



Exoil Limited

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QUARTERLY ACTIVITY REPORT TO 31 DECEMBER 2009

The last quarter saw Exoil Limited (*NSX Code: EXX*) ("Exoil" or "the Company") involved in activities that included:

- the sale of an aggregate 13% interest in WA-342-P (Cornea) for \$3.133M;
- raising \$3.08M of new capital;
- drilling a successful exploration/appraisal well – Cornea-3; and
- spudding an exploration well – Braveheart-1 (completed after quarter end).

During the quarter the Company gained the approval of Shareholders to complete the sale of an aggregate 13% interest in WA-342-P to Octanex N.L. (8% for \$1,928,000) and Auralandia N.L. (5% for \$1,205,000). The WA-342-P permit contains the known Cornea oil and gas accumulation and the proceeds of sale were to contribute funding towards the drilling of the Cornea-3 and Braveheart-1 wells into the two 'drill-ready' prospects in the WA-342-P and WA-332-P permits respectively.

At the same time the Company sought and raised a minimum of \$3.08M of new capital under a partially underwritten Offer Information Statement ("Offer") to meet its share of the then expected drilling costs. That Offer of new shares had options attached that were granted on the basis of applicants receiving four (4) free options for every five (5) shares applied for. The options are exercisable at \$0.12 (12 cents) each and are exercisable on or before 30 June 2012.

The Company holds interests in ten petroleum exploration permits, all of which are in the offshore waters of Australia. Four are located offshore of Western Australia; three of those in the Browse Basin (WA-332-P, WA-333-P and WA-342-P) and one in the Carnarvon basin (WA-359-P). The other six are located offshore of south-eastern Australia; with two in the offshore Gippsland Basin (Vic/P45 and Vic/P53), two in the Bass Basin (T/37P and T/38P) offshore of northern Tasmania and the remaining two in the offshore Otway Basin (EPP 34 and EPP 35). Details of these permits and the current work activities in each one are provided below.

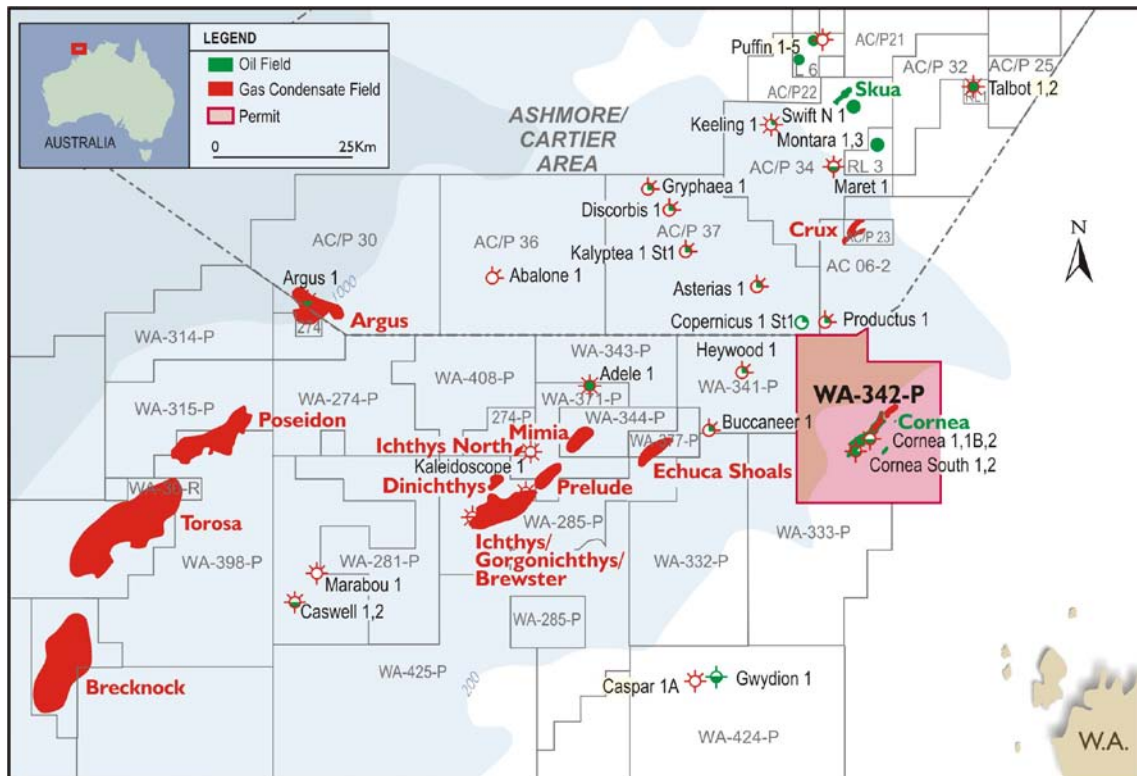
WA-342-P, BROWSE BASIN

This permit is held by the Cornea Joint Venture consisting of the following parties:

Moby Oil & Gas Limited (<i>ASX Code: MOG</i>)	22.375%
Cornea Oil & Gas Pty Ltd (<i>subsidiary of Australian Oil & Gas Corporation</i>)	17.000%
Cornea Resource Pty Ltd (<i>subsidiary of Exoil Limited</i>)	16.750%
Cornea Petroleum Pty Ltd (<i>subsidiary of Batavia Oil & Gas Pty Ltd</i>)	14.875%
Cornea Energy Pty Ltd (<i>subsidiary of Goldsborough Limited</i>)	8.500%
Octanex N.L. (<i>ASX Code: OXX</i>)	8.000%
Coldron Pty Ltd (<i>subsidiary of Gascorp Australia Pty Ltd</i>)	7.500%
Auralandia N.L.	5.000%

The Operator of the Cornea Joint Venture is Hawkestone Oil Pty Ltd ("Hawkestone"), a wholly-owned subsidiary of Exoil.

