

SECTION 10: GENERAL MATTERS

Set out in this Section are details of material agreements and additional information which is provided for the information of Proposing Investors generally.

10.1 MATERIAL AGREEMENTS

The Company has not entered into any material agreements other than in the ordinary course of its business. Material contracts which remain uncompleted or which continue to be relevant to investment in the Company are described below. Following is a summary of those agreements.

10.1.1 Exploration Permits: General Terms

Each of the Permits has been granted under the *Petroleum (Submerged Lands) Act* (now the "*Offshore Petroleum Act 2006*") by the Designated Authority for an initial six year period. The relevant dates of each Permit and their individual work obligations are more specifically set out in Section 12.

Generally each of the Permits provides rights to the holder to undertake exploration, including seismic surveys and drilling, in the defined area of the Permit.

Under the terms of each Permit the exploration work program nominated for the first three years must be met. The Permit holder may withdraw from any Permit after the third permit year, or at the end of any subsequent permit year, providing all the exploration work obligations up to the date of withdrawal have been met.

The Permits may be renewed for two subsequent five year periods, providing they are in good standing at the end of each preceding period and provided half of the remaining area of the Permit is relinquished on each renewal. Any production licence, retention lease or location graticules are excluded from the relinquishment calculation.

The holders of a Permit may not construct any installation in the Permit or abandon, suspend or complete any well without the written approval of the Designated Authority.

A Permit requires the holders to comply with the *Offshore Petroleum Act 2006*, Regulations made pursuant to that Act and, as stipulated by the relevant Designated Authority, all directions made thereunder and to carry out operations with adequate measures for the protection of the environment and to carry insurance.

Details of all current and proposed work programs are set out in Section 4.

10.1.2 Operating Agreements

The Company has entered into separate Joint Operating Agreements ("JOA") in relation to each of the Permits in which it has an interest and is Operator under various of the JOA's, as set out in Section 4.

The JOA's follow a comparatively uniform format as detailed below. Exceptions are minor and normally project specific. Where material differences occur they are referred to below in context.

Conduct of Joint Operations

Under each JOA, the Operator is responsible for the conduct of joint operations.

The Operator may resign as operator on giving appropriate notice but is entitled to continue as operator in normal business circumstances.

Insurance

The Operator will, to the best of its ability, procure and maintain for the joint venture statutory insurances and other insurances required by the operating committee, with any other joint venturer having the right not to participate in non-statutory insurances.

Operating Committee

A joint venturer has the right to appoint one representative to serve on the operating committee which has the power and duty to authorise and supervise joint operations. Each representative has a vote equal to its participating interest. Generally a 66% affirmative vote by at least two joint venture participants (not being affiliates of one another) is required to pass a resolution. If there are four or more joint venturer, a 70% affirmation vote is required from at least two non-affiliated participants.

Some of the more important decisions require unanimity.

The operating committee considers exploration work programs and targets that are to be presented by the Operator up to nine months (in a preliminary way) and up to three months (in final form) before the commencement of each permit year.

The operating committee meets following delivery of the final proposed work program and budget to agree a work program and budget for the ensuing year.

Once a development plan for a commercial discovery is approved, the Operator then submits development and production plans and budgets to the operating committee in advance of the commencement of the next calendar year.

Authorisation for Expenditure

Before incurring any expenditure, whether for exploration, appraisal, development or production, the Operator submits an authorisation for expenditure to each joint venturer. Each authorisation must be approved by the operating committee prior to expenditure being committed to or undertaken.

Sole Risk

Where the operating committee does not approve a proposed exploration or appraisal well, a party may undertake the project as a sole risk project with the right of the non-participants to buy back in at various premiums which differ between the cases of a development well, an appraisal well and an exploration well. The premium to buyback can normally be paid in kind (out of petroleum produced) or in cash.

Default

A joint venturer that fails to pay when due its share of joint venture expenditure is a defaulting party. A defaulting party is not entitled to attend operating committee meetings or to vote. The sum of money in default is allocated to and paid by the non-defaulting parties pro rata to their participating interests. Reasonable opportunity to cure a default is given to a defaulting party.

For a specified period following a notice of default which has not been cured, the JOA states that each non-defaulting party shall have the option to give notice to the defaulting party to transfer its entire interest to the non-defaulting parties.

Assignments

A joint venturer may assign all or part of its joint venture interest to an affiliate, but generally assignments to non-affiliates will attract pre-emptive rights provisions. Permit WA 359-P does not have pre-emptive rights provisions. In all cases the assignee must be accepted by the remaining joint venturers as being financially capable of meeting all obligations assumed under the relevant permit and the relevant JOA.

Cross Charge

If the operating committee decides to develop a discovery, the parties are required to charge their joint venture interests and shares of petroleum produced in favour of one another in order to secure the performance of their respective obligations under the relevant JOA. In the same way, where any joint venturer seeks to encumber its participating interest, the party proposing to encumber its interest in favour of a third party must grant such prior ranking cross charges to which the charge in favour of the third party will be subject.

Withdrawal

Subject to certain conditions for the protection of the other party or parties to the relevant joint venture, a party which is unwilling to commit further to expenditure on a permit may withdraw from the relevant joint venture. Once development of a discovery has commenced, those conditions include a condition that other parties be willing to accept the withdrawing party's interest.

