

# **EXOIL LIMITED**

ABN 40 005 572 798

## **HALF YEAR FINANCIAL REPORT AND DIRECTORS' REPORT 31 DECEMBER 2010**

## **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

#### **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

Level 3, 45 Exhibition Street, Melbourne,

VIC 3000

Level 2, 117 Scott Street, Newcastle,

NSW 2300

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

**NSX Code: EXX    Ordinary Shares**  
**EXXO   30 June 2013 Options**

#### **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.

**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, Cornea Resources Pty Ltd and Brigadier Petroleum Pty Ltd ("the company", "the consolidated entity" or "Exoil") for the half year ended 31 December 2010.

**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*

**OPERATING RESULT FOR THE HALF-YEAR**

The group recorded a loss after tax for the half year of \$103,017 (2009: profit of \$1,486,176).

**REVIEW OF OPERATIONS**

Exoil holds interests in eight petroleum exploration permits, all of which are in the offshore waters of Australia. Three are located offshore of Western Australia; two of those in the Browse Basin (WA-333-P and WA-342-P) and one in the Carnarvon Basin (WA-359-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 offshore of northern Tasmania (T/37P and T/38P) and the remaining two in the offshore Otway Basin (EPP 34 and EPP 35).

During the half year, the company surrendered its interest in the WA-332-P permit in the Browse Basin.

**WA-359-P – DAMPIER SUB-BASIN**

The WA-359-P Joint Venture consists of:

Exoil Limited	50%
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Cue Exploration Pty Ltd	50%
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*(subsidiary of Cue Energy Resources Limited)*

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

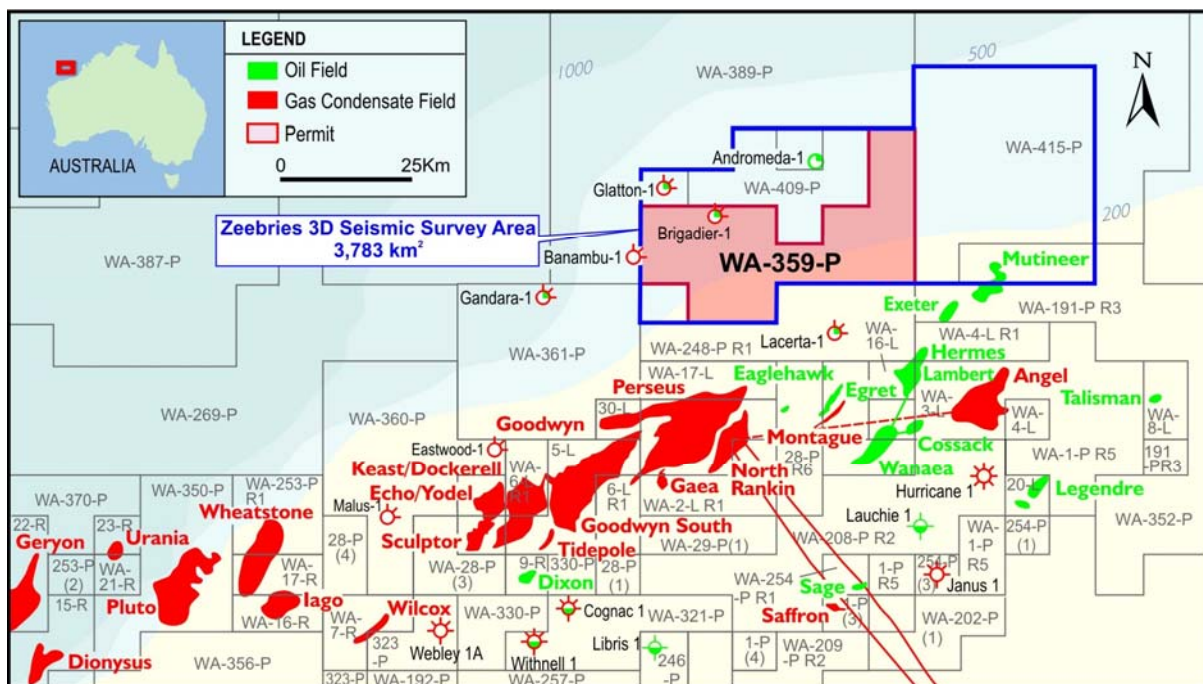
WA-359-P is in the Dampier Sub-basin offshore from Western Australia and covers an area of approximately 1,200 km<sup>2</sup> in water depths of less than 500 metres – see following *Location Map*.

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.

During the reporting period, 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.

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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 and will retain a 15% carried interest in the permit.



**The Zeebries 3D Seismic Survey of 3,783 km**

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 km<sup>2</sup> 3D seismic survey, called Zeebries, incorporating the entire 1,212 km<sup>2</sup> area of the WA-359-P permit – see the *Location Map* above 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 km<sup>2</sup> of the survey will take approximately three months to acquire.

