



## Exoil Limited

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# QUARTERLY ACTIVITY REPORT

TO 31 MARCH 2011

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## HIGHLIGHTS FOR THE QUARTER

### Operational Matters

- Proposed farmout of WA-359-P
- Zeebries 3D seismic survey continues in WA-409-P and adjoining permits
- Renewed 5 year term for the WA-342-P permit granted to Cornea Joint Venture

### Corporate Activity

- Modification to terms of all Options
- Proposed cancellation of shares and options under schemes of arrangement

Exoil Limited (**NSX Code: EXX**) ("Exoil" or "Company"), by itself and through its wholly-owned subsidiaries, holds interests in seven petroleum exploration permits, all of which are in the offshore waters of Australia. Two are located offshore of Western Australia; one of those in the Carnarvon basin (WA-359-P) and the other in the Browse Basin (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.

At the end of the quarter the WA-333-P permit expired and was not renewed.

## CORPORATE ACTIVITY

### Modification to Terms of all Options

During the quarter, on 17 February, the Company announced that the Directors had resolved to modify the terms of all the listed and unlisted options, which are due to expire on 30 June 2012 and 30 June 2011 respectively. The modifications were made so there is a common expiry date and exercise price for all of the outstanding options.

The options now all expire at 5:00 pm AEST on 30 June 2013 and they are all exercisable at \$0.12 (12 cents) per option and they all form a single class.

The modification of the terms of all the outstanding options is intended to enable all Optionholders to participate in any benefits which may flow from continuing operations by Apache in the WA-359-P permit. Further, the change of the terms of the options does not impose any liability on Optionholders and was made solely for their benefit.

### Proposed Cancellation of Shares and Options under Schemes

As announced during the quarter, on 7 March, the Company announced that it will put a proposal to shareholders and optionholders that they consider two schemes of arrangement ("Schemes"). Under the Schemes, the participating Exoil shareholders (being all Exoil shareholders other than Mr EG Albers and interests associated with him) and all the Exoil optionholders approve the cancellation of their Exoil shares and options and, in return, receive shares and options issued and granted respectively by Moby Oil & Gas Limited ("Moby") (**ASX Code: MOG**).

The Schemes will be subject to the Company receiving the necessary regulatory and Court approvals and be conditional on Moby entering into the farmin agreement with Exoil in relation to the WA-359-P permit, as described at *Potential Farmin to WA-359-P* in the next section of this report.

The first Scheme will be between the Company and its shareholders under which each shareholder ("Non-Associated Shareholders"), other than Mr EG Albers and interests associated with him, will have their Exoil shares cancelled and receive 1.35 new Moby shares (issued by Moby) for every Exoil share held. The effect of this Scheme will be that, on implementation, Exoil will be wholly owned by Mr Albers and his interests; while the Non-Associated Shareholders will cease to be Exoil shareholders, but will become Moby shareholders.

Under the second Scheme, all Exoil optionholders will have their options cancelled and receive 1.35 new Moby options (granted by Moby) for every Exoil option cancelled. The options are proposed to be exercisable on or before 30 June 2013 at an exercise price of \$0.12 (12 cents) each.

A Scheme Booklet was distributed by the Company on 4 April and can be viewed on the Company's website [www.exoil.net](http://www.exoil.net). The meetings of the Company's shareholders and optionholders will be held on 5 May 2011 to consider the relevant resolutions.

