

The Cornea Field in WA-342-P (see Figure 1) was discovered by Shell Development Australia (Shell) in January 1997. The well discovered a gas and an oil leg. Over the following two years Shell conducted appraisal drilling of the Cornea South, Central and North closures. That included nine wells and two sidetracks, of which two wells did not reach their intended target and had to be sidetracked or re-spudded. As well as wireline logging, conventional core was obtained in Cornea-2ST1 and Cornea South-1 wells. These cores proved valuable in defining reservoir properties, as the glauconitic and argillaceous nature of the reservoir sands inhibited evaluation using conventional logging tools. Shell defined several reservoir sand units.

The gas caps for Cornea South and Cornea Central are not thought to be connected but, from the present dataset, it is not known if the oil legs are in communication. Shell estimated the free water level for Cornea-1 and Cornea-1B, but this was based on poor pressure data and is not considered reliable. They were not able to define the thickness of the transition zone between oil and water in Cornea Central.

Although Shell had acquired over 2000km² of 3D seismic over the Cornea field, it was apparently not processed to remove multiple energy and consequently was not suitable for making accurate maps. As a result none of the appraisal wells were optimally located to test the best reservoir intervals within the oil leg.

Recent evaluation of the Shell data set, including reprocessing of 1,000km² of the Cornea 3D, has indicated that significant oil resources may exist within the better quality sand units that could be developed with multi lateral, horizontal wells. Before such a development can be considered, the production flow rates of these reservoirs need to be proved, as do the location of the transition zone and free water level.

The purpose of drilling Cornea-3 is to acquire modern, high quality nuclear magnetic resonance (NMR) logs within the Middle and Early Albian reservoir sands to obtain more accurate information on reservoir porosity, especially productive porosity and permeability, as well as hydrocarbon saturation and the location of the transition zone and free water level. The acquisition of better formation pressure measurements and formation fluid samples with a modular formation pressure tester tool ("MDT tool"), including possible flow test from a dual packer MDT are planned. Data from a successful Cornea 3 appraisal well will be used to plan a horizontal appraisal well, and to evaluate the commerciality of the field and ultimately a field development plan, if appropriate.

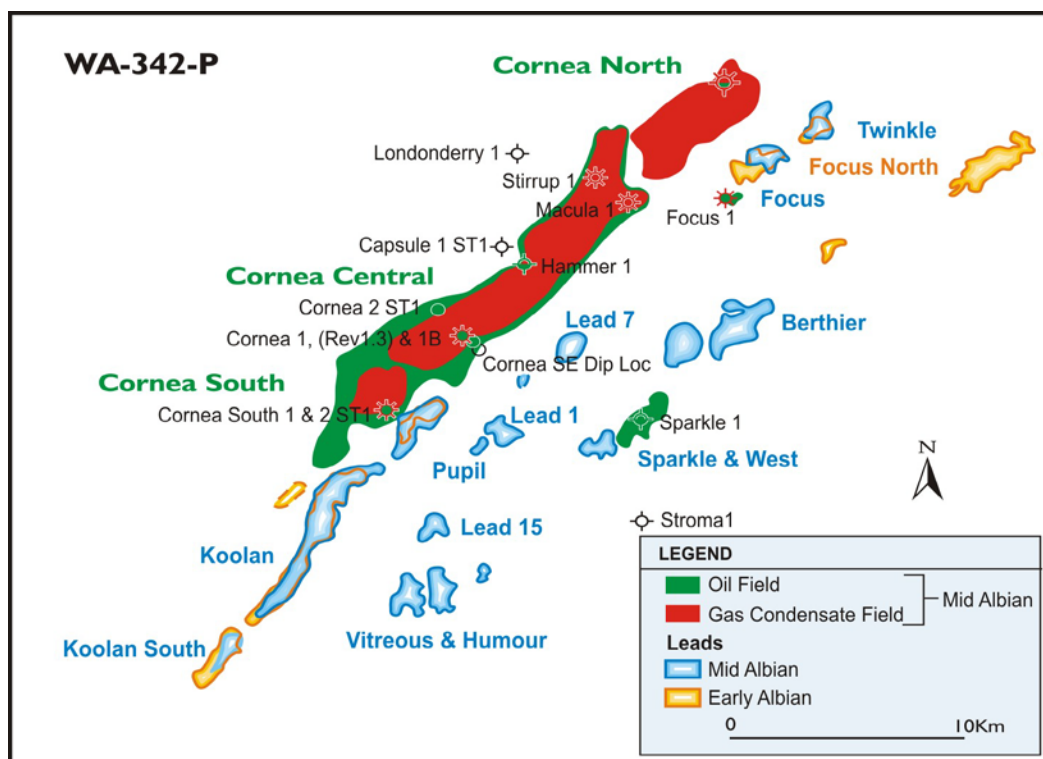


Figure 2 – Greater Cornea Region – Leads and Prospects

By Order of the Board

J.G. Tuohy
Company Secretary

13 November 2009

THIS DOCUMENT IS IMPORTANT. IF YOU DO NOT UNDERSTAND IT OR ARE IN ANY DOUBT AS TO HOW TO DEAL WITH IT, YOU SHOULD CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT, BANK MANAGER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

EXOIL LIMITED

ABN 40 005 572 798

EXPLANATORY MEMORANDUM

FOR

SALE OF AN AGGREGATE

13% INTEREST IN WA-342-P

THE GENERAL MEETING TO WHICH THE RESOLUTION TO APPROVE THE SALE OF AN AGGREGATE 13% INTEREST IN WA-342-P WILL BE PUT TO MEMBERS FOR APPROVAL WILL BE HELD AT MEETING ROOM 3, INSTITUTE OF CHARTERED ACCOUNTANTS IN AUSTRALIA, LEVEL 3, 600 BOURKE STREET, MELBOURNE VICTORIA AT 11:00 AM AEDT ON MONDAY THE 14TH OF DECEMBER 2009.

DIRECTORS

James M D Willis (Chairman)

E Geoffrey Albers

Graeme A Menzies

COMPANY SECRETARY

John G Tuohy

REGISTERED OFFICE

Level 21,
500 Collins Street,
Melbourne, Victoria 3000
Telephone: +61 (03) 8610 4700
Facsimile: +61 (03) 8610 4799
E-mail: admin@exoil.net
Website: www.exoil.net

SHARE REGISTRY

Link Market Service Limited
Level 1
333 Collins Street
Melbourne, Victoria 3000
Telephone: +61 (0)3 9615 9947
Facsimile: +61 (0)3 9615 9744
Website: www.linkmarketservices.com.au

AUDITORS

PKF
Level 14,
140 William Street,
Melbourne, Victoria 3000

COMPANY INCORPORATED IN VICTORIA

5 July 1979 (ACN 005 572 798)

STOCK EXCHANGE

National Stock Exchange of Australia Limited
Level 3, 45 Exhibition Street, Melbourne, Vic 3000
Level 2, 117 Scott Street, Newcastle, NSW 2300
Website: www.nsx.com.au

FORWARD LOOKING STATEMENTS

Various statements in this Explanatory Memorandum constitute statements relating to intentions, future acts and events of Exoil Limited ("Exoil" or the "Company").

Such statements are generally classified as forward looking statements and involve known and unknown risks, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way or manner in which they are expressly or implicitly portrayed herein.

PROVISION OF INFORMATION

Any information or representation not contained in this Explanatory Memorandum should not be relied upon as having been authorised by the Company or its directors.

No person is authorised to give any information or make any representation in relation to the proposals set out herein, which is not contained herein.

VOTING

Members should complete proxy forms as instructed and return them to the Company's Share Registrar in the enclosed reply paid envelopes without delay.

Corporate shareholders must:

- (a) complete and lodge with the Company a valid appointment of proxy in accordance with the instructions on the relevant Notice of Meeting; or
- (b) complete and lodge with the Company prior to the meeting a form of appointment of or certificate of appointment of personal representative in accordance with the provisions of Section 250D of the Corporations Act 2001; or
- (c) appoint a valid power of attorney in accordance with its constitution and the Company's constitution;

and cause such proxy, personal representative or attorney to attend the relevant meeting to enable it to vote at the relevant meeting.

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CORPORATE DIRECTORY

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Exoil Limited
ABN 40 005 572 798

Level 21
500 Collins Street
Melbourne Victoria 3000 Australia

Tel: +61 (0)3 8610 4700
Fax: +61 (0)3 8610 4799
Email: admin@exoil.net

Dear Member,

Letter to Members

This letter provides an overview of the matters set out in this Explanatory Memorandum.

This Explanatory Memorandum explains the terms of the proposed sale of an aggregate 13% interest in WA-342-P which contains the Cornea oil and gas accumulation for an aggregate consideration of \$3,133,000 payable to Exoil.

The Listing Rules of National Stock Exchange of Australia Limited ("NSX") and the provisions of Chapter 2E of the Corporations Act regulate related party transactions and generally require approval of any related party transactions, such as proposed in this Explanatory Memorandum, to be approved by the members of a company in general meeting. The primary exception to a related party transaction being required to be approved under the Corporations Act is set out in section 210 which provides:

Member approval is not needed to give a financial benefit on terms that:

- (a) *would be reasonable in the circumstances if the public company or entity and the related party were dealing at arm's length; or*
- (b) *are less favourable to the related party than the terms referred to in paragraph (a).*

While the sales fall within the exception in section 210 of the Corporations Act, they must still be put to Members for approval under NSX Listing Rule 6.43 which provides:

"The issuer shall obtain the approval of its members if it . . . disposes of a substantial asset to . . . a related party".

The proposed transactions in this case are sales of interests in WA-342-P on terms which members may consider are in Exoil's interest in that:

- the sales agreements reflect the terms of a relatively common oil and gas industry farmin where the farminee pays for the drilling of a well, generally, on a two for one basis (or terms either slightly more, or slightly less, than this ratio) to earn an interest in a permit. By way of example, the sale of the 13% interest is based on a sale price of A\$241,000 per 1% interest. This reflects an estimated drilling cost of A\$24,100,000 for the Cornea 3 appraisal well. A recent transaction in the permit has seen Moby Oil & Gas Limited ("Moby") farmin to the permit based on Moby paying on a 2 for 1 basis to earn its interest up to an aggregate cap of A\$482,000 for each 1% interest earned. For Moby to acquire 1% and retain it, it must pay that amount. In this case, for the purchase of a 1% interest from Exoil, the buyer must pay Exoil A\$241,000 to buy the 1% interest and, to retain it, must pay a further A\$241,000 in its pro rata share of drilling costs. That is, they each pay the same amount: with the variation that if the drilling costs are less than A\$241,000 per 1% interest, then Exoil must re-imburse the purchaser the difference between the initial A\$241,000 paid per 1% cost and the lesser drilling costs.

- the sales agreements provide that a condition of the sales taking place is that Exoil must have the benefit of a Loan Facility under which it can receive, from interests associated with Mr E G Albers, a loan of up to A\$2,000,000, if required by Exoil, to partially fund its drilling costs for its 29.375% interest in Braveheart and its remaining 16.75% interest in Cornea (after deduction of the 13% interest sold).
- without the sales agreements being completed, Exoil will not have sufficient funds to meet its committed share of the costs of drilling the Braveheart-1 well and the Cornea 3 appraisal well, which costs total in excess of A\$11,000,000 based upon estimated drilling costs for the Braveheart-1 well of A\$15,300,000 and A\$24,100,000 for the Cornea 3 appraisal well.
- if Exoil cannot meet its committed expenditures on one or both of Braveheart-1 well and the Cornea 3 appraisal well, it would likely default under the terms of each of the JOA's to which it is a party and, if it could not cure any default, by paying the amount of any shortfall in funding, Exoil would both forfeit its interest in the wells and the underlying permits and still remain liable to pay the amount by which it was in default: which could result in Exoil becoming insolvent and being forced into administration under the Act or being liquidated: in either case with minimal prospect of any return to Members. Clause 7.1 below summarises the terms of the JOA's relevant to these matters and Members should read that summary and, in particular, the default provisions, to enable them to appreciate the significance of these comments. Copies of those JOA's will be tabled at the meeting for Members to review at their discretion. The Prospective Resources within the Braveheart Prospect and the Contingent Resources within the Cornea oil and gas accumulation are detailed below, so that Members can understand more clearly the nature of the potential that default and consequent divestiture of its interests in either or both permits would entail.

To enable Members to consider how to vote in relation to the resolution, material which the Members may consider relevant to an assessment of the reasonableness or otherwise of the transactions is contained in the table in clause 3 below which analyses a series of farmins and comments thereon.

In brief, on analysis as detailed herein, it appears that the terms of the present sales transactions are more favourable to Exoil than the majority of the transactions listed in clause 3 below were to the companies farming out their interests. The exceptions were in cases where the prospects were sufficiently highly prospective to attract the interest of major industry participants. Cornea is not such a prospect because its prospective upside is limited, as set out in the table of Contingent Resources referred to below, as calculated by RPS Energy Pty Ltd ("RPS").

The farmins entered into by Moby were conventional industry farmins where Moby, as the farminee, was paying on a two for one basis to earn interests in the permits, subject to a cap on the "premium" or "promote" being paid by it. Briefly, in relation to the WA-342-P farmin, Moby was paying the first \$10,800,000 of the Farmors 44.750% share of the costs of drilling the Cornea 3 appraisal well to earn a 22.375% interest in WA-342-P. The cap on expenditure reflects an anticipated drilling cost of A\$24,100,000 to drill the Cornea 3 appraisal well, as also referred to above.

While the present transactions are sales, not farmouts, they essentially reflect the same financial terms, with, for the benefit of Exoil, a number of significant variations.

Members should also note that Moby has, in its farmin announcements made on 18th September 2009, announced Prospective Resources for the Braveheart Prospect and Contingent Resources for the Cornea oil and gas accumulation.

Briefly, those Prospective Resources and Contingent Resources are repeated below, as extracted from each of the announcements made by Moby.

RPS has consented to those resource quotations being included in this Explanatory Memorandum, in the form and context in which they are included.

In reading the assessments set out below, Members should have regard to the commentary in clause 8 below as to the nature of prospective resources and contingent resources. Members should understand that:

- “*Prospective Resources*” are those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from “undiscovered accumulations”. As the definition refers to “undiscovered accumulations”, the “accumulation” might not exist, with the result that no actual resources are discovered.
- “*Contingent Resources*” are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.