Between the 11th and 28th of December, the Cornea appraisal/exploration well was drilled into the known Cornea oil and gas accumulation by the Songa Venus semi-submersible rig – see following WA-342-P permit location map.



WA-342-P Location Map

Late on 24 December 2009 the well penetrated the targeted Middle Albian and Lower Jamieson Formation B and C sand reservoir interval, 2.2 metres deeper than predicted, but, as planned, just below the predicted gas oil contact. The well was then deepened to penetrate exploration targets in the Early Albian and Aptian of the Lower Heywood Formation before terminating at a total depth of 910.6 metres (measured depth below rotary table or MDRT). The data obtained while drilling indicated the intersection of a hydrocarbon bearing column in the Middle Albian, Lower Jamieson Formation. The exploration targets in the Lower Heywood Formation did not contain hydrocarbons.

The objectives of the Cornea-3 well were to define the location of hydrocarbon contacts and to obtain data relating to the potential reservoir qualities of the Middle Albian and Lower Jamieson Formation.

Following the conclusion of drilling, a series of logs were run, including a Magnetic Resonance log, as conventional logging tools are unable to resolve the reservoir properties due to the glauconitic nature of the rocks. In addition, a wireline formation tester was run to assess the pressure within the reservoir and to take fluid samples.

The results of drilling and logging can be summarised as follows.

1. An oil column of 20.4m was intersected between the gas oil contact at 785.6m MDRT and the free water level (as defined by pressure data) at 806m MDRT. The logging has established a clear oil and water gradient – a significant improvement on the position known before the well was drilled. This will better enable the assessment of the aggregate quantity of hydrocarbons across the greater Cornea feature.
2. Extensive efforts were made to sample the oil, but the unconsolidated nature of the reservoir meant that, on every attempt, the test MDT tools became blocked with sand preventing fluid

sampling. The failure to recover fluid samples was somewhat disappointing, but oil samples had been obtained by the previous operator.

3. A considerable number of pressure testing results were obtained which enabled the establishment of oil and water gradients and hydrocarbon contacts.
4. The condition of the hole through the hydrocarbon bearing section was excellent and enabled the recovery of high quality log data from the Magnetic Resonance tool. These data are now being analysed to deduce reservoir porosity, permeability, water saturation and oil viscosity.

Overall, the results of Cornea-3 have, for the first time, clearly defined the location of an oil column. As noted above, the condition of the hole through the reservoir section was excellent. A great deal has been learned about how future wells can be drilled in the greater Cornea feature. This has given the Cornea Joint Venture confidence about the ability to drill subsequent horizontal wells through the reservoir section.

Looking forward, the data obtained from Cornea-3 will enable the Cornea Joint Venture to formulate a future exploration, appraisal and development strategy now that an oil column has been proved and that good data relating to the potential reservoir performance has been obtained.

Following the logging, Cornea-3 was plugged and abandoned as planned. The Songa Venus rig was then towed to the Braveheart-1 location in WA-333-P where that well was spudded on 29 December – refer below.

WA-332-P & WA-333-P, BROWSE BASIN

These two permits are held by the Braveheart Joint Venture consisting of the following parties:

Moby Oil & Gas Limited	26.4375%
Braveheart Resources Pty Ltd (subsidiary of Exoil Limited)	25.3750%
Browse Petroleum Pty Ltd (subsidiary of Gascorp Australia Pty Ltd)	20.1875%
Braveheart Oil & Gas Pty Ltd (subsidiary of Australian Oil & Gas Corporation)	14.5000%
Braveheart Energy Pty Ltd (subsidiary of Goldsborough Limited)	7.2500%
Braveheart Petroleum Pty Ltd (subsidiary of Batavia Oil & Gas Pty Ltd)	6.2500%

The Operator of the Braveheart Joint Venture is Hawkestone.

Between the 29th of December and (post the end of the quarter) the 18th of January 2010, the Braveheart-1 exploration well was drilled into the Braveheart Prospect by the Songa Venus semi-submersible rig from a location within WA-332-P. The Braveheart Prospect straddled the two permits – see following location map.

During the course of drilling operations on 13 January 2010, the well penetrated the targeted Lower M.australis sandstone. After the conduct and analysis of wireline logging operations, it was established that the targeted sandstone interval extended over a gross interval of 30 metres. Within that gross sandstone interval there were net porous sands of 22.7 metres, estimated as having an average total porosity of 28.7% - see figure below entitled “M.australis sandstone interval in Braveheart-1”.

There is some evidence of residual hydrocarbons at the top of the reservoir interval but most of the cleaner sands are water filled.

While this result was disappointing, the well results have validated the depositional model relied upon to support the presence of a high quality reservoir interval at the Braveheart Prospect.

Steps were taken to complete the conduct of further data gathering actions after which the well was plugged and abandoned.