### OPERATIONAL MATTERS

#### WA-359-P – DAMPIER SUB-BASIN

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

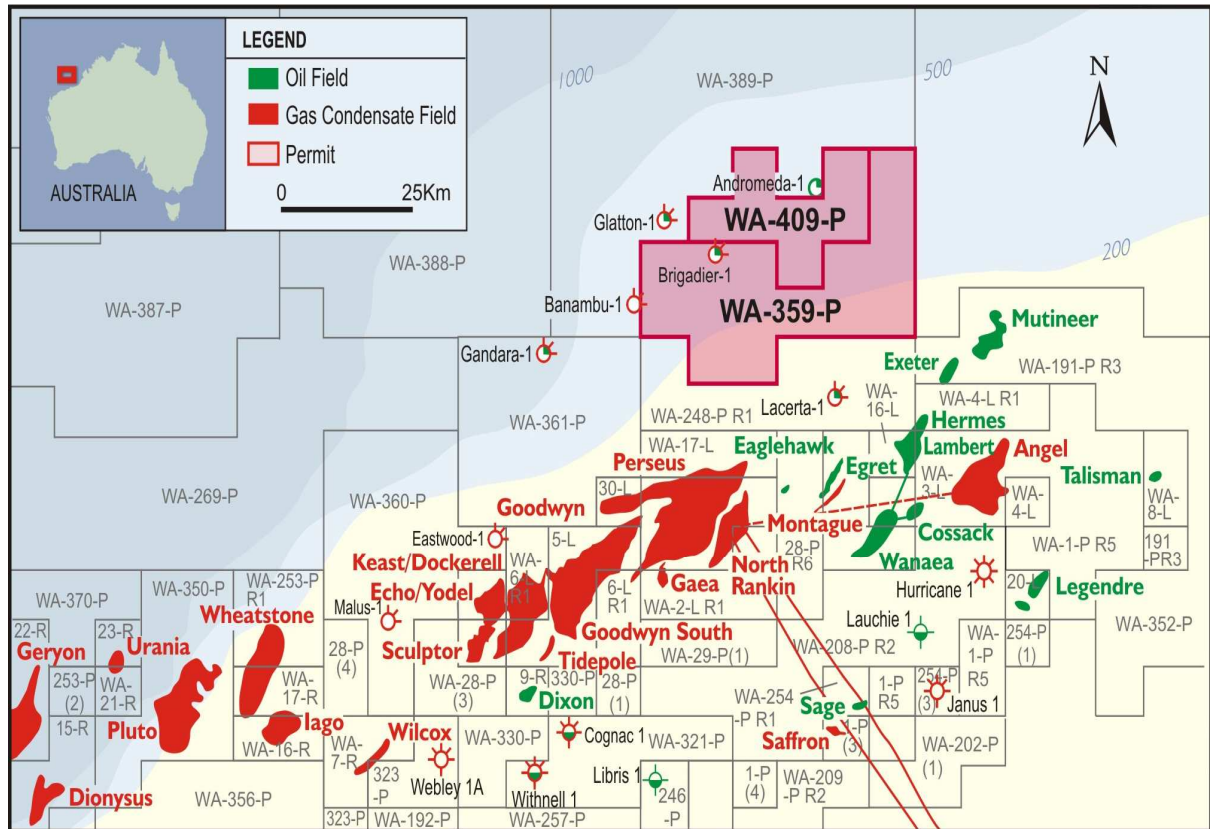
Apache Northwest Pty Ltd	40% and Operator
Exoil Limited	30%
Cue Exploration Pty Ltd	30%
<i>(subsidiary of Cue Energy Resources Limited)</i>	