BRAVEHEART

A summary of the prospective resources estimates and risks for the Braveheart Prospect within WA-332-P and WA-333-P prepared by RPS are shown in Table 1.

Permits / Prospect	Estimates of Undiscovered Oil Initially-In-Place (mmbbls) Estimates of Undiscovered Gas Initially-In-Place (Bcf)				Estimates of Prospective Oil Resources (mmbbls) Estimates of Prospective Gas Resources (Bcf)				Risk Factor %
WA-332-P WA-333-P	Low	Best	Mean	High	Low	Best	Mean	High	*GPoS 12%
Braveheart Gas Condensate Case	730	1895	2231	4217	501	1322	1564	2973	#6%
	Prospective Condensate Resources (mmbbls)				23	64	78	153	
Braveheart Oil Case	516	1335	1572	2957	150	397	472	897	#6%

*Geological Probability of Success; # Geological Probability of Success (GPoS) of particular hydrocarbon phase

Table 1 - Permits WA-332-P WA-333-P Undiscovered Gas or Oil Initially-in-Place and Prospective Resources for the Braveheart Prospect (Source: RPS)

The undiscovered hydrocarbon in place and prospective resource estimates has been prepared in accordance with the SPE/WPC/AAPG/SPEE Petroleum Resources Management System (PRMS, 2007).

The technical information quoted has been compiled by RPS Energy Pty Ltd (“RPS”), an independent consultancy specialising in petroleum reservoir evaluation and economic analysis. Except for the provision of professional services on a fee basis, RPS does not have a commercial arrangement with any other person or company involved in the interests that are the subject of this press release. RPS has consented to the inclusion in this announcement of this information in the form and context in which it appears.

CORNEA

The Cornea Contingent Resources prepared by RPS are shown in Table 2.

Permit / Field	Estimate of Oil Initially-In-Place (mmbbls)				Estimate of *Contingent Resources (mmbbls)			
WA-342-P	Low	Best	Mean	High	Low	Best	Mean	High
Cornea	88	147	159	244	13	37	40	85

*** Contingent upon having sufficient reservoir performance**

Table 2 - Contingent Resources Cornea Field (Source: RPS)

The Oil Initially-in-Place and Contingent Resource estimates have been prepared in accordance with the SPE/WPC/AAPG/SPEE Petroleum Resources Management System (PRMS, 2007).

The technical information quoted has been compiled by RPS Energy Pty Ltd ("RPS"), an independent consultancy specialising in petroleum reservoir evaluation and economic analysis. Except for the provision of professional services on a fee basis, RPS does not have a commercial arrangement with any other person or company involved in the interests that are the subject of this press release. RPS has consented to the inclusion in this announcement of this information in the form and context in which it appears."

Members should note the nature and character of Prospective Resources and Contingent Resources and not assume, in the case of the Braveheart Prospect, that any hydrocarbons are necessarily present within the Braveheart prospect.

You should note that Mr Albers was not present at the board meeting held to consider the sales agreements. That Board meeting was attended only by Messrs Menzies and Willis. While they are also directors of Octanex N.L., neither is a director of Auralandia N.L. and their economic interests in each of Exoil and Octanex are not large and are disclosed in clauses 12 and 16 below.

Messrs Menzies and Willis resolved to convene a meeting to enable Members to consider the proposed sales agreements but neither they, nor Mr Albers, make any recommendation about the sales. They each consider they are ineligible and therefore not qualified to make any recommendation as to the matters to be put to the meeting, and instead, merely wish to point out to Members the consequences of passing of not passing the resolution.

Further, each of the Directors and each of their Associates will abstain from voting on the resolution to be put to the meeting.

The Directors urge you to read this Explanatory Memorandum carefully and in full and, if you do not understand it or do not understand any matter referred to in it, you are recommended to seek independent advice from such of your professional advisers or other persons who are competent to best advise you in relation to the matters contained in this document.

You should understand that this Explanatory Memorandum provides significant additional information which is important for you, as a Member of Exoil, to consider carefully before deciding how to vote on the resolution to be put to the meeting.

Yours sincerely



John G Tuohy
Secretary

13 November 2009

EXPLANATORY MEMORANDUM

1. INTERPRETATION

In this Explanatory Memorandum unless the context otherwise requires:

- (a) **"accumulation"** means in relation to any prospective resource or other hydrocarbon resource "An individual body of moveable petroleum";
- (b) **"ASIC"** or **"Commission"** means the Australian Securities and Investments Commission or, in respect of any particular function or power given to the Commission under the Corporations Act, any person to whom the Commission has delegated that function or power;
- (c) **"Associate"** means an associate within the definition of "Associate" within the meaning of the Act
- (d) **"Board"** in relation to any of Exoil means the board of directors of Exoil;
- (e) **"Braveheart"** or **"Braveheart Prospect"** each means the Braveheart Prospect situate within WA-332-P and WA-333-P;
- (f) **"Braveheart Joint Venturers"** are all those parties holding interests in WA-332-P and WA-333-P;
- (g) **"Business Day"** means a Business Day as defined in the Listing Rules of NSX;
- (h) **"Commonwealth"** means the Commonwealth of Australia and its external territories;
- (i) **"Company"** or **"Exoil"** each mean Exoil Limited;
- (j) **"Constitution"** means the constitution of Exoil;
- (k) **"Cornea"** means the known Cornea oil and gas accumulation within WA-342-P;
- (l) **"Cornea 3 appraisal well"** means the well planned to be drilled within WA-342-P in December 2009 by the Cornea Joint Venturers;
- (m) **"Cornea Joint Venturers"** are all those parties holding interests in WA-342-P;
- (n) **"Corporations Act"** means the Corporations Act 2001 as it applies in Victoria;
- (o) **"Designated Authority"** means the Designated Authority under the Petroleum Act;
- (p) **"Directors"** means a reference to the directors of Exoil acting as a board of directors or otherwise acting in their role or capacity as a director of Exoil and a reference to a **"Director"** means a reference to a director of Exoil acting in his capacity as a director of Exoil;
- (q) **"interest"** means, when describing an interest in a petroleum exploration permit, an undivided Participating interest in the permit in accordance with, and subject to the relevant joint venture agreement which regulates the relationship of all persons having undivided interests in that permit;
- (r) **"Listing Rules"** means the Listing Rules of NSX as in force from time to time;
- (s) **"known accumulation"** means a known individual body of moveable Petroleum. The key requirement to consider an accumulation as known, and hence contain reserves or contingent resources, is that each accumulation/reservoir must have been penetrated by a well. In general, the well must have clearly demonstrated the existence of moveable petroleum in that reservoir by flow to surface or at least some recovery of a sample of petroleum from the well. However, where log and/or core data exist, this may suffice, provided there is a good analogy to a nearby and geologically comparable known accumulation.
- (t) **"meeting"** means the general meeting of the members of Exoil to be convened by the notice of meeting attached hereto;
- (u) **"person"** includes the Crown, and all bodies or persons corporate or unincorporate;
- (v) **"Petroleum Act"** means the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (formerly the Petroleum (Submerged Lands) Act) and all subordinate legislation made thereunder;
- (w) **"Regulations"** means the Corporations Regulations made under the Corporations Act from time to time;
- (x) **"Share Register"** means the share register of Exoil;
- (y) **"Share Registry"** means Link Market Services Limited or any other person maintaining the Share Register;
- (z) **"WA-342-P"** means petroleum exploration permit designated WA-342-P issued under the Petroleum Act and which contains the known Cornea oil and gas accumulation;

- (aa) “WA-332-P” and “WA-333-P” respectively mean petroleum exploration permits designated WA-332-P and WA-333-P issued under the Petroleum Act and which together contain the Braveheart;

In this Explanatory Memorandum:

- (bb) headings are for convenience only and do not affect interpretation and unless the context indicates a contrary intention;
- (cc) a reference to any document (including this Explanatory Memorandum) is to that document as varied, novated, ratified or replaced from time to time;
- (dd) a reference to any statute or to any statutory provision includes any statutory modification or re-enactment of it or any statutory provision substituted for it, and all ordinances, by-laws, regulations, rules and statutory instruments (however described) issued under it;
- (ee) words importing the singular include the plural (and vice versa), and words indicating a gender include every other gender;
- (ff) where a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (gg) the word "includes" in any form is not a word of limitation; and
- (hh) a reference to "\$" or "dollar" is to Australian currency.

2. THE EXOIL GENERAL MEETING

There is only one resolution being put to the meeting. That is a special resolution to approve the sale of an aggregate 13% interest in WA-342-P (containing the Cornea oil and gas accumulation), with an 8% interest being sold to Octanex N.L. and a 5% interest being sold to Auralandia N.L. The text of the resolution is set out in the Notice of Meeting accompanying this Explanatory memorandum.

The resolution to be put to the meeting is as follows:

“That, for the purpose of complying with the Listing Rule 6.43 of the Listing Rules of National Stock Exchange of Australia Limited, each of:

- (a) *the sale agreement (“Octanex Agreement”) made between the Company as vendor and Octanex N.L. (“Octanex”) as purchaser under which Octanex agreed to purchase an undivided 8% interest in petroleum exploration permit WA-342-P for an amount of A\$1,928,000 and otherwise on the terms and conditions more particularly set out in the Octanex Agreement, (which is tabled at the meeting and marked with the letter “A”); and*
- (b) *the sale agreement (“Auralandia Agreement”) made between the Company as vendor and Auralandia N.L. (“Auralandia”) as purchaser under which Auralandia agreed to purchase an undivided 5% interest in petroleum exploration permit WA-342-P for an amount of A\$1,205,000 and otherwise on the terms and conditions more particularly set out in the Auralandia Agreement, (which is tabled at the meeting and marked with the letter “B”)*

be approved and ratified”.

None of the purchasers named in the resolution or any of their Associates within the meaning of the Act will vote on the resolution, other than as permitted under the terms of the Voting Restriction set out in the Notice of Meeting: namely when directed to do so as a proxy for a non associated shareholder directing them to vote in favour of, or against, the resolution.

The resolution requires approval of members under the NSX Listing Rules.

The sale of this aggregate 13.00% interest is for an aggregate amount of \$3,133,000, subject to the Members of the Company approving that transaction. The sales were made on the terms of the Sales Agreements which are summarised in clause 3 (a) below. Your Directors consider the terms of sale to be both:

- (a) *“reasonable in the circumstances if the public company or entity (Exoil) and the related party were dealing at arm’s length.”;*

and to be

- (b) *more favourable to Exoil than would be obtained if the parties were dealing at arms length.*

These are essentially the tests which are set out in section 210 of the Corporations Act 2001 to determine whether a related party transaction needs to be approved by members of a company in general meeting. Despite meeting this test, the acquisitions are required to be submitted to Members as a result of Listing Rule 6.43 of the NSX Listing Rules.

The reason for the Directors’ conclusions referred to in the Company Secretary’s covering letter, and in clause 5 below, relate both to the fact that the terms of sale equate to a standard industry farmin on a two for one basis, as discussed below, together with the fact that a condition of the sales is the requirement for the Loan Facility associated with the fact that the terms of the Loan Facility Agreement, on which GMH will advance up to \$2,000,000 to enable Exoil to meet its obligations, are commercially advantageous to Exoil, as they are on terms that would not be obtainable from any other financier.

A copy of the Loan Facility Agreement required to be entered into as a term of the proposed sales is summarised in clause 3(b) below. Copies of each of the Loan Facility Agreement and the Sales Agreements will be tabled at the meeting.

It should be borne in mind that the sale is being made in the context that it is one of a number of fund raising activities. These include a one for one entitlements issue under an Offer Information Statement lodged with ASIC and dated 9 November 2009, which will shortly be mailed to you. That issue is partially underwritten to an amount of \$3,077,526 (Underwritten Amount) by Great Missenden Holdings Pty Ltd (GMH), a company of which EG Albers, is a director and shareholder. That underwriting agreement records in the recitals to the underwriting agreement that, in order to facilitate Exoil meeting its obligations, it has agreed to sell the interests in WA-342-P, as referred to herein. The underwriting agreement was entered into on the assumption that such interests would be disposed of. If the members fail to approve the sales it is also arguable that GMH would not be bound by the underwriting commitment as a representation on which it is based has not occurred. In any event, Exoil would have insufficient funds to meet the drilling obligations without such sale proceeds.

Under the Loan Facility Agreement, GMH will advance the Company up to that amount which is the difference between the amount actually raised under the Issue and the full amount of the Issue (the Shortfall Amount). The maximum amount which can be drawn down under the Loan Facility Agreement is A\$2,000,000. The amount actually advanced to the Company under the Loan Facility will be that portion of the Shortfall Amount which might be needed by the Company to assist the Company to meet its obligations to fund the drilling of the Braveheart-1 well and the Cornea 3 Appraisal well, to the extent those funds are not available from other sources. Any funds so advanced will be secured by way of a first ranking mortgage debenture charge over the assets of the Company.

Members of Exoil should read the summaries of the Sale Agreements and the Loan Facility Agreement to more fully understand the conditions on which the Cornea Farmin may proceed, and to enable them to consider whether, from Exoil’s point of view, the terms and conditions of the transaction are such that the transactions should be approved.

In answering this question the point to be considered by Members is whether, looking at the transaction from Exoil’s point of view, Exoil could have achieved those sale terms on the open market.

Members might also consider that the best guide to an answer to this question is analysis of like terms and transactions. The closest analogy to the proposed sales may well be the terms of

farmins entered into between other parties, given that the financial terms of the sales, apart from the requirement that the Loan Facility be provided, have the same financial effect as a two for one farm in.

The value of a farmin to the farmor (the party relinquishing a percentage of its held exploration permit) is threefold:

- (a) the money saved from being expended;
- (b) the dollar value of expenditure that is committed and expended by the farminee which may materially enhance the retained interest; and,
- (c) the intangible value of knowledge, expertise and management capability brought to the venture by the farminee.

The Sales Agreements will also, in the Directors' opinion, satisfy the requirement that the transaction be "*reasonable in the circumstances as if the public company or entity (Exoil) and the related party were dealing at arm's length*", if the transactions are on what may be regarded as "normal commercial terms".

The Sales Agreements will, in the Directors' opinion, satisfy the alternative requirement that the transaction be "*more favourable to Exoil than would be obtained if the parties were dealing at arms length*", if the transactions are on what may be regarded as better than "normal commercial terms".

