

# **EXOIL LIMITED**

ABN 40 005 572 798

## **HALF YEAR FINANCIAL REPORT AND DIRECTORS' REPORT 31 DECEMBER 2009**

## **EXOIL LIMITED**

ABN 40 005 572 798

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### **DIRECTORY**

#### **BOARD OF DIRECTORS**

J.M.D. Willis (Chairman)

E.G. Albers

G.A. Menzies

P.J. Albers (Resigned 16 September 2009)

#### **SECRETARY**

J.G. Tuohy

#### **REGISTERED OFFICE**

Level 21

500 Collins Street

Melbourne, Victoria 3000

Telephone: +61 (0)3 8610 4700

Facsimile: +61 (0)3 8610 4799

E-mail: [admin@exoil.net](mailto:admin@exoil.net)

Website: [www.exoil.net](http://www.exoil.net)

#### **AUDITOR**

PKF

Chartered Accountants

Level 14

140 William St

Melbourne, Victoria 3000

#### **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](http://www.linkmarketservices.com.au)

#### **STOCK EXCHANGE LISTING**

National Stock Exchange of Australia Ltd

384 Hunter Street

Newcastle, NSW 2300

Website: [www.nsx.com.au](http://www.nsx.com.au)

**NSX Code: EXX Ordinary Shares**

#### **INCORPORATED IN VICTORIA**

5 July 1979

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### **CURRENCY**

The company's functional and presentation currency is Australian Dollars

### **FORWARD LOOKING STATEMENTS**

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

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

## EXOIL LIMITED

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### DIRECTORS' REPORT

The directors submit their report on the consolidated results of Exoil Limited and its wholly-owned subsidiaries, Hawkestone Oil Pty Ltd, Braveheart Resources Pty Ltd and Cornea Resources Pty Ltd ("the company", "the group" or "Exoil") for the half year ended 31 December 2009.

### DIRECTORS

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

*James M D Willis LL.M (Hons), Dip Acc - Chairman and Non-Executive Director*

*E Geoffrey Albers LL.B, FAICD - Executive Director*

*Graeme A Menzies LL.B - Non-Executive Director*

*Pamela J Albers - Non-Executive Director (resigned 16 September 2009)*

### OPERATING RESULT FOR THE HALF-YEAR

The group recorded a profit after tax for the half year of \$1,486,176 (2008: loss of \$340,807).

### REVIEW OF OPERATIONS

Exoil 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 offshore of northern Tasmania (T/37P and T/38P) and the remaining two in the offshore Otway Basin (EPP 34 and EPP 35). Subsequent to the end of the half year, the Otway Basin permits EPP 36 and Vic/P61 were relinquished as planned.

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

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

Between the 11<sup>th</sup> and 28<sup>th</sup> of December 2009, 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.



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 already noted, 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 to immediately following section.

#### **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%

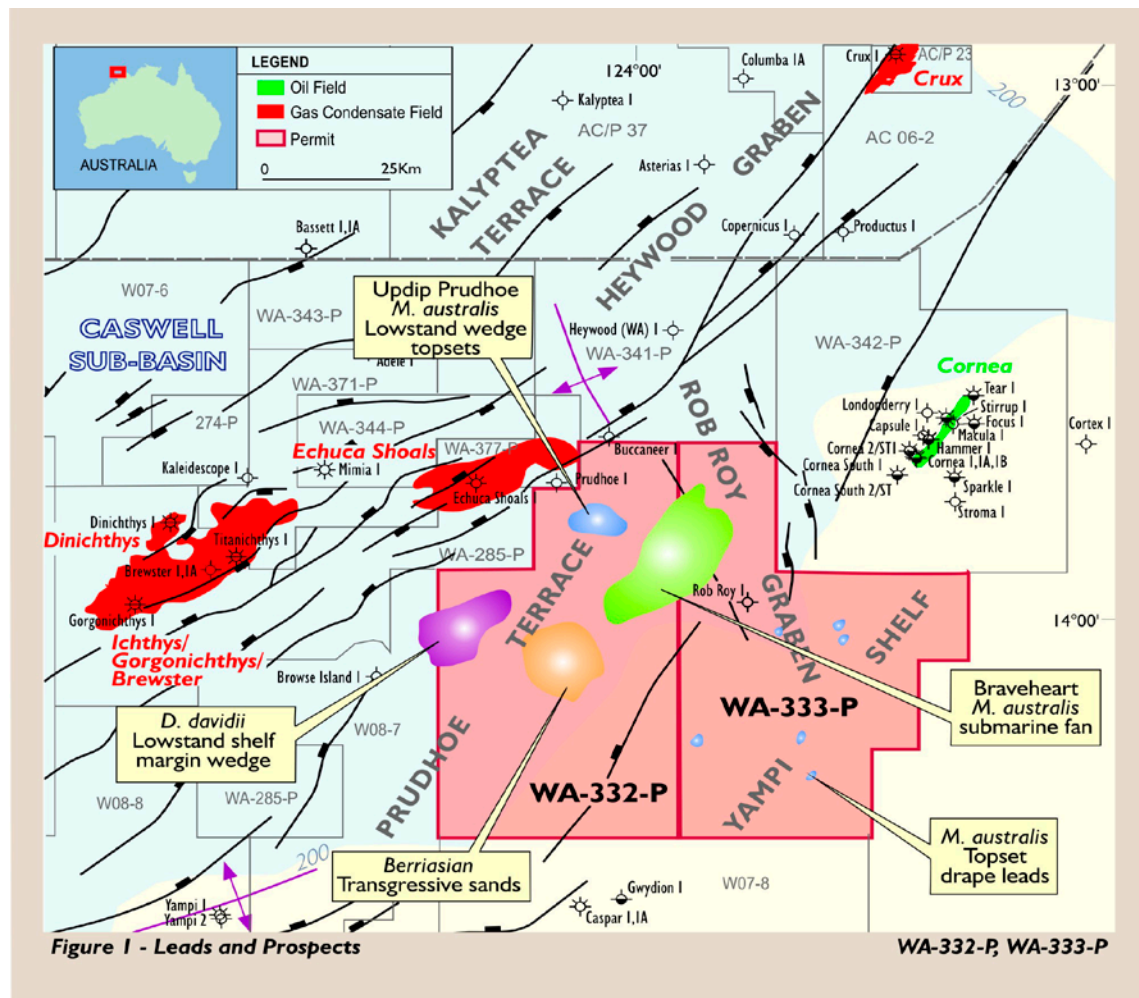
The Operator of the Braveheart Joint Venture is Hawkestone.