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

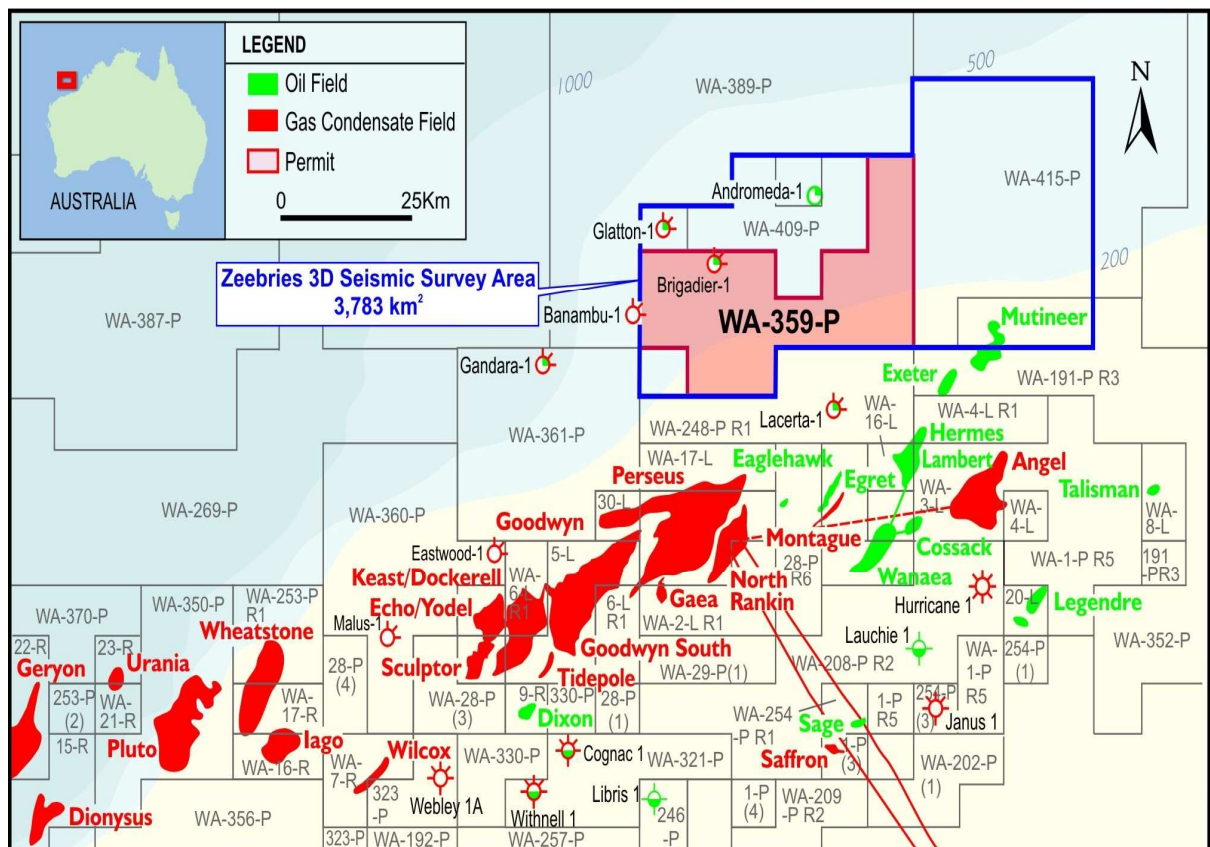
During the previous quarter, the Company entered into a farmout agreement (that is presently subject to regulatory approval) with a subsidiary of Apache Corporation ("Apache") under which Apache has agreed to fund the acquisition, processing, mapping and interpretation of a 3D seismic survey across the 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.



**WA-359-P and WA-409-P Location Map**



**Zeebries 3D Seismic Survey of 3,783 km²**

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 2010, 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, plus the entire 566 km<sup>2</sup> area of the WA-409-P permit and two other adjoining permits – see the permit *Location Map* and the *Zeebries 3D Seismic Survey Map* above.

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 took over four months to acquire and was completed subsequent to the end of the quarter.

### POTENTIAL FARMIN TO WA-359-P

The WA-359-P permit is held by a Joint Venture consisting of the Company and Cue, each with a 50% participating interest. As described above, this permit has been farmed out to Apache on similar terms as the farmout to Apache by Moby and Cue of the adjoining WA-409-P permit. Exoil holds no interest in the WA-409-P permit.

During the quarter, on 7 March, the Company advised that it planned to enter into a conditional farmin agreement with Moby in relation to the Company's interest in WA-359-P. The proposal is for Moby to earn a 95% interest in Exoil's 30% residual interest in the permit by meeting 100% of Exoil's costs through to the end of its current term and any renewed term of the permit.

The proposed farmin by Moby is subject to obtaining all necessary regulatory approvals and to the terms of the Apache farmin, and it will be conditional on Exoil obtaining the approval of Members in general meeting. It will also be conditional on approval being obtained for the Schemes between Exoil and its participating shareholders and all of its optionholders, as detailed above in the "Corporate Activity" section above.

Also as described above, and subsequent to the end of the quarter, a Scheme Booklet was distributed detailing the Moby farmin proposal and calling the necessary meetings of the Company's shareholders and optionholders will be held on 5 May 2011 to consider the relevant resolutions.