In the oil and gas industry, normal commercial terms will vary widely dependant on the location, and status of the exploration effort in the particular hydrocarbon basin concerned.

Arm's length terms does not necessarily mean that there has to be a rigid application of a strict "market value" test.

When parties deal genuinely at arm's length they will not inevitably reach a value or price that is in strict accordance with then ruling values on the open market for transactions of a similar nature. The circumstances in which the particular parties are operating may cause their price to vary above or below ruling prices. (See CCH [¶45-710] Arm's length terms: sec 210).

In this context the overwhelmingly significant factor for Exoil is its financial position. Unless it raises significant funds, it will not be able to meet its obligations to fund its proportion of drilling costs for either Braveheart or Cornea and may be defaulted out of its interests in either or both of permits WA-333-P (in which the Braveheart-1 well is being drilled) and WA-342-P (in which the Cornea 3 Appraisal well is being drilled). In this context clause 8 of the JOA's in respect of each of those permits are summarised in clause 7.1 below.

Importantly, Exoil, through its subsidiary Hawkestone Oil Pty Ltd, as Operator of WA-342-P, has entered into the Deed of Accession under which it has incurred a liability under the Songa Venus drilling contract and associated contracts, also summarised in clauses 7.5 to 7.7 below. That liability is substantially co-extensive with the liabilities under the JOA's referred to. The existence of those liabilities makes it imperative that Exoil raise funds. That is one of the surrounding circumstances governing the commerciality of the transactions and which could affect the "price" for the transaction referred to in the quote from CCH.

This issue was recognised by Lee J in *Granby Pty Ltd v FC of T* when, speaking of sec 160ZH of the *Income Tax Assessment Act 1936*, he said:

"... if parties deal with each other at arm's length the consideration paid or given to acquire the asset may be relied upon notwithstanding that the consideration is greater, or less, than market value.

The conventional manner in which exploration interests are acquired is by farmin or by sale. The less risk a particular prospect or permit has, the higher the premium or promote that a Farmor will require. Conversely, if a permit is relatively under-explored or little is known about its capabilities to produce hydrocarbons, usually the lower the price or promote will be. There are always exceptions, such as where an exploration tenement is considered to be highly prospective,

despite being unexplored. Commercial terms can, in a very general sense, be divided into terms which a farminee or purchaser would be prepared to pay for interests at differing stages of prospectivity.

Category One: A relatively unexplored, green-field exploration play might normally attract little more than “*ground floor terms*”. That is, a farminee would pay or incur only a modest amount above its pro-rata share of all costs of exploration for a share equivalent to the percentage acquired or to be earned.

Category Two: Sellers or farmors of permits where several programs of exploration, normally one or two rounds of seismic survey collection, processing and interpretation have taken place, will normally seek to have a farminee expend twice the amount that equates to the percentage of the permit that the farminee seeks to earn in the permit and joint venture. This is referred to as a 2 for 1 (2:1) transaction.

Category Three: A farminee entrant into a producing or near producing oil or gas permit or field would be expected to pay or contribute expenditure that amounted to a premium of up to many times the value of capital expended historically in the permit area. This is subject to the rider that marginal fields attract far less premium any.

While Cornea is not a green-field exploration play (Category One noted above), nor is it a producing or near producing field (Category Three noted above).

Despite prior wells, the objective of drilling of the Cornea 3 appraisal well is still to seek to obtain information about reservoir characteristics to determine what level of prospectivity the field has and to better understand what chance of development of the accumulation exists. These were not determined by the prior wells. As understood by your directors, the present assessment of the Cornea assessment is that there is a probabilistic 40% chance of development, if this well is drilled. However, no development can be contemplated without additional information being obtained and assessed: some of which information may be provided by the Cornea 3 appraisal well. The Cornea 3 appraisal well may enhance or degrade the prospect of development of the accumulation. There have been a series of wells drilled in respect to Cornea. Details of those wells and a geological assessment of WA-342-P are set out in the Offer Information Statement (“OIS”) which is to be mailed to you.

Given that Cornea is neither grass roots exploration nor near production, Members might consider that a two for one farmin as referred to in Category Two noted above might provide a reasonable commercial basis for a transaction, whether structured as a farmin or as a sale.

Any discussion of farmout terms would not be complete without mention of the relevance of some of the other major risk factors of oil exploration. These include the costs of exploration and the associated risk factors, depth of water and availability or otherwise of infrastructure. There is a need to overlay these factors with exploration risk of discovery (hydrocarbon generating environment, reservoir availability and quality, reservoir seal, geological structure and communication). This provides a risk profile that a farmin explorer will attach to permit area or structure within that area. It is with that background information that a farminee may make an offer of expenditure to earn an interest in a permit: an offer that fits its financial and portfolio risk profile.

Exploration costs have increased significantly both on and offshore, with seismic and drilling rig hire rates moving up in the order of 400% over the past 5 to 10 years. A farminee will normally seek to limit the upside of expenditure by insisting that seismic or well costs be capped under the farmin arrangement. In this instance, the fixing of a price is the same effect as a cap. Although, in the present case, the possibility of drilling costing less than projected would result in Exoil having to provide a part refund of the sale price by the amount by which the pro rata reduction in drilling costs attributable to the interest sold was less than the sale price. Your directors consider this fair.

Therefore, perhaps the closest transactions against which to measure the reasonableness or otherwise of the sale could be other farmins. A schedule of transactions contrasting the terms thereof against the financial terms of the Sales Agreements is set out in clause 3 below.

In reviewing these various transactions, the only transaction out of the ten reviewed which was clearly less favourable to the farmor than the sales agreements are to Exoil, was the Nexus Energy farmout to Shell of a 34% interest in WA-377-P on a 2.94 for 1 basis. It is probably not a comparable transaction. The prime reason for this is that the Echuca Shoals-1 well drilled in 1983 encountered gas/condensate and therefore the farminee was prepared to pay a premium to farm into what it might have regarded as a potential gas/condensate field, which according to ASX releases, suggested that there might be the potential to develop an LNG facility. The nature of the contingent resource at Cornea is, by comparison, small and has proven to be unattractive to any major oil and gas explorer. In the opinion of the Directors, the difference in terms is readily explicable by the differences in the prospectivity of the resource which, in the Nexus transaction, more clearly fits into **Category three** referred to in above.

The MEO farmout of a 35% interest in WA-361-P to RDI in return for 80% of the costs (capped at \$35 million) may be more favourable to MEO than the Sales Agreements are to Exoil but that is likely a matter of opinion because of the different terms in relation to related transactions. MEO were also required to contribute 20% (US\$6.25 million), despite the farmout.

The Karoon Gas farmout of a 51% interest in two permits in the Browse Basin, offshore WA to ConocoPhillips is probably comparable. The transaction involved earning interests in each of two permits by drilling a well in each on the same terms. Although the farmout ration in this farmout was only 1.56 to 1 (not 2 for 1) in relation to each well, because of the other financial terms and taking into account the nature and prospectivity of the permit being farmed into, the directors consider that the Loan under the Loan Facility makes the present Sales Agreements no less favourable to Exoil than the farmout to ConocoPhillips was to Karoon Gas.

In the remainder of the transactions, the position of the farmors is considered to be either equal to, or inferior to, the position of Exoil in the proposed transactions. Finally, all of the transactions commented on in clause 3 below were negotiated at arm's length.

WA-342-P: Cornea Oil and Gas Accumulation

The Cornea Field in WA-342-P (see Figure 1 below) was discovered by Shell Development Australia (Shell) in January 1997 with the drilling of the Cornea-1 discovery well.

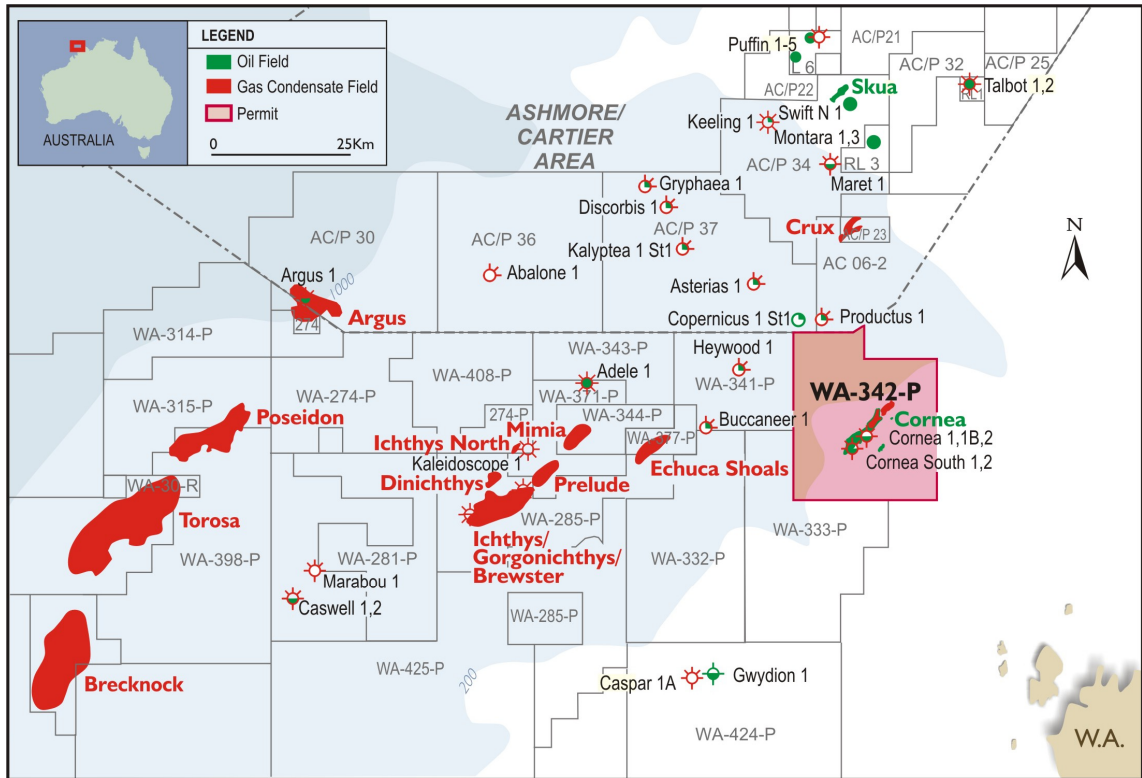


Figure 1 – WA-342-P Tenement Map

Over the following two years Shell conducted appraisal drilling of the Cornea South, Central and North closures that included nine wells and two sidetracks, of which two wells did not reach their intended target and had to be sidetracked or re-spudded. As well as wireline logging, conventional core was obtained in Cornea-2ST1 and Cornea South-1 wells. These cores proved valuable in defining reservoir properties, as the glauconitic and argillaceous nature of the reservoir sands inhibited evaluation using conventional logging tools. Shell defined several reservoir sand units.

The gas caps for Cornea South and Cornea Central are not thought to be connected but, from the present dataset, it is not known if the oil legs are in communication. Shell estimated the free water level for Cornea-1 and Cornea-1B based on poor pressure data and it is not considered reliable. They were not able to define the thickness of the transition zone between oil and water in Cornea Central.

Although Shell had acquired over 2000km² of 3D seismic over the Cornea field, it was apparently not processed to remove multiple energy and consequently was not suitable for making accurate maps. As a result, none of the appraisal wells were optimally located to test the best reservoir intervals within the oil leg.

Recent evaluation of the Shell data set, including reprocessing of 1,000km² of the Cornea 3D, has indicated that significant oil resources may exist within the better quality sand units that could be developed with multi lateral, horizontal wells. Before such a development can be considered, the production flow rates of these reservoirs need to be proved, as do the location of the transition zone and free water level.

The purpose of drilling Cornea-3 is to acquire modern, high quality nuclear magnetic resonance (NMR) logs within the reservoir sands to obtain more accurate information on reservoir porosity, especially productive porosity and permeability, as well as hydrocarbon saturation and the location of the transition zone and free water level. The acquisition of better formation pressure measurements and formation fluid samples with a modular formation pressure tester tool ("MDT tool"), including possible flow test from a dual packer MDT are planned. Data from a successful Cornea 3 appraisal well would be used to plan a horizontal appraisal well and to evaluate the commerciality of the field and ultimately a field development plan, if appropriate.

3. SOME COMPARATIVE FARMINS/FARMOUTS – IN DATE ORDER

	Farmin	Terms & Conditions	Analysis & Comments
1	Nexus Energy Limited farmout to Korea National Oil Company and Seoul City Gas of VIC/P56 & VIC/P49 (Nexus/Korea Transactions) (May 2005).	KNOC (30%) and SCG (20%) farmin to both permits by funding a majority (50% plus) of the drilling costs, capped to US\$15m. Nexus was to retain operatorship of both permits.	The terms of the farmouts seem to have been on ground floor terms, i.e. 1 for 1. The Exoil proposals are equal to or superior. Directors of Exoil also consider that the Loan Facility makes the current transactions even more favourable to Exoil than the Nexus/Korea Transactions.
2	Nexus farmed out 25% of Vic/P39(v) to Tap in return for Tap meeting 50%(?) of the cost of a well (capped at \$6 million) (the Nexus/Tap Transaction) (September 2005)	Apparent 2 for 1 terms, assuming a likely well cost of \$12 million in September 2005 (shallow target well).	Comparable 2 for 1 terms with Exoil transactions. However, the Exoil Loan Facility makes the Exoil transaction superior to the Nexus/Tap Transaction.
3	Essential Petroleum farmed out 32.5% in Vic/P46 and was “substantially carried” for its remaining 17.5% through a 500 km² 3D acquisition and a drilling program costing \$20 million (the Essential Transaction) (March 2006)	<ul style="list-style-type: none"> • apparent 1.8 for 1 terms on both 3D seismic acquisition and a well. <u>But</u> not a full carry. Note “substantially carried”. 	The Directors of Exoil consider that the terms of the proposed farmouts are superior to those achieved by Beach. Essential, subsequently, were unable to even meet the proportion of the costs that they were left with, even after being “substantially carried”. Essential became effectively insolvent. Control of Essential recently passed to Beach as a result. The Exoil transactions are superior to the Essential Transaction.
4	Karoon Gas farmed out 51% interest in WA-314-P and WA-315-P in the Browse Basin, offshore WA to ConocoPhillips Group (the Karoon Transaction) (October 2006)	<p>ConocoPhillips had to:</p> <ul style="list-style-type: none"> • Reimburse Karoon 80% of its second year permit expenditures (3D seismic) for the two permits, with that amount being approx US\$9.6m. • Pay 80% of the cost of one well in <u>each</u> permit. Cost of the 80% was estimated at US\$60-80 million. 	<p>The cost of the Karoon Transaction is significantly more expensive to ConocoPhillips than the current proposals are to either of the Purchasers. The all-up cost of the two wells must have been estimated to be up to \$100 million (100%).</p> <p>However, each well was drilled on a 1.57 for 1 basis: not a 2 for 1 basis. This meant that Karoon Gas had to pay 20% of the costs of drilling each well. (Up to US\$20 million in aggregate).</p> <p>The ConocoPhillips 3D seismic reimbursement costs equate to the approximate amount of the cost of each well to be borne by Karoon.</p> <p>The permits were highly prospective because, they were located approximately 10km-20km away from the giant Scott Reef/Brecknock gas and condensate fields complex, then estimated to contain 21Tcf of</p>