### **WA-342-P – BROWSE BASIN**

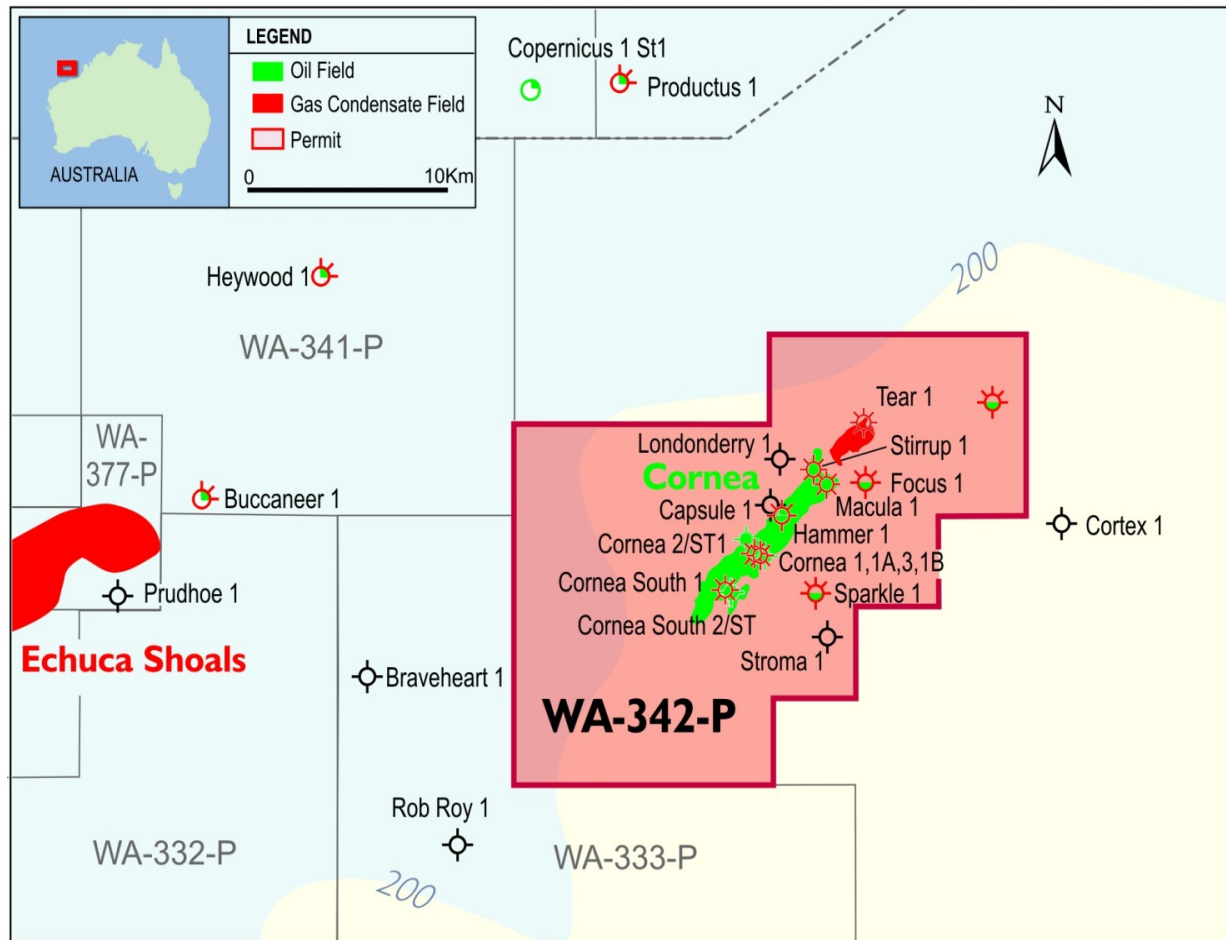
The permit is held by the Cornea Joint Venture which consists of the following parties:

Moby Oil & Gas Limited ( <i>ASX Code: MOG</i> )	22.375%
Octanex Group ( <i>ASX Code: OXX</i> )	18.750%
Cornea Oil & Gas Pty Ltd ( <i>subsidiary of Australian Oil &amp; Gas Corporation</i> )	17.000%
Cornea Petroleum Pty Ltd ( <i>subsidiary of Natural Resources Group Pty Ltd</i> )	14.875%
Cornea Resources Pty Ltd ( <i>subsidiary of Exoil Limited</i> )	13.100%
Coldron Pty Ltd ( <i>subsidiary of Gascorp Australia Pty Ltd</i> )	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 subsequent to the end of the half year, 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 which consists of the following parties:

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

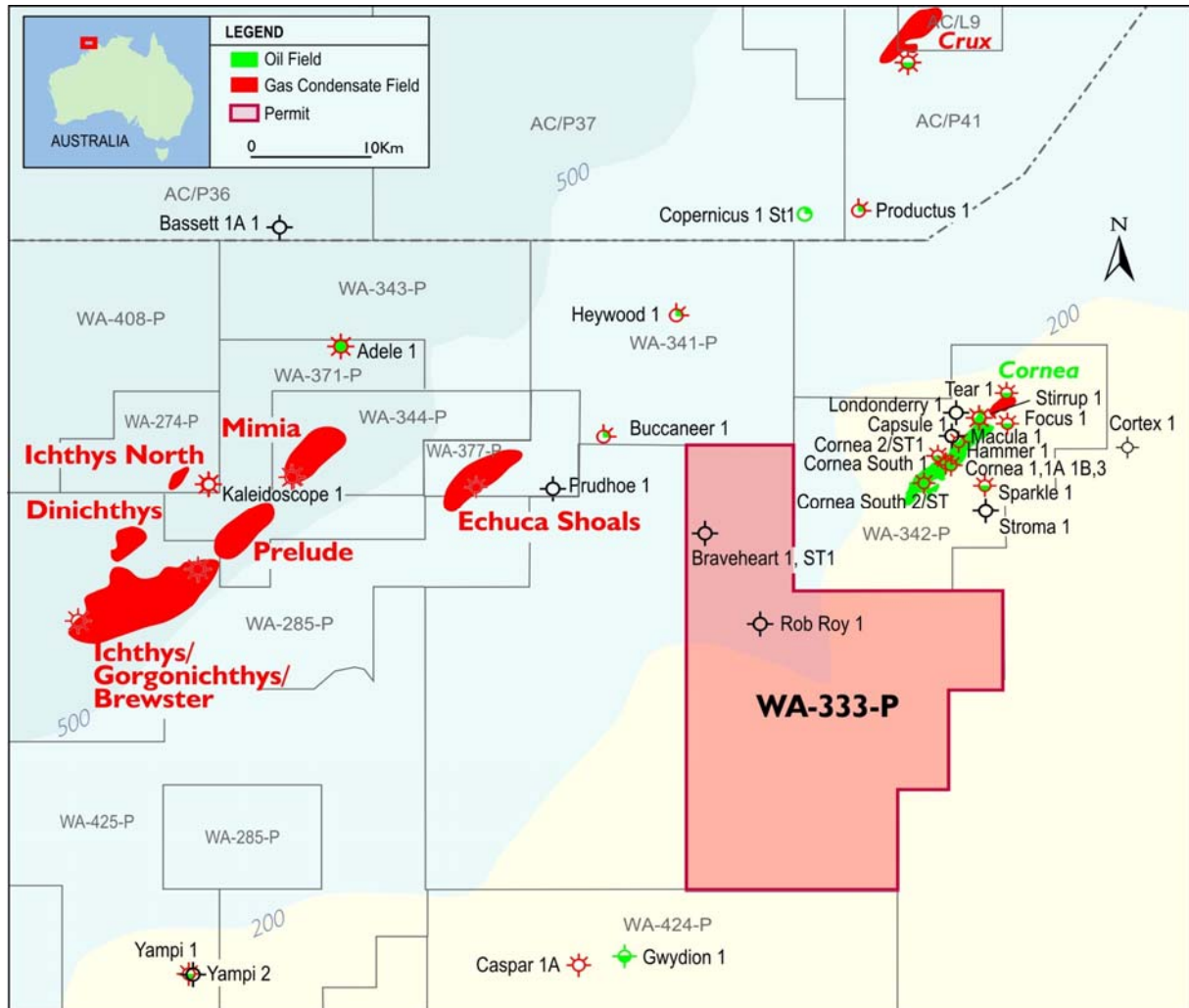


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The mapped prospect straddled both the WA-333-P and WA-332-P permits and a *Location Map* of the permit is displayed below.

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**

During the reporting period the company surrendered its interest in the WA-332-P permit.

### **Vic/P45 – GIPPSLAND BASIN**

The Vic/P45 Joint Venture consists of:

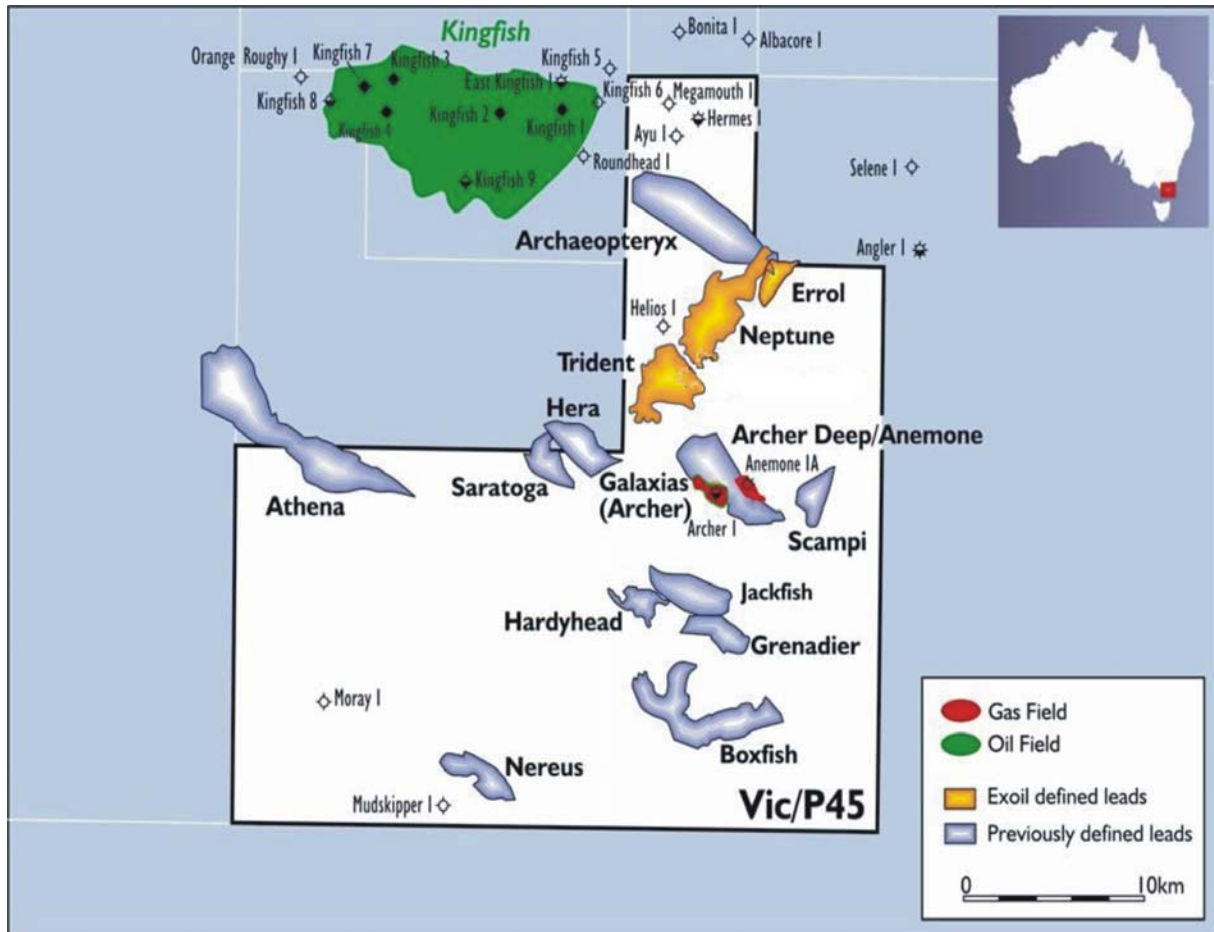
Exoil Limited	50% and Operator
Moby Oil & Gas Limited	50%