### WA-342-P – BROWSE BASIN

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

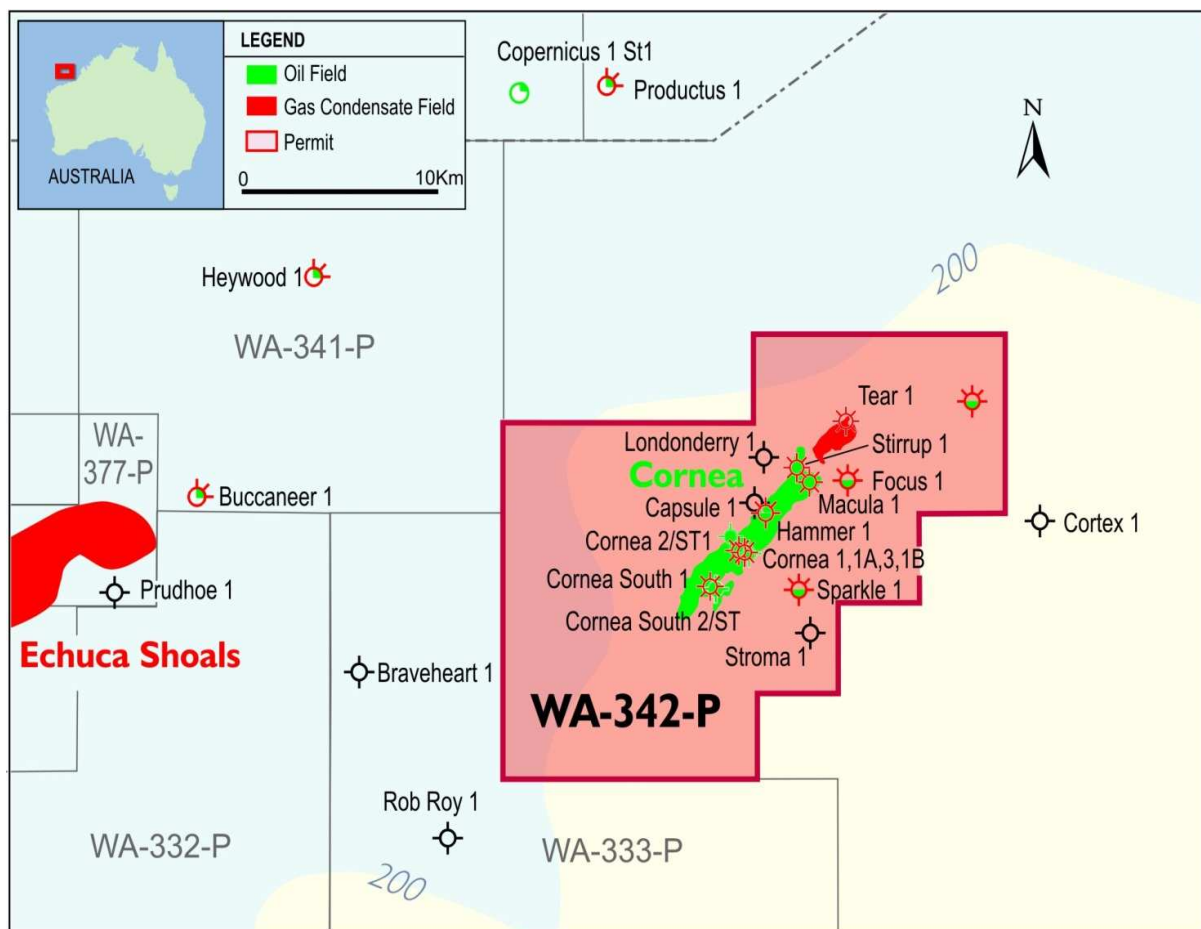
Moby Oil & Gas Limited ( <i>ASX Code: MOG</i> )	22.375%
Octanex Group ( <i>ASX Code: OXX</i> )	18.750%
Cornea Oil & Gas Pty Ltd ( <i>subsidiary of Australian Oil &amp; Gas Corporation</i> )	17.000%
Cornea Petroleum Pty Ltd ( <i>subsidiary of Natural Resources Group Pty Ltd</i> )	14.875%
Cornea Resources 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.

Late in the previous quarter, 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 the 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 910.6m MDRT (measured depth below rotary table).