	Farmin	Terms & Conditions	Analysis & Comments
			recoverable gas reserves and 210 million barrels of condensate, with same play type, large structures and on trend with the Karoon permits. While the prospectivity and quantum of money involved are far greater, the directors consider that the strategic nature of the funding for Exoil and the proportion of the funding in relation to the interest earned, together with the Loan under the Loan Facility, makes the present Sales terms no less favourable to Exoil than the Karoon Transaction.
5	Cue Energy Resources Ltd and Gascorp Australia Pty Ltd farmed out WA-361-P to MEO Australia Ltd on the basis of earning 70% by meeting 100% of the cost of a well (Cue/Gascorp Transaction) (October 2007)	1.43 to 1 carry through a well and certain other expenditure.	The terms of the current transactions for Exoil are clearly superior to the Cue/Gascorp Transaction.
6	Stuart Petroleum Limited farmin to VIC/P53 from Exoil and Moby required the drilling of two wells and substantial refunds (Stuart Transaction). (November 2007)	<p>Stuart agreed with Exoil and Moby</p> <ul style="list-style-type: none"> • to earn 50% of Vic/P53 by agreeing to sole fund two exploration wells • to purchase from Exoil and Moby for \$1.0 million existing exploration information and reports. • to pay, on the spudding of the first well, an additional US\$383,000; <p>After drilling the first well, Stuart had the right to return the interest and be relieved of the cost of the Second well.</p> <ul style="list-style-type: none"> • Assume a pro rata share of overriding royalty obligations (4%). 	<p>This is a 2 for 1 transaction, but with respect to <u>two</u> wells and refunds. However, Stuart had no obligation to drill the second well, only the right to do so. It was clear that this would only be drilled if the first well resulted in a commercial discovery. The terms of the transaction can be characterised as more favourable to Exoil and Moby (as 100% farmors) than the proposed transactions are to Exoil in relation to Cornea.</p> <p>Here Exoil is selling on terms which equate to a two for one basis, predicated on a one well commitment.</p> <p>While Stuart paid additional moneys to buy existing exploration information and pay other moneys on the spudding of the first well, members should note that Exoil receives the benefit of the Loan. However that must be repaid.</p> <p>It should be noted that Stuart ultimately did not drill the second well and did not earn any interest in VIC/P53. Taking into account the outcome of the Stuart transaction, the present Exoil sales are as favourable to Exoil as the Stuart Transaction was to Exoil and Moby.</p>
7	Benaris Petroleum farmed out 15% interest in T/P39 to Beach Petroleum (the Benaris Transaction).	The terms were 2 for 1 but there was no cap on the promote or on the premium. Consequently, if the well had cost more because of delays in drilling or a blowout or hole damage due to a variety of conditions, Beach	<p>The terms of the farmout are comparative to the sales in that the obligation was on a 2 for 1 basis. .</p> <p>However, Directors of Exoil consider that the Loan Facility makes the current transactions clearly more favourable to Exoil than the Benaris Transaction.</p>

	Farmin	Terms & Conditions	Analysis & Comments
	(date not known – 2007?)	would have had to pay the entire cost.	
8	Finder farmed out 40% of AC/P36 to Murphy Oil Australia and 20% to PTTEP Australia Offshore. (The Finder Transaction) (2007).	MOA (40%) and PTTEP (20%) would pay 100% of the costs of drilling the Abalone Deep-1 well to 5,200m. The farminees were also expected to pay some historic costs. Estimated cost of drilling the well was US\$40-50m.	The terms of this farmin are in the ratio 1.6 for 1. The Exoil sales are effectively on a 2 for 1 basis and Directors of Exoil consider that the existence of the Loan Facility makes the current transactions even more favourable to Exoil than the Finder Transaction
9	Nexus Energy Limited farmed out to Shell Development Australia 34% of WA-377-P. (Nexus Shell Transaction). (2007)	SDA to earn a 34% interest in the Echuca Shoals gas/condensate discovery, WA-377-P by: <ul style="list-style-type: none"> • SDA paying to Nexus US\$5m cash prior to the drilling of the Fossetmaker-1 well; • SDA to fund the first US\$30m of the Fossetmaker-1 well; • SDA has an option to fund the first US\$25m of a second appraisal well in order to earn a 34% interest in the entire permit. • The estimated cost to drill the well was US\$30m. 	The terms of this farmin are in the ratio 2.94 for 1. The prime reason that this is the case is that the Echuca Shoals-1 well drilled in 1983 encountered gas/condensate and therefore the farminee (Shell) was prepared to pay a premium to farmin to what it might have regarded as a potential gas/condensate field which, according to ASX Releases, suggested that there might be the potential to develop an LNG facility. The nature of the contingent resource at Cornea is, by comparison, small and unlikely to be attractive to any major oil and gas explorer. In the opinion of the Directors, the difference in terms is readily explicable by the differences in the prospectivity of the resource which more clearly fits into Category 3 referred to in above. The terms are probably more favourable to Nexus than the present sales terms, notwithstanding the existence of the Loan Facility, but the Nexus/Shell Transaction should not necessarily be regarded as a comparative transaction.
10	Northwest Energy NL as operator farmed out 9.08% of AC/P32 to Cosmo Energy E&D Ltd (the North West Transaction) (January 2008)	Cosmo acquired 9.08% interest in AC/P32 from North West by: <ul style="list-style-type: none"> • Contributing 24.08% to the costs of the Wisteria-1 well on a claimed 2 for 1 promoted basis. • The promote payable was capped at an agreed dry hole cost, with 6% payable by North West (in respect of their remaining 15%). 	The terms of the Exoil farmouts are comparable and similar to the North West Transaction, being on a 2 for 1 basis. However, on balance, the Directors of Exoil consider that the Loan Facility makes the current transactions more favourable to Exoil than these farmout terms
11	Adelphi Energy Limited farmed out 8.48% of AC/P32 to Cosmo Energy E&D Ltd who met 18.48% of the cost, with a cap (the Adelphi Transaction).	Cosmo acquired a 22.5% interest in AC/P32 by: <ul style="list-style-type: none"> • Contributing to the costs of the Wisteria-1 well was paid to be on a “2 for 1” promoted basis. 	The terms of the farmouts are comparative and similar, in that the obligation for both agreements is on a 2 for 1 basis. The actual terms were a 1.85 to 1 basis. This is not as favourable as the 2 for 1 basis achieved by Exoil. However, Directors of Exoil consider that the Loan Facility makes the

	Farmin	Terms & Conditions	Analysis & Comments
	(January 2008)	<ul style="list-style-type: none"> • The promote payable was capped at an agreed dry hole cost. 	current transactions more favourable to Exoil than these farmout terms
12	Oilex Ltd farmed out a 30% interest to in WA-388-P Sasol Petroleum Australia Ltd. (August 2008)	<p>Sasol acquired 30% interest in WA-388-P by:</p> <ul style="list-style-type: none"> • Paying 60% of costs associated with the acquisition of approx. 1,064 km² of 3D seismic data; 	<p>The terms of the Exoil farmouts are far superior, even though the obligation for both agreements is on a 2 for 1 basis. The difference being that the obligation is merely for acquiring 3D seismic, not a well, a cost which would be far more considerable.</p> <p>Directors of Exoil consider that the Loan Facility makes the current transactions even more favourable to Exoil than these farmout terms</p>
13	MEO farmed out a 35% interest in WA-361-P to RDI who paid 80% (MEO Transaction) (September 2008)	RDI was committed to fund 80% of the costs of a well with a cap of US\$31.25m on the promote or premium. This represents a greater than 2 for 1 farmout.	<p>MEO was farming out on a 2.28 for 1 basis, but were left with a 20% obligation to fund (US\$6.25 million).</p> <p>The Directors of Exoil consider that the Loan Facility makes the current transaction no less favourable to Exoil than these farmout terms were for the MEO Transaction.</p> <p>The MEO Transaction was part of a much larger strategic alliance with RDI.</p>
14	Auralandia N.L. et al farmed out AC/P33 to Stuart Petroleum in return for drilling Oliver 2 and meeting 100% of costs up to FID. Stuart earned 50% (the Auralandia Transaction) (2008)	2 for 1 carry through a well and further considerable expenditure.	This was an appraisal well of the Oliver oil/gas discovery and is regarded as a far more attractive asset than Cornea. On balance probably a better transaction than the Exoil transactions. However, subsequently, Stuart failed to perform, leaving the farmers in a precarious situation. Overall, knowing the end result, the Exoil transactions are superior, as there was, in essence a failure to perform by Stuart of the Auralandia Transaction
15	Oilex Ltd farmed out a 15% interest JPDA 06-103 in the Timor Sea to Japan Energy E+P JDPa Pty Ltd (the Japan Energy Transaction) (August 2009)	<p>Japan Energy acquired a 15% interest in JPDA 06-103 by;</p> <ul style="list-style-type: none"> • meeting 25% of the cost of two commitment wells (with a cap) • refunding part of past costs. 	This amounts to a 1.66 for 1 farmout in respect to two wells and a part reimbursement of past costs. On balance, the Oilex/Japan Energy Transaction is similar to the Exoil Transaction.

4. PERCEIVED ADVANTAGES AND DISADVANTAGES OF THE TRANSACTIONS

Whilst your directors acknowledge the following risks and disadvantages, they believe that the advantages outlined below outweigh any disadvantages that may arise from the transactions.

4.1 Advantages of the transactions

- (a) The Directors view the transactions as an opportunity for Exoil to preserve shareholder value for all Exoil Members by providing a source of funding necessary to enable Exoil to meet its existing liabilities under each of the Braveheart and Cornea Joint Venture Agreements and under the Songa Venus Drilling Contract, the Deed of Accession and associated documents. No other source of funding is known to be available.

It will be apparent to Members that, unless Exoil raises significant funds, it will not be able to meet its present liabilities.

If Exoil retains its existing 25.375% interest in WA-332-P and all of its 29.75% interest in WA-342-P, it will not have sufficient funds from which to meet its drilling obligations. Based on a presently estimated drilling cost of A\$15,300,000 for the Braveheart-1 well and A\$24,100,000 for the Cornea 3 appraisal well, the aggregate cost to Exoil of its share of those drilling costs would be A\$3,882,375 for the Braveheart-1 well and A\$7,169,750 for the Cornea 3 appraisal well: a total of in excess of A\$11,000,000.

Even if the present Issue was fully subscribed, that would raise only \$5,077,526 leaving shortfall in funding of marginally less than A\$6,000,000, based on a no-sale scenario. From a practical point of view, it would be unlikely for Members or other investors to subscribe for any shares (and options) under the Issue if there was the prospect that this shortfall in funding would result in the possibility that Exoil would not meet its liabilities with the consequent results that would follow from that circumstance: which could include administration or liquidation.

The advantage of the sales is that they provide a total of A\$3,133,000 for use by Exoil in meeting well cost liabilities and, at the same time, because the purchasers assume the drilling liability attached to the interests sold, reduces Exoil's total liability by an equivalent amount.

As a consequence, Exoil is left in an acceptable financial position where, with the proceeds of the Issue and any funding drawn down under the Loan Facility Agreement, it can or should then be able to satisfy its obligations to pay drilling costs for all of its Braveheart interest and the remaining 16.75% interest that it will hold in WA-342-P and the Cornea oil and gas accumulation.

- (b) The effect of the matters in (a) is that Exoil should therefore remain solvent if the resolution is passed and the sales completed. If the resolution is not passed it is the directors' expectation that Exoil will become insolvent.
- (c) The sale of interests in Cornea leaves Exoil with 100% of the upside of any discovery in the Braveheart-1 well. This upside is potentially significantly greater than the upside resulting from any result achieved from the Cornea 3 appraisal well. Conversely, the Braveheart-1 well is more likely to be plugged and abandoned and not make any discovery considering that it is an exploration well and not an appraisal well.

4.2 Disadvantages of the proposed Transaction

The only perceived disadvantage of the transactions proceeding is that the sales will reduce Exoil's interest in WA-342-P and the Cornea oil and gas accumulation which is a known accumulation. The objectives of the Cornea 3 appraisal well is to obtain more accurate information on reservoir porosity, especially productive porosity and permeability, as well as hydrocarbon saturation and the location of the transition zone and free water level. The acquisition of better formation pressure measurements and formation fluid samples with a modular formation pressure tester tool ("MDT tool"), including possible flow test from a dual packer MDT are planned. Data from the Cornea 3 appraisal well will be used to plan a horizontal appraisal well and to evaluate the commerciality of the field and ultimately a field development plan, if appropriate. If these objectives are achieved, and the resultant information which is obtained enhances the prospect or chance of development of a successful development of Cornea, then the result of the sales will have been to dilute that interest. However, given that a failure to fund Exoil's interest in both the Braveheart-1 and the Cornea 3 appraisal well could result in Exoil losing its interest in all of WA-332-P, WA-333-P and WA-342-P totally, and given that the proceeds of the sales should be sufficient to prevent this

happening, Members might consider that this prospective reduction in future value is an acceptable consequence of the transactions.

If you have any doubts about the potential impact of any of these issues on Exoil you should consult your stockbroker, accountant or other professional advisor.

5. DIRECTOR'S CONCLUSIONS IN RELATION TO RESOLUTION

Each of the Directors concludes, from the material presented in this Explanatory Memorandum, that the transactions represented by the sales of interests in WA-342-P that those sale fall within the exception in Section 210 of the Corporations Act and as such are not required to be approved by Members of the Company under the provisions of Chapter 2E of that Act. However, the resolution and transactions must be approved by Members in General Meeting under Listing Rule 6.43 of the Listing Rules of NSX, as referred to above.