Between the 29<sup>th</sup> of December 2009 and (post the end of the half year) the 18<sup>th</sup> 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-333-P. The Braveheart Prospect straddled the two permits – see following location map.

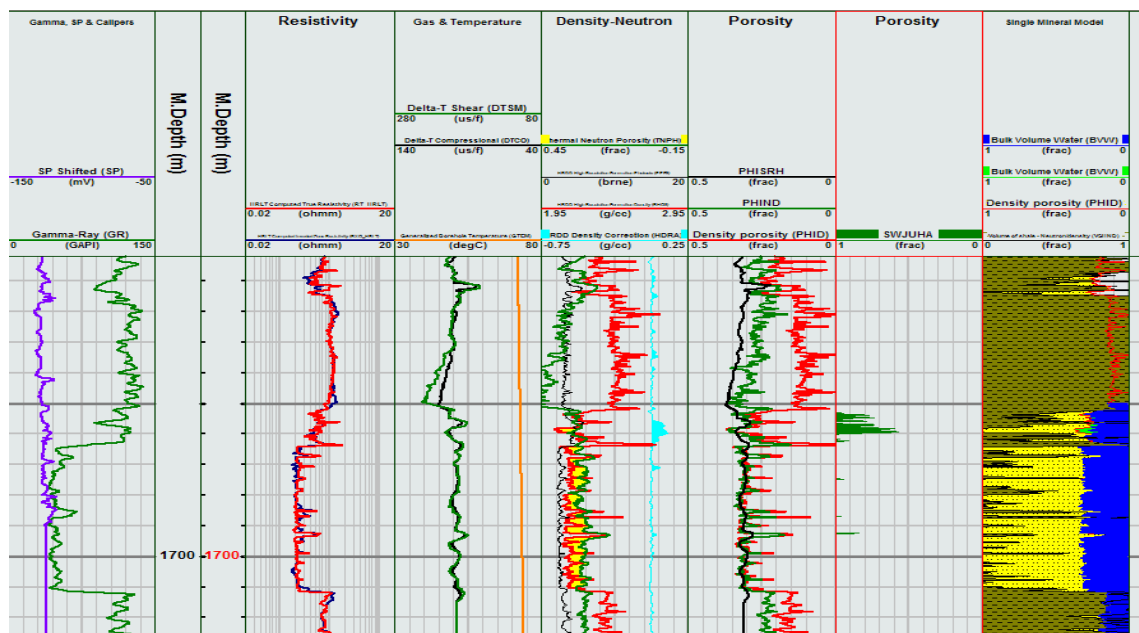
During the course of drilling operations on 13 January 2010, the well penetrated the targeted Lower M.australis sandstone. After the conduct and analysis of wireline logging operations, it was established that the targeted sandstone interval extended over a gross interval of 30 metres. Within that gross 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.



**WA-332-P & WA-333-P Location Map and Braveheart Prospect**





The WA-359-P Joint Venture consists of:

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

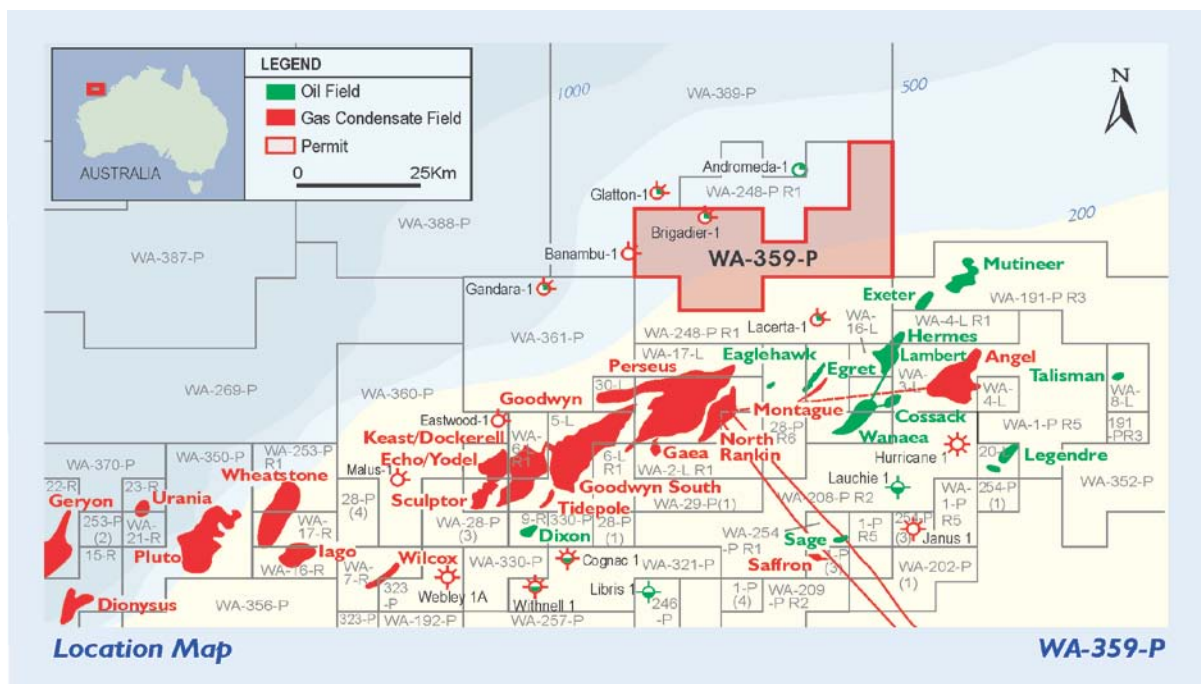
WA-359-P is in the Dampier Sub-basin offshore from Western Australia and covers an area of approximately 1,200 km<sup>2</sup> in water depths of less than 500 metres – see following location map.

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 MEO subsidiary 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

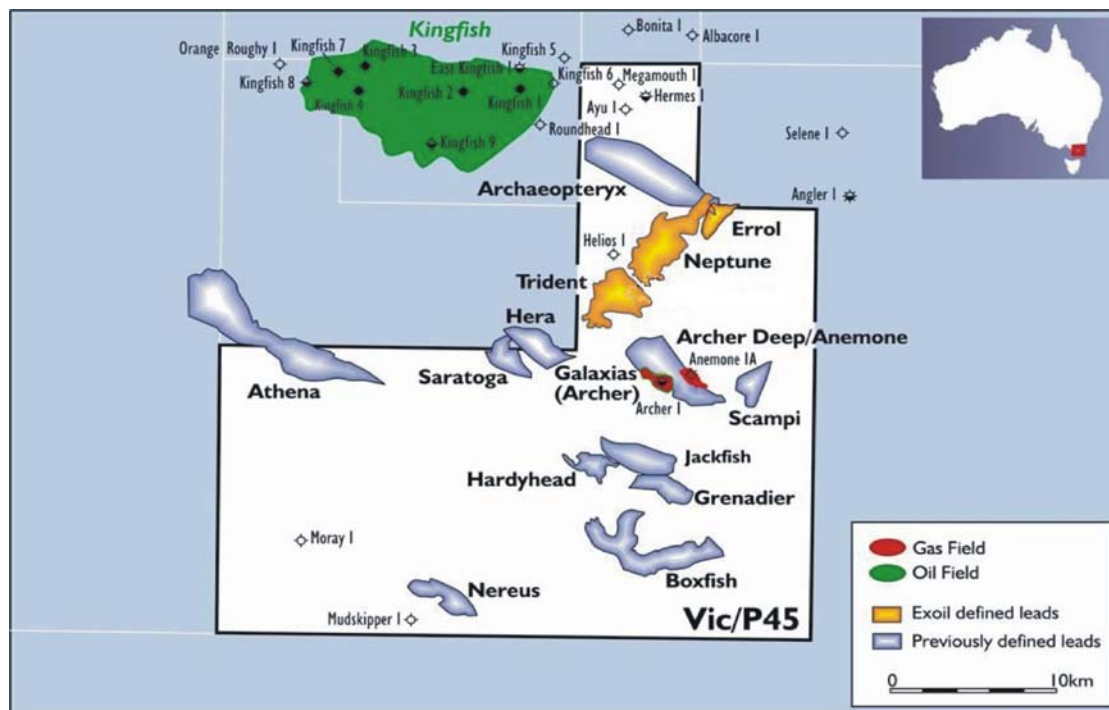
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### Vic/P45 - GIPPSLAND BASIN

The Vic/P45 Joint Venture consists of:

Exoil Limited	50% and Operator
Moby Oil & Gas Limited	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