10.1.3 Farmin Agreement between Exoil and Cue Petroleum with respect to Vic/P53

On 10 December 2004, Cue Petroleum Pty Ltd (Cue Petroleum) entered into a farmin agreement with Exoil pursuant to which Cue Petroleum agreed to assign a 50% interest in Vic/P53 to Exoil in consideration for the agreement of Exoil to meet 66.667% of the costs of the Bazzard 3D seismic programme, 66.667% of the costs of the first well (Bazzard-1) in the Permit and 60% of the costs of the second well. Exoil also agreed that the 50% interest assigned to it is encumbered with a pro-rata share of a pre-existing 4% overriding royalty obligation in favour of Australian Crude Oil Company ("ACOC"). This overriding royalty was created via a farmin agreement between Cue Petroleum and ACOC, pursuant to which Cue Petroleum acquired its rights in respect to Vic/P53.

Following the drilling of Bazzard-1, Exoil has the right to elect not to proceed with the next well in the Permit and must reassign a 50% interest in the Permit to Cue Petroleum.

10.1.4 Farmin Agreement between Exoil and Stuart with respect to Vic/P53

On 17 August 2007, Exoil, Cue Petroleum and Moby Oil & Gas Ltd ("Moby") entered into a farmin agreement with Stuart Petroleum (Offshore) Limited ("Stuart") pursuant to which Exoil agreed to assign to Stuart a 33.333% interest in Vic/P53 in consideration for the agreement of Stuart:

- (i) to pay US\$1,333,333 to Exoil;
- (ii) to pay a further US\$766,667 to Exoil not later than 10 days prior to the spudding of the first well in the Permit;
- (iii) to meet all of the costs of the first well in the Permit;
- (iv) to meet all of the costs of a second well in the Permit unless Stuart elects to reassign; and
- (v) meet all other costs related to ongoing permit activities until the cessation of drilling operations for the second well.

Stuart has drilled Bazzard 1 as the first well of the 2 wells referred to above and now has the right to re-assign its interest in the Permit to Exoil. At this stage Stuart has not advised the Company of its intention. If Stuart re-assign its interest in the Permit Exoil's interest will be 33.3334%. If Stuart elects to drill the second well Stuart will be entitled to retain a 50% interest in the permit and in any Retention Lease or Production Licence which may be applied for in relation to any discovery area which may be excised in the event of a discovery being made by the second well.. As a result of this farmin agreement the participating interests in Vic/P53 are now:

Stuart	50%
Cue Petroleum	25%
Exoil	16.667%
Moby	8.833%

10.1.5 Farmin Agreement between Exoil and Apache with respect to Vic/P45

On 29 March 2006, Exoil and Moby entered into a farmin agreement with Apache Northwest Pty Ltd ("Apache") pursuant to which Exoil assigned to Apache a 33.3334% interest in Vic/P45 in consideration of Apache meeting the costs of up to two wells in the Permit. Apache met all the costs of Coelacanth-1, drilled in the Permit in March 2008. Following that well, Apache exercised its right under the farmin agreement to reassign the Permit interests acquired from each of Exoil and Moby. Documentation to effect this reassignment is now being prepared for execution by all parties, after which the participating interests in Vic/P45 will be:

Exoil	50%
Moby	50%

10.1.6 Farmin Agreement between Exoil and Gascorp with respect to T/37P

On 29 April 2008, Exoil entered into a farmin agreement with Gascorp Australia Pty Ltd ("Gascorp") pursuant to which Gascorp agreed to meet the first \$1,663,000 of Exoil's share of the costs of the 2D seismic programme recently completed in T/37P. As consideration, Exoil agreed to assign a 15% interest in T/37P to Gascorp. Exoil retains a 35% participating interest.

10.1.7 Farmin Agreement between Exoil and Gascorp with respect to T/38P

On 29 April 2008 Exoil entered into a farmin agreement with Gascorp in respect of T/38P and pursuant to which Gascorp agreed to meet the first \$453,000 of Exoil's share of the costs of the 2D seismic programme recently completed in the Permit. As consideration, Exoil agreed to assign a 15% interest in T/38P to Gascorp. Exoil retains a 35% participating interest. The 15% interest held by Gascorp does not include any interest in the Spikey Beach Blocks described in 10.1.12 below.

10.1.8 Put and Call Option Agreements between Exoil and Gascorp with respect to T/37P

On 29 April 2008, Exoil entered into a Call Option Agreement and a Put Option Agreement with Gascorp relating to the 15% interest in T/37P acquired by Gascorp under the farmin agreement described in Section 10.1.6.

Under the Call Option Agreement, Exoil can call upon Gascorp to reassign the 15% interest in T/37P to Exoil. The consideration payable if the Call Option is exercised is the agreement of Exoil to repay to Gascorp the sum of \$1,663,000 paid under the relevant farmin agreement, plus interest at 0.75% per month, together with the grant of a 1% overriding royalty on the 15% interest to be reassigned.

Under the Put Option Agreement, Gascorp can require Exoil to take a reassignment of the 15% interest. If the put option is exercised by Gascorp, Exoil must repay \$1,663,000 to Gascorp plus interest at 0.75% per month and grant Gascorp a 1% overriding royalty on the 15% interest so reassigned.

10.1.9 Put and Call Option Agreements between Exoil and Gascorp with respect to T/38P

On 29 April 2008, Exoil entered into both a Call Option Agreement and a Put Option Agreement with Gascorp relating to the 15% interest in T/38P acquired by Gascorp under the farmin agreement described in Section 10.1.7.

Under the Call Option Agreement, Exoil can call upon Gascorp to reassign the 15% interest in T/38P to Exoil. The consideration payable if the Call Option is exercised is the agreement of Exoil to repay to Gascorp the sum of \$453,000 paid under the relevant farmin agreement, plus interest at 0.75% per month, and grant a 1% gross overriding royalty interest in the proceeds of sale of any production from the permit and attributable to the 15% interest so reassigned.