For this purpose Members must form their own views as to these matters. The Directors however recommend that Members carefully consider the consequences of failing to approve the resolution because, in that circumstance, the Directors consider, based on the nature and extent of the Company's liabilities, that the Company would not be able to meet those liabilities and would become insolvent. This would most likely result in each member's shareholding becoming valueless and the Company losing its interests in both the Braveheart permits and the Cornea permit.

However, your Directors cannot vote on the matter because of the provisions of the NSX Listing Rules.

6. DIRECTOR'S RECOMMENDATIONS IN RELATION TO RESOLUTION

Each of the Directors considers that he is not qualified to make any recommendation in relation to the resolution because he is a related party of either Octanex or Auralandia and for this reason each director also abstains from making any recommendation to Members as to how they should vote on the resolution.

7. RELEVANT MATERIAL AGREEMENTS

Set out below are summaries of those agreements which Members need to consider to understand the proposed resolution being put to the meeting and to form an opinion as to whether the proposed Sales of interests in WA-342-P are in the interests of the Company. These Agreements will be tabled at the meeting for perusal by members.

7.1 Operating Agreements

The Company has entered into separate Joint Operating Agreements ("JOA") in relation to each of the the Braveheart Joint Venture and the Cornea Joint Venture.

The JOA's follow the same format. Of particular significance in the present context are the default provisions which are summarised below.

The General Terms of the JOA's are as follows:

Conduct of Joint Operations: Under each JOA, the Operator is responsible for the conduct of joint operations. The Operator may resign as operator on giving appropriate notice but is entitled to continue as operator in normal business circumstances.

Insurance: The Operator will, to the best of its ability, procure and maintain for the joint venture statutory insurances and other insurances required by the operating committee, with any other joint venturer having the right not to participate in non-statutory insurances.

Operating Committee: A joint venturer has the right to appoint one representative to serve on the operating committee which has the power and duty to authorise and supervise joint operations. Each representative has a vote equal to its participating interest. Generally a 65% affirmative vote by at least two joint venture participants (not being affiliates of one another) is required to pass a resolution. Some of the more important decisions require unanimity.

The operating committee considers exploration work programs and targets that are to be presented by the Operator up to nine months (in a preliminary way) and up to three months (in final form) before the commencement of each permit year. The operating committee meets following delivery of the final proposed work program and budget to agree a work program and budget for the ensuing year.

Once a development plan for a commercial discovery is approved, the Operator then submits development and production plans and budgets to the operating committee in advance of the commencement of the next calendar year.

Authorisation for Expenditure: Before incurring any expenditure, whether for exploration, appraisal, development or production, the Operator submits an authorisation for expenditure to each joint venturer. Each authorisation must be approved by the operating committee prior to expenditure being committed to or undertaken.

Sole Risk: Where the operating committee does not approve a proposed exploration or appraisal well, a party may undertake the project as a sole risk project with the right of the non-participants to buy back in at various premiums which differ between the cases of a development well, an appraisal well and an exploration well. The premium to buyback can normally be paid in kind (out of petroleum produced) or in cash.

Default: The JOA provides that if a party fails to pay its share of expenses that party is a "Defaulting Party" and the Operator must, within not more than 21 Days, give that Defaulting Party a Default Notice.

The Default Notice sets out the pro rata amount that each non-defaulting party must pay as its portion of the Defaulting Party's obligation.

Unless the defaulting party remedies its default in full within five business days from the date of the default notice, each non-defaulting party must pay the Operator, within five business days after receipt of the default notice, its share of the amount which the Defaulting Party failed to pay.

If the Defaulting Party fails to remedy its default by the 30th Day following the date of the Default Notice, then each non-defaulting Party has the option, exercisable at anytime until the Defaulting Party has cured its default, to require that the Defaulting Party to completely withdraw from the JOA and the permit. If this option is exercised, the Defaulting Party is deemed to have transferred its interest to the non-defaulting parties.

The JOA provides that the rights of the non-defaulting Parties in JOA are cumulative, and are in addition to any other legal rights and remedies that may be available to the non-defaulting Parties.

As a consequence of the above, any default, regardless of its cause, which is not remedied by the 30th day after a Default notice may result in the Defaulting Party forfeiting its interest in the well and the permit and also remaining liable to pay the amount of the default.

Assignments: A joint venturer may assign all or part of its joint venture interest to an affiliate, but generally assignments to non-affiliates will attract pre-emptive rights provisions. In all cases the assignee must be accepted by the remaining joint venturers as being financially capable of meeting all obligations assumed under the relevant permit and the related JOA.

Cross Charge: If the operating committee decides to develop a discovery then the parties are required to charge their joint venture interests and shares of petroleum produced in favour of one another in order to secure the performance of their respective obligations under the relevant JOA. In the same way, where any joint venturer seeks to encumber its participating interest, the party proposing to encumber its interest in favour of a third party must grant such prior ranking cross charges to which the charge in favour of the third party will be subject.

Withdrawal: Subject to certain conditions for the protection of the other party or parties to the relevant joint venture, a party which is unwilling to commit further to expenditure on a permit may withdraw from the relevant joint venture. Once development of a discovery has commenced, those conditions include a condition that other parties be willing to accept the withdrawing party's interest.

7.2 Underwriting Agreement with Great Missenden Holdings Pty Ltd

The Offer is underwritten to an amount of \$3,077,526 by Great Missenden Holdings Pty Ltd ("GMH"). The underwriting obligation is unconditional. Under the Underwriting Agreement GMH, as the Underwriter, will be paid a management fee of \$25,000 and will be entitled to be paid an underwriting fee equivalent to 4.5% of the amount of the Issue. These amounts will be paid from the proceeds of the Issue and are taken into account in the details of the Costs and Expenses of the Issue set out in Section 1.

Under the Underwriting Agreement, the Company must notify GMH, as Underwriter, of the Shortfall in subscriptions from Members and other Applicants within two (2) Business Days after the close of the Issue and GMH must, within a period of not more than three (3) Business Days thereafter, provide to the

Company an application for the full amount of the Shortfall accompanied by the application moneys for that Shortfall.

Under the Underwriting Agreement, where a holder of an Australian Financial Services Licence ("Broker") lodges an Application for Shares (and Accompanying Options) and the Applicant is issued Shares and Accompanying Options, the Broker will be paid, direct by the Company and at the direction of GMH, commission of 3.5% of the Issue Price of the Shares the subject of that successful Application. Any such commission will be paid to all such Brokers at the same time as underwriting commission is paid to GMH. Any moneys paid to Brokers as commission will be deducted from commission paid to the underwriter so that total commission does not exceed 4.5%.

7.3 **Loan Facility Agreement with Great Missenden Holdings Pty Ltd and associated Deed of Charge**

The Loan Facility terms are described in general terms in Section 1. Under the Loan Facility Agreement, GMH has agreed to provide the Company with a loan facility under which the Company may, on short notice, draw down an amount up to the Shortfall Amount, which would be a maximum amount of \$2,000,000, if necessary to meet the costs of drilling the Braveheart-1 well and the Cornea Appraisal well.

Any funds advanced under the Loan Facility Agreement will be repayable from the proceeds of future share issues, including exercise of options, from proceeds of farmouts or sales of assets and generally from any funds receivable by the Company until the debt is repaid. The loan would bear interest at the rate charged by National Australia Bank Limited on bank overdraft rates of amounts of over \$100,000 with interest to be paid quarterly in arrears and, if not paid, interest will be capitalised and added to the principal amount. The following comments are made on each aspect of those terms below.

Security: A registered fixed and floating debenture charge over the assets of the borrower would be a normal form of security for a loan of this nature. The terms are those of a normal mortgage debenture charge although the repayment and default provisions are tied to the terms of the loan and consequently operate only where there is a default under the Loan Facility Agreement.

Loan Facility fee: No loan facility fee is charged. Normally a procuration fee or loan facility fee would be charged on commercial loans. As these are not charged by the lender, the provisions of the Loan Facility Agreement related to these matters are more favourable to the borrower than if the loan was obtained on an arms length basis.

Interest rate: Interest rates would normally be at a premium above the overdraft rate fixed by the NAB on overdrafts in excess of \$100,000 for loans of this type, if such a loan was available. The provisions of the Loan Facility Agreement related to interest rate charged are more favourable to the borrower than if the loan was obtained on an arms length basis.

Interest payments: A requirement that the interest on the loan be paid in advance would be normal for a loan of this nature. Additionally, and contrary to the terms of normal secured loans, under the Loan Facility Agreement failure to pay interest on the due date does not result in a breach of the Loan Facility Agreement which crystallises an obligation to repay the full amount of the loan. The provisions of the Loan Facility Agreement related to repayment are more favourable to the borrower than if the loan was obtained on an arms' length basis.

Default: Normally, under most loan agreements, failure to pay any interest instalment on the due date would crystallise a default on the part of the borrower, resulting in the full amount of the loan becoming immediately repayable. That is not so under the Loan Facility Agreement which provides that unpaid interest is capitalised and added to the principal amount of the loan. Consequently, the provisions of the Loan Facility Agreement related to default are more favourable to the borrower than if the loan was obtained on an arms' length basis.

Repayment: Normally such a loan would be for a fixed term, with a fixed repayment obligation, the breach of which would enable the Lender to put the borrower into receivership, with failure to repay resulting in sale of assets followed by liquidation if the full amount of the loan was not repaid.

Additionally, the terms of the Loan Facility Agreement provide that loan repayment is to be made from specific sources of future funding which ties repayment to capacity to obtain that finance or funding, whereas in a normal loan facility there is a fixed term for a loan and failure to repay on the repayment date results in default.

Under the Loan Facility Agreement there is no fixed date for repayment. Consequently, the provisions of the Loan Facility Agreement related to repayment are more favourable to the borrower than if the loan was obtained on an arms' length basis.

The Directors, other than Mr Albers who is associated with the lender, each consider that no financial benefit is being received by Mr Albers (or his Associates) by the terms of the Loan Facility Agreement and that the terms of the Loan Facility are more favourable to the Company than would be able to be obtained from any lender on arms length commercial terms.

7.4 Sale Agreements for an aggregate 13% interest in WA-342-P

By two separate agreements, the Company has agreed to sell an aggregate 13.00% interest in WA-342-P, for an aggregate amount of \$3,133,000 on the basis that, as a condition of each of those sales, interests associated with Mr Albers make available the Loan Facility Agreement referred to in clause 1.4 above and as necessary, advance funds under that Loan Facility Agreement up to the limit thereof if required by the Company on the basis that the funds advanced will only be used to fund the drilling of the Braveheart-1 well and the Cornea 3 appraisal well (and no other purpose). The funds will only be drawn down to the extent to which the Company's other resources (including its present cash resources, the proceeds of the Issue and the proceeds of sale of the interests in WA-342-P) are insufficient for that purpose. On this basis, it is a term of the sales that the Company receives this additional benefit from the transaction.

The purchasers of the interest in WA-342-P are Octanex N.L. (which proposes to acquire an 8% interest for \$1,928,000) and Auralandia N.L. (which proposes to acquire a 5% interest for \$1,205,000). Each of the purchasers is a related party of Mr Albers.

The Directors, other than Mr Albers who is associated with the lender under the Loan Facility Agreement and the purchasers under the sales agreements, each consider that the terms of each of the sale transactions are more favourable to the Company than would otherwise be available from any arms length transaction which might be obtained as farmout terms or sales terms from any independent party.

Apart from the requirement of a loan of up to \$2,000,000 being made to the Company on the terms set out herein, the sale price is based on the same terms as those on which other transactions are proposed for farmins in relation to WA-332-P, WA-333-P and WA-342-P and are directly related to the present estimated costs of drilling. A proviso to the sale agreements provides that if the final cost of drilling the Cornea-3 Appraisal well is less than the purchase price in each instance, then the purchase price will be abated by the pro rata amount of that reduction applicable to the interest purchased. This makes the financial terms a reflection of the terms of a 2 for 1 farm in.

A significant benefit that the Company derives from the transaction (which benefit is not industry standard) is that the sale has attached to it the requirement for the making available of the Loan Facility: which means that the terms are, from the Company's point of view, much more advantageous than standard industry terms. No financial institution, such as a bank or other lender, would lend the Company any funds on the terms offered under the Loan Facility Agreement.

The Directors, other than Mr Albers who is associated with the lender, each consider that, excluding the terms requiring the loan to be made available, the terms of sale would be reasonable in the circumstances if the purchasers and the Company were dealing at arm's length because they have the same financial effect and result as a standard industry farmin. When considered as a sale, by providing for abatement of purchase price and the loan requirement, the Directors, other than Mr Albers, consider that the terms become more favourable to the Company than would be able to be obtained from any purchaser on an arms' length commercial basis.

7.5 Songa Venus Rig and Drilling Service Arrangements with respect to WA-333-P

On 14 July 2008, Exoil's wholly-owned subsidiary Hawkestone Oil Pty Ltd ("Hawkestone"), acting in its capacity as Operator of the Browse Joint Venture, entered into two agreements relating to the steps taken to secure a rig to drill the Braveheart-1 well in WA-333-P.

The first agreement, the Project Management Services Agreement, is between Hawkestone and Australian Drilling Associates Pty Ltd ("ADA") and other parties pursuant to which Hawkestone has agreed to engage ADA to provide drilling management services to Hawkestone as operator. Hawkestone has agreed to pay to ADA aggregate management fees of \$900,000 on behalf of the joint venture.

The second agreement is the Drilling Co-operation Agreement between Hawkestone, ADA and all the other members of the consortium formed to contract the Songa Venus rig ("DCA"). Those consortium members are Hawkestone Oil Pty Ltd (ABN 23 052 812 236), Auralandia NL (ABN 53 004 913 884), Stuart Petroleum (Offshore) Pty Ltd (ABN 99 127 971 363), MEO Australia Limited (ABN 43 066 447 952), CNOOC Australia E&P Pty Ltd (ABN 85 118 934 062) and Anzon Energy Limited (ABN 43 097 972 364). Each of those consortium members is an Operator under the DCA and the italicised terms in this Section 1.9 are defined terms in the DCA. Under the DCA, the various consortium members have agreed how they will share certain rig costs, including mobilisation, demobilisation and towing costs and have agreed to

pay various fees to ADA associated with ADA's work in bringing the consortium together and securing shared services (logging contracts, work boats and the like).