During the reporting period 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.



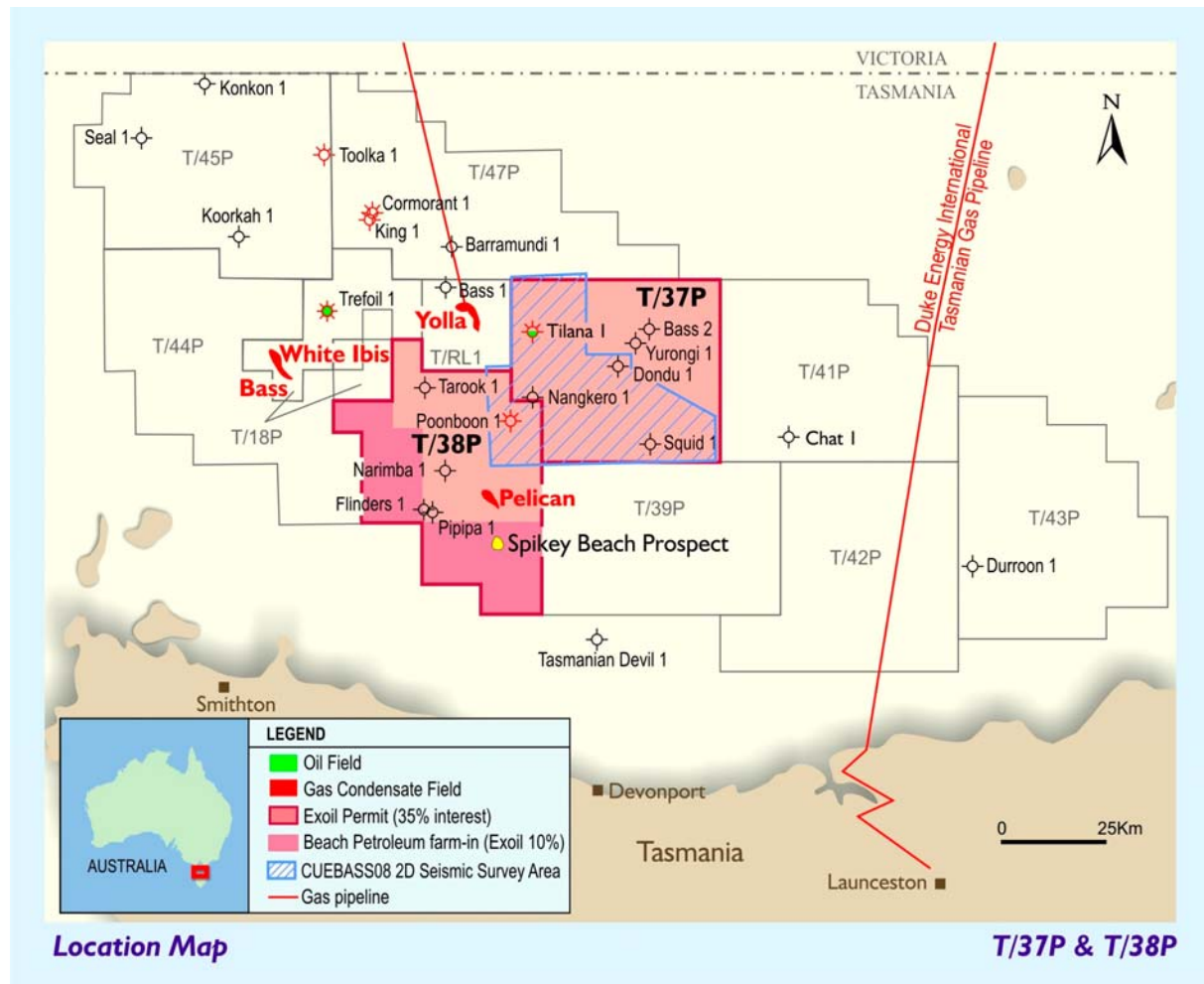
*Prospects and Leads Map – Vic/P45*

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

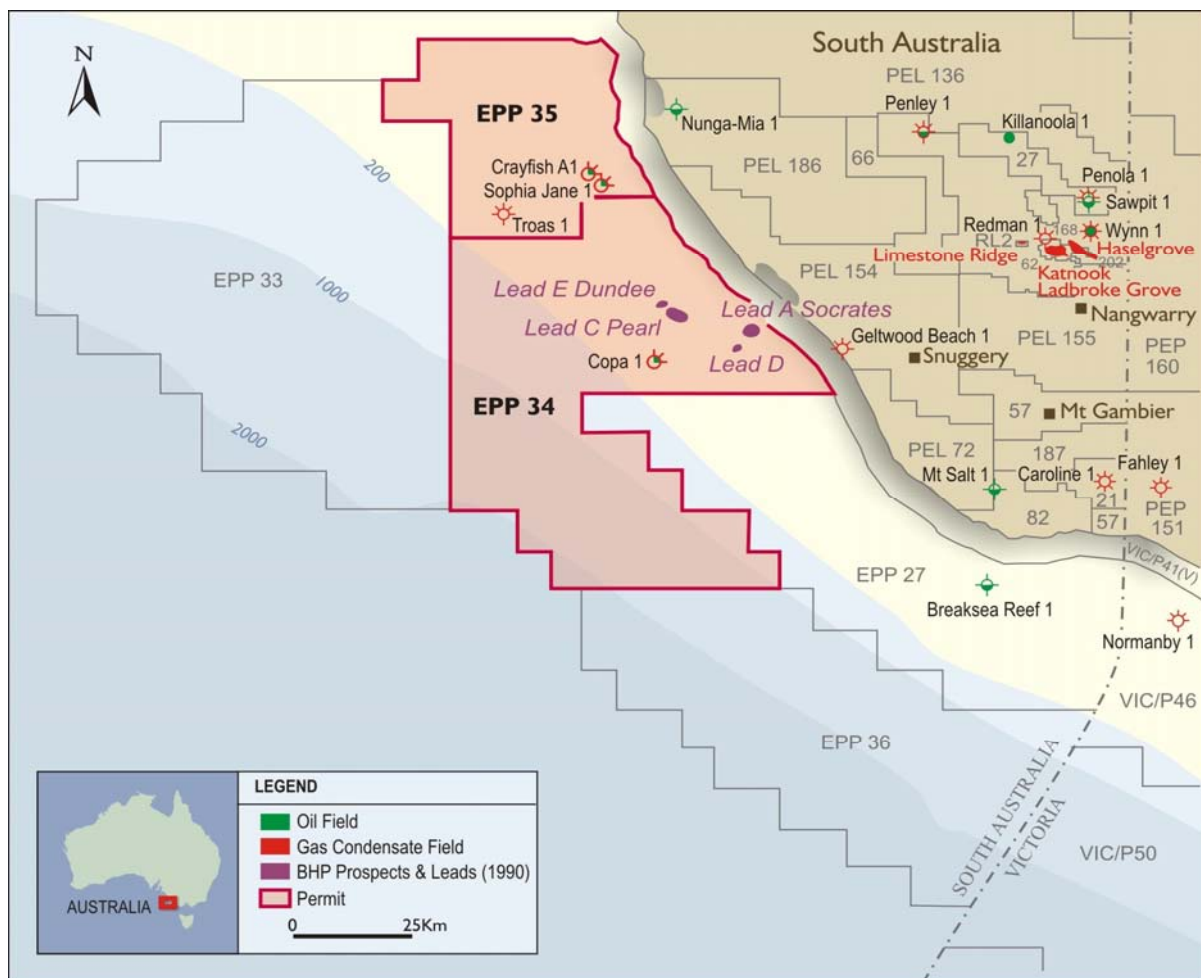
Subsequent to the end of the half year, variations to the work programmes for the permits were granted. T/37P, now in year-6, has had the well obligation deferred to the second term of the permit, while T/38P, now in year-5, has had the requirement to acquire a new 200 km<sup>2</sup> 3D seismic survey 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%

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 saw the well obligation moved to the initial term of any 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 34 and EPP 35 Location Map***