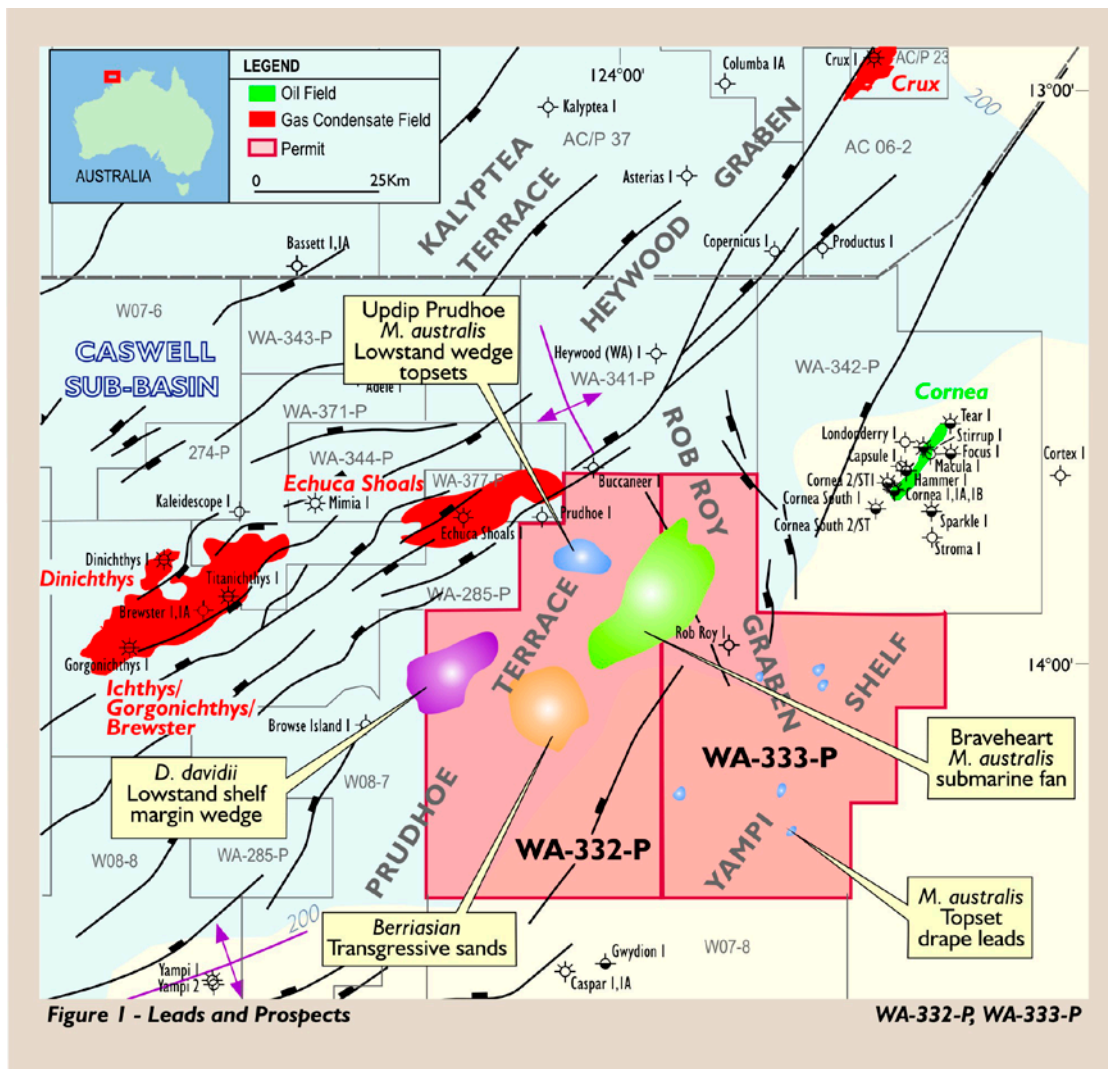
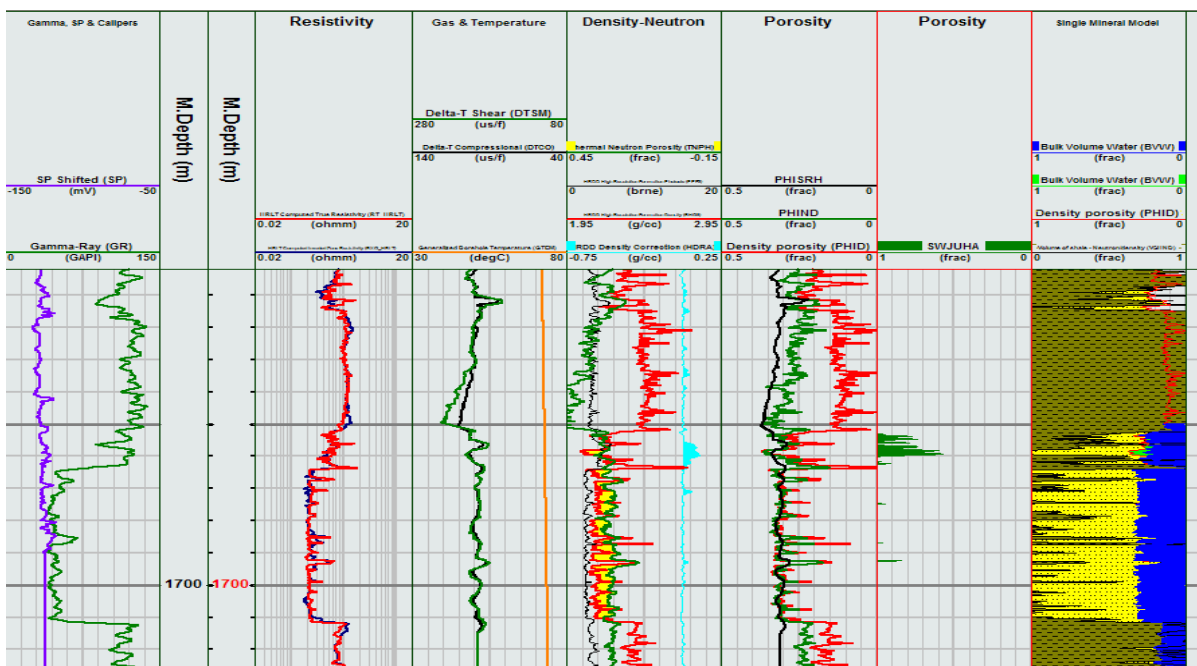