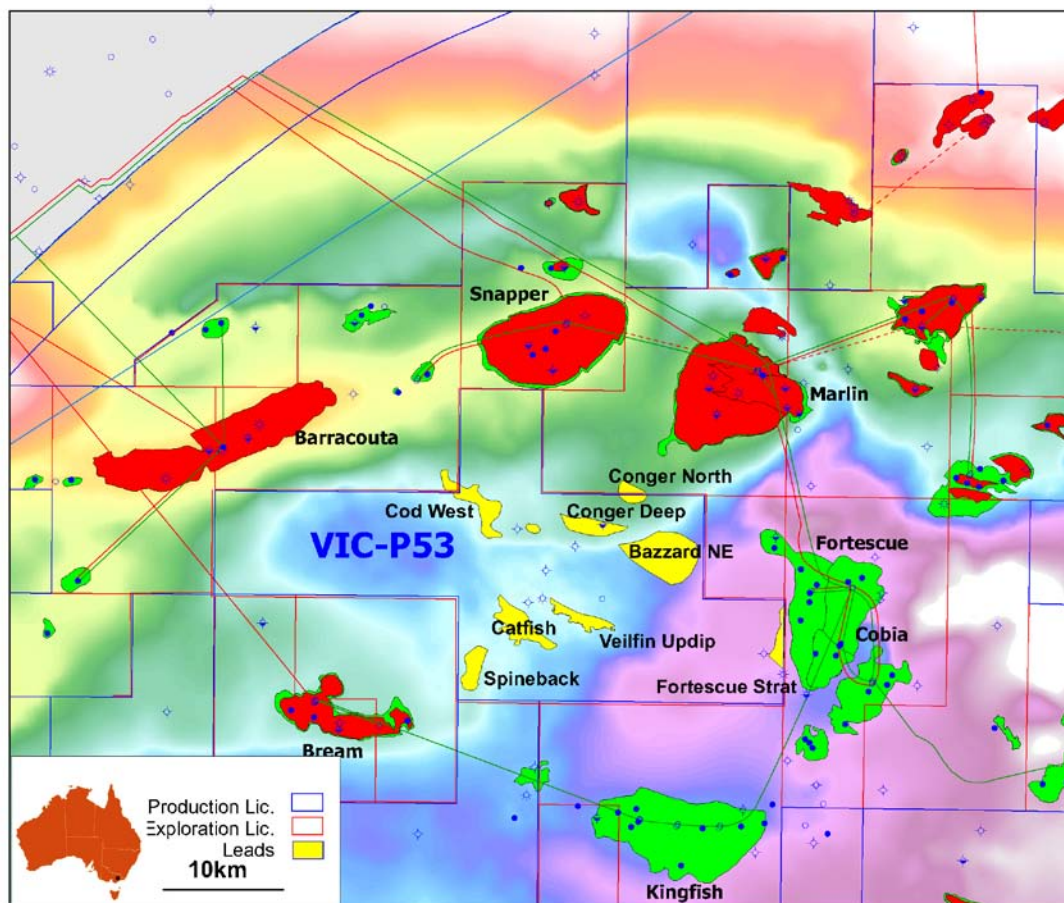
The Vic/P53 Joint Venture consists of:

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 & 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 km<sup>2</sup> (T/37P), and 2,655 km<sup>2</sup> (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.

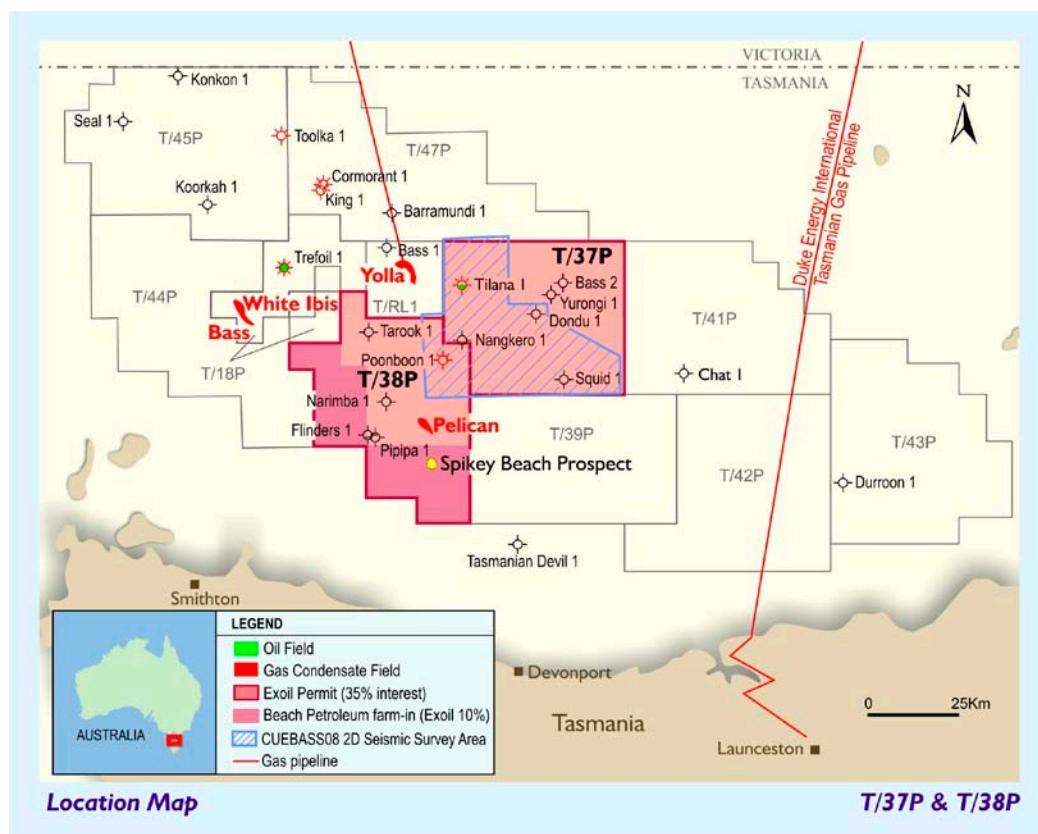
The Joint Ventures joined with a group of companies which together mobilized a seismic vessel to the Gippsland, Bass and Otway areas. As a consequence, 3,000 line kms of new 2D seismic data was acquired in T/37P and 670 line kms acquired in T/38P. The company farmed out its share of the cost of this 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 Beach 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.



