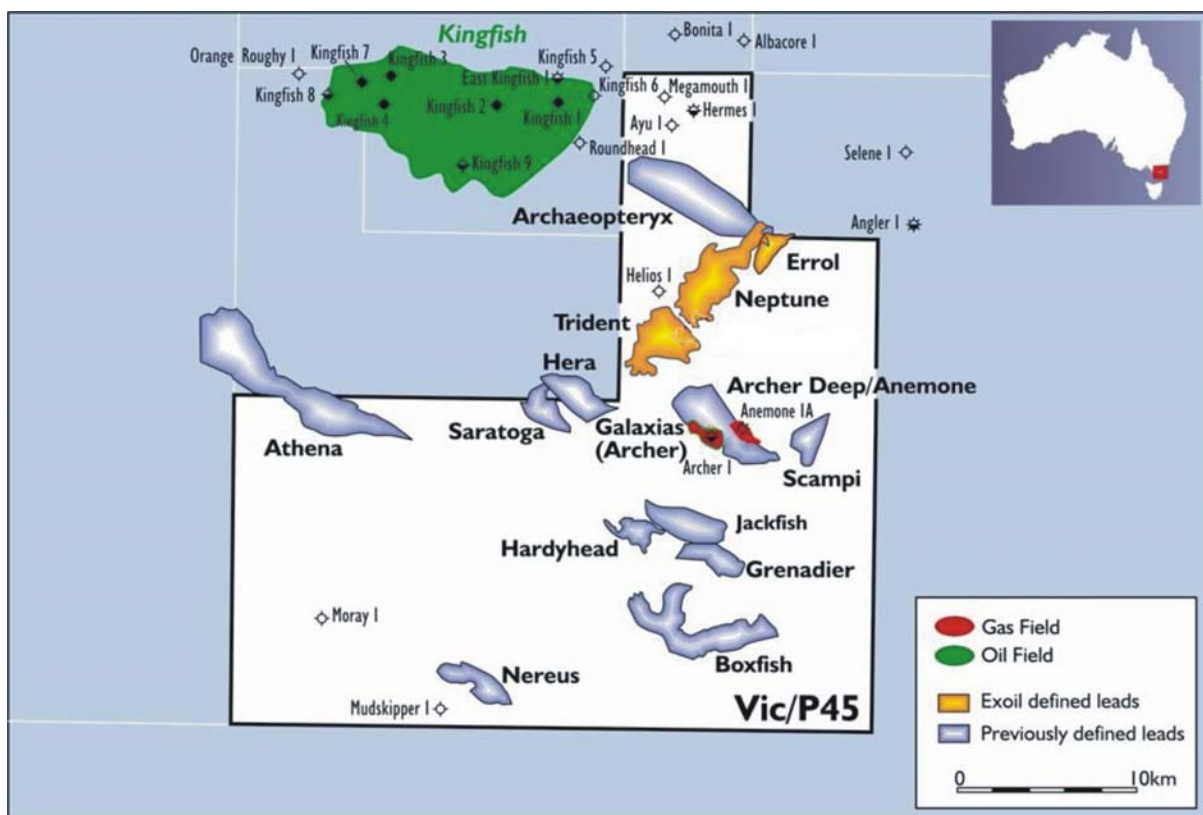
The Vic/P45 Joint Venture consists of:

Exoil Limited	50% and Operator
Moby Oil & Gas Limited	50%

Following Apache's decision to withdraw from the permit, the joint venture has lodged transfer documentation with the authorities. We are awaiting approval of the reconveyance.

The joint venture is reviewing the remaining leads within the permit with the aim of developing a drillable prospect.

Any prospect considered worthy of drilling will be offered for farmout to third parties on the basis of the earning of an interest in the permit.



Prospects and Leads Map – Vic/P45

T/37P and T/38P, BASS BASIN, Offshore from Tasmania (Exoil 35% interest)

The T/37P and T/38P Joint Ventures consist of:

Cue Energy Resources Ltd (ASX Code: CUE)	50% and Operator
Exoil Limited	35%
Gascorp Australia Pty Ltd	15%

Exoil, with Cue Energy Resources Ltd and now Gascorp Australia Pty Ltd by farming in to a 15% interest, hold two adjacent permits, T/37P and T/38P. The permits are located in the Bass Strait

region, north of Tasmania and east of King Island and each consists of 40 graticular blocks, covering areas of approximately 2,670 kms² (T/37P), and 2,655 kms² (T/38P). Water depths across the areas are less than 75 metres.