Figure 1 - Leads and Prospects



M.australis sandstone interval in Braveheart-1

WA-359-P, DAMPIER SUB-BASIN

The WA-359-P Joint Venture consists of:

Exoil Limited	50%
Cue Exploration Pty Ltd	50%
<i>(subsidiary of Cue Energy Resources Limited)</i>	

The Operator of the Joint Venture is Cue Energy Resources Limited (**ASX Code: CUE**).

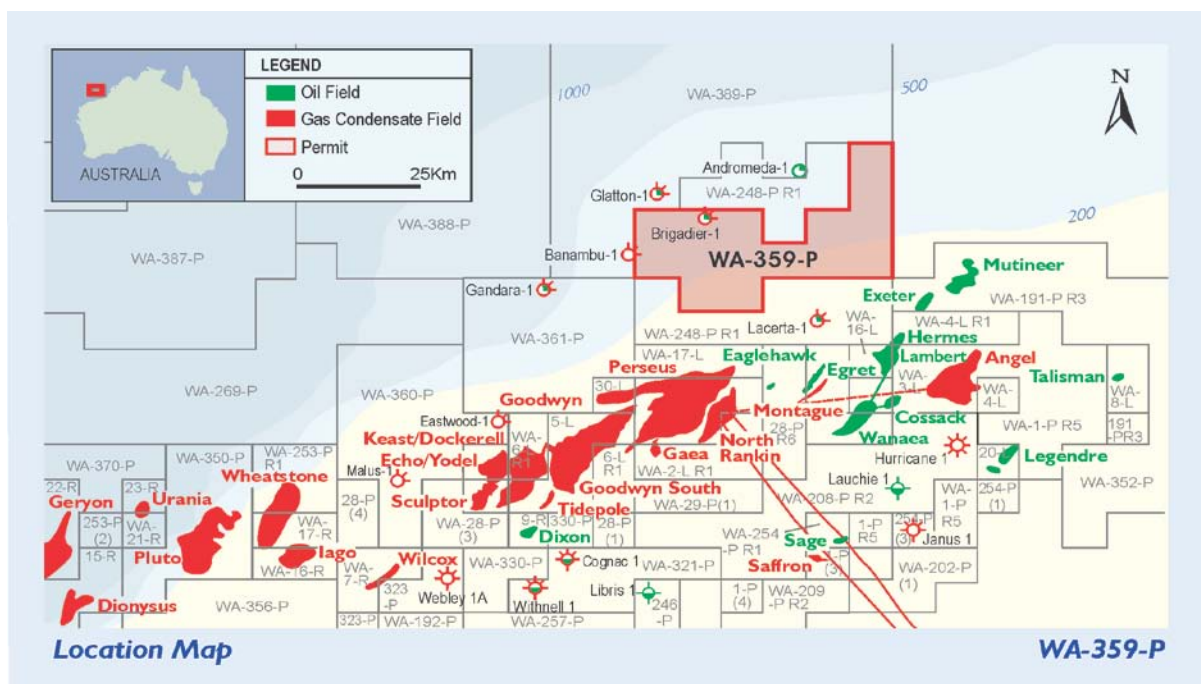
WA-359-P is in the Dampier Sub-basin offshore from Western Australia and covers an area of approximately 1,200 km² in water depths of less than 500 metres – see following location map.

A subsidiary of MEO Australia Limited (**ASX Code: MEO**) farmed into the Company's and Cue Exploration Pty Ltd's ("Cue") respective 50% interests in WA-359-P and was appointed Operator. That company would earn an overall 60% interest in the permit by meeting the now completed year-3 seismic work commitment and by electing (prior to 1 January 2010) to fund 90% of the cost of drilling the first exploration well in WA-359-P. MEO did not elect to drill that well and is in the process of re-assigning a 30% interest back to each of Exoil and Cue.

Operatorship of the permit will revert back to Cue Energy Resources Limited.

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

The Joint Venture is currently seeking variations to the terms of the permit, as the year-6 work obligation is to drill an exploration well. Any prospect considered worthy of drilling will be offered for farmout to third parties on the basis of the earning of an interest in the permit in return for contributing to the drilling costs.