## OTWAY BASIN PERMITS

[illegible]

The EPP 34 Joint Venture consists of:

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

Processing of the 1,100 km Trocopa 2D survey and reprocessing of old data has been completed and interpretation and mapping of the seismic data was progressed during the half year. 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.

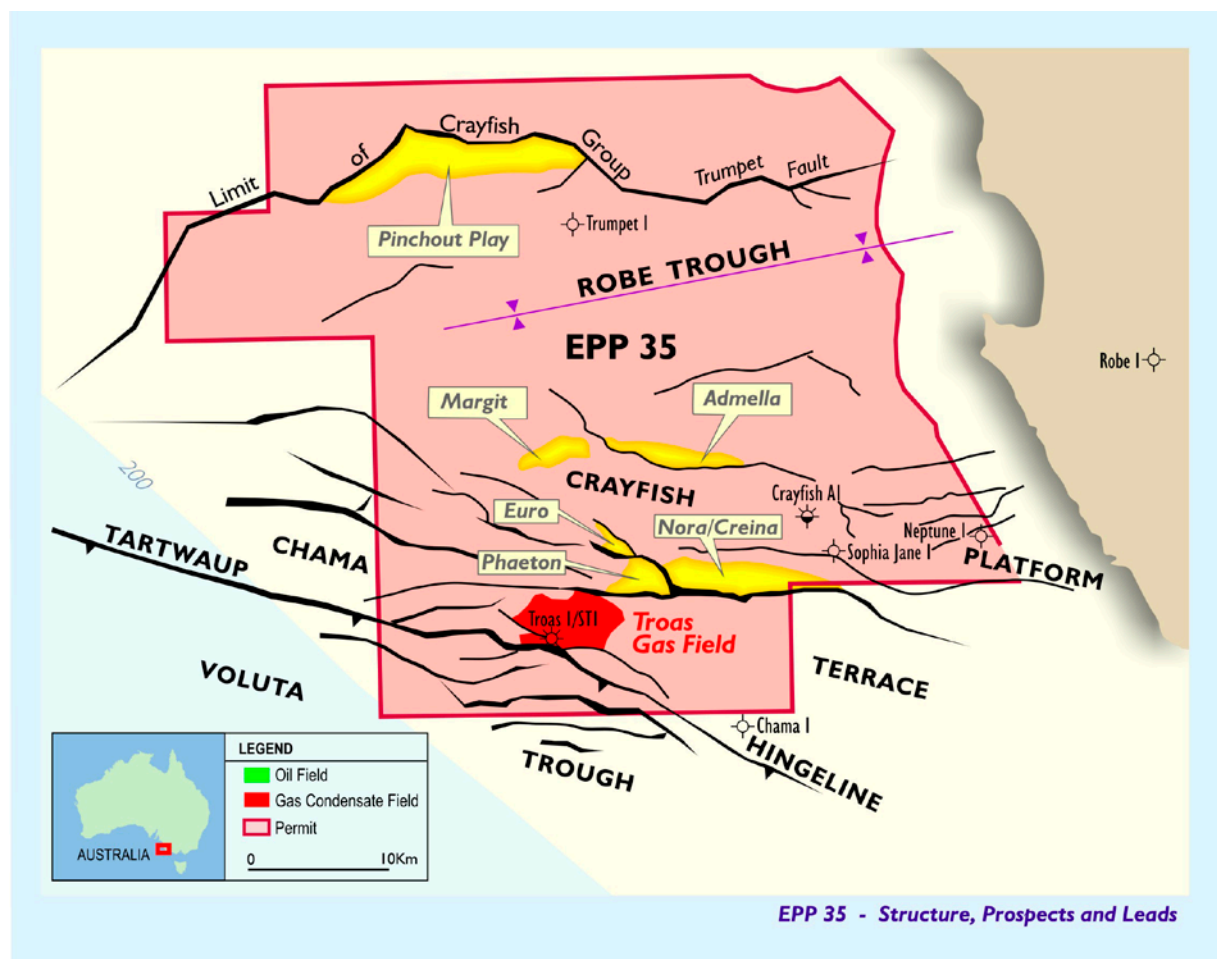
The EPP 34 Joint Venture has applied to extend year-4 by 12 months in order to complete the processing, integration and interpretation of the new Trocopa 2D seismic data and reprocessed old seismic data, prior to making a decision on whether to enter year-5.

