



Exoil Limited

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QUARTERLY ACTIVITY REPORT

TO 31 DECEMBER 2010

HIGHLIGHTS FOR THE QUARTER

- Farmout of WA-359-P to Apache Northwest Pty Ltd
- Zeebries 3D seismic survey commenced in WA-359-P and adjoining permits
- Renewed 5 year term for the WA-342-P permit offered to Cornea Joint Venture
- Interests in Bass Basin permits T/37P and T/38P increased

Exoil Limited (**NSX Code: EXX**) ("Exoil" or "Company"), by itself and through its wholly-owned subsidiaries, holds interests in eight petroleum exploration permits, all of which are in the offshore waters of Australia. Three are located offshore of Western Australia; one of those in the Carnarvon basin (WA-359-P) and two in the Browse Basin (WA-333-P and WA-342-P). The other five are located offshore of south-eastern Australia; with one in the offshore Gippsland Basin (Vic/P45), 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.

During the quarter the WA-332-P permit was surrendered and cancelled.

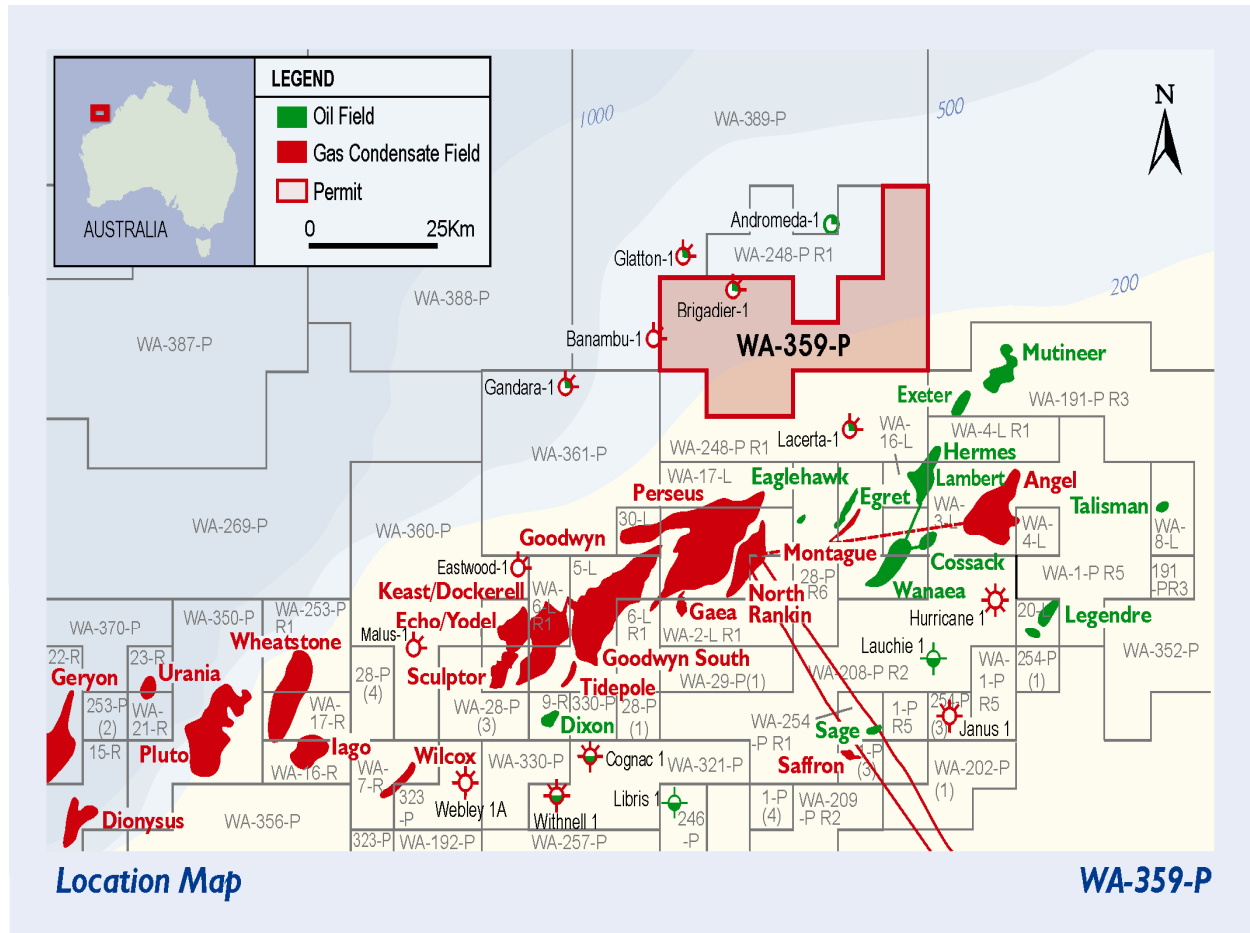
WA-359-P – DAMPIER SUB-BASIN

The WA-359-P Joint Venture now consists of the following parties (subject to approval of various farm-in arrangements):

Apache Northwest Pty Ltd	40% and Operator
Exoil Limited	30%
Cue Exploration Pty Ltd	30%
<i>(subsidiary of Cue Energy Resources Limited)</i>	

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*.