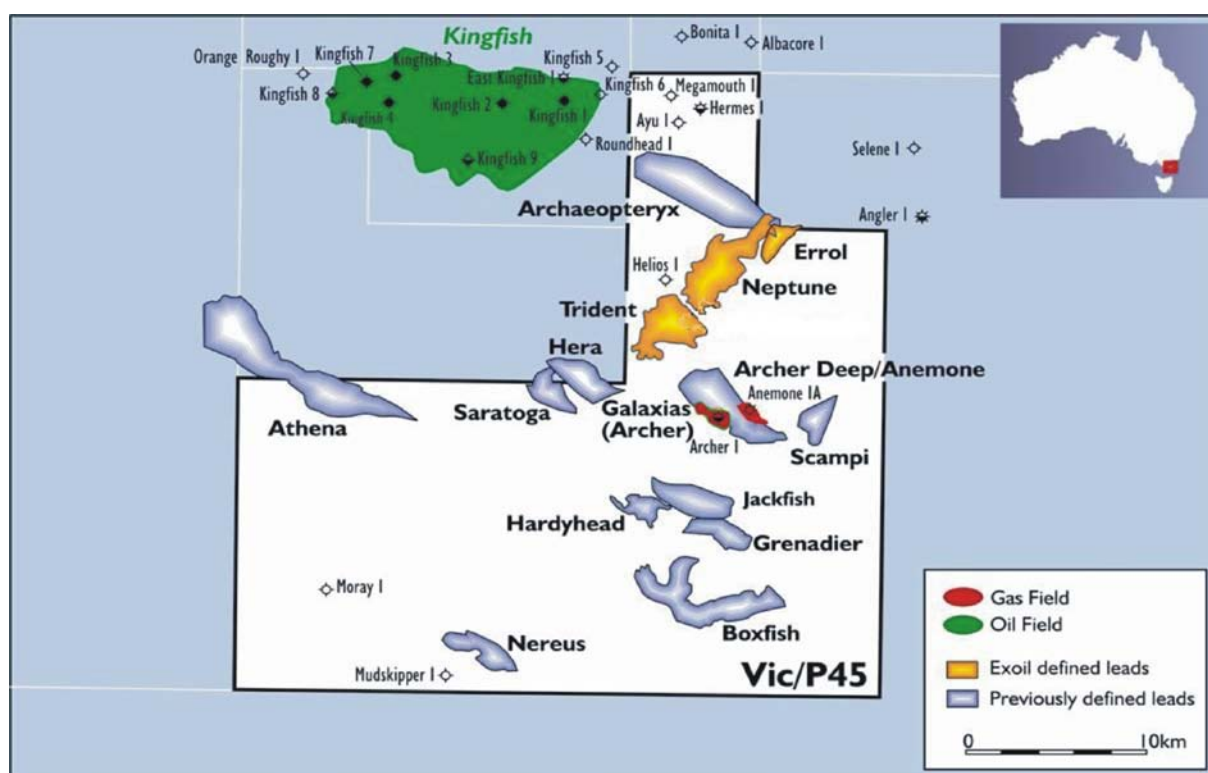


Location of WA-359-P in Dampier Sub-basin

Vic/P45, GIPPSLAND BASIN

The Vic/P45 Joint Venture consists of:

Exoil Limited	50% and Operator
Moby Oil & Gas Limited (ASX Code: MOG)	50%



Prospects and Leads Map – Vic/P45

The Vic/P45 Joint Venture has been granted a variation to the terms of the permit following the drilling of the Megamouth-1 and Coelacanth-1 wells (both unsuccessful). The year-5 work programme now requires completion of ongoing geotechnical studies and review of the remaining leads within the permit with the aim of developing a drillable prospect – see prospects and leads map above.

The year-6 work obligation is to drill an exploration well. Any prospect considered worthy of drilling will be offered for farmout to third parties on the basis of the earning of an interest in the permit in return for contributing to the drilling costs.