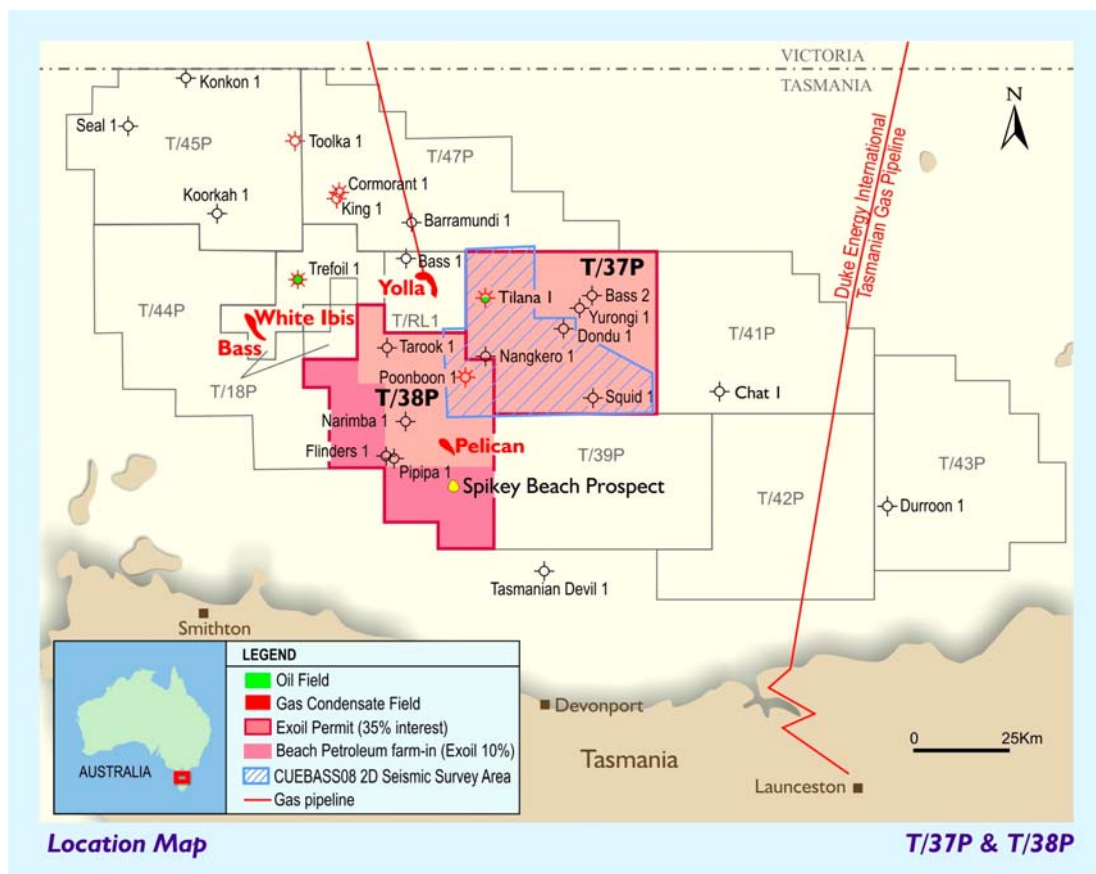
The T/37P permit is immediately adjacent to the east of Yolla gas/condensate field, which has recently begun production. The T/38P permit contains the Pelican gas/condensate discovery and is south of the Yolla field in the adjacent licence area.

The joint venture joined with a group of companies which together mobilized a seismic vessel to the Gippsland, Bass and Otway areas. As a consequence, 3,000 line kms of new 2D seismic data was acquired in T/37P and 670 line kms acquired in T/38P. The company farmed out its share of cost of this survey to Gascorp Australia Pty Ltd and, as a consequence, its interest in the permits and the joint venture has reduced to 35%. Interpretation of the seismic data in the permits has been completed and both time and depth maps constructed and integrated with existing well information. Leads have been identified and analysed.

Beach Petroleum Limited (“Beach”) agreed to farmin to part of T/38P and will earn an 80% interest in a defined portion (“the Spikey Beach blocks”) of the T/38P permit by paying for the drilling of the Spikey Beach-1 exploration well. The well will be operated by Beach and was expected to be drilled in late 2008. However, the West Triton rig could not jack-up successfully over the well location so an alternative rig will be required to drill the well. Exoil will hold a 10% interest in the Spikey Beach blocks after Beach has met its farmin obligations by drilling the well.

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

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



WA-332-P and WA-333-P, BOWSE BASIN (Exoil 29.75% interest held by subsidiary)

Exoil, through its wholly owned subsidiary, Braveheart Resources Pty Ltd, holds a 29.75% interest in these two contiguous permits that are being explored by the Braveheart Joint Venture.

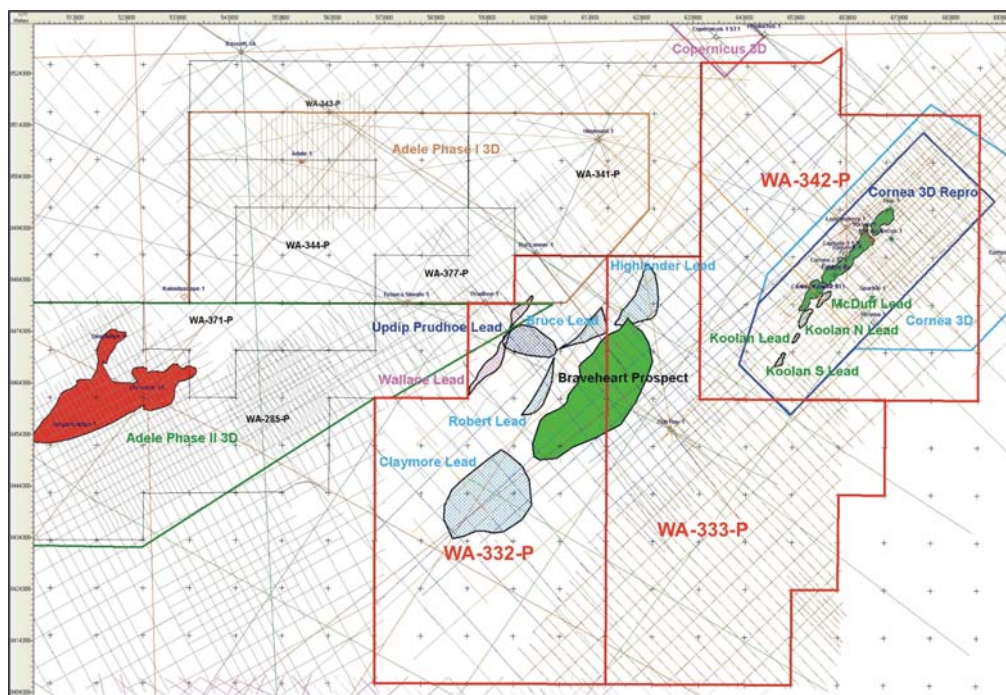
The Braveheart Joint Venture consists of:

Browse Petroleum Pty Ltd	15.00% and Operator
Braveheart Resources Pty Ltd	29.75%
Braveheart Petroleum Pty Ltd	29.75%
Braveheart Oil & Gas Pty Ltd	17.00%
Braveheart Energy Pty Ltd	8.50%

Subsequent to the end of the half year under review, the participants in WA-332-P and WA-333-P transferred their respective interests in the permits to wholly-owned subsidiaries and formed a new joint venture, the Braveheart Joint Venture, to administer their operations. The operatorship for this joint venture was assumed by Browse Petroleum Pty Ltd, a subsidiary of Gascorp Australia Pty Ltd.