On 21 October 2010, the Company entered into a farmout agreement (that is presently subject to regulatory approval) with a subsidiary of Apache Corporation ("Apache") under which Apache has agreed to fund the acquisition, processing, mapping and interpretation of a 3D seismic survey across the whole of the area of WA-359-P and the adjoining permit, WA-409-P. This commitment will earn Apache a 40% equity interest and operatorship in each of WA-359-P and WA-409-P, with Exoil's interest in WA-359-P reducing to 30%.



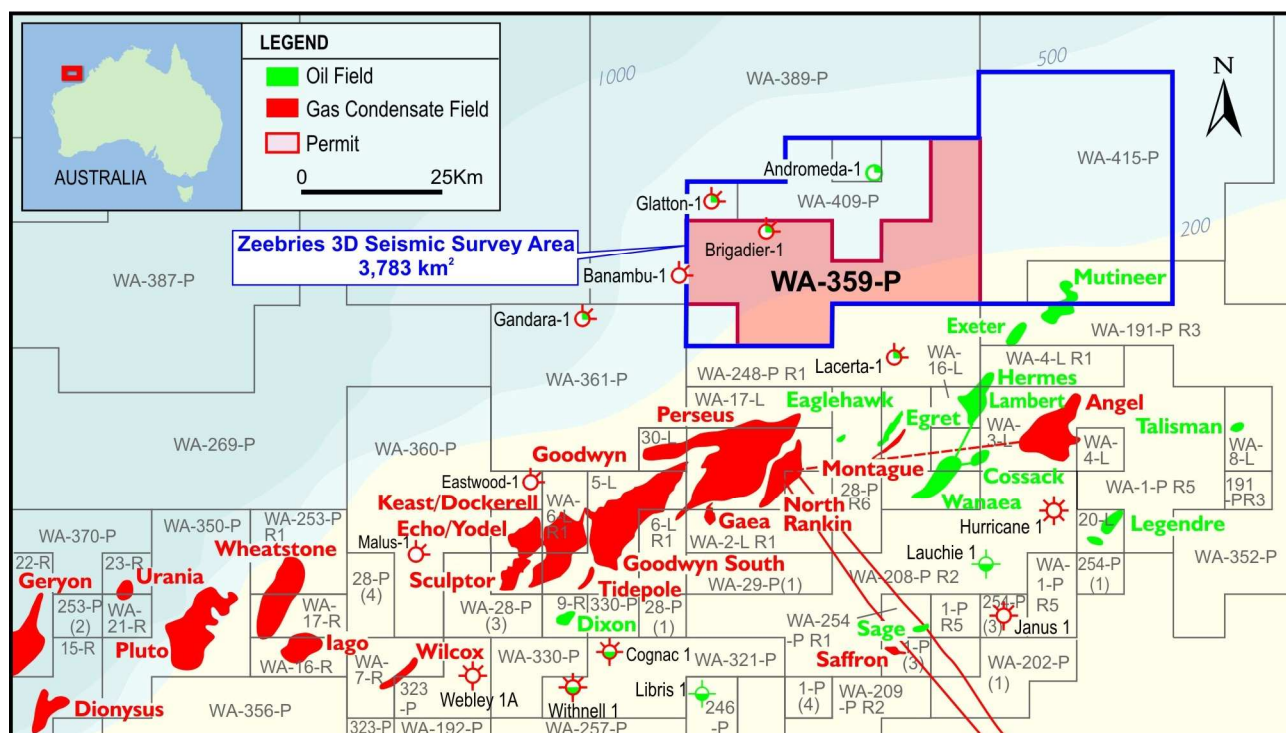
Apache has a further right to elect to earn additional interests in WA-359-P and WA-409-P by funding up to 100% of the costs of the first well to be drilled in either of the permits. If Apache elects to drill a well in WA-359-P, Exoil will be free carried through the costs of the well but will retain a 15% carried interest.

If Apache drills a well in the adjoining permit, WA-409-P, Apache will have completed its right to acquire a 70% interest in each of WA-359-P and WA-409-P, with Exoil retaining a 15% interest and an obligation to fund its participating interest share of any well the parties subsequently agree to drill within WA-359-P.

The Company has retained the right to elect to fund 5% of the costs of any well in WA-359-P and, by so doing, to maintain its potential interest in the permit at 20%.

In early December, and in furtherance of its farmin obligations, Apache commenced a new 3,783 km² 3D seismic survey, called Zeebries, incorporating the entire 1,212 km² area of the WA-359-P permit – see the *Location Map* below showing the outline of the Zeebries 3D seismic survey.

The aim of the Zeebries 3D survey is to define several new, potentially drillable, leads and prospects and Exoil will have a 30% free carried interest in the survey. The whole 3,783 km² of the survey will take approximately three months to acquire.