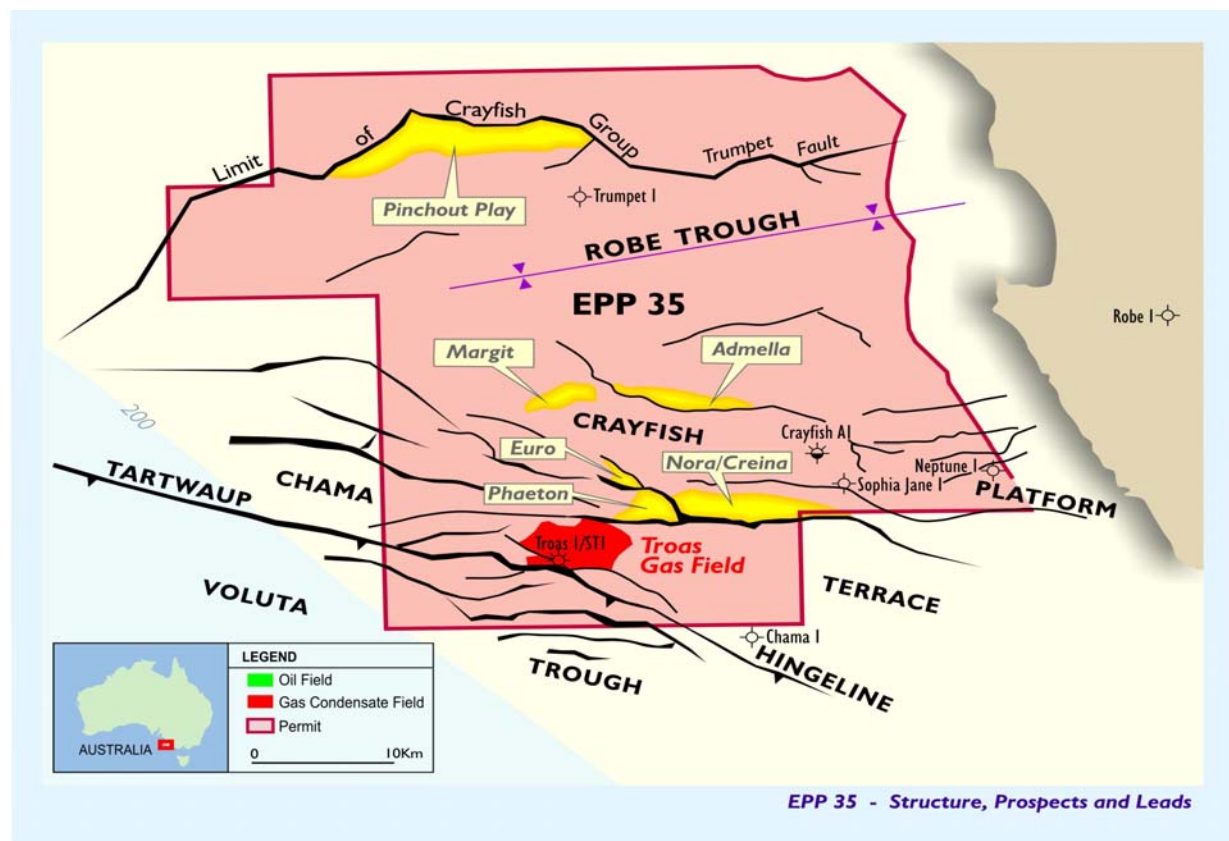
## **EPP 35 – OTWAY BASIN**

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.

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 km<sup>2</sup> 3D seismic survey; although that is yet to be acquired. The delay in acquiring the survey relates to the lack of prospectivity in the permit. 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.



## **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.

## **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 17 February 2011, the directors resolved to vary the terms of all the listed and unlisted options so there is now a common expiry date and exercise price for all options. Consequently, all outstanding options now expire at 5:00 pm AEST on 30 June 2013 and are all exercisable at 12 cents per option and they form a single class of securities.

The directors have determined to propose to the Exoil shareholders and optionholders that they consider schemes of arrangement ("schemes") under which the participating Exoil shareholders (being all shareholders other than EG Albers and his associated interests) and all the Exoil optionholders approve the cancellation of their Exoil shares and options and receive shares and options in Moby Oil & Gas Limited ("Moby") in return. The schemes will be subject to receiving the necessary regulatory and Court approvals and be conditional on Moby entering into a farmin agreement in relation to the WA-359-P permit ("the permit").

Conditional on the Exoil shareholders and optionholders approving the schemes and their receiving the necessary regulatory and Court approvals, Exoil will seek to have Moby farmin to the permit to earn 95% of Exoil's 30% interest in the permit by meeting 100% of Exoil's cost in relation to the permit through to the end of the permit's current term and any renewal. The farmin by Moby will also be conditional on Moby obtaining the approval of its members.

Complete details of these conditional proposals will be contained in a scheme booklet that will be distributed to the Exoil shareholders and optionholders.

## **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  
11 March 2011

**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 2010 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



J.M.D. Willis  
Chairman  
Melbourne, 11 March 2011



**EXOIL LIMITED**

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
HALF-YEAR ENDED 31 DECEMBER 2010**

	NOTE	31/12/2010 \$	CONSOLIDATED 31/12/2009 \$
Other Income	3	114,221	3,199,885
Administration		(40,683)	(62,711)
Consulting fees		(21,822)	(63,600)
Foreign exchange losses		-	(10,551)
Impairment of exploration assets	8	(14,601)	(865,193)
Office costs		(37,253)	(54,243)
Rent		(89,195)	(86,126)
Other expenses		<u>(13,684)</u>	<u>(22,235)</u>
(Loss)/profit before income tax benefit / (expense)		(103,017)	2,035,226
Income tax benefit / (expense)		<u>-</u>	<u>(549,050)</u>
Net (Loss)/profit for the half year		<u>(103,017)</u>	<u>1,486,176</u>
Total comprehensive income for the half-year		<u>(103,017)</u>	<u>1,486,176</u>
Basic (loss)/earnings cents per share		(0.126)	1.700
Diluted (loss)/earnings cents per share		(0.126)	1.700