Each *Operator* agrees to undertake its *Drilling Program* in accordance with the DCA. Clause 3.9 of the DCA requires that each *Operator* acknowledges that it will be required under the *Drilling Contract* to pay the *Drilling Contractor* the applicable *Daily Rate* for each *Day* the *Drilling Unit* is utilised in undertaking that *Operator's Drilling Program*.

The DCA is based around each *Operator* having provided an estimate of the number of days that that *Operator* will require for its *Drilling Program*. In the event that any *Operator's Drilling Program* results in what are defined as *Shortfall Days*, because that *Operator's Drilling Program* was shorter in duration than estimated, that *Operator* is liable to pay the cost of those *Shortfall Days*. However, if ADA cannot recover the cost of those *Shortfall Days* from any *Operator* the DCA provides that all of the *Operators* have joint and several liability to pay the cost of the *Shortfall Days* to ADA.

Under the terms of the DCA, ADA may require the *Operators* to provide ADA with any of:

- a bank guarantee ;
- a parent company guarantee ;
- advanced payment of funds into an escrow account held by ADA.

Although the DCA provides for specific liability for each *Operator* for other costs, including mobilisation and demobilisation costs, the DCA also provides for joint and several liability for those costs.

The primary risk that each of the members of the consortium is exposed to under the DCA is a failure by any other *Operator* or *Operators* to meet their contracted drilling obligations and associated costs, thus leaving a shortfall in payment to ADA which, after the various enforcement procedures set out in the ADA are exhausted in relation to the defaulting party, each consortium member must assume liability for. While each *Operator* has rights against a defaulting *Operator* to enable it to pursue recovery of any liability which it meets because of default, the recovery of such amounts might be uncertain and the prospect must exist that recovery might not be possible. However, the Company has no reason to believe that any of the *Operators* will default in any manner which will crystallise those joint and several liabilities.

These agreements together form the contractual framework pursuant to which Hawkestone, as operator, has secured the Songa Venus rig to drill the Braveheart-1 well and the services of ADA to manage the drilling programme.

7.6 **Songa Venus Rig and Drilling Service arrangements with respect to WA-342-P**

On 21st October 2009 (with effect from 1st September 2009), Hawkestone, acting in its capacity as Operator of the Cornea Joint Venture, entered into an agreement with Auralandia N.L. ("Auralandia") relating to securing a drilling slot on the Songa Venus to drill the Cornea 3 appraisal well in WA-342-P. Consequently the provisions of the Songa Venus Rig arrangements with respect to WA-333-P referred to in clause 1.9 above apply with like effect to WA-342-P.

Auralandia is a party to the Drilling Co-Operation Agreement referred to in clause 1.9 above and is an *Operator* under the DCA. Hawkestone has taken an assignment of all of Auralandia's rights, obligations and interests in the *Rig* and *Drilling Contract*. This enables Hawkestone to utilise the Songa Venus rig to drill the Cornea 3 appraisal well.

7.7 **Songa Venus Drilling Contract and Deed of Accession**

By a combination of Deeds of Accession executed between Hawkestone Oil Pty Ltd and Auralandia N.L., each of those parties acceded to the Songa Venus Drilling Contract ("the Drilling Contract") and became a member of a drilling consortium comprising other parties who have acceded to the Drilling Contract. The Deeds of Accession are straightforward.

The Drilling Contract is a contract entered into between Songa Offshore ASA ("Songa Offshore") and Australian Drilling Associates Pty Ltd (ADA) under which the Songa Venus semi-submersible drilling rig ("Songa Venus") has been contracted to drill combined programme for the drilling consortium. Under the Drilling Contract, Songa Offshore provides the Songa Venus to enable the drilling of wells for each of the members of the drilling consortium. The initial term of the Drilling Contract is for a period of 355 days of which 55 days are "move days", and commenced on or about 8 January 2009.

Songa Offshore has provided the rig at a daily operating rate of US\$400,000 during the period in which the Songa Venus is operating and at a cost of US\$388,000 during mobilisation, demobilisation and in relation to periods where the rig is moving. Under the Deeds of Accession, Hawkestone and Auralandia have

effectively committed to pay for the Songa Venus rig for an aggregate of 36 days at the operating rate and 2 days at the moving rate. The allocation between the Braveheart-1 well and the Cornea 3 appraisal well is 15 days for the Braveheart-1 well and 21 days for the Cornea 3 appraisal well. The move days will be pro rated between the relative parties on that ratio.

If all the wells, as contracted by all drilling consortium members, are drilled in less than the Drilling Contract period (355 days) then each drilling consortium member in respect of whom there is a shortfall period (as defined) undertakes to pay Songa Venus the applicable daily rate for each day in the shortfall period. However, there is unlikely to be a shortfall period of material consequence, if at all, as the 355 days Drilling Contract period expires on or about 29 December 2009.

8. SPE PETROLEUM RESOURCES CLASSIFICATION SYSTEM

Petroleum resources are the estimated quantities of hydrocarbons naturally occurring on or within the Earth's crust. Resource assessments estimate total quantities in known and yet-to-be discovered accumulations; resources evaluations are focused on those quantities that can potentially be recovered and marketed by commercial projects.

Petroleum is defined as a naturally occurring mixture consisting of hydrocarbons in the gaseous, liquid, or solid phase. Petroleum may also contain non-hydrocarbons, common examples of which are carbon dioxide, nitrogen, hydrogen sulphide and sulphur. In rare cases, non-hydrocarbon content could be greater than 50%.

International efforts to standardize the definitions of petroleum resources and how they are estimated began in the 1930s. Early guidance focused on Proved Reserves. Building on work initiated by the Society of Petroleum Evaluation Engineers (SPEE), the Society of Petroleum Engineers (SPE) published definitions for all Reserves categories in 1987. In the same year, the World Petroleum Council (WPC, then known as the World Petroleum Congress), working independently, published Reserves definitions that were strikingly similar. In 1997, the two organizations jointly released a single set of definitions for Reserves that could be used worldwide.

Since that time those organisations, working together, have upgraded and developed their methodologies for calculation and assessment of petroleum reserves and resources and that work is encompassed in the "*SPE Petroleum Resources Classification System and Definitions*" as defined in this document.

These definitions and the related classification system are now in common use internationally within the petroleum industry. They provide a measure of comparability and reduce the subjective nature of resources estimation.

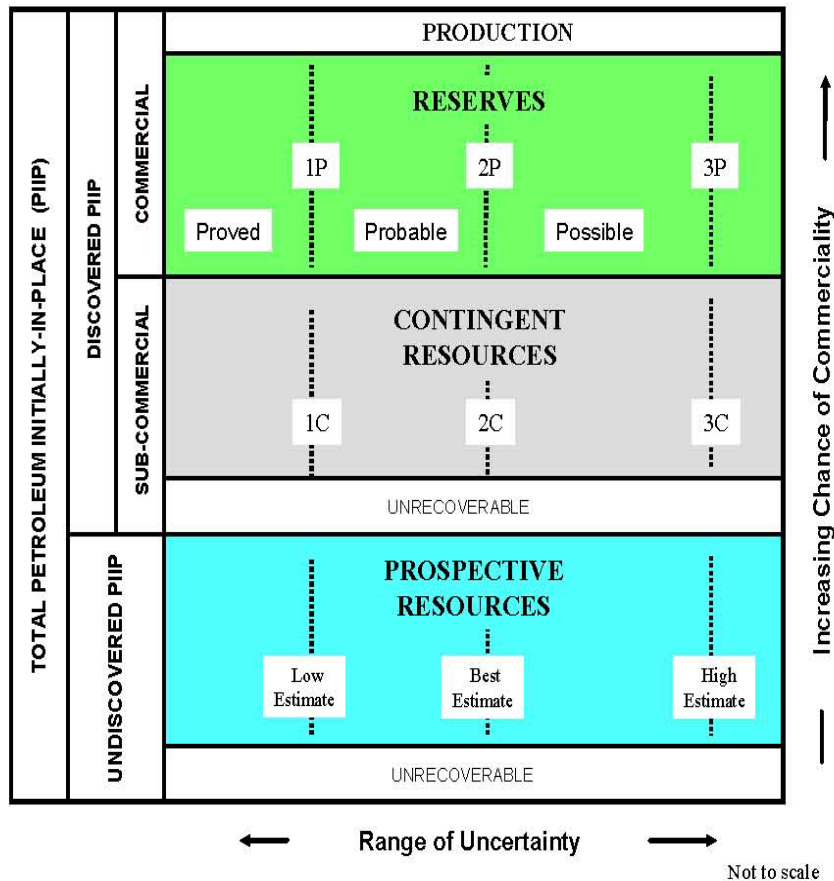
The definitions and guidelines in the "*SPE Petroleum Resources Classification System and Definitions*" are designed to provide a common reference for the international petroleum industry, including national reporting and regulatory disclosure agencies, and to support petroleum project and portfolio management requirements. They are intended to improve clarity in global communications regarding petroleum resources

The estimation of petroleum resource quantities involves the interpretation of volumes and values that have an inherent degree of uncertainty. These quantities are associated with development projects at various stages of design and implementation. SPE states, in that publication:

"Use of a consistent classification system enhances comparisons between projects, groups of projects, and total company portfolios according to forecast production profiles and recoveries. Such a system must consider both technical and commercial factors that impact the project's economic feasibility, its productive life, and its related cash flows."

The term "*resources*" as used in the SPE Petroleum Resources Classification System and Definitions is stated therein by SPE to encompass all quantities of petroleum naturally occurring on or within the Earth's crust, discovered and undiscovered (recoverable and unrecoverable), plus those quantities already produced. Further, it includes all types of petroleum whether currently considered "*conventional*" or "*unconventional*."

Set out below is a graphical representation of the SPE resources classification system. The system defines the major recoverable resources classes: Production, Reserves, Contingent Resources, and Prospective Resources, as well as Unrecoverable petroleum.



The “**Range of Uncertainty**” reflects a range of estimated quantities potentially recoverable from an accumulation by a project, while the vertical axis represents the “Chance of Commerciality, that is, the chance that the project that will be developed and reach commercial producing status.

8.1 Nature of Resources

Prospective Resources

Members should understand that “Prospective Resources” are “those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations.”

Further, to fully understand the bases on which the Prospective Resources referred to in the Company Secretary’s accompanying letter have been calculated and to understand all risk and other factors associated with, or relevant to, those calculations, members must read those reports in full and, as necessary, seek professional advice if there are matters set out in that report which they do not understand.

Members must realise that estimates of resources or reserves of any category rely on the integrity, skill, and judgement of the evaluator and are affected by the geological complexity, stage of exploration or development and amount of available data from which they are derived. The assessment of any resource is also affected by a wide range of other assumptions such as those referred to by RPS in Sections 3 and 6 of the RPS Report. Any estimate is ultimately a matter of opinion and is subject to an inherent level of uncertainty and in the case of Prospective Resources, it should be recognised that, whilst Petroleum Resources Classification System and Definitions provide for assessment on the basis of “*Low Estimate*”, “*Best Estimate*”, “*High Estimate*” and “*Mean Estimate*” there must always be the prospect that, as the definition refers to “*undiscovered accumulations*”, the “*accumulation*” might not exist, with the result that no actual resources are discovered.

Prospective Resources represent a higher risk than Contingent Resources since the risk of discovery is also added. For Prospective Resources to become classified as contingent resources, hydrocarbons must be discovered, the accumulations must be further evaluated and an estimate of quantities that would be recoverable under appropriate development projects prepared.

The Petroleum Resources Classification System and Definitions state that the term “*Best Estimate*” is a generic expression for the estimate considered to be the closest to the quantity that will actually be recovered from the accumulation between the date of the estimate and the time of abandonment. If probabilistic methods are used, this term would generally be a measure of central tendency of the uncertainty distribution (most likely, median, P50 or mean). They further state that the terms “*Low*

Estimate" and *"High Estimate"* should provide a reasonable assessment of the range of uncertainty in the Best Estimate.

Contingent Resources

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies. A known accumulation is a known individual body of moveable Petroleum. The key requirement to consider an accumulation as known, and hence contain reserves or contingent resources, is that each accumulation/reservoir must have been penetrated by a well. In general, the well must have clearly demonstrated the existence of moveable petroleum in that reservoir by flow to surface or at least some recovery of a sample of petroleum from the well. However, where log and/or core data exist, this may suffice, provided there is a good analogy to a nearby and geologically comparable known accumulation.

The main commercialisation risk referred to by RPS is whether the known Cornea oil and gas accumulation has sufficient reservoir productivity for the field to be economically viable. At present the reservoir performance has not been successfully tested.

9. RELATED PARTIES AND THE NSX LISTING RULES

Notwithstanding that the Sales Agreements fall under the exception contained in Section 210 of the Corporations Act, they still require approval under Listing Rule 6.43 of the Listing Rules of NSX which specifically requires transactions involving the disposal of substantial assets to related parties to be approved by members in general meeting.

NSX has ruled that, for the purpose of determining whether an asset is a substantial asset, it will adopt the ASX rule as set out in ASX Listing Rule 10.2. which states that *"An asset is substantial if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the listing rules."*

The aggregate purchase price being received by Exoil exceeds that 5% limit and consequently, under NSX's ruling, a meeting of Exoil's members must be held. This requires an analysis to be carried out of the nature of the related parties and the nature of the financial benefits which they might receive from the transaction.

In this context the related parties are each of Octanex N.L. and Auralandia N.L. and each of their Associates.

10. SALE OF AN 8% INTEREST IN WA-342-P TO OCTANEX

In the present case, the related parties include, in the case of Octanex, each of its Directors and their Associates and spouses, any entity that controls Octanex and the directors of any such entity. This means each of Mr Albers, Mr Willis and Mr Menzies (as directors of Octanex), and the various shareholders in Octanex controlled by each of them and their Associates. The definition extends to spouses which, from a factual point of view includes Mr Albers spouse, Mrs P. J Albers.

Financial benefit is extremely widely defined.