What was then the Browse Joint Venture (now the Braveheart Joint Venture) previously acquired the Braveheart 2D seismic program over these permits and has obtained available open file reports and basic 2D and 3D seismic data acquired by previous explorers. The data sets have been integrated with the acquisition and processing of the latest 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 prospect and the joint venture has committed to a drilling rig for the drilling of Braveheart 1 in late 2009 early 2010. In the meantime, the joint venture elected to acquire a site survey over the drilling location and 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 to Browse Petroleum Pty Ltd.



Permits WA-332-P, WA-333-P and WA-342-P

WA-342-P, BROWSE BASIN (Exoil 29.75% interest held by subsidiary)

Exoil, through its wholly owned subsidiary, Hawkestone Oil Pty Ltd, holds a 29.75% interest in this permit, being explored by the Browse Joint Venture.

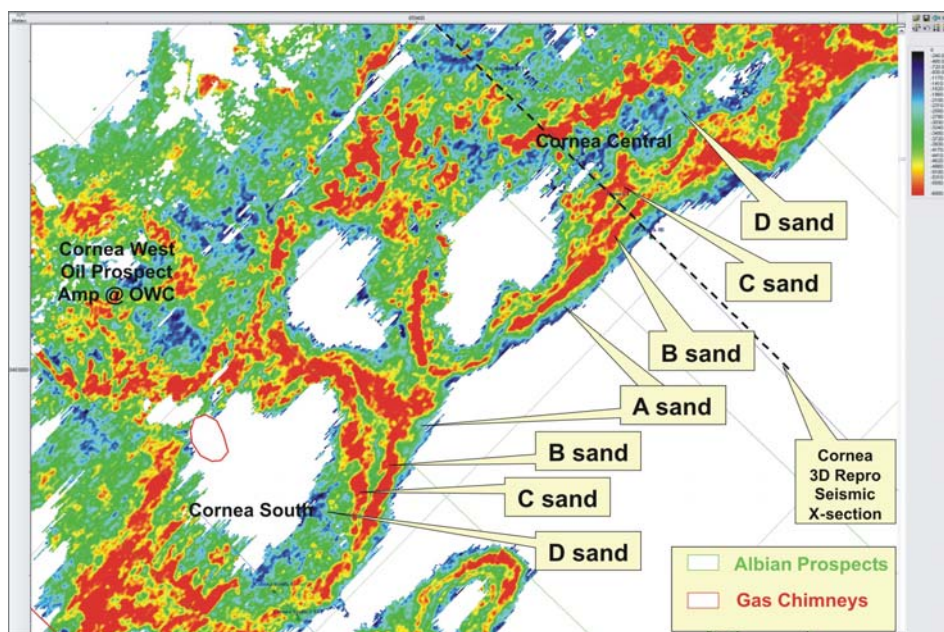
The Browse Joint Venture consists of:

Hawkestone Oil Pty Ltd	29.75% and Operator
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%

As with the adjacent WA-332-P and WA-333-P permits, the Browse Joint Venture previously obtained available open file reports and basic 2D and 3D seismic data acquired by previous explorers. In the case of WA-342-P. This includes 2,000 km² of high quality 3D seismic, known as the Cornea 3D survey, which is now held by the Browse Joint Venture. The joint venture has reprocessed approximately 1,000 kilometres of the Cornea 3D data.

The Cornea Field was discovered by the early exploration wells Cornea-1, 1B and 2. The wells are considered to have established the presence of a 25 metre gas column and a 18 metre oil column in the Albian 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 and Cornea Central, both with gas and oil, and Cornea North with gas and no underlying oil presence.

On reprocessed Cornea 3D seismic, similar Albian sandstone drape features have been recognised in the McDuff, Koolan North, Koolan and Koolan South leads 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.