Under the Put Option Agreement, Gascorp can require Exoil to take a reassignment of the 15% interest. If the put option is exercised by Gascorp, Exoil must repay \$453,000 to Gascorp, plus interest at 0.75% per month and grant a 1% gross overriding royalty interest in the proceeds of sale of any production from the whole of the permit and attributable to the 15% interest so reassigned.

10.1.10 Farmin Agreement between Exoil and Gascorp with respect to EPP34

On 29 April 2008, Exoil entered into a farmin agreement with Gascorp in respect of EPP34 pursuant to which Gascorp agreed to meet the first \$525,000 of Exoil's share of the costs of the Trocopa seismic survey of 1,100 kms of new 2D data which was acquired in EPP34 during the quarter ended 30 June 2008. As consideration, Exoil agreed to assign a 10% interest in EPP34 to Gascorp. Exoil retains a 15% interest in the Permit.

10.1.11 Put and Call Option Agreement between Exoil and Gascorp with respect to EPP34

On 29 April 2008, Exoil entered into a Call Option Agreement and a Put Option Agreement with Gascorp relating to the 10% interest in EPP34 acquired by Gascorp under the farmin agreement described in section 10.1.10.

Under the Call Option Agreement, Exoil can call upon Gascorp to reassign the 10% interest in EPP34 to Exoil. The consideration payable if the Call Option is exercised is the agreement of Exoil to repay to Gascorp the sum of \$525,000 paid under the relevant farmin agreement, plus interest at 0.75% per month and grant a 1% gross overriding royalty interest in the proceeds of sale of any production from the whole of the permit and attributable to the 10% to be reassigned.

Under the Put Option Agreement, Gascorp can require Exoil to take a reassignment of the 10% interest. If the put option is exercised by Gascorp, Exoil must repay \$525,000 to Gascorp, plus interest at 0.75% per month and grant a 1% gross overriding royalty interest in the proceeds of sale of any production from the whole of the permit and attributable to the 10% so reassigned.

10.1.12 Farmin Agreement between Exoil and Beach with respect to the Spikey Beach Blocks in T/38P

On 11 April 2008, Exoil entered into a farmin agreement with Beach Petroleum (Exploration) Pty Ltd ("Beach") pursuant to which Exoil and Cue Energy Resources Ltd agreed to the establishment of the Spikey Beach Blocks Joint Venture ("SBBJV") and under which Beach has agreed to earn an 80% interest in the SBBJV by meeting 100% of the costs of the Spikey Beach-1 well. The Spikey Beach Blocks ("the Blocks") comprise an aggregate 18 graticular blocks within T/38P. The SBBJV is conducted as a separate joint venture from the T/38P Joint Venture. Three agreements have been signed by Exoil relating to the SBBJV:

- (i) the Spikey Beach Blocks farmin agreement, under which Beach has agreed to farmin to the Blocks;
- (ii) the Spikey Beach Co-ordination Agreement, pursuant to which the arrangements for co-ordinating the activities of the T/38P Joint Venture and SBBJV are described; and
- (iii) the Spikey Beach Blocks JOA.

As a result of this farmin arrangement, the interests in the SBBJV are:

Exoil	10%
Cue Energy	10%
Beach	80%

10.1.13 Songa Venus Rig Arrangements with respect to WA-333-P

On 14 July 2008, the wholly-owned subsidiary of Exoil Limited, Hawkestone Oil Pty Ltd ("Hawkestone") acting in its capacity as Operator of the Browse Joint Venture, entered into two agreements relating to the steps taken to secure a rig to drill the Braveheart well in WA-333-P.

The first agreement, the Project Management Services Agreement, is between Hawkestone and Australian Drilling Associates Pty Ltd ("ADA") and other parties pursuant to which Hawkestone has agreed to engage ADA to provide drilling management services to Hawkestone. Hawkestone has agreed to pay to ADA aggregate management fees of \$900,000.

The second agreement is the Drilling Co-operation Agreement between Hawkestone, ADA and all the other members of the consortium formed to contract the Songa Venus rig ("DCA"). Those consortium members are Hawkestone Oil Pty Ltd (ABN 23 052 812 236), Auralandia NL (ABN 53 004 913 884), Stuart Petroleum (Offshore) Pty Ltd (ABN 99 127 971 363), MEO Australia Limited (ABN 43 066 447 952), CNOOC Australia E&P Pty Ltd (ABN 85 118 934 062) and Anzon Energy Limited (ABN 43 097 972 364). Each of those consortium members is an *Operator* under the DCA and the italicised terms in this Section 10.1.13 are defined terms in the DCA.

Under the DCA, the various consortium members have agreed how they will share certain rig costs, including mobilisation, demobilisation and towing costs and have agreed to pay various fees to ADA associated with ADA's work in bringing the consortium together and securing shared services (logging contracts, work boats and the like).

Each *Operator* agrees to undertake its *Drilling Program* in accordance with the DCA. Clause 3.9 of the DCA requires that each *Operator* acknowledges that it will be required under the *Drilling Contract* to pay the *Drilling Contractor* the applicable *Daily Rate* for each *Day the Drilling Unit* is utilised in undertaking that *Operator's Drilling Program*.

The DCA is based around each *Operator* having provided an estimate of the number of days that that *Operator* will require for its *Drilling Program*. In the event that any *Operator's Drilling Program* results in what are defined as *Shortfall Days*, because that *Operator's Drilling Program* was shorter in

duration than estimated, that *Operator* is liable to pay the cost of those *Shortfall Days*. However, if ADA cannot recover the cost of those *Shortfall Days* from any *Operator* the DCA provides that all of the *Operators* have joint and several liability to pay the cost of the *Shortfall Days* to ADA.