The Zeebries 3D Seismic Survey of 3,783 km²

WA-342-P – BROWSE BASIN

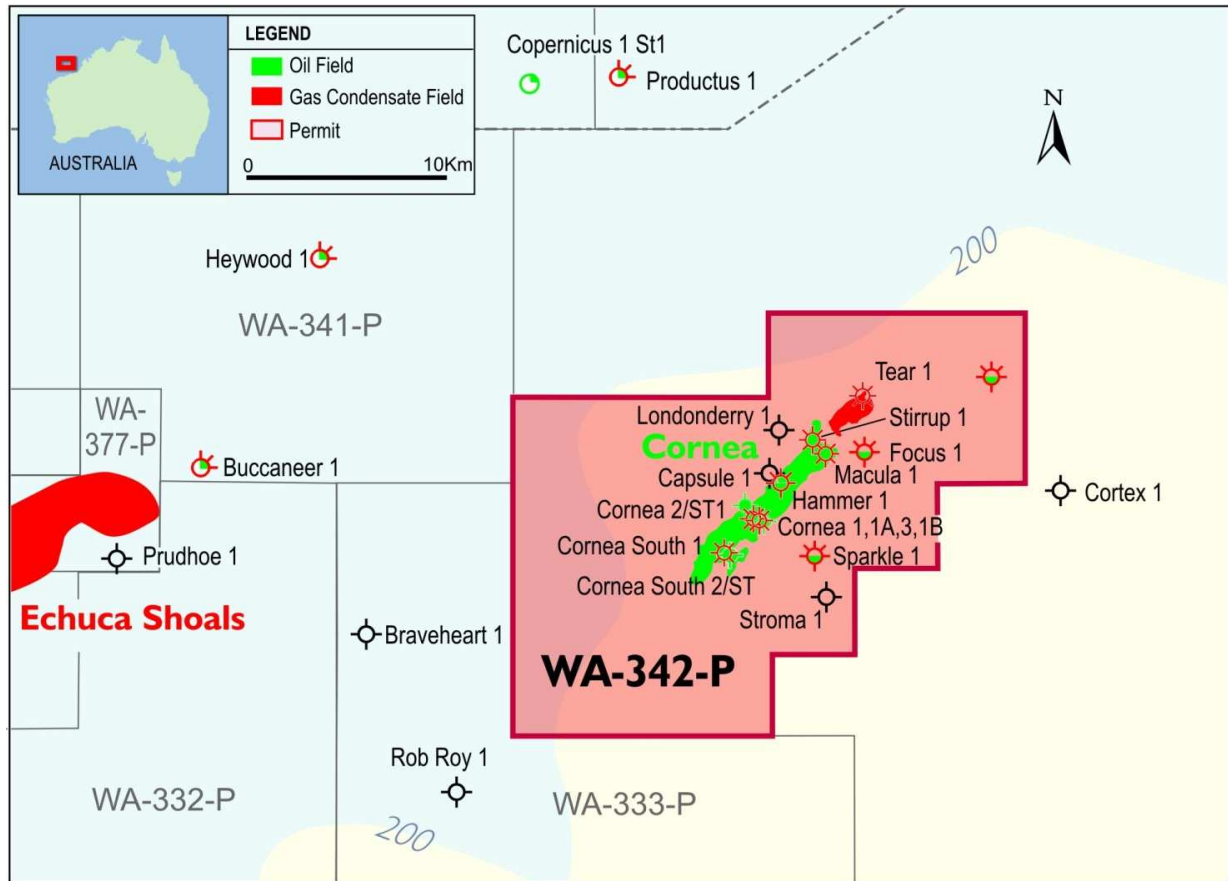
The permit is held by the Cornea Joint Venture which consists of the following parties:

Moby Oil & Gas Limited (ASX Code: MOG)	22.375%
Octanex Group (ASX Code: OXX)	18.750%
Cornea Oil & Gas Pty Ltd (subsidiary of Australian Oil & Gas Corporation)	17.000%
Cornea Petroleum Pty Ltd (subsidiary of Natural Gas Group Pty Ltd)	14.875%
Cornea Resources Pty Ltd (subsidiary of Exoil Limited)	13.100%
Coldron Pty Ltd (subsidiary of Gascorp Australia Pty Ltd)	7.500%
Auralandia N.L.	6.400%

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

In late December 2010, the Joint Venture was offered and accepted a renewal of the WA-342-P permit for a 5 year term that commenced on 4 January 2011 – see following *Location Map*. The committed work programme in the first three years of the renewed term calls for studies and an exploration well, followed by reprocessing of 3D seismic and further studies in the last two years of the term.

The Cornea oil and gas accumulation was discovered by Shell within the early exploration wells Cornea-1, 1B and 2. The wells are considered to have established the presence of a 25m gas column and a 22.2m oil column in the Albian sandstones of the Jamieson Formation. The field is a large drape feature. It accumulated 22 to 24 degree API oil derived from Early Cretaceous, Echuca Shoals Formation and possibly Late Jurassic source rocks in the Heywood Graben, located over 60 km to the west. The field is split into three main structural components – Cornea South and Cornea Central, both with gas and oil, and Cornea North with gas and no underlying oil presence.



WA-342-P Location Map

In December 2009, Cornea-3 was drilled into the known oil and gas accumulation by the Songa Venus semi-submersible rig. The objectives of the well were to define the location of the hydrocarbon contacts and obtain data on the potential reservoir qualities of the Middle Albian and Lower Jamieson Formation.

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 secondary exploration targets in the Lower Heywood Formation did not contain hydrocarbons.