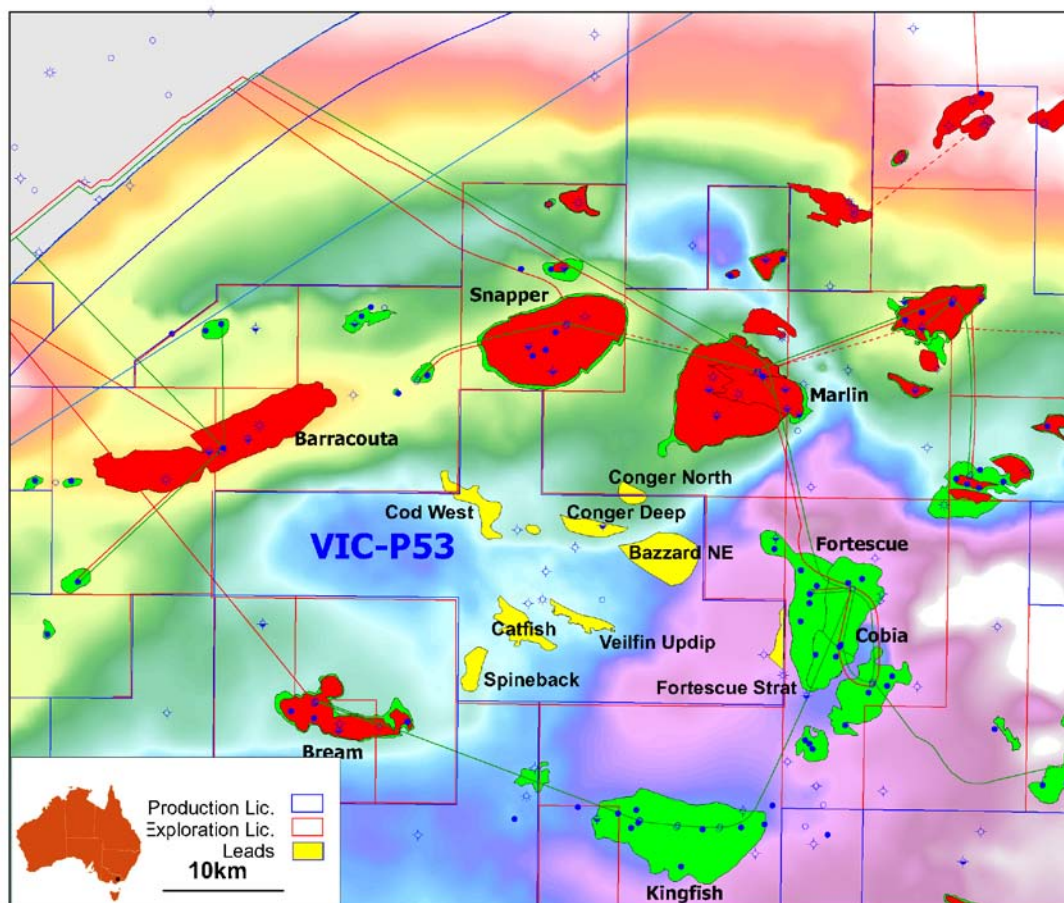
Vic/P53, GIPPSLAND BASIN

The Vic/P53 Joint Venture consists of:

Exoil Limited	50% and Operator
Moby Oil & Gas Limited	25%
Cue Petroleum Pty Ltd	25% *

* Subject to 15% back-in right in favour of Australia Crude Oil Company, Inc.

In August 2007, Stuart Petroleum Limited (“Stuart”) (ASX Code: STU) was assigned a 50% participating interest in the permit by Exoil and Moby Oil & Gas Limited (“Moby”) as a consequence of farmin terms and Stuart was appointed as Operator.



Leads Map – Vic/P53

During Q4 2008, Bazzard-1 was drilled by Stuart at its cost but the well failed to encounter hydrocarbons. Under the farmin arrangements, Stuart had to drill a second well at its cost or else re-convey its 50% interest back to Exoil and Moby.

On 4 November 2009, Stuart elected not to participate in the second well and to re-assign its 50% interest back to Exoil and Moby with effect from 30 November. Operatorship of the permit has been assumed by Exoil.

Vic/P53 contains several potential Top Latrobe and Intra Latrobe prospects. The current focus is on the Spineback, Catfish and Cod West prospects – refer to the leads map above.

The Joint Venture is currently seeking variations to the terms of the permit and reconsidering whether to continue its involvement.

T/37P and T/38P (REMAINDER), BASS BASIN

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

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

Exoil, with Cue and Gascorp Australia Pty Ltd (“Gascorp”), hold the two adjacent permits T/37P and T/38P (Remainder) – see following location map. The permits are located in the Bass Strait region, north of Tasmania and east of King Island and each consists of 40 graticular blocks, covering areas of approximately 2,670 km² (T/37P), and 2,655 km² (T/38P) inclusive of the Spikey Beach Blocks (see next section). Water depths across the permits are less than 75 metres.

The T/37P permit is immediately adjacent to the east of the Yolla gas/condensate field which began production in mid 2007. The T/38P permit contains the Pelican gas/condensate discovery and is south of the Yolla field in the adjacent licence area.