Under the terms of the DCA, ADA may require the *Operators* to provide ADA with any of:

- a bank guarantee ;
- a parent company guarantee ;
- advanced payment of funds into an escrow account held by ADA.

Although the DCA provides for specific liability for each *Operator* for other costs, including mobilisation and demobilisation costs, the DCA also provides for joint and several liability for those costs.

The primary risk that each of the members of the consortium is exposed to under the DCA is a failure by any other *Operator* or *Operators* to meet their contracted drilling obligations and associated costs, thus leaving a shortfall in payment to ADA which, after the various enforcement procedures set out in the ADA are exhausted in relation to the defaulting party, each consortium member must assume liability for. While each *Operator* has rights against a defaulting *Operator* to enable it to pursue recovery of any liability which it meets because of default, the recovery of such amounts might be uncertain and the prospect must exist that recovery might not be possible. However, the Company has no reason to believe that any of the *Operators* will default in any manner which will crystallise those joint and several liabilities.

These agreements together form the contractual framework pursuant to which Hawkestone has secured the Songa Venus rig to drill the Braveheart well and the services of ADA to manage the drilling programme.

10.1.14 Farmout Agreement between Exoil and MEO with respect to WA-359-P

On 24 October 2007, Exoil and a subsidiary of Cue Energy Resources Limited (“Cue Energy”) entered into a farmin agreement with North West Shelf Exploration Pty Ltd (“North West”), a wholly owned subsidiary of MEO Australia Limited, relating to WA-359-P.

In consideration of the immediate assignment by Exoil to North West of a 30% interest in WA-359-P (“Initial Interest “), North West agreed:

- (i) to pay \$216,667 to Exoil and Cue Energy to be divided between them equally (or as agreed); and
- (ii) to meet all the costs associated with the year-3 commitment to acquire 250 line kms of new 2D seismic (now completed) attaching to WA-359-P.

On or before 1 January 2009, North West must give a Notice to each of Exoil and Cue Energy stating whether Northwest irrevocably commits to the drilling of the First Well in WA-359-P or reassign the 30% interest to Exoil.

If Northwest does so irrevocably commits the notice must include all matters relating to a well proposal required under the JOA including details of the proposed location, target, drilling depth and estimated cost of the proposed well. Such a notice provides Northwest with the right to retain its interest in the Initial Farmout Interest and the JOA beyond 31 December 2008

On receipt of a notice from North West agreeing to commit to a well, Exoil has up to 70 days to decide whether it will meet not less than 5% and up to 10% of the Well Costs.

If both Cue Energy and Exoil make such an election then the respective Participating and Contributing Interests of Cue Energy, Exoil and Northwest shall be as follows:

Participant	Contributing Interest	Participating Interest
Northwest	90%	60%
Cue Energy	5%	20%
Exoil	5%	20%

If both Cue Energy and Exoil fail to make any election upon receipt of a notice from Northwest they must each assign and transfer to Northwest a further 5% Participating Interest. Thereafter, until the First Well is completed, Northwest must meet and pay for all ongoing exploration costs relating to the permit (including all well costs). In this circumstance the participating and Contributing Interests of Cue, Exoil and Northwest shall be as follows:

Participant	Contributing Interest	Participating Interest
Northwest	100%	70%
Cue Energy	0%	15%
Exoil	0%	15%

10.1.15 Farmout Agreement between Exoil and Gascorp with respect to WA-332-P, WA-333-P and WA-342-P

The farmin agreement provides for Gascorp to earn a 15% Participating Interest in each of the above permits by meeting the first US\$1,120,000 of the aggregate obligations of the costs of the conduct of the seismic program which is a program for the acquisition of approximately 790 line kilometers of 2D seismic data to be carried out in the area of WA-332-P and WA-333-P. Gascorp's obligation includes subsequent processing of the seismic and the conduct of a site survey within that amount.

10.1.16 Put Option Agreement between Exoil and Gascorp with respect to WA-332-P, WA-333-P and WA-342-P

The Put Option agreement provides that Gascorp may put the interest being acquired under the farmout referred to in clause 10.1.15 above back to the present tenement holders (Hawkestone Oil Pty Ltd, Batavia Oil & Gas Pty Ltd, Alpha Oil & Natural Gas Pty Ltd and Goldsbrough Energy Pty Ltd: collectively called the "Farmors").

Gascorp can call upon the Farmors to take a reassignment of the 15% interest in each of permits WA-332-P, WA-333-P and WA-342-P. The consideration payable if the Put Option is exercised is the agreement of the Farmors to repay to Gascorp the US\$1,120,000 paid under the farmin agreement, plus interest at 0.75% per month and grant a 1% gross overriding royalty interest in the proceeds of sale of any production from the whole of the permit and attributable to the 15% to be reassigned.

The Put Option agreement provides that it will only be exercised if Exoil is in a working capital position where it is capable of repaying the relevant sum without having a significant negative impact on such working capital or the going concern status of Exoil. In the event that Exoil was in such a disadvantaged position, then Exoil can elect that the term of the Put Option be extended for a further period of 15 months. If at the end of such further period of 15 months that Exoil was again not then in a position to repay the relevant sum without having negative impact on the working capital or going concern status of Exoil, then the Put Option would lapse.

However, nothing in the Put Option Agreement disqualifies Gascorp from simultaneously exercising the Put Option agreement and subscribing new share capital to Exoil Limited for an amount not less than the value of the Put Option and any increments of interest due upon its exercise.