Following the conclusion of drilling, a series of logs were run, including a Nuclear Magnetic Resonance log, as conventional logging tools are unable to resolve the reservoir properties due to the glauconitic and argillaceous 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 the drilling and logging of Cornea-3 can be summarised as follows:

1. An oil column of 20.4m was intersected in Cornea-3 between the top Middle Albian reservoir sand at 788m MDRT and the free water level (as defined by logs and pressure data) at 808.4m MDRT.
2. A considerable number of pressure testing results were obtained which enabled the establishment of oil and water gradients and the free water level – a significant improvement on the position known in this vicinity before the well was drilled. With the assistance of further exploration wells, this information will better enable the exploration for hydrocarbons across the Cornea feature.

3. The condition of the hole through the hydrocarbon bearing section enabled the recovery of high quality log data from the Nuclear Magnetic Resonance (NMR) tool. This logging tool has, for the first time, enabled the determination of an average effective, free fluid porosity of 16.4% for the Middle Albian reservoir in this well. The average inferred permeability of the reservoir in Cornea-3 is 100 millidarcies. The NMR tool also indicated an average hydrocarbon saturation of 70% for the free fluid porosity.
4. Extensive efforts were made to sample the oil but the unconsolidated nature of the reservoir meant that, on every attempt, the MDT test tools became blocked with sand, preventing fluid sampling. However, the oil pressure gradient is consistent with 22 API oil and the NMR logging tool indicated an oil viscosity ranging from 4 centipose at the top of the column to 4.3 centipose at the base – this being less viscous than reported in samples recovered and interpreted by the previous wells in this vicinity.

The results of Cornea-3 defined the existence of an oil column beneath the gas cap in this segment of the Cornea Central closure – a significant exploration result. A great deal has therefore been learned about how future exploration wells might be drilled in the greater Cornea closure. This has given the Joint Venture confidence about the ability to drill subsequent vertical and horizontal wells through the targeted sections and, to this end, the Joint Venture will investigate the best method to drill future wells.

Looking ahead, the data obtained from Cornea-3 will enable the Joint Venture to develop an ongoing exploration strategy, now that an oil column has been proved in Cornea-3 and useful data relating to the potential reservoir performance has been obtained. Continuing the current exploration phase with further exploration drilling is the necessary forerunner to any development strategy being formulated.

WA-333-P – BROWSE BASIN

The permit is held by the Braveheart Joint Venture consisting of the following parties:

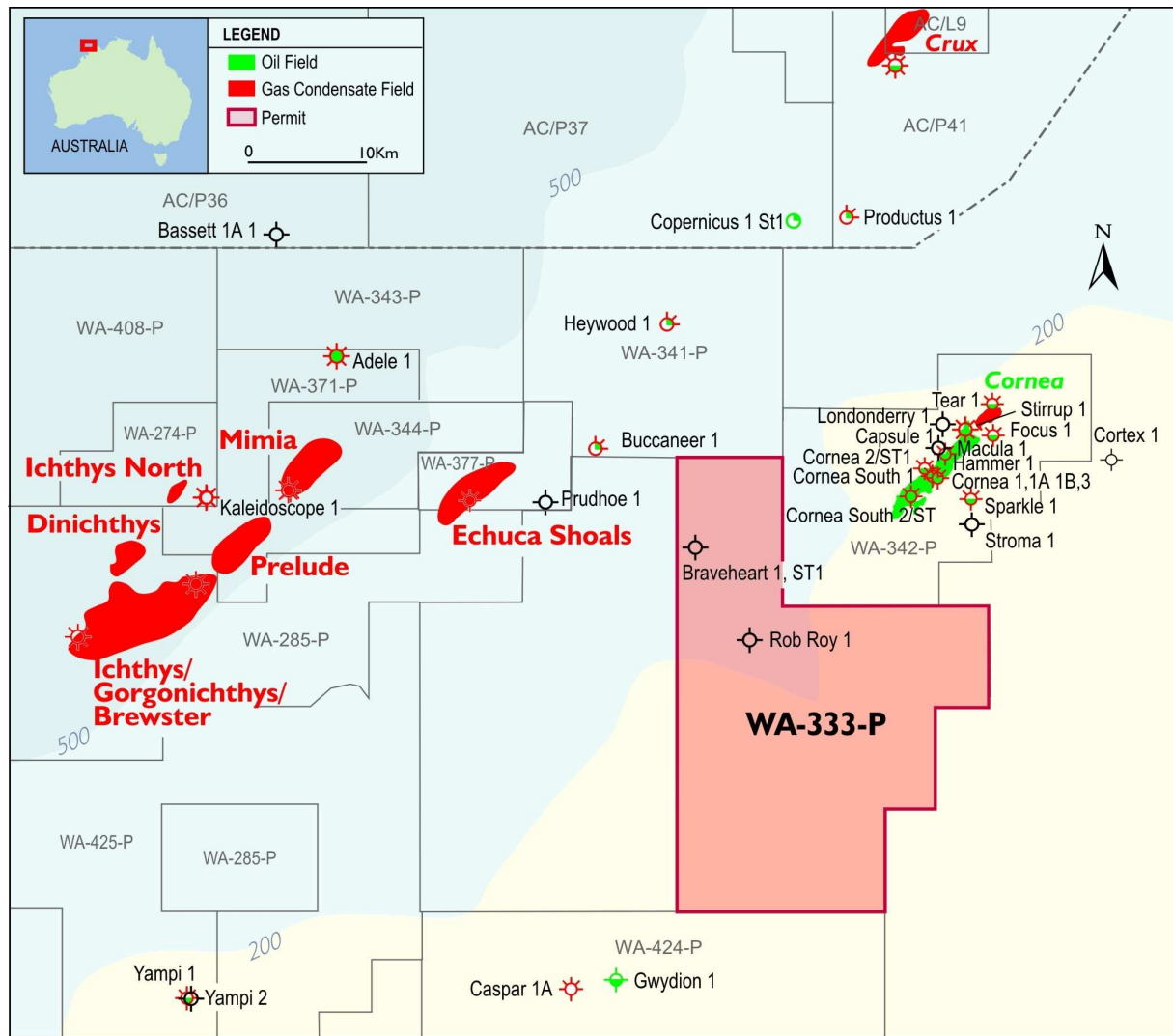
Moby Oil & Gas Limited	26.4375%
Braveheart Resources Pty Ltd (subsidiary of Exoil Limited)	25.3750%
Browse Petroleum Pty Ltd (subsidiary of Gascorp Australia Pty Ltd)	20.1875%
Braveheart Oil & Gas Pty Ltd (subsidiary of Australian Oil & Gas Corporation)	14.5000%
Braveheart Energy Pty Ltd (subsidiary of Octanex N.L.)	7.2500%
Braveheart Petroleum Pty Ltd (subsidiary of Natural Gas Group Pty Ltd)	6.2500%