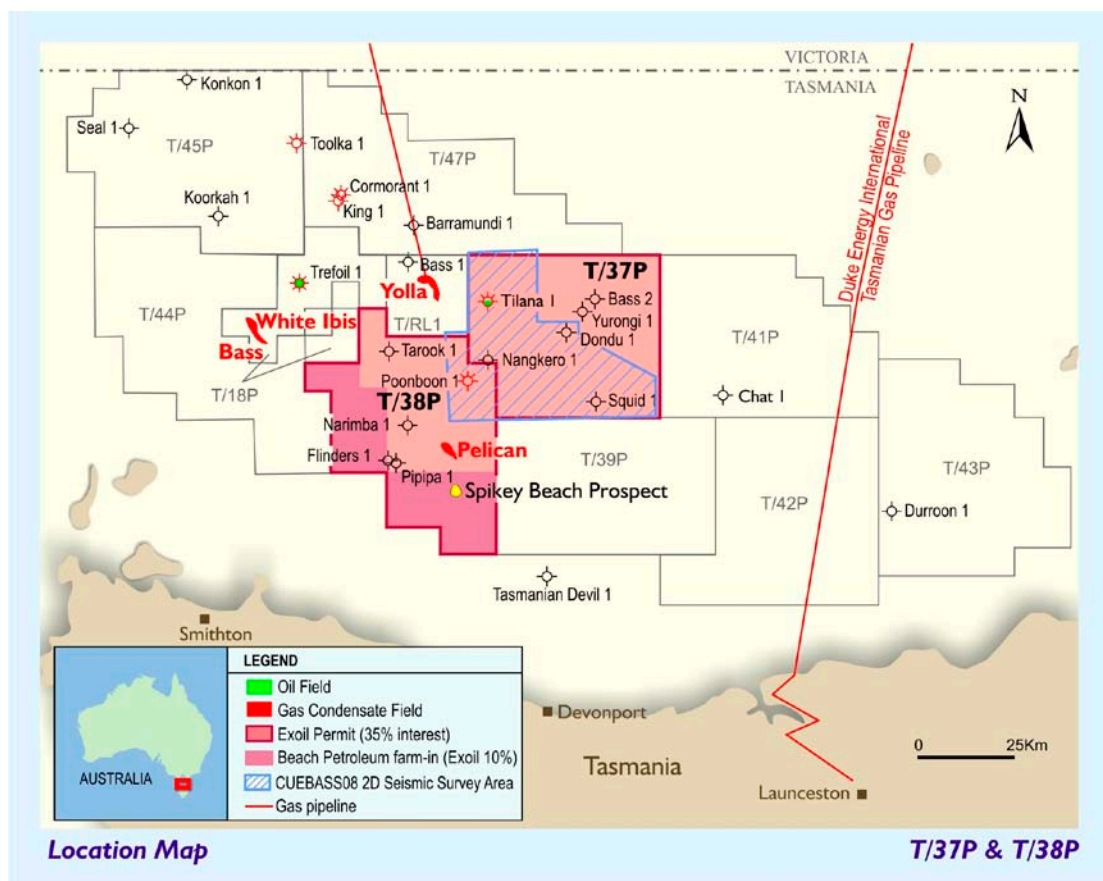
The Joint Ventures joined with a group of companies which together mobilized a seismic vessel to the Gippsland, Bass and Otway areas. As a consequence, 3,000 line kms of new 2D seismic data was acquired in T/37P and 670 line kms acquired in T/38P. The Company farmed out its share of the cost of this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

T/38P (SPIKEY BEACH BLOCKS), BASS BASIN

The Spikey Blocks are held by:

Beach Petroleum Limited	80% and Operator
Exoil Limited	10%
Cue Energy Resources Limited	10%

Beach Petroleum Limited (“Beach”) agreed to farm-in to part of T/38P to earn an 80% interest in a defined portion (“the Spikey Beach blocks” - see highlighted area in the map below) of the permit by paying for the drilling of the Spikey Beach-1 exploration well.



Processing of the 1,100 km Trocopa 2D survey and reprocessing of old data has been completed and interpretation and mapping of the seismic data was progressed during the quarter. Interpretation has in the past focused on the northern shelfal section of the block, targeting the Early Cretaceous Pretty Hill Sandstone, but will cover all areas now comprising the enlarged modern data set.

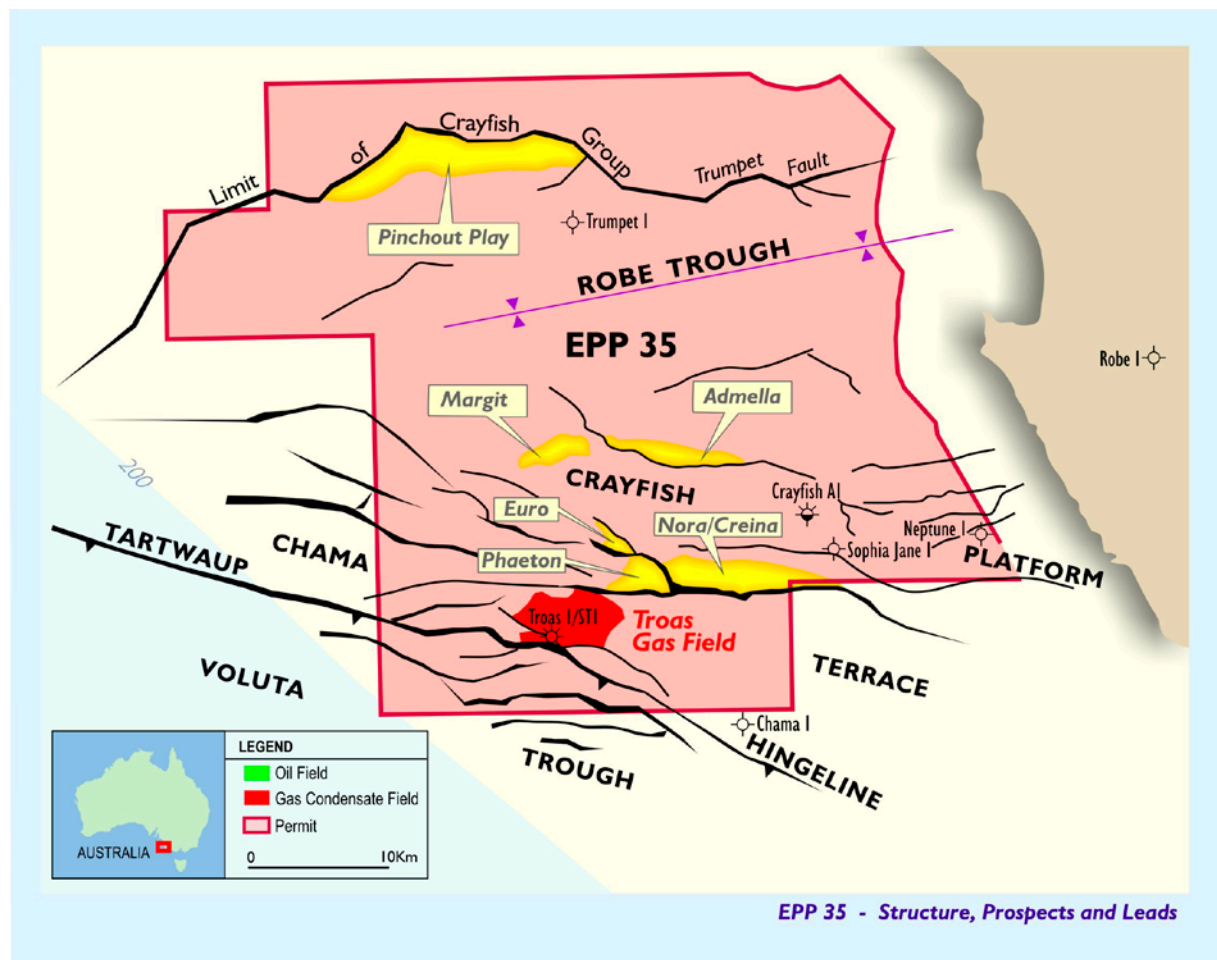
The EPP 34 Joint Venture has applied to extend year-4 by 12 months in order to complete the processing, integration and interpretation of the new Trocopa 2D seismic data and reprocessed old seismic data, prior to making a decision on whether to enter year-5.