Furthermore, nothing in the Put Option Agreement disqualifies Gascorp from accepting any other form of consideration offered by Exoil (such as other tenements or other non-cash interests) upon exercise of the Put Option agreement, provided that, accepting such consideration would not jeopardise the capital position or going concern basis of Exoil.

10.1.17 Senior Executives and Officers Option Plan

Under the Plan the Directors may issue Options to Eligible Persons. These are executive officers whether in a full time or part time position, including any director, secretary, public officer, or employee who is concerned or takes part in the management of the Company.

The total number of unissued Shares in respect of which Options have been granted under this Plan when aggregated with the number of outstanding options granted or shares issued pursuant to all employee share and option schemes established by the Company shall not exceed seven and a half percent (7.5%) of the aggregate of the total number of issued ordinary Shares in the capital of the Company and all outstanding options granted and all shares issued pursuant to all employee share and option schemes established by the Company as at the date of the letter of offer.

The Directors may in their sole discretion select Eligible Persons to whom Options shall be offered and determine the number of Options to be offered to an Eligible Person. The Directors may have regard to the length of the period of service and record of employment of the Eligible Person with the Company and the potential contribution of the Eligible Person to the Company.

The number of Options to be offered to an Eligible Person under the Plan shall be notified in a letter of offer from the Company. Acceptance of such offer shall be in writing in a form acceptable to the Directors.

Each Option shall entitle the Participant to subscribe for one Share upon exercise of the Option.

The Options may be exercised as follows:

- as to 1/5 of the Options granted, during the first year from the date of grant.
- as to 1/5 of the Options granted, during the second year from the date of grant.
- as to 1/5 of the Options granted, during the third year from the date of grant.
- as to 1/5 of the Options granted, during the fourth year of the date of grant.
- as to 1/5 of the Options granted, during the fifth year from the date of grant.

To the extent that a holder of Options declines to exercise Options to the fullest extent possible in one year may exercise Options in respect of the shortfall in a later year.

If the Optionholder has not exercised his options in respect of all the shares the subject thereof by the fifth anniversary of the grant of the options, the options will lapse and he will not thereafter be able to acquire the shares.

Each Option may be only exercised at the Exercise Price.

The Options shall be exercisable wholly or in part in parcels of 100 or multiples thereof by delivering to the Company at its registered office a duly completed and executed Exercise Notice.

The options are not assignable or transferable without the prior written consent of the Directors, except in the case of the death of a participant in the Plan ("Participant") when options may be transmitted to the personal representative of the deceased.

The restrictions on exercise cease to have effect in a number of circumstances. These circumstances are that:

In the event of any proposed reconstruction or distribution of the issued capital of the Company, all the terms and conditions of this Plan shall be deemed to be modified so as to remove all restrictions on exercise thereof so as to permit such options to be immediately exercisable by the holders thereof.

In the event that either:

- (i) a bona fide takeover bid pursuant to the Act is made for more than 50% of the issued share capital of the Company, or
- (ii) the Company makes an announcement that it proposes to merge with another company by means of a Scheme of Arrangement to be effected pursuant to the Act, or
- (iii) the Company proposes to effect a merger with any other company by any other lawful means;

all the terms and conditions of the Plan shall be deemed to be modified so as to remove all restrictions on exercise thereof so as to permit such options to be immediately exercisable by the holders thereof.

If a Participant ceases to be an Eligible Person except as set out below, the options held by the Participant and not at that time exercised shall be cancelled and shall cease to be of effect.

If a Participant:

- (i) ceases to be an Eligible Person due to retrenchment or normal retirement from the workforce, all of the Participant's options shall be exercisable for a period of six months (or such longer period as the Directors may determine) from the date of retrenchment or retirement.
- (ii) dies then the right of the Participant to exercise options not at that time exercised shall vest in the Participant's executor and/or administrator as the case may be.

The Plan may be terminated at any time by resolution of the Directors but any resolution shall not affect the rights of any existing holders of options issued in accordance with the Plan.

10.2 RIGHTS AND LIABILITIES ATTACHING TO SHARES IN THE COMPANY

10.2.1 Rights Attaching to Shares in the Company

A summary of the more significant rights attaching to the Company's shares, as provided by the constitution of the Company ("Constitution"), is set out below. This summary is not exhaustive, nor does it constitute a definitive statement of the rights and liabilities of the Company's Shareholders. To obtain such a statement, Proposing Investors should seek independent legal advice.

References to "the Act" in Section 10.2 are references to the Corporations Act 2001.