In the case of Octanex, and the purchase by Octanex of the 8% interest in WA-342-P;

- 10.1 The related parties who may benefit from the resolution are each of Octanex N.L. and its directors and their Associates and each of Mr E G Albers and his Associates who are members of Octanex. The definition extends to spouses which, from a factual point of view includes Mr Albers spouse, Mrs P. J Albers. A list of those persons is set out in clause 16 below.
- 10.2 Octanex N.L. is a company listed on ASX (ASX code: OXX). Full details of Octanex, its directors, top 20 shareholders and substantial shareholders are set out in clause 17 below.
- 10.3 The nature of the financial benefit that those related parties receive will depend on whether they are a member of Octanex or a member of Exoil;
 - (a) If they are members or securityholders of Octanex, the financial benefit they will receive will be that Octanex acquires an interest in WA-342-P on the terms set out and that, after drilling the Cornea 3 appraisal well, that interest may increase in value. Conversely it may decrease in value but section 209 of the Corporations Act does not deal with financial detriment. The extent of the financial benefit they will receive will depend on the amount of increase in the value of WA-342-P that might occur. This is not possible to quantify at this stage. To the extent that they obtain a financial benefit and to the extent the related parties are securityholders of Octanex their

participation in that financial benefit will be on the same terms as every other securityholders of Octanex. Details of the members of Octanex in which directors hold relevant interests in shares are set out in clause 16 below.

- (b) If they are members or securityholders of Exoil, the financial benefit they will receive will be that Exoil will receive the sale consideration and Exoil will be relieved of the cost of funding the drilling costs of the Cornea 3 appraisal well in relation to the interest sold and will receive the sale proceeds from which to partially meet its liabilities in drilling the Braveheart-1 well and the Cornea 3 appraisal well. To the extent that the availability of that funding means that Exoil is able to meet those obligations the financial benefit will extend to retaining their securityholders in Exoil as an ongoing entity. To this extent these benefits are the same benefits which each of the other securityholders of Exoil will receive by virtue of being securityholders of Exoil.
 - (c) To the extent that they are members or controllers of entities which hold shares or other securities in Octanex or Exoil the benefits they receive will be derivative of the benefits those entities receive as securityholders of Octanex or Exoil.
 - (d) To the extent that they are directors or officers of Exoil or Octanex the financial benefit will include that, as a result of the transaction, if the result of the Cornea 3 appraisal well increases the prospectivity of the Cornea oil and gas accumulation and increases its value, that increase in value may result in a financial transaction being able to be entered into on advantageous terms which increases the value of Exoil or Octanex and facilitates payment of salaries, consulting fees, superannuation and other remuneration to which such persons may be entitled as a result.
- 10.4 The directors who may be deemed to have any interest in the outcome of the proposed resolution, other than in their capacity as securityholders of Exoil, are all of the directors of Exoil because they are all directors of Octanex and have relevant interests in securities issued by Octanex. Their security holdings in Octanex are set out in the 2009 Octanex Annual Report.
- 10.5 Members are advised that each of the Directors of Exoil hold shares and/or options to acquire shares in Exoil and clearly, any transaction that has any effect on the value of Exoil, or on its financial viability will affect the value of those securities in like manner as it may affect the value of marketable securities held by any other member of Exoil. Members are also advised that any transaction which improves the financial position of Exoil will likewise affect Directors because it will affect the continued ability of Exoil to pay any fees or other remuneration which they receive from Exoil. Their security holdings in Exoil are as set out in clause 12 below after recalculation following the consolidation of shares approved at the 2009 Annual General Meeting.
- 10.6 Subject to the above, within the knowledge of the directors, there is no other information not set out herein or previously disclosed to members and which would reasonably be required by members in order to decide whether or not it is in the interest of the members to pass the proposed resolution.

11. SALE OF AN 5% INTEREST IN WA-342-P TO AURALANDIA

In the case of Auralandia, and the purchase by Auralandia of the 8% interest in WA-342-P;

- 11.1 The related parties who may benefit from the resolution are each of Auralandia N.L. and its directors and their Associates and each of Mr E G Albers and his Associates who are members of Octanex. The definition extends to spouses which, from a factual point of view, includes Mr Albers spouse, Mrs P. J Albers. A list of those persons is set out in clause 13 below.
- 11.2 Auralandia N.L. is an unlisted company Full details of Auralandia, its directors are detailed herein Details of the top 20 members of Auralandia are set out in clause 15 below.
- 11.3 The nature of the financial benefit that they receive will depend on whether they are a member of Auralandia or a member of Exoil;
- (a) If they are members or securityholders of Auralandia, the financial benefit they will receive will be that Auralandia acquires an interest in WA-342-P on the terms set out and that, after drilling the Cornea 3 appraisal well, that interest may increase in value. Conversely it may decrease in value but section 209 of the Corporations Act does not deal with financial detriment. The extent of the financial benefit they will receive will depend on the amount of increase in the value of WA-342-P that might occur. This is not possible to quantify at this stage. To the extent that they obtain a financial benefit and to the extent the related parties are securityholders of Auralandia their participation in that financial benefit will be on the same terms as every other securityholders of Auralandia.

- (b) If they are members or securityholders of Exoil, the financial benefit they will receive will be that Exoil will receive the sale consideration and Exoil will be relieved of the cost of funding the drilling costs of the Cornea 3 appraisal well in relation to the interest sold and will receive the sale proceeds from which to partially meet its liabilities in drilling the Braveheart-1 well and the Cornea 3 appraisal well. To the extent that the availability of that funding means that Exoil is able to meet those obligations the financial benefit will extend to retaining their securityholders in Exoil as an ongoing entity. To this extent these benefits are the same benefits which each of the other securityholders of Exoil will receive by virtue of being securityholders of Exoil.
- (c) To the extent that they are members or controllers of entities which hold shares or other securities in Auralandia or Exoil the benefits they receive will be derivative of the benefits those entities receive as securityholders of Auralandia or Exoil.
- (d) To the extent that they are directors or officers of Exoil or Auralandia the financial benefit will include that, as a result of the transaction, if the result of the Cornea 3 appraisal well increases the prospectivity of the Cornea oil and gas accumulation and increases its value, that increase in value may result in a financial transaction being able to be entered into on advantageous terms which increases the value of Exoil or Auralandia and facilitates payment of salaries, consulting fees, superannuation and other remuneration to which such persons may be entitled as a result.

11.4 The only directors of Exoil to have any interest in the outcome of the proposed resolution, other than in their capacity as shareholders of Exoil, are each of E G Albers and JMD Willis. Mr Albers is a director and shareholder of Auralandia. Mr Willis, through a 4% shareholding in National Oil & Gas Limited might receive an economic benefit from the transaction if Auralandia receives an economic benefit: which is uncertain. Save for an indirect economic interest in Auralandia through that shareholding, Mr Willis has no shareholding or other interest in Auralandia. xmj:

11.5 Members are advised that each of the Directors of Exoil hold shares and/or options to acquire shares in Exoil and clearly, any transaction that has any effect on the value of Exoil, or on its financial viability will affect the value of those securities in like manner as it may affect the value of marketable securities held by any other member of Exoil. Members are also advised that any transaction which improves the financial position of Exoil will likewise affect Directors because it will affect the continued ability of Exoil to pay any fees or other remuneration which they receive from Exoil.

11.6 Subject to the above, within the knowledge of the directors, there is no other information not set out herein or previously disclosed to members and which would reasonably be required by members in order to decide whether or not it is in the interest of the members to pass the proposed resolution.

12. MEMBERS OF EXOIL IN WHICH DIRECTORS OF EXOIL HAVE RELEVANT INTERESTS.

12.1 Shareholdings in which E G Albers and P J Albers have relevant interests

Each of E G Albers (and his spouse P J Albers have, or are deemed to have relevant interests in each of the following shareholdings held by the persons listed below. Consequently each of these persons should, for the purpose of the resolution, be treated as Associates of E G Albers and thus related parties in the present context.

Shareholder	Total
Albers Custodian Company Pty Ltd <Albers Family Trust>	200,000
EG Albers & EM Larsson	200,000
Albers, EG & PJ	51,832
Albers, Ernest Geoffrey	6,400
Albers, Pamela Joy	1,584
Australis Finance Pty Ltd	160,000
Bass Strait Group Pty Ltd	633,334
Batavia Oil & Gas Pty Ltd	320,000
Capricorn Mining Pty Ltd	100,000
Georgina Lands & Tenements Pty Ltd	100,000
Great Australia Corporation Pty Ltd	31,864,834
Great Missenden Holdings Pty Ltd	1,484,500
Great Missenden Lands Pty Ltd	100,000
National Oil & Gas Ltd	800,000
Natural Gas Corporation Pty Ltd	320,000
Sacrosanct Pty Ltd	100,000
Setright Oil & Gas Pty Ltd	100,000
The Fleetdock 5 Pty Ltd	100,000

The Woodlands Park Custodian Company Pty Ltd	100,000
Wilstermere Corporation Pty Ltd	8
Total of above holdings	36,742,492
Total Exoil shares on issue	50,775,263
Aggregate percentage holding	72.36%

Great Australia Corporation Pty Ltd is the immediate parent company and its ultimate parent company is Seaquest Petroleum Pty Ltd. Seaquest Petroleum Pty Ltd is controlled and wholly owned by E G and P J Albers.

12.2 Shareholdings in which Mr J W D Willis has a relevant interest.

Mr Willis has a relevant interest in 1,156,250 shares in Exoil held by Upstream Consulting Pty Ltd which represents 2.36% of the issued capital of Exoil.

12.3 Shareholdings in which Mr Menzies has a relevant interest.

Mr Menzies does not hold any shares in Exoil.

Additionally each of the directors of Exoil hold options to acquire ordinary shares as set out in the 2009 Exoil Annual Report as affected by the consolidation of shares. Essentially their option holdings halve in number and the exercise price doubles as a consequence.

13. MEMBERS OF AURALANDIA IN WHICH DIRECTORS OF EXOIL HAVE RELEVANT INTERESTS.

13.1 Shareholdings in which E G Albers and P J Albers have relevant interests

Each of E G Albers (and his spouse P J Albers have, or are deemed to have relevant interests in each of the following shareholdings held by the persons listed below. Consequently each of these persons should, for the purpose of the resolution, be treated as Associates of E G Albers and thus related parties in the present context.

Share Holder	Shares
500 Custodian Pty Ltd <Albers Super & Pension Fund>	786,785
EG Albers & EM Larsson	203,580
EG & PJ Albers	4,636,430
E G Albers	14,968,673
P J Albers	95,208
Australis Finance Pty Ltd	659,080
Great Missenden Holdings Pty Ltd	2,222,070
Sacrosanct Pty Ltd <Sacrosanct Super Fund>	1,000,000
The Albers Companies Inc Pty Ltd	3,798,240
Wilstermere Corporation Pty Ltd	2,230,500
Albers Custodian Company Pty Ltd	67,860
Total of above holdings	30,668,426
Total Auralandia shares on issue	39,401,065
Aggregate percentage holding	77.84%

13.2 Shareholdings in which Mr J W D Willis has a relevant interest.

Mr Willis has a relevant interest in the 1,663,260 shares held by Upstream Consulting Pty Ltd as set out in the top 20 shareholders in Auralandia in clause 15 below. This represents 4.22% of the issued capital of Auralandia. Mr Willis is not a related party of Auralandia.

13.3 Shareholdings in which Mr Menzies has a relevant interest.

Mr Menzies does not hold any shares in Auralandia.

Mr Menzies is a director of Doravale Enterprises Pty Ltd which holds a total of 4,774,335 shares in Auralandia on trust pursuant to the terms and conditions of a scheme of arrangement approved by the Supreme Court of Victoria. Doravale Enterprises Pty Ltd is a trustee of those shares and Mr Menzies is one of two directors of that entity. Doravale Enterprises Pty Ltd is not able to vote those shares except in extremely limited circumstances set out in the scheme documentation. Mr Menzies has no legal, beneficial

or economic interest therein. A copy of the scheme booklet in relation to the scheme will be tabled at the meeting.

Mr Menzies is not a related party of Auralandia.

14. MEMBERS OF AURALANDIA IN WHICH DIRECTORS OF AURALANDIA HAVE RELEVANT INTERESTS.

14.1 Shareholdings in Auralandia in which E G Albers and P J Albers have relevant interests

These are as set out in clause 13.1 above.

14.2 Shareholdings in Auralandia in which P. J Merrigan has a relevant interest

As set out in the 2009 Auralandia Annual Report Mr P J Merrigan has a relevant interest in 681,389 shares in Auralandia.

15. TOP TWENTY MEMBERS OF AURALANDIA

The top 20 members of Auralandia as at 9 November 2009 were as follows.

1	Mr Ernest Geoffrey Albers	14,499,088	36.80%
2	Doravale Enterprise Pty Ltd	4,774,335	12.12%
3	Mr Ernest Geoffrey Albers + Mrs Pamela Joy Albers	4,636,430	11.77%
4	The Albers Companies Inc Pty	3,798,240	9.64%
5	Wilstermere Corporation P/L	2,230,500	5.66%
6	Great Missenden Holdings P/L	2,222,070	5.64%
7	Upstream Consulting Pty Ltd	1,663,260	4.22%
8	Sacrosanct Pty Ltd <Sacrosanct Super Fund A/C>	1,000,000	2.54%
9	500 Custodian Pty Ltd <Albers Super & Pension A/C>	786,785	2.00%
10	Mr Peter John Merrigan	681,389	1.73%
11	Australis Finance Pty Ltd	659,080	1.67%
12	Ms Julie Kay Merrigan	548,740	1.39%
13	Mr Ernest Geoffrey Albers	469,585	1.19%
14	Mr Ernest Geoffrey Albers + Mrs Elaine M Larsson	203,580	0.52%
15	Mrs Pamela Joy Albers	95,208	0.24%
16	Mayfair District Pty Ltd	74,250	0.19%
17	Ms Helen Margaret Loyall	70,720	0.18%
18	Albers Custodian Company Pty Ltd	67,860	0.17%
19	Mrs Ann Elizabeth Carruthers	52,345	0.13%
19	Mr Charles Edward Carruthers	52,345	0.13%
20	Ms Elaine Margaret Larsson	41,900	0.11%
TOTAL ABOVE:		8,627,710	98.04%
TOTAL OTHER INVESTORS:		773,355	1.96%
GRAND TOTAL:		39,401,065	100.00%

16. MEMBERS OF OCTANEX IN WHICH DIRECTORS OF EXOIL HAVE RELEVANT INTERESTS.

16.1 Shareholdings in which E G Albers and P J Albers have relevant interests

Each of E G Albers (and his spouse P. J Albers have, or are deemed to have relevant interests in each of the following shareholdings held by the persons listed below. Consequently each of these persons should, for the purpose of the resolution, be treated as Associates of E G Albers and thus related parties in the present context.