### 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 km<sup>2</sup> 3D seismic grid over the Troas complex.





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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 km<sup>2</sup> 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.

### **INVESTMENTS**

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

### **SERVICE CONTRACTS**

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

### **SUBSEQUENT EVENTS**

On 14 January 2010 the company announced that the Braveheart-1 well drilled in WA-333-P was to be plugged and abandoned after encountering only minor indications of hydrocarbons. Braveart-1 was spudded on 29 December 2009 and as at 31 December 2009 Exoil's share of drilling costs of \$794,875 were written off. At the date of signing of the report costs of the well were yet to be finalised but the current estimate of Exoil's share of costs is \$4.3m. These post balance date costs are also likely to be written off.

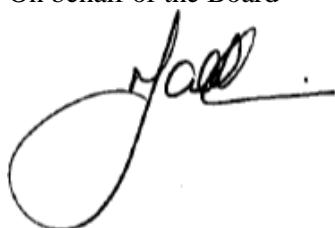
### **WEBSITE**

The company has a website at [www.exoil.net](http://www.exoil.net) where relevant documents and information are displayed.

### **AUDITOR'S INDEPENDENCE DECLARATION**

We have obtained an independence declaration as required under section 307C of the Corporations Act 2001 from our auditor, PKF, a copy of which is attached to this report.

On behalf of the Board



J.M.D. Willis  
Chairman

Melbourne  
15 March 2010

**DIRECTORS' DECLARATION**

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

In the opinion of the directors:

- (a) the financial statements and accompanying notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'J.M.D. Willis', with a large loop at the start and a horizontal line extending to the right.

J.M.D. Willis

Chairman

Melbourne, 15 March 2010



**EXOIL LIMITED**

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
HALF-YEAR ENDED 31 DECEMBER 2009**

	NOTE	31/12/2009 \$	CONSOLIDATED 31/12/2008 \$
Other Income	3	3,199,885	116,432
Administration		(62,711)	(71,114)
Consulting fees		(63,600)	(108,118)
Foreign exchange losses		(10,551)	(5,659)
Impairment of exploration assets		(865,193)	(98,917)
Office costs		(54,243)	(67,190)
Rent		(86,126)	(97,524)
Other expenses		<u>(22,235)</u>	<u>(57,374)</u>
Profit/(loss) before income tax benefit		2,035,226	(389,464)
Income tax (expense) / benefit		<u>(549,050)</u>	<u>48,657</u>
Net Profit/(Loss) for the half year		<u>1,486,176</u>	<u>(340,807)</u>
Total comprehensive income for the half-year		<u>1,486,176</u>	<u>(340,807)</u>
Basic profit/(loss) cent per share		1.7000	(0.336)
Diluted profit/(loss) cent per share		1.7000	(0.336)

The above Statement of Comprehensive Income is to be read in conjunction with the accompanying notes.

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2009**

	NOTE	31/12/2009 \$	CONSOLIDATED 30/06/2009 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		3,001,737	548,415
Trade and other receivables		856,441	97,430
Other current assets	4	<u>2,316,350</u>	<u>-</u>
<b>TOTAL CURRENT ASSETS</b>		<u>6,174,528</u>	<u>645,845</u>
<b>NON-CURRENT ASSETS</b>			
Exploration and evaluation assets		5,279,785	2,274,926
Property, plant and equipment		60,164	66,624
Other financial assets		<u>72</u>	<u>70</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>5,340,021</u>	<u>2,341,620</u>
<b>TOTAL ASSETS</b>		<u>11,514,549</u>	<u>2,987,465</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		<u>3,860,277</u>	<u>253,676</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>3,860,277</u>	<u>253,676</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liability		<u>595,697</u>	<u>46,647</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>595,697</u>	<u>46,647</u>
<b>TOTAL LIABILITIES</b>		<u>4,455,974</u>	<u>300,323</u>
<b>NET ASSETS</b>		<u>7,058,575</u>	<u>2,687,142</u>
<b>EQUITY</b>			
Contributed equity		5,844,312	2,959,055
Reserves		81,277	81,277
Retained earnings / (Accumulated Losses)		<u>1,132,986</u>	<u>(353,190)</u>
<b>TOTAL EQUITY</b>		<u>7,058,575</u>	<u>2,687,142</u>

The above Statement of Financial Position is to be read in conjunction with the accompanying notes.

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**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED  
31 DECEMBER 2009**

	<b>CONSOLIDATED</b>	
	<b>31/12/2009</b>	<b>31/12/2008</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers - exploration	(3,399,218)	(385,738)
Payments to suppliers - other	(435,805)	(399,858)
Administration fees received	104,708	99,268
Proceeds from tenement sales	3,133,000	-
Interest received	<u>1,892</u>	<u>11,842</u>
Net cash outflow from operating activities	<u>(595,423)</u>	<u>(674,486)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for office equipment	<u>-</u>	<u>(582)</u>
Net cash outflow from investing activities	<u>-</u>	<u>(582)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from new share issue	3,075,526	-
Costs of new share issue	<u>(26,781)</u>	<u>-</u>
Net cash inflow from financing activities	<u>3,048,745</u>	<u>-</u>
Net increase / (decrease) in cash assets	2,453,322	(675,068)
Cash assets at the beginning of the half-year	<u>548,415</u>	<u>970,987</u>
Cash assets at the end of the half-year	<u>3,001,737</u>	<u>295,919</u>

The above Statement of Cash Flows is to be read in conjunction with the accompanying notes.