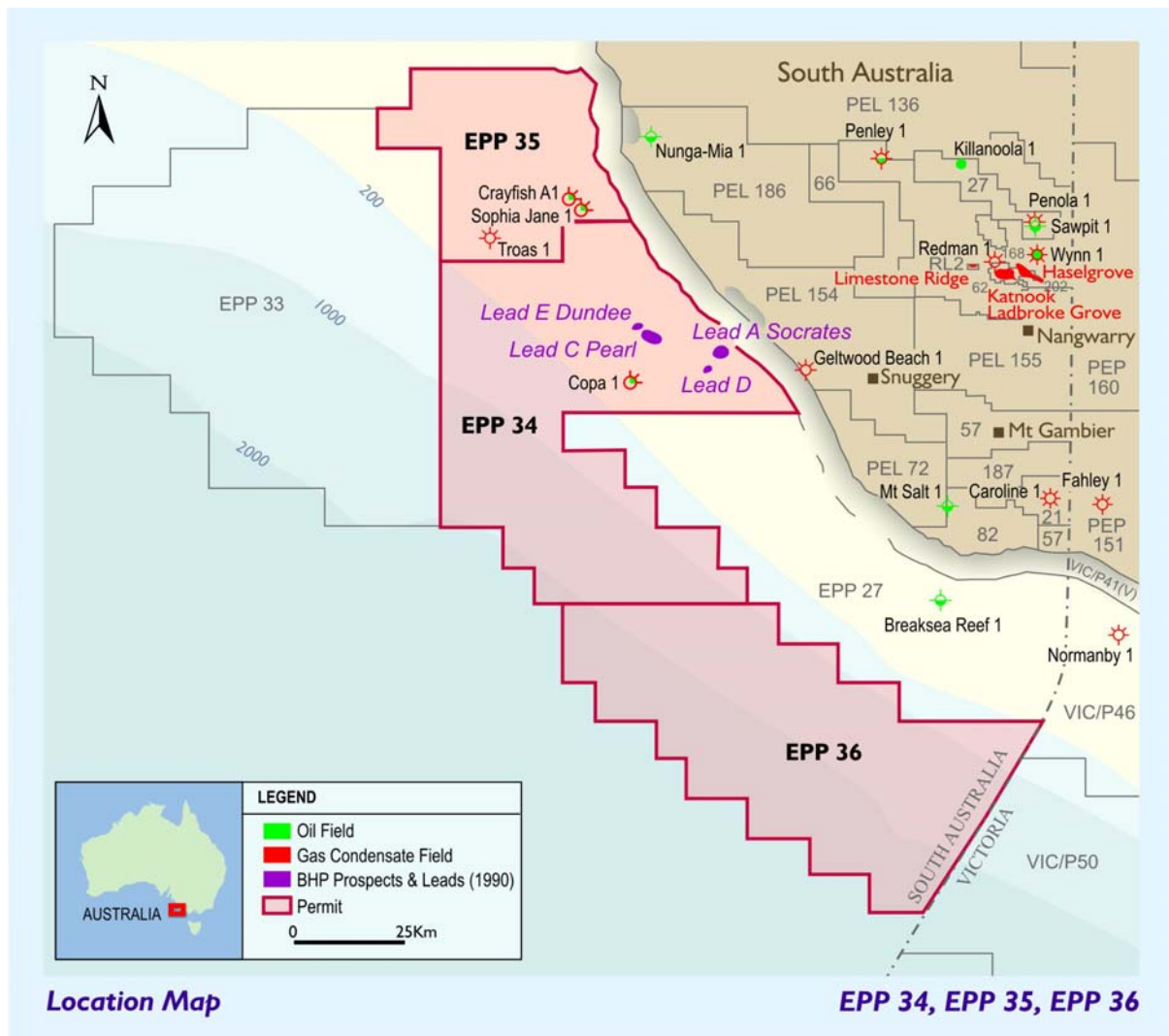


Cornea Prospects – WA-342-P

The EPP 34 Joint Venture consists of:

Exoil Limited	15% and Operator
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%

Processing of the 1,100 km Trocopa 2D survey continued during the period under review. Reprocessing of old data was also undertaken. In the past, interpretation has focused on the northern shelfal section of the block, targeting the Early Cretaceous Pretty Hill Sandstone, but will cover all areas now comprising the enlarged modern data set.

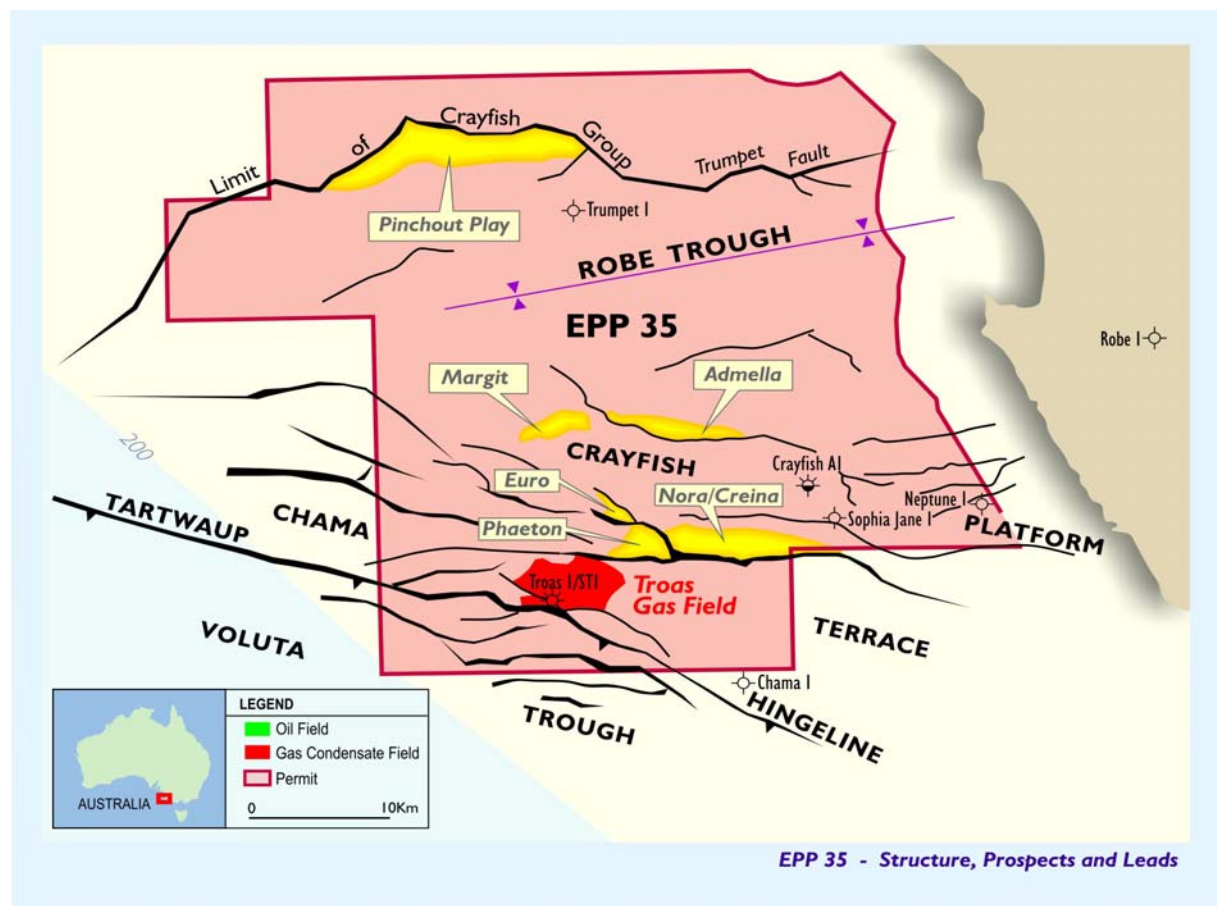


EPP 35, OTWAY BASIN (Exoil 30% interest)

The EPP 35 (Troas) Joint Venture consists of:

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

EPP 35 contains the Troas Gas Accumulation, where gas indications were noted over more than 1,000 metres of sedimentary section. The permit therefore has a proven hydrocarbon system in place. The focus of the joint venture has been on the Troas Deep Prospect where it is planned to acquire a 325 km² 3D seismic grid over the Troas complex. The permit is endowed with a wide range of potential prospects, with 'fair to good' seismic and well data coverage. The permit is located approximately 120 km from the gas pipeline to Adelaide.