### 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 Resources Group Pty Ltd)	6.2500%

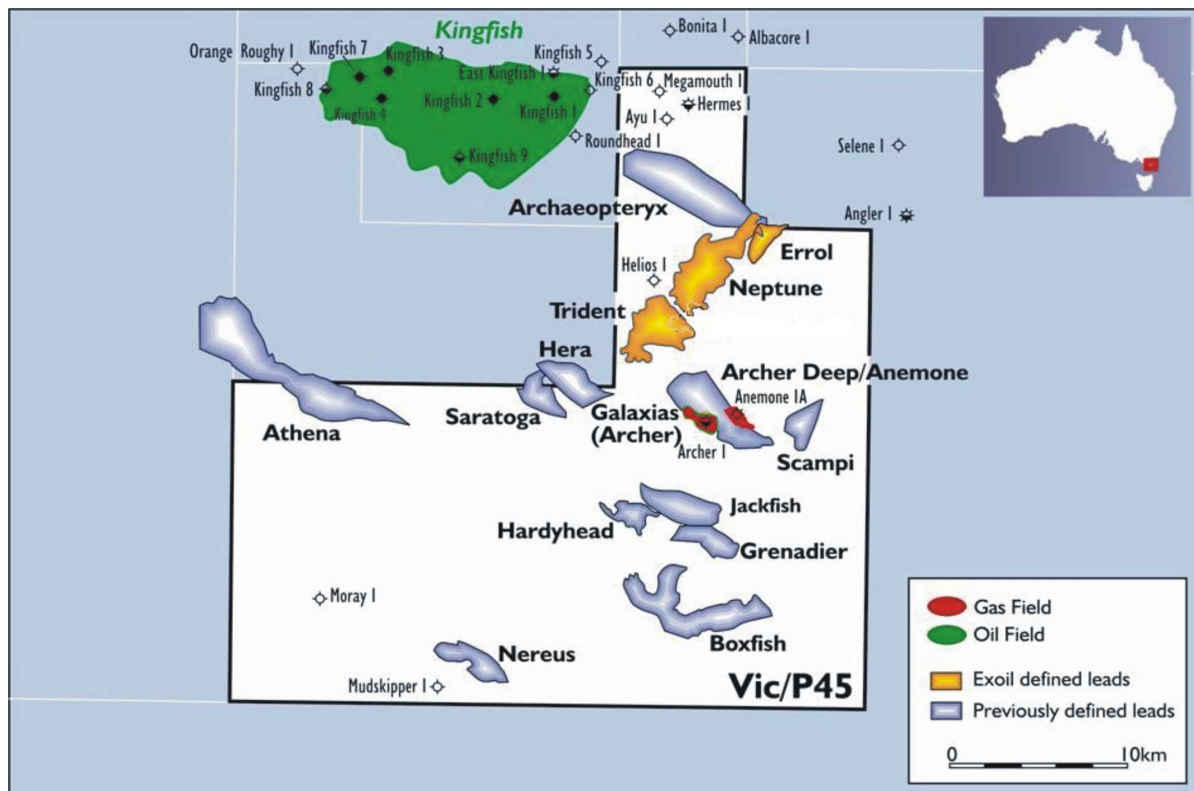
The Operator of the Braveheart Joint Venture was Hawkestone and the WA-333-P permit was located to the south and west of WA-342-P, as displayed in the *WA-342-P Location Map* above.

Since drilling the Braveheart-1, ST1 well within the WA-333-P permit in January 2010, the Braveheart Joint Venture considered whether to lodge an application for renewal of the permit for a second term. However, the perceived lack of remaining prospectivity within the permit meant a further commitment of resources to a work programme for a renewal application was not justified.

### 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**

During Q3 2010, 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 grant varied the year-6 work programme to now require completion of ongoing geotechnical studies and review of the remaining leads within the permit, with the aim of developing a drillable prospect – see the following *Prospects and Leads Map*.