- (a) **Ranking:** The shares are ordinary shares and rank equally in all respects.
- (b) **Partly Paid Shares and Liability for Calls:** Shareholders holding partly paid shares will be liable to pay calls and make contributions in the event of the winding up of the Company in like manner as holders of partly paid shares in any other company limited by shares. At present there are no partly paid shares on issue.
- (c) **Reports and Notices:** Shareholders are entitled to receive all notices, reports, accounts and other documents required to be furnished to them under the Constitution and the Act.
- (d) **General Meetings:** Shareholders are entitled to be present in person or by proxy, attorney or representative to speak and to vote at general meetings of the Company. Shareholders may requisition general meetings in accordance with the Act and the Constitution.
- (e) **Voting:** At a general meeting of the Company every Shareholder present in person or by proxy, attorney or representative shall on a show of hands have one vote and upon a poll every Shareholder present in person or by proxy, attorney or representative has one vote for every share held. A qualification to the above is that where a person is present at a meeting as proxy or representative for more than one Shareholder then on a show of hands that person shall have only one vote and not one vote for each Shareholder represented by him.
A Shareholder who holds a share that is not fully paid shall be entitled to a fraction of a vote equal to the proportion that the amount paid-up bears to the total issue price of the share.
The Constitution requires that directors of companies that have a sole director and a sole company secretary must state this when completing documents such as a proxy, appointment of corporate representative or power of attorney. The Constitution recognises the amendments to the Act which permit proprietary companies to not have a secretary and provides for such documents signed by a sole director of a company without a secretary to be valid.
- (f) **Dividends:** The Directors may declare and authorise the distribution of dividends from the profits of the Company to be distributed to Shareholders according to their rights and interests.
- (g) **Reduction of Capital:** The Company may only reduce its capital in such manner as may be permitted by the provisions of the Act from time to time.
- (h) **Borrowing and Lending Powers:** The Company may borrow and lend in such manner as may be permitted by the provisions of the Act from time to time.
- (i) **Winding Up:** Shareholders will be entitled in a winding up to share in any surplus assets of the Company in proportion to the shares held by them respectively, less any amount which remains unpaid on their shares at the time of distribution.
- (j) **Transfer of Shares:** Subject to the Constitution and to the Act, the shares will be freely transferable.
- (k) **Future Increases in Capital:** The allotment and issue of shares is under the control of the Board of Directors of the Company. Subject to restrictions on the allotment of shares to Directors or their Associates contained in the Constitution and the Act, the Directors may allot or otherwise dispose of shares on such terms and conditions as they see fit.
- (l) **Variation of Rights:** The rights, privileges and restrictions attaching to the shares can be altered with the approval of a resolution passed at a separate general meeting of the holders of ordinary shares by a three-quarters majority of those holders who, being entitled to do so, vote to do so at that meeting or with the written consent of the holders of at least three-quarters of the ordinary shares on issue, within two months of that general meeting.
- (m) **Directors:** The Constitution contains provisions relating to the rotation of Directors (other than any managing directors and alternate directors).

10.2.2 Rights Attaching to Options in Company

The terms and conditions of all of the Company's outstanding options are consistent with the NSX (and ASX) Listing Rules.

- (a) **Options Expiring 31 December 2009 and Exercisable at \$0.15 (15 cents):** There are 2,350,000 options presently outstanding and exercisable at 15 cents per share on or before 31 December 2009. These options will not be listed on the NSX at this time. The present terms and conditions of these options are as follows:
1. Each option confers the right to take up one ordinary fully paid share in the Company at a price of 15 cents.
 2. The options shall expire on 31 December 2009.
 3. The options are exercisable wholly or in part, by notice in writing to the Directors of the Company given prior to or on the expiry date. Shares issued pursuant to the exercise of the options will be allotted or issued not more than 14 days after the receipt of a properly executed exercise notice and application moneys in respect of the exercise of the options.
 4. For shares subscribed for pursuant to the options, application money will be payable as to 15 cents in full on exercise of each option.
 5. If the options comprised in any certificate are exercised in part only before the expiry date, the Company will issue the holder with a fresh option certificate for the balance of the options held by the holder and not yet exercised.
 6. The options may be transferred at any time in whole or in part (subject to the requirements contained in the Company's constitution relating to transfers of shares and to any relevant laws, regulations or stock exchange requirements) prior to their expiry.
 7. With regard to certain rights of Optionholders:
 - The options do not, in themselves, carry any voting rights or dividend entitlements.
 - Except as contained in these terms and conditions, there are no participating rights or entitlements inherent in the options and the Optionholders will not participate in new issues of securities offered to Shareholders during the currency of the options.
 - The Optionholder will be permitted to participate in new issues of securities on the prior exercise of the options in which case the Optionholder shall be afforded the period of at least 10 business days before the books' closing date (to determine entitlements to the issue) to exercise their options.
 8. In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, the number of options or the exercise price of the options or both shall be reconstructed in the same proportion as the issued capital of the Company is reconstructed and in a manner which will not result in any additional benefits being conferred on Optionholders which are not conferred on Shareholders (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital) but in all other respects the terms for the exercise of Options shall remain unchanged.
 9. In the event of a bonus issue to Shareholders:
 - The number of shares over which the option is exercisable will increase to the number of shares which the Optionholder would have received if the option had been exercised before the record date for the bonus issue.
 - The Company shall notify each Optionholder and each relevant stock exchange (if any) within one month after the record date for a pro-rata bonus issue of the adjustment to the number of shares subject to the option.
 10. Shares allotted pursuant to the exercise of the options will be allotted following receipt of all relevant documents and payment of the subscription moneys referred to in condition 4 above and will rank equally with the then issued ordinary shares of the Company.
 11. The Company shall maintain a register of Optionholders in the same way as it is obliged to keep a register of Shareholders. All of the provisions of the Company's constitution relating to registers of Shareholders and transfer and transmission of shares shall apply mutatis mutandis to the register of Optionholders and to the options.
 12. The Company is entitled to treat the registered holder of an option as the absolute owner of that option and accordingly, except as ordered by a Court of competent jurisdiction or as required by statute, shall not be bound to recognise any equitable or other claim to, or interest in, that option on the part of any person other than the registered holder thereof.
 13. Nothing herein contained shall, if the Company obtains admission ("listed") to the Official List of the NSX, release the Company from complying with the Listing Rules of the NSX, and the Listing Rules shall override any relevant provision hereof and in particular:
 - Notwithstanding anything contained in these terms and conditions, if the Listing

- Rules prohibit an act being done, the act shall not be done.
- Nothing contained in these terms and conditions prevents an act being done that the Listing Rules require to be done.
- If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).
- If the Listing Rules would otherwise require these terms and conditions to contain a provision and it does not contain such a provision, these terms and conditions are deemed to contain that provision.
- If the Listing Rules require these terms and conditions not to contain a provision and it contains such a provision these terms and conditions are deemed not to contain that provision.
- If any provision of these terms and conditions is or becomes inconsistent with the Listing Rules, these terms and conditions are deemed not to contain that provision to the extent of the inconsistency.