EPP 36, OTWAY BASIN (Exoil 30% interest)

The EPP 36 Joint Venture consists of:

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

EPP 36 is a deep water area, parallel to the Morum Sub-basin. Interpretation of limited existing 2D seismic data indicates a highly faulted sedimentary section, with small, deep gas-prone targets in deep water.

A critical evaluation by the joint venture of the need for continued involvement in this permit is underway, given current oil and domestic gas prices and the outlook for them.

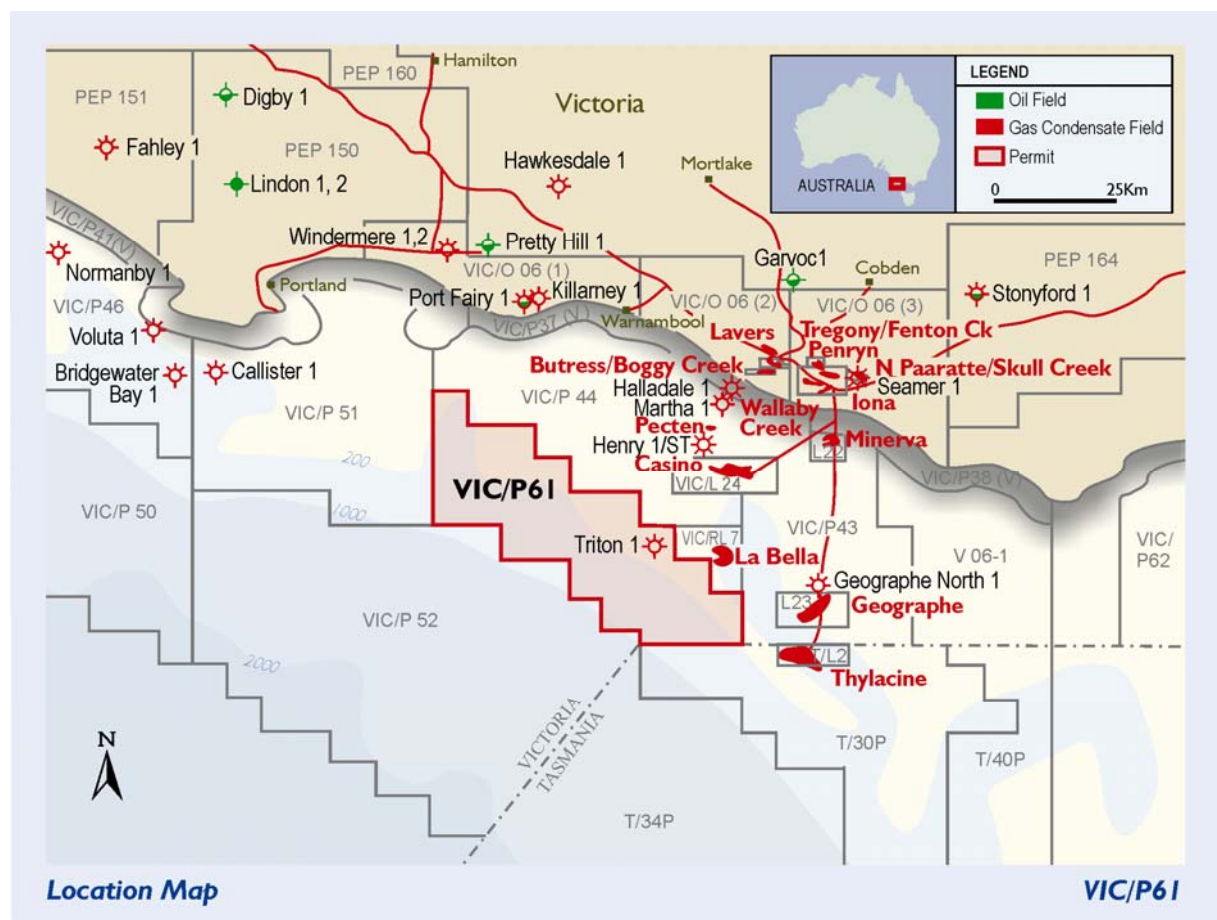
VIC/P61, OTWAY BASIN (Exoil 30% interest)

The Vic/P61 Joint Venture consists of:

Exoil Limited	30% and Operator
Gascorp Australia Pty Ltd	30%
Moby Oil & Gas Limited	20% *
Octanex N.L. (NSX Code: OCT)	10% *
Strata Resources N.L.	10% *

(* These interests are being earned pursuant to farmout arrangements with Exoil and Gascorp.)

A 2D seismic program in Vic/P61 was planned to take place in Q2 2009 but has been delayed indefinitely pending resolution of environmental based requirements. The joint venture is undertaking critical evaluation of future operations, given restrictive environmental requirements and the difficulty of reconciling good technical and acquisition practice with those requirements.