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

	<b>NOTE</b>	<b>Contributed Equity \$</b>	<b>Option Reserves \$</b>	<b>Retained Earnings \$</b>	<b>Total Equity \$</b>
<b>CONSOLIDATED</b>					
At 1 July 2009		2,959,055	81,277	(353,190)	2,687,142
Profit for the period		-	-	1,486,176	1,486,176
Transactions with owners in their capacity as owners					
Issue of share capital (net of costs)	7	2,885,257	-	-	2,885,257
		_____	_____	_____	_____
At 31 December 2009		5,844,312	81,277	1,132,986	7,058,575
		=====	=====	=====	=====
At 1 July 2008		2,959,055	81,277	963,498	4,003,830
Loss for the period		-	-	(340,807)	(340,807)
		_____	_____	_____	_____
At 31 December 2008		2,959,055	81,277	622,691	3,663,023
		=====	=====	=====	=====

The above Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009****NOTE 1 CORPORATE INFORMATION**

Exoil Limited (“Exoil” or ‘the company’) is a company incorporated and domiciled in Australia with its registered office and principal place of business located at Level 21, 500 Collins Street, Melbourne, Victoria 3000. The consolidated financial report of the company for the half-year ended 31 December 2009 comprises the company and its subsidiaries (together referred to as the ‘consolidated entity’ or ‘the group’) and the consolidated entity’s interest in jointly controlled ventures.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The half year consolidated financial report should be read in conjunction with the annual financial report of the group for the year ended 30 June 2009.

The half year consolidated financial report should be considered together with any public announcements made by Exoil Limited during the half year ended 31 December 2009 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

**(a) Basis of preparation**

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

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

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

**(b) Summary of significant accounting policies**

The half year consolidated financial statements have been prepared by applying the same accounting policies as used in the annual financial report for the year ended 30 June 2009, apart from the adoption of Revised Australian Accounting Standards AASB 101: Presentation of Financial Statements and AASB 8: Operating Segments from 1 July 2009 respectively. The adoptions of these standards did not have any effect on the financial position or performance of the consolidated entity.

**(c) Basis of consolidation**

The half year consolidated financial statements comprise the financial statements of Exoil Limited and its wholly-owned subsidiaries, Hawkestone Oil Pty Ltd, Braveheart Resources Pty Ltd and Cornea Resources Pty Ltd (incorporated in July 2009), as at 31 December 2009. The subsidiaries operate and are incorporated in Australia and their principal activity is petroleum exploration.

**(d) Going Concern**

For the half year ended 31 December 2009 the consolidated entity had negative cash flows from operating activities of \$595,423 (31 December 2008 : \$674,486) and has incurred an estimated \$4.3 million of joint venture associated drilling costs subsequent to 31 December 2009. Furthermore, the

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009****NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(d) Going Concern (continued)**

consolidated entity's only regular source of income is charge-outs for office expenditure to director-related entities. It is reliant on equity capital and/or loans from third parties or the proceeds of either partial sale or farm-out of its permit interests to meet its operating costs. These conditions indicate a material uncertainty that may cast doubt about the consolidated entity's ability to continue as a going concern.

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

The ability of the consolidated entity to continue as a going concern is dependent upon a number of factors, one being the continuation and availability of funds. At balance date the consolidated entity has net current assets of \$2,314,251. The consolidated entity is expecting to fund ongoing obligations beyond this working capital position as follows:

- Under a Loan Facility Agreement, Great Missenden Holdings Pty Ltd, a director-related entity of EG Albers, has agreed to provide the Company with a loan facility under which the Company may, on short notice, draw down an amount up to a maximum amount of \$2,000,000, to meet the costs of drilling the Braveheart-1 well and the Cornea-3 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 the 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. At the date of signing the report the directors have no expectation that the loan will be called up in the next twelve months; and

- Expenditure commitments include obligations arising from farm-in arrangements, and minimum work obligations arising for the initial 3 year period of exploration permits and thereafter annually. Minimum work obligations, may, subject to negotiation and approval, be varied and/or satisfied by farmout, sale, relinquishment or surrender of a permit. Should the loan facility not be considered to be viable, or in the best interests of shareholders, then it would be the consolidated entity's intention to fund ongoing obligations by either partial sale of its permit interests or farm-out, the latter course of action being part of its overall strategy.

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

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



**EXOIL LIMITED**

ABN 40 005 572 798

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009****NOTE 3 INDIVIDUALLY SIGNIFICANT ITEMS**

	<b>31/12/2009</b>	<b>31/12/2008</b>
	\$	\$
Profit on Sale of Permit Interest - WA-342-P	3,093,285	-

During December 2009 Cornea Resources Pty Ltd received \$1,928,000 from Octanex NL for an 8% interest in WA-342-P and \$1,205,000 from Auralandia NL for a 5% interest also in WA-342-P. Octanex NL is a director related entity of EG Albers, GA Menzies and JMD Willis. Auralandia NL is a director related entity of EG Albers. Costs of \$39,715 were recouped from the sale.