Shareholder	Ordinary Shares
Ernest Geoffrey Albers	8,101,681
Pamela Joy Albers	3,062,500
EG & PJ Albers	20,830,899
EG Albers & EM Larsson	90,000
Albers Custodian Company Pty Ltd	2,152,500
Auralandia NL	2,509,340
Australian Natural Gas Pty Ltd	1,650,000
Australis Finance Pty Ltd	3,046,250
Bass Strait Group Pty Ltd	4,033,058
Cue Petroleum Pty Ltd	3,211,664

Gascorp Australia Pty Ltd	30,526,968
Great Australia Corporation Pty Ltd	5,265,000
Great Missenden Group Pty Ltd	2,765,060
Great Missenden Holdings Pty Ltd	6,275,305
Sacrosanct Pty Ltd	10,850,960
Sequest Petroleum Pty Ltd	2,248,000
Strata Resources Pty Ltd	284,317
The Albers Companies Incorporated Pty Ltd	3,780,491
Wilstermere Corporation Pty Ltd	1,760,000
Total of above holdings	112,443,993
Total Octanex Shares on Issue	177,428,104
Aggregate percentage holding	63.37%

Mr E G Albers has a relevant interest in 77.84% of the issued capital of Auralandia NL.

16.2 Shareholdings in which Mr J W D Willis has a relevant interest.

Mr Willis has a relevant interest in the 2,075,000 shares held by Appledore Custodian Pty Ltd as set out in the top 20 shareholders in Octanex are set out in clause 17 below. This represents 1.18% of the issued capital of Octanex.

Mr Willis is a director of Gascorp Australia Pty Ltd but does not have a beneficial or relevant interest in any shares in that company.

16.3 Shareholdings in which Mr Menzies has a relevant interest.

Mr Menzies does not hold any shares in Octanex.

Mr Menzies is a director of Doravale Enterprises Pty Ltd which holds a total of 33,000,000 shares in Octanex on trust pursuant to the terms and conditions of a scheme of arrangement approved by the Supreme Court of Victoria. Doravale Enterprises Pty Ltd is a trustee of those shares and Mr Menzies is one of two directors of that entity. Doravale Enterprises Pty Ltd is not able to vote those shares except in extremely limited circumstances set out in the scheme documentation. Mr Menzies has no legal, beneficial or economic interest therein. A copy of the scheme booklet in relation to the scheme will be tabled at the meeting.

Mr Menzies is a director of Gascorp Australia Pty Ltd but does not have a beneficial or relevant interest in any shares in that company.

17. TOP TWENTY MEMBERS OF OCTANEX

The top 20 members of Octanex as at 29TH October 2009 were as follows.

1	Doravale Enterprise Pty Ltd	33,000,000	18.60%
2	Gascorp Australia Pty Ltd	30,526,968	17.21%
3	Mr Ernest Geoffrey Albers + Mrs Pamela Joy Albers	14,850,000	8.37%
4	Mr Ernest Geoffrey Albers	7,355,328	4.15%
5	Mr Ernest Geoffrey Albers +Mrs Pamela Joy Albers	5,980,899	3.37%
6	Great Missenden Holdings P/L	5,450,305	3.07%
7	Sacrosanct Pty Ltd <Sacrosanct Superannuation Fund>	5,238,750	2.95%
8	Great Australian Corporation Pty Ltd	4,950,000	2.79%
9	Bass Strait Group Pty Ltd	4,033,058	2.27%
10	Sacrosanct Pty Ltd	3,300,000	1.86%
11	The Albers Companies Incorporated Pty Ltd	2,955,491	1.67%
12	Fugro Multi Client Services Pty Ltd	2,657,181	1.50%
13	Auralandia NL	2,509,340	1.41%
14	Cue Petroleum Pty Ltd	2,386,664	1.35%
15	Australis Mining Finance Pty Ltd	2,186,250	1.23%
16	Appledore Custodians Limited	2,075,000	1.17%
17	Albers Custodian Company Pty Ltd	2,062,500	1.16%
18	Great Missenden Group Pty Ltd	1,940,060	1.09%
19	Mrs Pamela Joy Albers	1,650,000	0.93%
20	Australian Natural Gas Pty Ltd	1,650,000	0.93%
TOTAL FOR TOP 20:		136,757,794	77.08%
TOTAL OTHER INVESTORS:		40,670,310	22.92%
GRAND TOTAL:		177,428,104	100.00%

18. MEMBERS OF OCTANEX IN WHICH DIRECTORS OF OCTANEX HAVE RELEVANT INTERESTS.

These are identical to those interests shown in clause 16 above, as the directors of both companies are the same.

19. ADDITIONAL INFORMATION TO BE PROVIDED TO EXOIL MEMBERS

There is not, within the knowledge of the Directors, any other information which is known to them and which has not been previously forwarded to Members or made available to them which is reasonably required by Members in order to decide whether or not it is in the company's interests to pass the proposed resolution.

20. ACTION TO BE TAKEN BY EXOIL MEMBERS

Members are encouraged to attend and vote in on the resolutions to be put to the meeting convened by the attached Notice of Meeting.

Members should pay careful attention to the instructions on the notice of meeting and proxy form and seek professional advice if they do not understand any aspect of the matters raised in this Explanatory Memorandum, the notice of meeting or the form of proxy.

To enable the Company to comply with Section 251AA of the Corporations Act, the proxy form contains three columns to enable members of Exoil to vote for or against the resolution or to direct their proxyholder to abstain from voting on the resolution. Where a Member does not direct the proxyholder to vote for or against or abstain from voting then the proxyholder may vote at the proxyholder's discretion.

EXOIL LIMITED

ABN 40 005 572 798

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of the Members of Exoil Limited will be held in Meeting Room 3 of the Institute of Chartered Accountants in Australia, Level 3, 600 Bourke Street, Melbourne VIC 3000 at 11:00 am AEDT on Monday the 14th of December 2009.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That, for the purpose of complying with the Listing Rule 6.43 of the Listing Rules of National Stock Exchange of Australia Limited, each of:

- (a) *the sale agreement ("Octanex Agreement") made between the Company as vendor and Octanex N.L ("Octanex") as purchaser under which Octanex agreed to purchase an undivided 8% interest in petroleum exploration permit WA-342-P for an amount of A\$1,928,000 and otherwise on the terms and conditions more particularly set out in the Octanex Agreement, (which is tabled at the meeting and marked with the letter "A"); and*
- (b) *the sale agreement ("Auralandia Agreement") made between the Company as vendor and Auralandia N.L ("Auralandia") as purchaser under which Auralandia agreed to purchase an undivided 5% interest in petroleum exploration permit WA-342-P for an amount of A\$1,205,000 and otherwise on the terms and conditions more particularly set out in the Auralandia Agreement, (which is tabled at the meeting and marked with the letter "B")*

be approved and ratified".

By Order of the Board of
Exoil Limited



J G Tuohy
Company Secretary

13 November 2009

NOTES

Voting

- (a) Exoil Limited has determined that, in accordance with regulation 7.11.37 of the Corporations Regulations 2001 (Cth), the shares of Exoil Limited that are quoted on the National Stock Exchange of Australia Limited as at 7.00 pm on 12th December 2009 will be taken, for the purposes of the General Meeting ("Meeting"), to be held by the persons who held them at that time. Accordingly, those persons will be entitled to attend and vote at the Meeting.
- (b) A Member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the Member's voting rights.
- (c) A proxy duly appointed need not be a Member. In the case of joint holders all must sign.
- (d) A form of proxy accompanies this Notice and, to be effective, the form and any document necessary to show the validity of the form of proxy must be lodged at the registered office of the Company not less than 48 hours before the time appointed for the Meeting. Any proxy lodged after that time will be treated as invalid.
- (e) Directors and Officers of all corporate shareholders should note that unless the corporate shareholder either:
 - (i) completes and lodges with the Company a valid appointment of proxy in accordance with the instructions on the enclosed proxy form; or
 - (ii) completes and either lodges with the Company prior to the Meeting a form of appointment of or certificate of appointment of personal representative in accordance with the provisions of Section 250D of the Corporations Law or causes such personal representative to attend the Meeting with such form of appointment or certificate; or
 - (iii) has appointed an attorney;and such proxy, personal representative or attorney attends the Meeting, then such corporate shareholder will be unable to exercise any votes at the Meeting.
- (f) Proxies and corporate appointment of representative forms may be returned to the Company by delivery (by hand, mail, courier or facsimile) to the Company Secretary, Exoil Limited at its registered office at Level 21, 500 Collins Street, Melbourne VIC 3000 **(Facsimile: 03 8610 4799)**.
- (g) Corporate Members should comply with the execution requirements set out on the proxy form or otherwise comply with the provisions of Section 127 of the Act. Section 127 of the Act provides that a company may execute a document without using its common seal if the document is signed by:
 - (i) 2 directors of the company; or
 - (ii) a director and a company secretary of the company; or
 - (iii) for a proprietary company that has a sole director who is also the sole company secretary - that director.

For Exoil Limited to rely on the assumptions set out in Sections 129(5) and (6) of the Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable.

In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

- (h) Completion of a proxy form will not prevent individual Members from attending the Meeting in person if they wish. Where a Member completes and lodges a valid proxy form and attends the Meeting in person then the proxy's authority to speak and vote for that Member is suspended while the Member is present at the Meeting.
- (i) Where a proxy form or form of appointment of or certificate of appointment of personal representative is lodged and is executed under power of attorney the power of attorney must be lodged in like manner as a proxy or be attached to any form of appointment of or certificate of appointment of personal representative presented at the Meeting.

Voting Exemption Clause

The Company advises that, in respect of the resolution it will disregard any votes cast on the resolution by any of the Companies named in the resolution, the Directors of Exoil and any of their Associates (within the meaning of the Corporations Act 2001) of any of the before mentioned persons. However, the Company will not disregard a vote if it is cast by:

- (a) any such person or any of that person's Associates as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

PROXY FORM

EXOIL LIMITED

(ABN 40 005 572 798)

The Company Secretary
Exoil Limited
Level 21
500 Collins Street
Melbourne VIC 3000

I/We (name of shareholder)
of (address)
being a member/members of Exoil Limited HEREBY APPOINT

(name)
of (address)

and/or failing him (name)
of (address)

or failing that person then the Chairman of the General Meeting as my/our proxy to vote for me/us and on my/our behalf at the General Meeting of the Company to be held in Meeting Room 3 of the Institute of Chartered Accountants in Australia, Level 3, 600 Bourke Street, Melbourne, VIC 3000 at 11:00 am AEDT on Monday 14th December 2009 and at any adjournment of the meeting.

INSTRUCTIONS AS TO VOTING ON RESOLUTIONS

If no directions are given my proxy may vote as the proxy thinks fit or may abstain. Otherwise the Proxy is to vote for or against the resolutions referred to in the notice convening the General Meeting as follows:

	FOR	AGAINST	ABSTAIN
To approve the sale of an aggregate 13% interest in WA-342-P for a total consideration of \$3,133,000	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

This Proxy is appointed to represent _____ % of my voting right, or if 2 proxies are appointed Proxy 1 represents _____ % and Proxy 2 represents _____ % of my total votes. My total voting right is _____ shares. If no direction is given above or if more than one box is marked, I/we authorise my/our proxy to vote or abstain as my/our proxy thinks fit in respect of the resolution to be considered by the meeting and any adjournment of the meeting.

Signature(s)

Date

Individual or
Joint Shareholder 1

Director/Company Secretary

Joint Shareholder 2

Director

Joint Shareholder 3

Sole Director & Sole
Company Secretary

INSTRUCTIONS FOR APPOINTMENT OF PROXY

A Member entitled to attend and vote at a meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the Member's voting rights.

1. A proxy duly appointed need not be a Member. In the case of joint holders all must sign.
2. To be effective, the form of proxy and any document necessary to show the validity of the form of proxy must be lodged at the registered office of the Company not less than 48 hours before the time appointed for a meeting. Any proxy lodged after that time will be treated as invalid.
3. Directors and Officers of all corporate shareholders should note that unless the corporate shareholder either:
 - (a) completes and lodges with the Company a valid appointment of proxy in accordance with the instructions on the proxy form; or
 - (b) completes and either lodges with the Company prior to the meeting a form of appointment of or certificate of appointment of personal representative in accordance with the provisions of Section 250D of the Act or causes such personal representative to attend the meeting with such form of appointment or certificate; or
 - (c) has appointed an attorney;and such proxy, personal representative or attorney attends the relevant meeting, then such corporate shareholder will be unable to exercise any votes at the relevant meeting.
4. Proxies and corporate appointment of representative forms may be returned to the Company by delivery (by hand, mail, courier or facsimile) to the Company Secretary, Exoil Limited at its registered office:

**Exoil Limited
Level 21
500 Collins Street
Melbourne Vic 3000**

Facsimile: 03 8610 4799

5. Corporate Members should comply with the execution requirements set out on the proxy form or otherwise comply with the provisions of Section 127 of the Act. Section 127 of the Act provides that a company may execute a document without using its common seal if the document is signed by:
 - 2 directors of the company; or
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary - that director.For the Company to rely on the assumptions set out in Sections 129(5) and (6) of the Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. **In particular a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.**
6. Completion of a proxy form will not prevent individual Members from attending the meeting in person if they wish. Where a Member completes and lodges a valid proxy form and attends the meeting in person then the proxy's authority to speak and vote for that Member is suspended while the Member is present at the meeting.
7. Where a proxy form or form of appointment of or certificate of appointment of personal representative is lodged and is executed under power of attorney the power of attorney must be lodged in like manner as a proxy or be attached to any form of appointment of or certificate of appointment of personal representative presented at the Meeting.
8. Inasmuch as the Chairman of the meeting is appointed as proxy for a shareholder, if the shareholder does not nominate another person as his primary proxy and inasmuch as, in the absence of a primary proxy so appointed, the proxy form also provides for the Chairman of the meeting to act as proxy, the following information is given:

Chairman's Voting Intention in relation to Undirected Proxies

Subject to the operation of the express voting exclusions contained in the notes to the notice of meeting and their operation it is the Chairman's intention to vote undirected proxies in favour of the resolution to be put to the meeting.

If you do not wish to direct your proxy how to vote, please place a mark in the box.

☐

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.