The Operator of the Braveheart Joint Venture is Hawkestone.

In late December 2009 and early January 2010, the Braveheart-1, ST1 exploration well was drilled into the Braveheart prospect by the Songa Venus semi-submersible rig from a location within WA-333-P. The well failed to encounter hydrocarbons and was plugged and abandoned. The mapped prospect straddled both the WA-333-P and WA-332-P permits and a *Location Map* of the permit is displayed below.

During the quarter the WA-332-P permit was surrendered and cancelled.

The WA-333-P permit is now in year-6 of its initial term and the Joint Venture is considering whether to lodge an application for renewal of the permit and the content of an acceptable work programme for any renewed term.



WA-333-P Location Map

Vic/P45 – GIPPSLAND BASIN

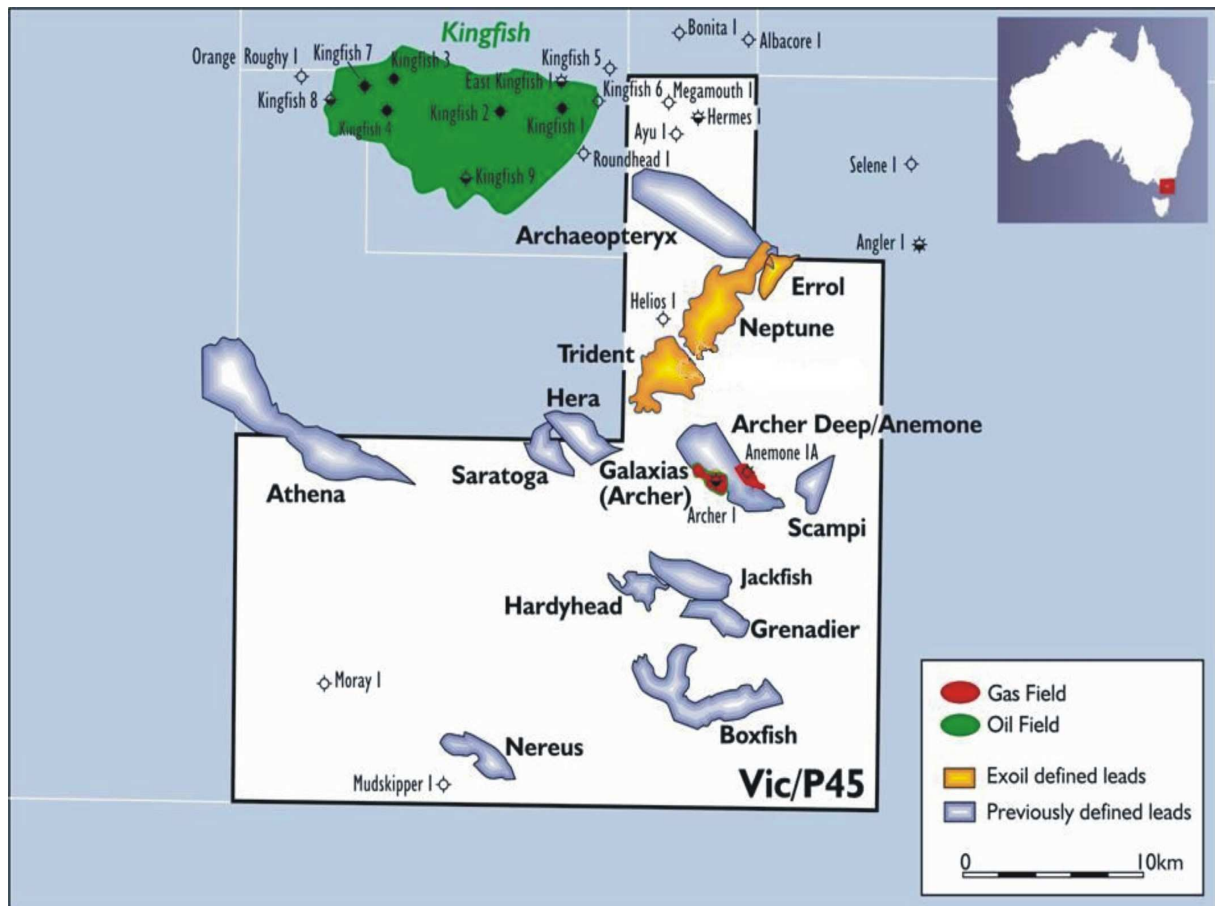
The Vic/P45 Joint Venture consists of:

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

During the previous quarter the Vic/P45 Joint Venture was granted a variation to the year-6 terms of the permit following the drilling of the Megamouth-1 and Coelacanth-1 wells (both unsuccessful).