WA-359-P, DAMPIER BASIN (Exoil 20% interest)

The WA-359-P Joint Venture consists of:

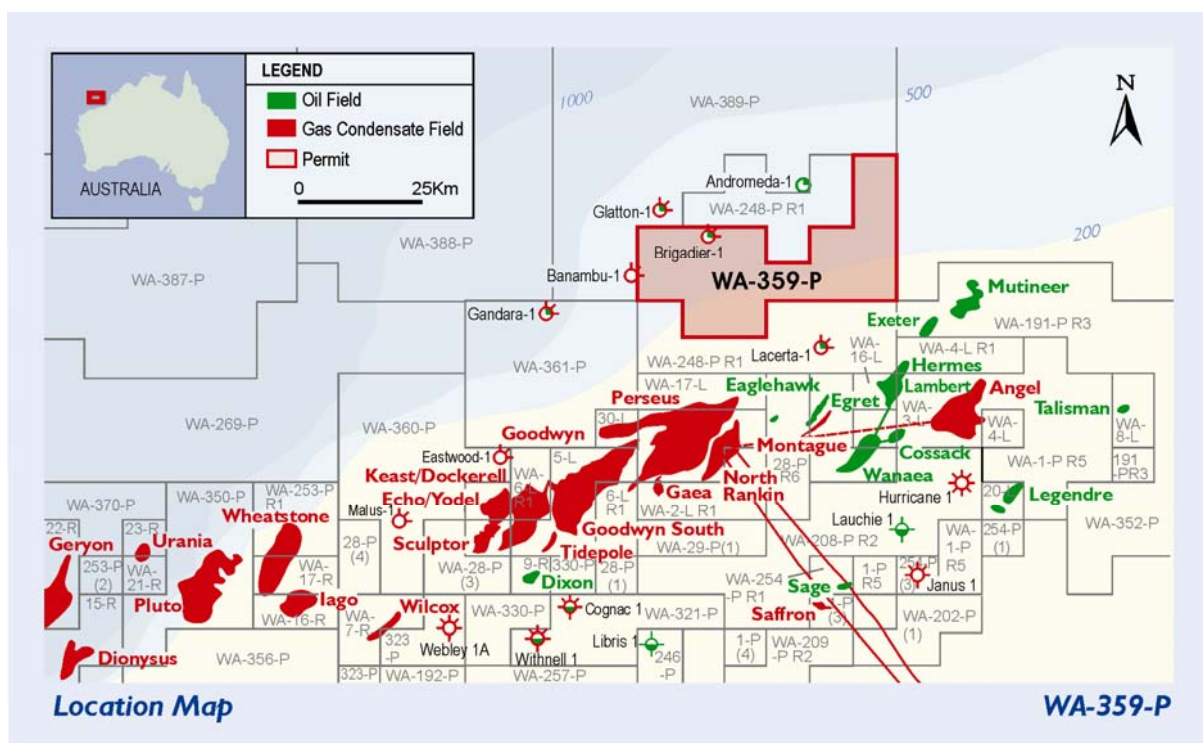
North West Shelf Exploration Pty Ltd (Subsidiary of MEO Australia Limited)	60% and Operator
Cue Exploration Pty Ltd	20%
Exoil Limited	20%

WA-359-P, in the Dampier Basin offshore from Western Australia, covers an area of approximately 1,200 kms² in water depths of less than 500m.

Interpretation of the existing seismic data in the permit has been completed, with regional time and depth maps having 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 during the period under review.

A wholly-owned subsidiary of MEO Australia Limited (*ASX Code: MEO*) farmed into the company's and Cue Exploration Pty Ltd's 50% interests in WA-359-P. It will earn an overall 60% interest in the permit by meeting the (now completed) year-3 seismic commitment and by electing to fund 90% of the cost of drilling the first exploration well in WA-359-P. As of the date of this report, MEO had not elected to drill that well.



Location of WA-359-P in Northern Carnarvon Basin

INVESTMENTS

The company's investments comprise a 2.9% interest in Rocky Mountain Minerals Inc ("RMMI"), a US incorporated, director-related company of E.G. Albers and a minor holding in Hitec Energy Ltd (ASX : HTE).

SERVICE CONTRACTS

There are no service contracts in place or proposed with any of the directors of the company as at the signing of this report.

SUBSEQUENT EVENTS

Other than the internal transfer of interests in WA-332-P and WA-333-P and change of Operator for those permits, as detailed above and in Note 8 of the attached half year consolidated financial statements, there have been no significant events occur subsequent to balance date.

WEBSITE

The company has a website at www.exoil.net where relevant documents and information are displayed.

AUDITOR'S INDEPENDENCE DECLARATION

The company has obtained an independence declaration from the auditor, PKF, a copy of which is attached to this report.

On behalf of the Board



E.G. Albers
Director

Melbourne, 13 March 2009

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 comprising the Income Statement, Balance Sheet, Cash Flow Statement, Statement of Changes in Equity and the accompanying Notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) at the date of this declaration there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board



E.G. Albers
Director

Melbourne, 13 March 2009

**INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	NOTE	31/12/2008 \$	CONSOLIDATED 31/12/2007 \$
Income	3	116,432	186,675
Expenses	3	<u>(505,896)</u>	<u>(207,259)</u>
Loss before income tax		(389,464)	(20,584)
Income tax benefit		<u>48,657</u>	<u>47,577</u>
(Loss) profit after income tax		<u>(340,807)</u>	<u>26,993</u>
Basic (loss) earnings(cents) per share		(0.336)	0.053
Diluted (loss) earnings(cents) per share		(0.336)	0.053