(b) **Options Expiring 31 December 2009 and Exercisable at \$0.20 (20 cents):** There are 1,950,000 options presently outstanding and exercisable at 20 cents per share on or before 31 December 2009. These options will not be listed on the NSX at this time. The terms and conditions of these options are the same as for the options described in 10.2.1(a) above, other than that the exercise price of these options is 20 cents rather than 15 cents.

10.3 ADDITIONAL INFORMATION

10.3.1 Corporate Governance

The Directors are responsible for the strategic direction of the Company, the identification and implementation of corporate policies and goals and monitoring of the business and affairs of the Company on behalf of the Shareholders.

Given that the Company is small, with limited activities and limited resources and has a board of four directors, it has not established a series of committees to address specific areas of corporate governance. Corporate governance is dealt with by the Board acting as a committee in relation to the various areas or issues required to be considered

Important to a culture of actively addressing the area of corporate governance is the Board's ongoing review of the Company's relevant practices. This is done via benchmarking against the ASX Corporate Governance Principles and Recommendations document issued by the ASX Corporate Governance Council.

The Council's eight principles are addressed by the Company and reported on in each annual report; where the corporate governance practices applied and specific instances where the Company follows alternative practices to those established by the Council are described.

The Board has established itself as two committees to separately address the areas of Audit and Compliance and Remuneration. Each of the Directors is a member of those committees, with interested Director(s) abstaining or being absent as required either by the Act or as necessary to avoid conflict or possible breach of their fiduciary duties.

10.3.2 Audit and Compliance Committee

The function of an Audit and Compliance Committee is to give additional assurance regarding the quality and reliability of financial information used by the Board and regarding the financial information provided by the Company pursuant to its statutory reporting requirements.

The Board believes that, as a public company, it has a responsibility to ensure independent accountability exists. When addressing the requirements of their audit and compliance functions, the focus of the Directors is to increase confidence in the credibility and reliability of financial statements and other financial information the Company releases to the public.

Aspects of the audit and compliance function addressed by the Board is considering any matters relating to the financial affairs of the Company, compliance with statutory requirements, adherence to NSX Listing Rules and issues relating to internal and external audit, plus examining any other matters of an audit or compliance nature that come to the attention of or are referred to the Board.

10.3.3 Remuneration Committee

The function of a Remuneration Committee is reviewing the remuneration policies and practices of the Company. Where relevant, this review covers compensation arrangements for executives, the Company's superannuation arrangements, the requirements for an employee share and option plan, performance reviews, succession planning and the fees of non-executive Directors.

When addressing these areas, the non-interested Directors who carry out these functions have access to independent advice and comparative studies on the appropriateness of remuneration arrangements. Existing director remuneration levels are as set out in clause 10.3.9.

In the event of exploration success or expansion of the Company's operations beyond those currently capable of being undertaken, the remuneration levels of Directors may increase: but not beyond the approved limit set by the Shareholders for directors fees. It should be noted that directors remuneration as fixed in general meeting does not include salary (and associated benefits, including superannuation) payable to Executive Directors.

10.3.4 Dividend Policy

The Company will not pay dividends in the foreseeable future.

10.3.5 Consents

PKF Chartered Accountants has given and not withdrawn its written consent to be named herein as the external Auditors of the Company in the form and context in which it is so named. In addition, **PKF** has given and not withdrawn its written consent to the despatch of this Information Memorandum with references to its Audit Report for the year ended 30 June 2008 being included herein, either expressly or by inference, in the form and context in which all such references are so included.

Save as set out below in relation to its auditing functions, **PKF** has had no involvement in the preparation of this Information Memorandum, other than the inclusion of such references, and has not given any professional or other advice in respect of any other part of this Information Memorandum. **PKF** does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this Information Memorandum.

Michael J Martin has given and not withdrawn his written consent to be named herein as Independent Consulting Geologist to the Company in the form and context in which he is so named. In addition, he has given and not withdrawn his written consent to the despatch of this Information Memorandum with his Independent Consulting Geologist's Report as contained herein being included herein and to references thereto being included herein, either expressly or by inference, in the form and context in which they are included. He has had no involvement in the preparation of this Information Memorandum, other than the inclusion of his report and such references thereto, and has not given any professional or other advice in respect of any other part of this Information Memorandum. He does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this Information Memorandum.

RPS Energy Pty Ltd ("RPS Energy") has given and not withdrawn his written consent to be named herein as an Independent Consulting Geologist to the Company in the form and context in which he is so named. In addition, he has given and not withdrawn its written consent to the despatch of this Information Memorandum with its Independent Consulting Geologist's Report as contained herein being included herein and to references thereto being included herein, either expressly or by inference, in the form and context in which they are included. RPS Energy has had no involvement in the preparation of this Information Memorandum, other than the inclusion of its report and such references thereto, and has not given any professional or other advice in respect of any other part of this Information Memorandum. RPS Energy does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this Information Memorandum.

Link Market Services Limited ("Link") has given and not withdrawn its written consent to be named herein as the Share Registry to the Company in the form and context in which it is so named. In addition, Link has given and not withdrawn its written consent to the despatch of this Information Memorandum.