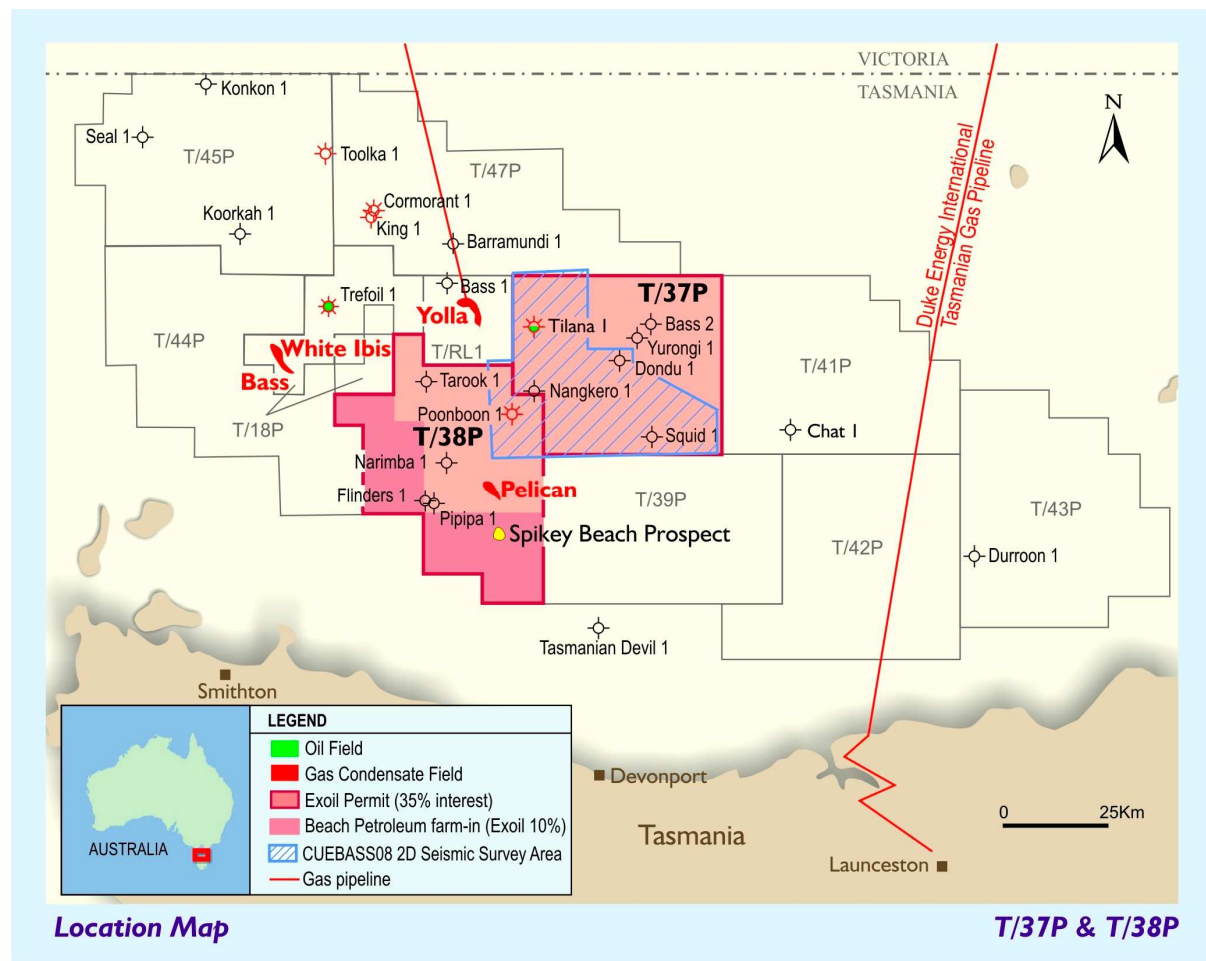
The Joint Venture is considering whether to seek a renewal of the permit on the expiry of the initial term on 15 May 2011.

### 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 that 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.

During 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 T38/P, 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 35 – OTWAY BASIN**

The EPP 35 (Troas) Joint Venture consists of:

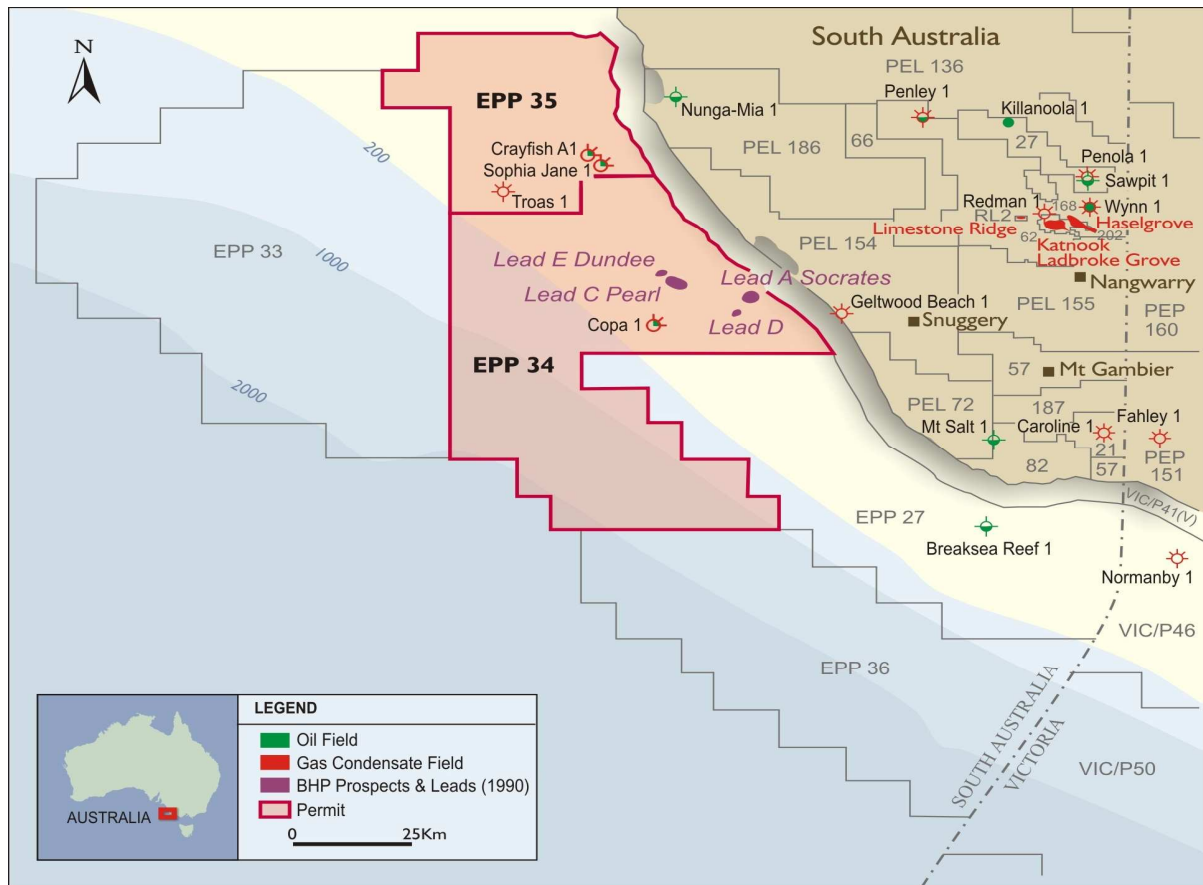
Exoil Limited	30% and Operator
Gascorp Australia Pty Ltd	30%
National Energy Pty Ltd	20%
Moby Oil & Gas Limited	20%

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.

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.



**Location Map of EPP 34 and EPP 35**

**On behalf of the Board**

**J.G. Tuohy**  
Company Secretary

Melbourne, Australia

28 April 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 MARCH 2011

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (9 months) \$A'000
1.1	Receipts from joint venture participant		
1.2	Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(34)   (75)	(403)   (332)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received		6
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other - Recharge of Office Costs	127	229
<b>Net Operating Cash Flows</b>		13	(500)
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(12) - 	(12) (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)		
<b>Net investing cash flows</b>		(12)	(14)
1.13	Total operating and investing cash flows (carried forward)	1	(514)

## Exploration Quarterly Report

1.13	Total operating and investing cash flows (brought forward)	1	(514)
	<b>Cash flows related to financing activities</b>		
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		
	<b>Net financing cash flows</b>		
	<b>Net increase / (decrease) in cash held</b>	1	(514)
1.20	Cash at beginning of quarter/year to date	133	648
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	134	134

### 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	14
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	50
<b>Total</b>	<b>80</b>

## 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	91	133
5.2 Deposits at call	43	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)		-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>134</b>	<b>133</b>

## 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 <b>Preference securities</b> (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	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 <b>+Convertible debt securities</b> (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> (description and conversion factor)	24,620,208 5,500,000	24,620,208 -	Exercise price 12 cents 12 cents	Expiry date 30/06/2013 30/06/2013
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> (totals only)				
7.12 <b>Unsecured notes</b> (totals only)				



# Exploration Quarterly Report

## Compliance statement

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



Sign here: ..... Date: 28/04/2011  
(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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