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



**EXOIL LIMITED**

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2010**

	<b>31/12/2010</b>	<b>CONSOLIDATED 30/06/2010</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	133,341	647,612
Trade and other receivables	<u>91,552</u>	<u>169,017</u>
<b>TOTAL CURRENT ASSETS</b>	<u><b>224,893</b></u>	<u><b>816,629</b></u>
<b>NON-CURRENT ASSETS</b>		
Exploration and evaluation assets	3,958,904	3,875,035
Property, plant and equipment	51,824	56,190
Other financial assets	<u>-</u>	<u>70</u>
<b>TOTAL NON-CURRENT ASSETS</b>	<u><b>4,010,728</b></u>	<u><b>3,931,295</b></u>
<b>TOTAL ASSETS</b>	<u><b>4,235,621</b></u>	<u><b>4,747,924</b></u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	<u>1,892,957</u>	<u>2,302,243</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u><b>1,892,957</b></u>	<u><b>2,302,243</b></u>
<b>TOTAL LIABILITIES</b>	<u><b>1,892,957</b></u>	<u><b>2,302,243</b></u>
<b>NET ASSETS</b>	<u><b>2,342,664</b></u>	<u><b>2,445,681</b></u>
<b>EQUITY</b>		
Contributed equity	5,821,228	5,821,228
Reserves	84,719	84,719
Accumulated Losses	<u>(3,563,283)</u>	<u>(3,460,266)</u>
<b>TOTAL EQUITY</b>	<u><b>2,342,664</b></u>	<u><b>2,445,681</b></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 2010**

	<b>31/12/2010</b>	<b>CONSOLIDATED 31/12/2009</b>
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers - other	(187,514)	(435,805)
Administration fees received	106,597	104,708
Proceeds from tenement sales	-	3,133,000
Interest received	<u>5,547</u>	<u>1,892</u>
Net cash (outflow) / inflow from operating activities	<u>(75,370)</u>	<u>2,803,795</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments to suppliers - exploration	(436,864)	(3,399,218)
Proceeds from sale of investments	333	
Payments for office equipment	<u>(2,370)</u>	<u>-</u>
Net cash outflow from investing activities	<u>(438,901)</u>	<u>(3,399,218)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from new share issue	-	3,075,526
Costs of new share issue	<u>-</u>	<u>(26,781)</u>
Net cash inflow from financing activities	<u>-</u>	<u>3,048,745</u>
Net (decrease) / increase in cash assets	(514,271)	2,453,322
Cash assets at the beginning of the half-year	<u>647,612</u>	<u>548,415</u>
Cash assets at the end of the half-year	<u>133,341</u>	<u>3,001,737</u>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	NOTE	Contributed Equity \$	Option Reserves \$	Accum'd Losses \$	Total Equity \$
<b>CONSOLIDATED</b>					
At 1 July 2010		5,821,228	84,719	(3,460,266)	2,445,681
Loss for the period		-	-	(103,017)	(103,017)
		<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2010		5,821,228	84,719	(3,563,283)	2,342,664
		=====	=====	=====	=====
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)	6	2,885,257	-	-	2,885,257
		<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2009		5,844,312	81,277	1,132,986	7,058,575
		=====	=====	=====	=====

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 2010****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 2010 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 2010.

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 2010 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 2010.

**(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, Brigadier Petroleum Pty Ltd (incorporated in December 2010), as at 31 December 2010. 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 2010 the consolidated entity incurred a loss after tax of \$103,017 (2009: profit \$1,486,176), had negative cashflows from operating activities of \$75,370 (2009: cash inflow \$2,803,795), negative cashflows from investing activities of \$438,901 (2009: \$3,399,218 and at 31 December 2010 had net current liabilities of \$1,668,064 (2009: \$1,485,614).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010****NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(d) Going Concern (continued)**

Furthermore, the consolidated entity's only regular source of income is recharging director-related entities for office expenditure. The consolidated entity is also 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 significant doubt about the consolidated entity's ability to continue as a going concern.

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. The consolidated entity is expecting to fund ongoing obligations beyond the net current liability position at 31 December 2010 as follows:

- On 7 March 2011, (see Note 7), the directors determined to propose to the Exoil shareholders and optionholders that they consider schemes of arrangement ("schemes") under which the participating Exoil shareholders (being all shareholders other than EG Albers, director of Exoil and his associated interests) and all the Exoil optionholders approve the cancellation of their Exoil shares and options and receive shares and options in Moby Oil & Gas Limited ("Moby") in return. The schemes will be subject to receiving the necessary regulatory and Court approvals and be conditional on Moby entering into a farmin agreement in relation to the WA-359-P permit. The directors have stated that in the event that the schemes are implemented and Exoil becomes owned as to 100% by the Non-participating Shareholders, EG Albers, a director of Exoil and the Non-Participating Shareholders will provide Exoil with such financial assistance as may be necessary to enable Exoil to meet its obligations on an ongoing basis;
- The consolidated entity has cash calls of \$1,809,181 outstanding at 31 December 2010 to the Braveheart joint venture which are included in trade and other payables at 31 December 2010. These calls are dealt with by the Braveheart Omnibus Facility Agreement with Gascorp Australia Pty Ltd, a director-related entity of EG Albers, GA Menzies and JMD Willis and with Browse Petroleum Pty Ltd, a director-related entity of EG Albers, and with the other members of the Braveheart joint venture. All of the other members of the Braveheart joint venture have agreed that the provisions of the Joint Venture Operating Agreement regarding Default have been temporarily suspended and, as a result, these calls will not be required to be paid to the Braveheart joint venture until 7 July 2011 or when Exoil has sufficient funds available, whichever is earlier. Furthermore under certain conditions the payment date may be extended to 15 September 2011 or beyond with an amended agreement; and
- Expenditure commitments include obligations arising from farm-in arrangements, and minimum work obligations arising for the initial three 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; and
- The consolidated entity has limited financial resources and will need to raise additional capital from time to time. Any such fund raisings will be subject to factors beyond the control of the consolidated entity and its directors. When Exoil requires further funding for its programs, then it is its intention that the additional funds would be raised in a manner deemed most expedient by the Board of directors at the time, taking into account working capital, exploration results, budgets, share market conditions, capital raising opportunities and the interest of other entities in co-participation in the consolidated entity's programs.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010****NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(d) Going Concern (continued)**