**NOTE 4 OTHER CURRENT ASSETS**

	<b>31/12/2009</b>	<b>31/12/2008</b>
	\$	\$
Funds held in Escrow	2,316,350	-

On 9 December 2009, Hawkestone Oil Pty Ltd, in its capacity as operator on both the Cornea and Braveheart Joint Ventures, signed an escrow agreement to cover the daily drilling rate payable to the drilling owner on completion of each well. The joint ventures have paid funds ahead and during the drilling of each well into an escrow account maintained by an Escrow Agent company which is also party to the agreement. At 31 December 2009 the consolidated entity's share of funds held in the escrow account was \$2,316,350. Funds can only be released to the drilling owner by the Escrow Agent by mutual agreement from Hawkestone Oil Pty Ltd, as Joint Venture operator, and the drilling owner.

**NOTE 5 EXPLORATION EXPENDITURE COMMITMENTS**

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

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

	<b>31/12/2009</b>	<b>30/06/2009</b>
	\$	\$
Not later than 1 year	4,454,000	4,111,750
Payable later than one year but not later than three years	-	1,200,000
	<u>4,454,000</u>	<u>5,311,750</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009****NOTE 6 SEGMENT INFORMATION**

The group has adopted AASB 8 Operating Segments from 1 July 2009 whereby segment information is presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the board of directors

At regular intervals the board is provided management information at a group level for the group's cash position, the carrying values of exploration permits and a group cash forecast for the next twelve months of operation.

On this basis, no segment information is included in these financial statements.

**NOTE 7 EQUITY SECURITIES ISSUED***Ordinary Shares*

	<b>31/12/2009</b>		<b>31/12/2008</b>	
	<b>Shares</b>	<b>\$</b>	<b>Shares</b>	<b>\$</b>
Issues of Ordinary Shares during half-year				
Offer Information Statement issue	30,775,260	3,075,526		
Costs of issue	-	(190,269)	-	-
	<u>30,775,260</u>	<u>2,888,257</u>	<u>-</u>	<u>-</u>

*Options over Unissued Shares*

	<b>31/12/2009 Options</b>	<b>31/12/2008 Options</b>
Options issued during the Half-Year – listed(i)	24,620,208	-
Options issued during the Half-Year – unlisted(ii)	5,500,000	-

(i) Exercise price of 12 cents and expiry date of 30 June 2012

(ii) Exercise price of 20 cents and expiry date of 30 June 2011

**NOTE 8 SUBSEQUENT EVENTS**

On 14 January 2010 the company announced that the Braveheart-1 well drilled in WA-333-P was to be plugged and abandoned after encountering only minor indications of hydrocarbons. Braveart-1 was spudded on 29 December 2009 and as at 31 December 2009 Exoil's share of drilling costs of \$794,875 were written off. At the date of signing of the report costs of the well were yet to be finalised but the current estimate of Exoil's share of costs is \$4.3m. These post balance date costs are also likely to be written off.

**NOTE 9 IMPAIRMENT OF EXPLORATION AND EVALUATION ASSETS**

The impairment loss recognised in the current period relates to components of permits Vic/P53, Vic/P61, EPP36 and WA-333-P (Note 8). The impairment loss was determined by analysing current year costs and the costs previously capitalised with respect to each permit and identifying any costs that relate to previously identified prospects that are less commercially feasible than previously determined.



Chartered Accountants  
& Business Advisers

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF EXOIL LIMITED

### Report on the Half Year Financial Report

We have reviewed the accompanying half-year financial report of Exoil Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the Exoil Limited and the entities it controlled at 31 December 2009 or from time to time during the half year ended on that date.

### Directors' Responsibility for the Half-Year Financial Report

The directors of Exoil Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of Exoil Limited's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001. As the auditor of Exoil Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

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

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**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF EXOIL LIMITED (CONT'D)****Conclusion**

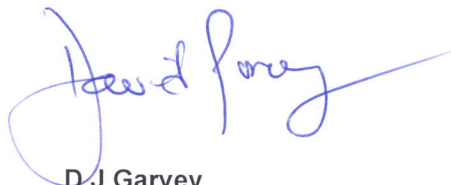
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Exoil Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

**Emphasis of Matter - Material Uncertainty Regarding Continuation as a Going Concern**

Without qualifying our conclusion, we draw attention to Note 1(d) "Going Concern" in the half-year financial report which indicates that the consolidated entity had negative cash flows from operating activities of \$595,423 for the half-year ended 31 December 2009 (31 December 2008 \$674,486) and has incurred an estimated \$4.3 million of joint venture associated drilling costs subsequent to 31 December 2009. These conditions, along with other matters as set forth in Note 1(d), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern, and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report has been prepared on a going concern basis and therefore does not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

**PKF****D J Garvey**  
Partner

15 March 2010  
Melbourne

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## AUDITOR'S INDEPENDENCE DECLARATION

As auditor for the review of the financial report of Exoil Limited for the half year ended 31 December 2009, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Exoil Limited and the entities it controlled during the half year ended 31 December 2009.

**D J Garvey**  
Partner  
PKF

15 March 2010  
Melbourne

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