The year-6 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 following *Prospects and Leads Map*.

The Joint Venture is also considering whether to lodge an application for renewal of the permit and the content of an acceptable work programme for any renewed term.



Prospects and Leads Map – Vic/P45

T/37P and T/38P – BASS BASIN

The T/37P and T/38P Joint Ventures now consist of the following parties (subject to approval of various farmin arrangements):

:

Gascorp Australia Pty Ltd	30% and Operator
Exoil Limited	50%
Setright Oil & Gas Pty Ltd	20%

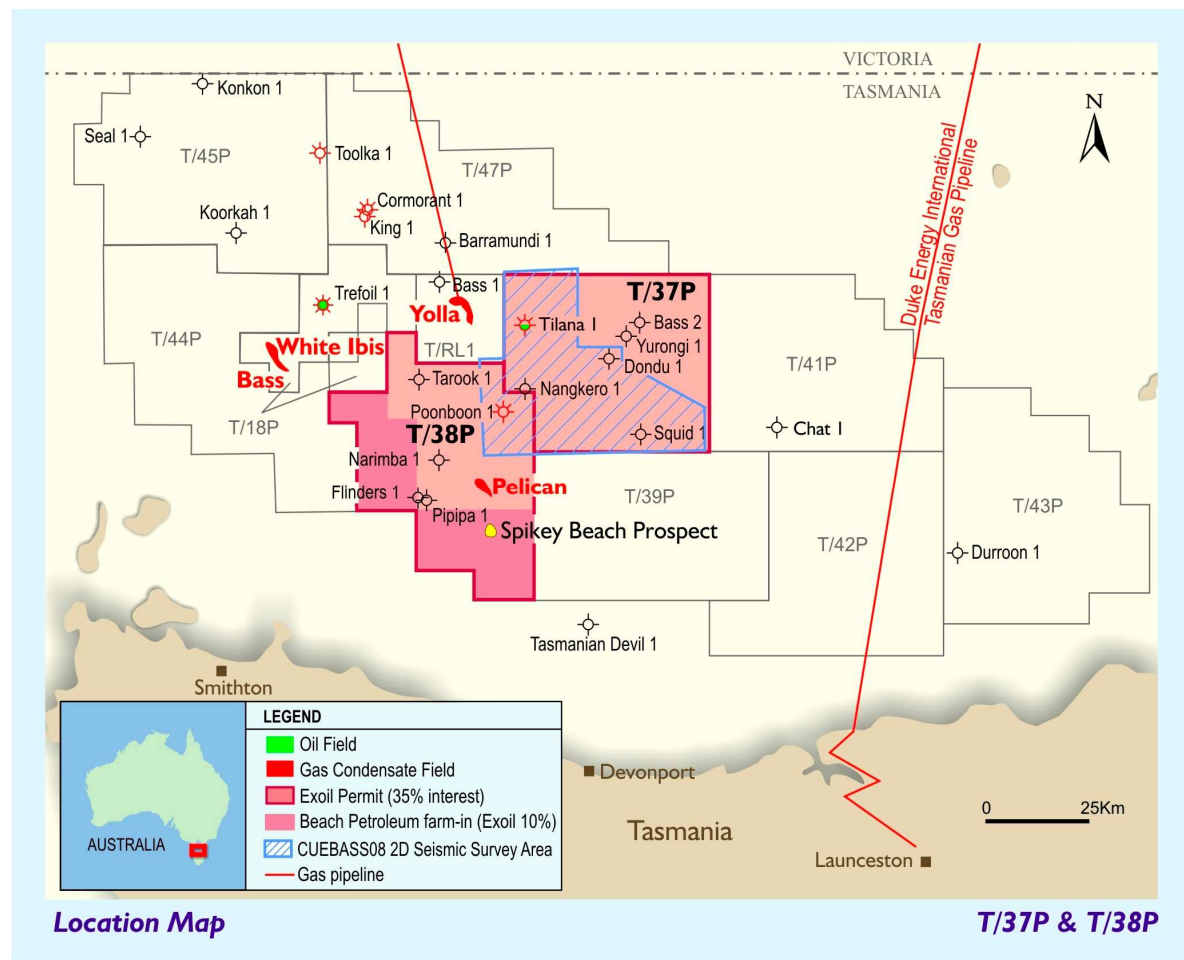
T/37P and T/38P are adjacent permits located in the Bass Strait region, north of Tasmania and east of King Island – see following *Location Map*. Each permit consists of 40 graticular blocks and cover areas of approximately 2,670 km² (T/37P) and 2,655 km² (T/38P). Water depths across the permits are 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.