Should these methods not be considered to be viable, or in the best interests of shareholders, then it would be the Exoil's intention to meet its obligations by either partial sale of the consolidated entity's interests or farmout, the latter course of action being part of Exoil's overall strategy and all of which have been implemented successfully in the last few years.

Cash flow forecasts prepared by management demonstrate that the consolidated entity has sufficient cash flows to meet its commitments over the next twelve months based on the above factors, and for that reason 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.

Should the consolidated entity be unable to continue as a going concern, it may be required to realise assets and extinguish liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial statements do 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.

**NOTE 3 INDIVIDUALLY SIGNIFICANT ITEMS**

	31/12/2010	31/12/2009
	\$	\$
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 information and a 10.25% interest in WA-342-P and \$1,205,000 from Auralandia NL also for information and a 6.4% 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.

**NOTE 4 EXPLORATION EXPENDITURE COMMITMENTS**

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

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

	31/12/2010	30/06/2010
	\$	\$
Payable not later than 1 year	180,250	337,500
Payable later than one year but before five years	<u>2,652,750</u>	<u>-</u>
	<u>2,833,000</u>	<u>337,500</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010****NOTE 5 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 6 EQUITY SECURITIES ISSUED***Ordinary Shares*

	<b>31/12/2010</b>		<b>31/12/2009</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>-</u>	<u>-</u>	<u>30,775,260</u>	<u>2,888,257</u>

*Options over Unissued Shares*

	<b>31/12/2010 Options</b>	<b>31/12/2009 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 2013 (Note 7).

(ii) Exercise price of 12 cents and expiry date of 30 June 2013 (Note 7).

**NOTE 7 SUBSEQUENT EVENTS**

On 17 February 2011, the directors resolved to vary the terms of all the listed and unlisted options so there is now a common expiry date and exercise price for all options. Consequently, all outstanding options now expire at 5:00 pm AEST on 30 June 2013 and are all exercisable at 12 cents per option and they form a single class of securities.

The directors have determined to propose to the Exoil shareholders and optionholders that they consider schemes of arrangement ("schemes") under which the participating Exoil shareholders (being all shareholders other than EG Albers and his associated interests) and all the Exoil optionholders approve the cancellation of their Exoil shares and options and receive shares and options in Moby Oil & Gas Limited ("Moby") in return. The schemes will be subject to receiving the necessary regulatory and Court approvals and be conditional on Moby entering into a farmin agreement in relation to the WA-359-P permit ("the permit").



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010****NOTE 7 SUBSEQUENT EVENTS (Continued)**

Conditional on the Exoil shareholders and optionholders approving the schemes and their receiving the necessary regulatory and Court approvals, Exoil will seek to have Moby farmin to the permit to earn 95% of Exoil's 30% interest in the permit by meeting 100% of Exoil's cost in relation to the permit through to the end of the permit's current term and any renewal. The farmin by Moby will also be conditional on Moby obtaining the approval of its members.

Complete details of these conditional proposals will be contained in a scheme booklet that will be distributed to the Exoil shareholders and optionholders.

**NOTE 8 IMPAIRMENT OF EXPLORATION AND EVALUATION ASSETS**

The impairment loss recognised in the corresponding period related to WA-333-P. The impairment loss was determined by analysing costs incurred in the corresponding period and costs previously capitalised with respect to each permit and identifying any costs that related to previously identified prospects that were less commercially feasible than previously determined.

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



Chartered Accountants  
& Business Advisers

**Report on the Half-Year Financial Report**

We have reviewed the accompanying consolidated half-year financial report of Exoil Limited, which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity. The consolidated entity comprises Exoil Limited ("the company") and entities it controlled at 31 December 2010 or from time to time during the half year ended on that date.

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

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

*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 a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Exoil Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

**Independence**

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

**Conclusion**

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

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Chartered Accountants  
& Business Advisers

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

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

Without qualifying our conclusion, we draw attention to Note 1(d) "Going Concern" in the financial report which indicates that for the half year ended 31 December 2010 the consolidated entity incurred a loss after tax of \$103,017 (2009: profit of \$1,486,176) and had negative cash flows from operating activities of \$75,370 (2009: cash inflows of \$2,803,795) and negative cash flows from investing activities of \$438,901 (2009: cash outflows of \$3,399,218). In addition, as at 31 December 2010 the consolidated entity had net current liabilities of \$1,668,046 (2009: \$1,485,614). These conditions, along with other matters set out in Note 1(d), give rise to a material uncertainty which may cast significant doubt about the ability of the consolidated entity to continue as a going concern, and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

**PKF**

11 March 2011  
Melbourne

**D J Garvey**  
Partner



Chartered Accountants  
& Business Advisers

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Exoil Limited for the half year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

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

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

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

11 March 2011  
Melbourne

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