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

EXOIL LIMITED

ABN 40 005 572 798

**BALANCE SHEET
AS AT 31 DECEMBER 2008**

	CONSOLIDATED	
	31/12/2008	30/06/2008
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	295,919	970,987
Trade and other receivables	<u>191,775</u>	<u>299,381</u>
TOTAL CURRENT ASSETS	<u>487,694</u>	<u>1,270,368</u>
NON-CURRENT ASSETS		
Exploration and evaluation assets	3,847,765	3,732,656
Property, plant and equipment	71,496	78,033
Other financial assets	<u>30,388</u>	<u>25,067</u>
TOTAL NON-CURRENT ASSETS	<u>3,949,649</u>	<u>3,835,756</u>
TOTAL ASSETS	<u>4,437,343</u>	<u>5,106,124</u>
CURRENT LIABILITIES		
Trade and other payables	<u>249,116</u>	<u>528,433</u>
TOTAL CURRENT LIABILITIES	<u>249,116</u>	<u>528,433</u>
NON-CURRENT LIABILITIES		
Deferred tax liability	<u>525,204</u>	<u>573,861</u>
TOTAL NON-CURRENT LIABILITIES	<u>525,204</u>	<u>573,861</u>
TOTAL LIABILITIES	<u>774,320</u>	<u>1,102,294</u>
NET ASSETS	<u>3,663,023</u>	<u>4,003,830</u>
EQUITY		
Issued capital	2,959,055	2,959,055
Reserves	81,277	81,277
Retained earnings	<u>622,691</u>	<u>963,498</u>
TOTAL EQUITY	<u>3,663,023</u>	<u>4,003,830</u>

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

EXOIL LIMITED

ABN 40 005 572 798

**CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	CONSOLIDATED	
	31/12/2008	31/12/2007
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	11,842	52,191
Administration fee received	99,268	46,196
Proceeds from tenements farmouts	-	2,000,000
Payments to suppliers of exploration services	(385,738)	(218,787)
Payments to other suppliers and employees	(399,858)	(166,812)
Tax paid	-	(90,040)
Interest paid	<u>-</u>	<u>(29,687)</u>
Net cash (used in) / provided by operating activities	<u>(674,486)</u>	<u>1,593,061</u>
INVESTING ACTIVITIES		
Payment for office & computer equipment	(582)	(69,715)
Proceeds from sale of investments	<u>-</u>	<u>7,500</u>
Net cash used in investing activities	<u>(582)</u>	<u>(62,215)</u>
FINANCING ACTIVITIES		
Payments to related entities	<u>-</u>	<u>(244,494)</u>
Net cash used in financing activities	<u>-</u>	<u>(244,494)</u>
Net (decrease) / increase in cash assets	(675,068)	1,286,352
Cash assets at the beginning of the half year	<u>970,987</u>	<u>113,744</u>
Cash assets at the end of the half year	<u><u>295,919</u></u>	<u><u>1,400,096</u></u>

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	Issued Capital \$	Option Reserves \$	Retained Earnings \$	Total Equity \$
CONSOLIDATED				
At 1 July 2008	2,959,055	81,277	963,498	4,003,830
Loss for the period	-	-	(340,807)	(340,807)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	2,959,055	81,277	622,691	3,663,023
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 1 July 2007	2,959,055	81,277	1,024,794	4,065,126
Profit for the period	-	-	26,993	26,993
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007	2,959,055	81,277	1,051,787	4,092,119
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The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008****NOTE 1 CORPORATE INFORMATION**

The consolidated financial report of Exoil Limited (“the company”) and its subsidiaries (“the group”) for the half year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 13 March 2009. Exoil Limited is a company incorporated and domiciled in Australia. Its shares are publicly listed on the National Stock Exchange of Australia (“NSX”).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half year consolidated financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the group as the annual financial report does.

The half year consolidated financial report should be read in conjunction with the annual financial report of the group for the year ended 30 June 2008.

The half year consolidated financial report should be considered together with any public announcements made by Exoil Limited during the half year ended 31 December 2008 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of preparation

The half year consolidated financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, AASB 134 “Interim Financial Reporting” and other mandatory professional reporting requirements.

The half year consolidated financial report has been prepared on an historical cost basis, except for available-for-sale investments that are measured at fair value.

For the purpose of preparing the half year consolidated financial report, the six months have been treated as a discrete reporting period.

(b) Summary of significant accounting policies

The half year consolidated financial statements have been prepared by applying the same accounting policies as used in the annual financial report for the year ended 30 June 2008.

(c) Basis of consolidation

The half year consolidated financial statements comprise the financial statements of Exoil Limited and its wholly-owned subsidiaries, Hawkestone Oil Pty Ltd and Braveheart Resources Pty Ltd, as at 31 December 2008. The subsidiaries operate and are incorporated in Australia and their principal activity is petroleum exploration. At 31 December 2008 Braveheart Resources Pty Ltd was a dormant company.

(d) Going Concern

For the half year ended 31 December 2008 the consolidated entity incurred an operating loss after tax of \$340,807 and had a negative cash flow from operating activities of \$674,486. Furthermore, the consolidated entity’s only regular source of income is charge-outs for office expenditure to director-related entities. It is reliant on equity capital and/or loans from third parties or the proceeds of either partial sale or farm-out of its permit interests to meet its operating costs. These conditions indicate a material uncertainty that may cast doubt about the consolidated entity’s ability to continue as a going concern.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008****NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(d) Going Concern (continued)**

The financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and the settlement of liabilities in the normal course of business.

The ability of the consolidated entity to continue as a going concern is dependent upon a number of factors, one being the continuation and availability of funds. At balance date the consolidated entity has positive working capital of \$238,578. The consolidated entity is expecting to fund ongoing obligations beyond this working capital position as follows:

- On 12 November 2008, the company issued an Information Memorandum in connection with its listing on the Newcastle Stock Exchange. In the Information Memorandum the Company outlined to shareholders of the need to raise additional capital of \$1.5 million during the financial year ending 30 June 2010. It is the consolidated entity's intention that this capital will be raised in any one or a combination of the following methods: placement of shares to excluded offerees, pro-rata issue to shareholders and/or the issue of shares to the public. The company has a track record of raising capital to fund its exploration activities and expects despite the current economic and financial upheaval to be able to raise further capital when required;

- Expenditure commitments include obligations arising from farm-in arrangements, and minimum work obligations arising for the initial 3 year period of exploration permits and thereafter annually. Minimum work obligations, may, subject to negotiation and approval, be varied and/or satisfied by farmout, sale, relinquishment or surrender of a permit. Should the capital raising activities outlined above not be successful or 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 fund ongoing obligations by either partial sale of its permit interests or farm-out, the latter course of action being part of its overall strategy; and

- If additional working capital is required prior to undertaking the above strategies, the consolidated entity expects to be able to access loan funding from the related entities of a director and substantial shareholder, Mr EG Albers. The consolidated entity has received loan funding in the past from related entities of Mr Albers.