At the end of year-5 of T/37P and year-4 of T/38P (both end dates being on 8 December 2010), Cue Energy Resources Limited (“Cue”) withdrew from both of the permits. Also during the quarter, Beach Petroleum Limited (“Beach”) withdrew from the Spikey Beach Blocks joint venture and that joint venture, that covered the operations within a portion of the T/38P permit, effectively came to an end. Subsequent to the withdrawal of Cue and Beach, the T/37P and T/38P Joint Ventures have been re-organised, such that the current participants are as listed above.

During the first 3 years of the permits, 3,000 line kms of new 2D seismic data was acquired in T/37P and 670 line kms acquired in T/38P. 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 and a well, Spikey Beach-1, was drilled in T/38P but failed to encounter hydrocarbons.

Subsequent to the end of the quarter, variations to the work programmes for the permits were granted. T/37P, now in year-6, has had the well obligation deferred to the second term of the permit, while T/38P, now in year-5, has had the requirement to acquire a new 200 km² 3D seismic survey deferred to year-6 of the permit.

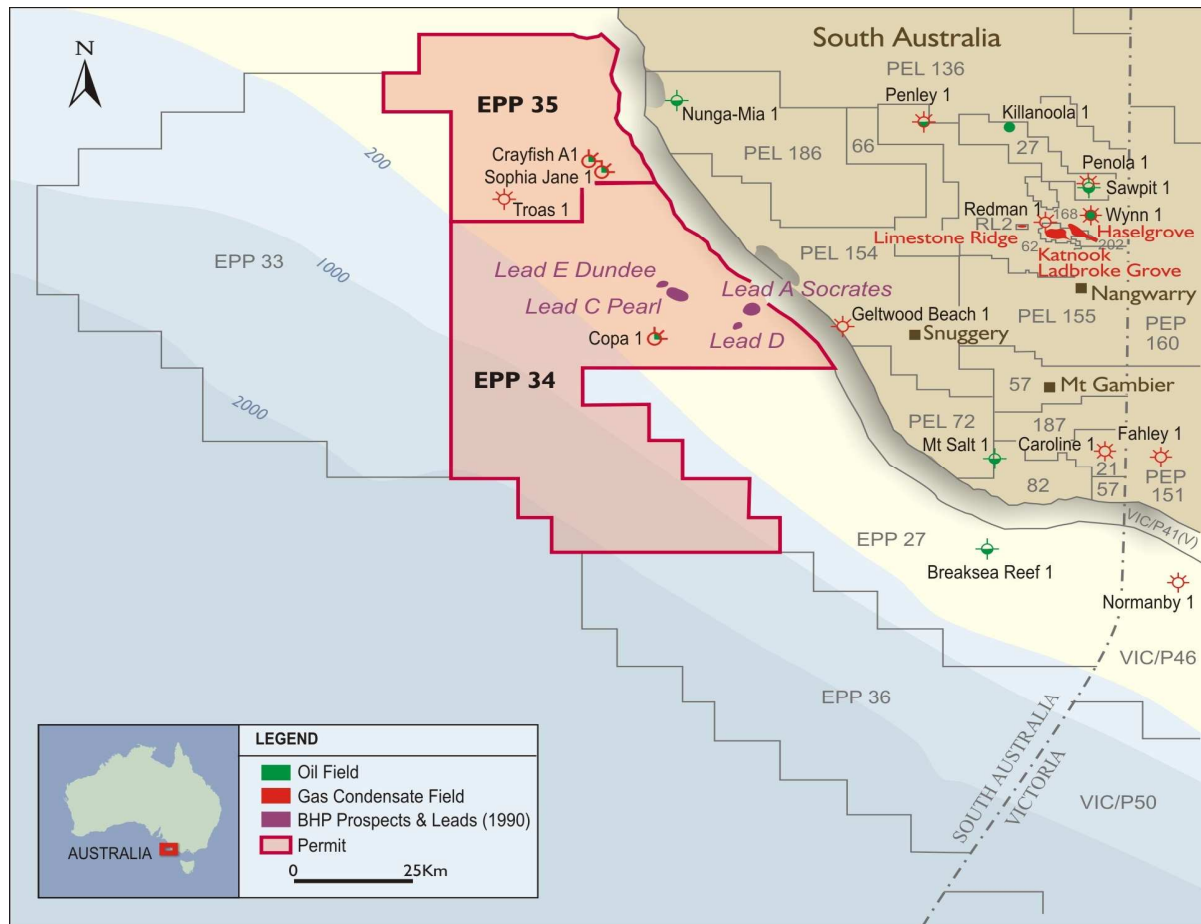


EPP 34 – OTWAY BASIN

The EPP 34 (Western Otway) Joint Venture consists of:

Exoil Limited	15% and Operator
United Oil & Gas Pty Ltd	30%
Moby Oil & Gas Limited	20%
National Energy Pty Ltd	15%
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 is ongoing. In the past, interpretation focused on the northern shelfal section of the block, targeting the Early Cretaceous Pretty Hill Sandstone, but has covered all areas now comprising the enlarged modern data set.



Location Map of EPP 34 and EPP 35

The EPP 34 permit is in year-6 of the initial term after the Joint Venture was granted a variation to the work programme that sees the well obligation moved to the initial term of a renewal of the permit, should such a renewal be applied for. The variation was sought to enable the completion of the current phase of integration and interpretation of the new Trocopa 2D seismic data and reprocessed old seismic data, prior to a decision then being made on what would be the appropriate next step in exploring the permit.