Link has had no involvement in the preparation of this Information Memorandum and has not given any professional or other advice in respect of any part of this Information Memorandum. Link does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any part of this Information Memorandum.

10.3.6 Interests of Directors, Advisers and Named Persons

Except as otherwise set out herein or as previously disclosed to members in the Company's annual reports prepared in accordance with the provisions of the Corporations Act, no Director, expert or professional adviser named in this Information Memorandum now has, or during the last two years has had, any interest in the promotion of the Company or any property proposed to be acquired by the Company in connection with its formation or promotion. Further, no sums have been paid or agreed to be paid to a Director, expert or professional adviser in cash or shares or otherwise by any person (in the case of a Director) either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him in connection with the promotion or formation of the Company or (in the case of an expert or professional adviser) for services rendered by the expert or professional adviser in connection with the promotion or formation of the Company save and except that:

- (a) **PKF** is the external Auditor of the Company and has received payment of professional fees for audit and other services as follows:
 - \$41,164 plus GST in relation to the audits for the financial years ended 30 June 2007 and 2008; and
 - \$\$8,000 plus GST in relation to non-audit services and tax compliance.
- (b) **Michael J Martin** is an Independent Consultant Geologist to the Company and has or will receive payment of professional fees for the preparation of his independent consulting geologist's report as contained herein in an amount of \$17,850 plus GST.
- (c) **RPS Energy Pty Ltd** is an Independent Consultant Geologist to the Company and has or will receive payment of professional fees for the preparation of its independent consulting geologist's report as contained herein in an amount of \$32,883.46 plus GST.
- (d) In accordance with the terms of its engagement, **Menzies & Partners**, Solicitors, has been paid professional fees of \$25,000 plus GST in relation to the preparation of this Information Memorandum .
- (e) The Directors and their Associates hold Shares and Options to acquire Shares as set out below and are remunerated as set out herein.

At the date of this Information Memorandum, no such payments have been made save as set out herein and, and also save as set out herein, all such payments made in the period since incorporation of the Company have been paid or are payable in cash.

10.3.7 Directors' Other Interests

In addition to the above, the Directors and the Company Secretary:

- (a) hold Shares and options, as set out in Section 10.3.8; and
- (b) are entitled to be remunerated, as set out in Section 10.3.9.

10.3.8 Directors' and Officers' Share and Option Holdings

The names of each of the Directors and Officers of the Company and proposed directors of the Company and the number, description and amount of securities in the capital of the Company presently held by each of them or on their behalf or in which they have or will have a relevant or beneficial interest are set out below.

DIRECTOR/ OFFICER	SHARES		OPTIONS		
	Number	Percentage Holding	Number	Exercise Date	Exercise Price
J M D Willis	2,312,500	2.268	400,000	31/12/2009	\$0.15
E G Albers	73,484,984	72.36	200,000	31/12/2009	\$0.15
P J Albers			200,000	31/12/2009	\$0.15
G A Menzies	0	0	400,000	31/12/2009	\$0.15
J G Tuohy	0	0	600,000	31/12/2009	\$0.20
TOTAL	75,797,484	74.63%	1,800,000	N/A	N/A

* Ordinary shares in which P J and/or E G Albers has an interest.

10.3.9 Directors' and Officers' Fees, Remuneration and Other Entitlements

During the current year to 30 June 2009, the Directors and Officers of the Company plan to be remunerated at the initial rates and amounts set out in the table below (exclusive of GST).

DIRECTOR/ OFFICER	DIRECTORS FEES \$	SALARY/ CONSULTANTS FEES \$	SUPERANNUATION \$	OTHER \$	TOTAL \$
J M D Willis	Nil	Nil	20,000	Nil	20,000
E G Albers	Nil	Nil	20,000	Nil	20,000
P J Albers	8,000	Nil	2,000	Nil	10,000
G A Menzies	8,000	Nil	2,000	Nil	10,000
J G Tuohy	N/A	Nil	Nil	Nil	Nil
TOTAL	\$16,000	\$NIL	\$44,000	\$NIL	\$60,000

Details of remuneration for the years ended 30 June 2007 and 2008 are set out in Note 16 to the financial statements in Section 9. Additionally, details of related party transactions for those periods are set out in Note 17 to those financial statements. Aggregate directors' fees paid for the financial years ended 30 June 2007 and 2008 were \$15,000 and \$22,500 respectively.

10.4 DIRECTORS RESPONSIBILITY STATEMENT

The Directors of the Company state that they have made all enquiries that were reasonable in the circumstances and have reasonable grounds to believe that any statements by them in this Information Memorandum are true and not misleading or deceptive and that with respect to any other statements made in this Information Memorandum by persons other than the Directors, the Directors have made reasonable enquiries and have reasonable grounds to believe that persons making the statement or statements were competent to make such statements.

Each Director of the Company consents to the lodgement of this Information Memorandum with NSX and has not withdrawn that consent prior to this Information Memorandum being lodged.

This Information Memorandum is prepared on the basis that:

- certain matters may be reasonably expected to be known to professional advisers of the kind with whom Proposing Investors may reasonably be expected to consult; and
- information is known to Proposing Investors or their professional advisers by virtue of any Acts or laws of any State or Territory of Australia or the Commonwealth of Australia.

This Information Memorandum is dated the 12th day of November 2008.

A handwritten signature in black ink, appearing to read "James Willis". The signature is written in a cursive style with a large, looping initial "J".

Signed on behalf of Exoil Limited

James Willis

Chairman