EPP 35, OTWAY BASIN

The EPP 35 (Troas) Joint Venture consists of:

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

EPP 35 contains the Troas gas accumulation, where gas indications were noted over more than 1,000 metres of sedimentary section during drilling of the Troas-1 and ST1 well. The permit therefore has a proven hydrocarbon system in place. The focus of the EPP 35 Joint Venture has thus been on the Troas Deep Prospect, where it is planned to acquire a 325 km² 3D seismic grid over the Troas complex.



The permit is located approximately 100 km from the gas pipeline to Adelaide and is endowed with a wide range of potential prospects, with 'fair to good' seismic and well data coverage.

The Joint Venture has applied to extend year-3 by 12 months in order to complete the acquisition and processing of the new 325 km² 3D seismic survey that is yet to be acquired. The delay in acquiring that survey relates to the lack of availability of existing seismic data acquired by earlier explorers that requires reprocessing and review prior to finalising the design of the new survey.

On behalf of the Board



J.G. Tuohy
Company Secretary

Melbourne, Australia

28 January 2010

Risk Factors

Various statements in this release constitute statements relating to intentions, future acts and events. Such statements are generally classified as forward looking statements and involve known and unknown risks, expectations, 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 impliedly portrayed in this report.

Furthermore, exploration for oil and gas is speculative, expensive and subject to a wide range of risks. Summaries of some of the risks inherent in an investment in Exoil Limited are set out in the Company's latest disclosure document (being the Offer Information Statement dated 9 November 2009 in support of the Company's capital raising) lodged with the Australian Securities and Investments Commission. Individual investors should consider these matters in light of their personal circumstances (including financial and taxation affairs) and seek professional advice from their accountant, lawyer or other professional adviser as to the suitability for them of an investment in the Company.



Exoil Limited
ABN 40 005 572 798

Exploration Quarterly Report

Quarter ended ("current quarter")

31 DECEMBER 2009

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from joint venture participant		
1.2	Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(3,511) (112)	(3,554) (398)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received		
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other - Recharge of Office Costs	44	93
Net Operating Cash Flows		(3,579)	(3,859)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets		
1.9	Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets	3,133	3,133
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
Net investing cash flows		3,133	3,133
1.13	Total operating and investing cash flows (carried forward)	(446)	(726)

Exploration Quarterly Report

1.13	Total operating and investing cash flows (brought forward)	(446)	(726)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	3,078	3,078
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Share issue costs	(30)	(30)
	Net financing cash flows	3,048	3,048
	Net increase/(decrease) in cash held	2,602	2,322
1.20	Cash at beginning of quarter/year to date	268	548
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	2,870	2,870

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	30
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Project management, Corporate management, administration ,etc

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Exploration Quarterly Report

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,325
4.2 Development	
Total	2,325

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,870	2,870
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)		-
Total: cash at end of quarter (item 1.22)	2,870	2,870

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	WA-342-P	Petroleum Exploration Permit	29.75%	16.75%
6.2 Interests in mining tenements acquired or increased				

Exploration Quarterly Report

Issued securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	81,550,523	81,550,523		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	30,775,260 (50,775,263)	30,775,260 (50,775,263)	10 cents	10 cents
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	24,620,208 5,500,000	24,620,208 -	Exercise price 12 cents 20 cents	Expiry date 30/06/2011 30/06/2011
7.8 Issued during quarter	24,620,208 5,500,000	24,620,208 -	Exercise price 12 cents 20 cents	Expiry date 30/06/2011 30/06/2011
7.9 Exercised during quarter				
7.10 Expired during quarter	(2,350,000) (1,950,000)	- -	Exercise price 15 cents 20 cents	Expiry date 31/12/2009 31/12/2009
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

Exploration Quarterly Report

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act .
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 28/01/2010
(Secretary)
Print name: J.G.TUOHY

Notes

- 1 The quarterly report provides a basis for informing shareholders how the entity's activities have been financed for the past quarter and the effect on its cash position.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** The Australian equivalent of International Accounting Standards have been complied with.

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