Cash flow forecasts prepared by management demonstrate that the company has sufficient cash flows to meet its commitments over the next twelve months based on the above factors.

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessarily incurred should the consolidated entity not continue as a going concern.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	31/12/2008	CONSOLIDATED 31/12/2007
	\$	\$
NOTE 3 EXPENSES AND INCOME		
Income		
Interest income	11,842	52,191
Recovery of administration costs (refer Note 7)	99,268	134,484
Increase in revaluation of investments	<u>5,322</u>	<u>-</u>
	<u>116,432</u>	<u>186,675</u>
Expenses		
Audit fees	16,000	6,000
Consulting fees	108,118	7,250
Depreciation	7,119	5,652
Directors fees	11,250	7,000
Impairment of exploration asset	98,917	-
Impairment of investments	-	39,969
Interest	-	25,563
Legal fees (refer Note 7)	25,000	-
Management fees	62,500	27,098
Other expenses	79,468	37,503
Rent	<u>97,524</u>	<u>51,224</u>
	<u>505,896</u>	<u>207,259</u>

NOTE 4 EXPLORATION EXPENDITURE COMMITMENTS

Expenditure commitments include obligations arising from the minimum work obligations for the initial three year period of exploration permits and thereafter commitments made 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.

Estimated expenditure to satisfy possible exploration permit work obligations at balance date were:

	31/12/2008	30/06/2008
	\$	\$
Not later than 1 year	327,000	12,332,500
Payable later than one year but not later than three years	<u>10,571,250</u>	<u>8,330,000</u>
	<u>10,898,250</u>	<u>20,662,500</u>

NOTE 5 SEGMENT INFORMATION

The group operates in Australia in the petroleum exploration industry.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008****NOTE 6 CONTRIBUTED EQUITY**

	31/12/2008		30/06/2008	
	Shares	\$	Shares	\$
<i>Ordinary Shares</i>				
Issued and fully paid	101,550,526	2,959,055	50,775,263	2,959,055

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

	31/12/2008 Options	30/6/2008 Options
<i>Options over Unissued Shares</i>		
Unlisted Options outstanding over ordinary shares	3,700,000	1,850,000

31 December 2009 Unlisted Options – exercisable at 15 cents and 20 cents

The company has previously granted options over unissued shares in the company, 1,175,000 exercisable at 30 cents on or before 31 December 2009 and 675,000 exercisable at 40 cents also on or before 31 December 2009. Each option granted confers 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 shareholders. 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 shareholders on the prior exercise of the option.

As with the subdivision of the ordinary shares, on 3 September 2008 the numbers of options issued were doubled and the respective option prices halved as part of the share sub-division approved by shareholders at that date.

NOTE 7 RELATED PARTIES*Transactions with Directors and Director-Related Entities*

During the half year, fees were paid under normal commercial terms and conditions to director-related entities of E.G. Albers for project administration and management, in the amount of \$124,142 (2007: \$94,610).

During the half year, fees were paid under normal commercial terms and conditions to a director-related entity of J.M.D. Willis, for project administration and management, in the amount of \$30,516 (2007: \$32,000).

During the half year, office services and amenities were provided under normal commercial terms and conditions to director-related entities of E.G. Albers in the amount of \$99,268 (2007: \$134,484).

During the half year, no interest was paid to director-related entities of E.G. Albers (2007: \$24,346).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008****NOTE 7 RELATED PARTIES (Continued)**

During the half year, legal fees were paid under normal commercial terms and conditions to G.A.Menzies, for work performed in relation to listing the company on the NSX, in the amount of \$25,000 (2007: \$Nil).

NOTE 8 SUBSEQUENT EVENTS

Subsequent to balance date, the respective 29.75% interests in each of the WA-332-P and WA-333-P permits have been transferred between the group's two subsidiaries, such that the interests are now held by Braveheart Resources Pty Ltd. The permits have also become a separate joint venture, being the Braveheart Joint Venture, and the operatorship has been passed from the group subsidiary, Hawkestone Oil Pty Ltd, to Browse Petroleum Pty Ltd, another participant in the Braveheart Joint Venture.

The WA-342-P permit is unaffected by these changes and remains the Browse Joint Venture, with Hawkestone Oil Pty Ltd continuing as operator.

NOTE 9 IMPAIRMENT OF EXPLORATION AND EVALUATION ASSETS

The impairment loss recognised in the period under review relates to components of permits Vic/P61 and EPP 36. The impairment loss was determined by analysing the costs with respect to each permit, that were capitalised during the half year and in previous periods, to identify any of these costs that relate to previously identified prospects the company now considers to be less commercially feasible than previously determined.

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF EXOIL LIMITED****Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Exoil Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2008 or from time to time during the half year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Exoil Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Exoil Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF EXOIL LIMITED (CONT'D)****Emphasis of Matter - Material Uncertainty Regarding Continuation as a Going Concern**

Without qualification to the conclusion expressed above, attention is drawn to the following matter.

As referred to in note 2(d) "Going concern" to the financial statements, the consolidated entity incurred a loss after tax for the half year ended 31 December 2008 of \$340,807 and had negative operating cash flows of \$674,486. These conditions, along with other matters set forth in note 2(d) indicate the existence of a material uncertainty which may cast significant doubt about the ability of the consolidated entity to continue as a going concern. Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the half-year financial report.

**PKF**

13 March 2009
Melbourne



D J Garvey
Partner

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Exoil Limited for the half-year ended 31 December 2009, 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Exoil Limited and the entities it controlled during the half-year.

D J Garvey
Partner
PKF

13 March 2009
Melbourne