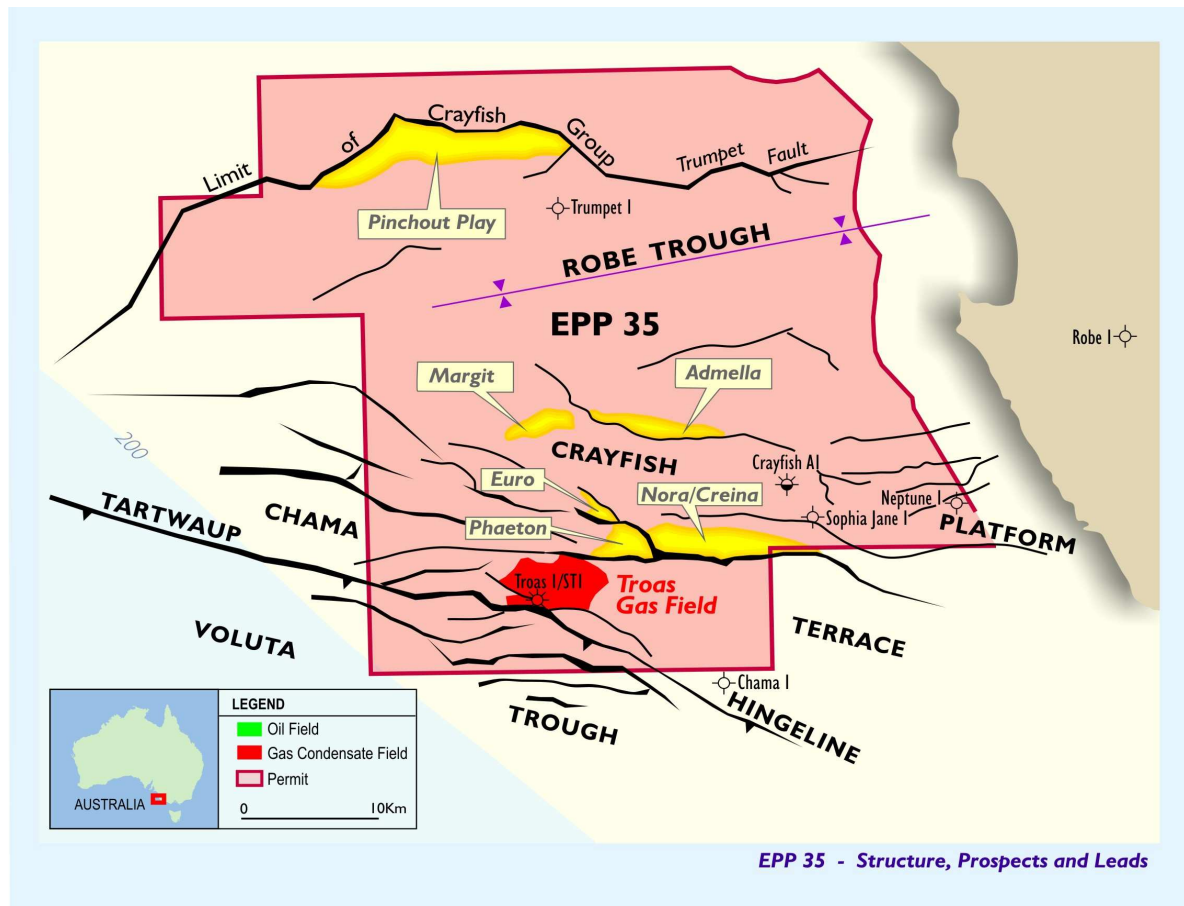
EPP 35 – OTWAY BASIN

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 been granted a 12 month extension to year-3 in order to complete the acquisition and processing of the new 325 km² 3D seismic survey; although that is yet to be acquired. The delay in acquiring the 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.

The environmental consent process is also a limiting consideration in terms of the short period each year within which a survey can be acquired and meet the various requirements of the consents.

On behalf of the Board

J.G. Tuohy
Company Secretary

Melbourne, Australia

31 January 2011

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.



Exploration Quarterly Report

Quarter ended ("current quarter")

31 DECEMBER 2010

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	(203)	(369)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	3	6
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other - Recharge of Office Costs	57	107
Net Operating Cash Flows		(252)	(513)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	-	(2)
1.9	Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
Net investing cash flows		-	(2)
1.13	Total operating and investing cash flows (carried forward)	(252)	(515)

Exploration Quarterly Report

1.13	Total operating and investing cash flows (brought forward)	(252)	(515)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
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		
	Net financing cash flows		
	Net decrease in cash held	(252)	(515)
1.20	Cash at beginning of quarter/year to date	385	648
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	133	133

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	24
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	30
4.2 Development	
4.3 Production	
4.4 Administration	60
Total	90

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	133	133
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)		-
Total: cash at end of quarter (item 1.22)	133	133

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		See Activity Report Section		
6.2 Interests in mining tenements acquired or increased		See Activity Report Section		

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				
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 30/06/2012 30/06/2011
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
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: 31/01/2011
(Secretary)
Print name: J.G. TUOHY

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 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. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 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** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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