

SECTION 5: CAPITAL STRUCTURE AND FINANCIAL INFORMATION

CAPITAL STRUCTURE

The Company presently has on issue a total of 101,550,526 fully paid ordinary shares ("Shares") and 4,300,000 options to acquire ordinary shares, of which 1,950,000 of these options are exercisable at 15 cents and 1,350,000 are exercisable at 20 cents.

The rights and liabilities attaching to the Shares and options are as set out in Section 10.2.

The capital of the Company, as set out in Section 9 in the financial statements of the Company as at 30 June 2008, show a total of 50,775,263 shares on issue at that date, together with a total of 1,850,000 options over unissued shares with an expiry date of 31 December 2009.

On 3 September 2008, a resolution was passed in general meeting subdividing each issued share in the Company into two ordinary shares. The effect of the resolution was to increase the number of shares on issue to 101,550,526 fully paid ordinary shares and 3,700,000 options. By operation of the terms of the 1,850,000 options, each option also subdivided into 2 options on the same terms, except that the exercise price of each option was reduced by 50%, reflecting the subdivision of the shares. The aggregate exercise price of all the options did not change. The increase in the number of options over the 3,700,000 resulting from subdivision reflects the position that 600,000 options exercisable at \$0.20 cents were granted to Mr J G Tuohy subsequent to 3 September 2008 as part of the terms and conditions of his appointment as Company Secretary: replacing Mr D B Hill.

FINANCIAL STATEMENTS

Audited financial statements of the Company as at 30 June 2008 are contained in Section 9. Proposing Investors should read those audited financial statements to gain a full understanding of the financial position of the Company as at the date thereof.

Set out below are summaries of the financial position of the Company both as 30 June 2008 (being the date of the last audited balance sheets of the Company) and as at 30 September 2008 (based on unaudited management accounts as at that date). In both cases the accounts are presented for the Company and, separately, on a consolidated basis.

Save that the Bazzard 1 was drilled and abandoned; there have been no material changes in the financial position of the Company subsequent to 30 June 2008 which are not disclosed herein.

Balance Sheets Exoil Limited

	Consolidated		Company	
	Unaudited Management Accounts 30/09/2008 \$	Audited Accounts 30/06/2008	Unaudited Management Accounts 30/09/2008 \$	Audited Accounts 30/06/2008 \$
CURRENT ASSETS				
Cash and cash equivalents	735,226	970,987	727,190	974,743
Trade and other receivables	128,479	299,381	112,529	289,140
Total current assets	863,705	1,270,368	839,719	1,263,883
NON-CURRENT ASSETS				
Exploration and evaluation assets	3,898,886	3,732,656	2,892,627	2,852,385
Property, plant and equipment	74,097	78,033	74,097	78,033
Other financial assets	25,067	25,067	1,111,293	1,069,293
Total non-current assets	3,998,050	3,835,756	4,078,017	3,999,711
TOTAL ASSETS	4,861,755	5,106,124	4,917,736	5,263,594
CURRENT LIABILITIES				
Trade and other payables	351,094	528,433	215,833	494,506
Total current liabilities	351,094	528,433	215,833	494,506
NON-CURRENT LIABILITIES				
Deferred tax liabilities	561,981	573,861	561,981	573,861
Total non-current liabilities	561,981	573,861	561,981	573,861
TOTAL LIABILITIES	913,075	1,102,294	777,814	1,068,367
NET ASSETS	3,948,680	4,003,830	4,139,922	4,195,227
EQUITY				
Contributed equity	2,959,055	2,959,055	2,959,055	2,959,055
Reserves	81,277	81,277	81,277	81,277
Retained earnings	908,349	963,498	1,099,590	1,154,895
Total Equity	3,948,680	4,003,830	4,139,921	4,195,227

BUDGET MATTERS AND EXPENDITURE

The following table shows the proposed use of available funds at 30 June 2008 during the initial two year period from the date hereof. The period 2008/2009 is for a 14 months from 1 May 2008 to 30 June 2009 and the period 2009/2010 is for the following 12 months to 30 June 2010.

It is difficult to budget for the costs of exploration with any certainty. Any estimate of the cost of exploration activity is based upon best estimated costings prepared by the Operator of each Joint Venture, but it is not possible to fix costs absolutely. Exploration expenditure rates are, for the most part, fixed on a daily basis. Project costs are highly sensitive to operational risks, as well as to weather and environmental downtime.

In reviewing the budgeted expenditures set out in the Source and Application of Funds statement below, Proposing Investors should have regard to the budgets set out in relation to each Permit detailed in Section 4 and the assumptions included in each one of those budgets. For convenience, specific assumptions relating to each individual Permit are set out beneath the statement of budgeted expenditure in relation thereto.

The Directors are satisfied that, with existing funds, the Company will have sufficient working capital to meet its stated objectives for the period ended 30 June 2009, according to its budgeted expenditures during that period.

SOURCE AND APPLICATION OF FUNDS	2008/2009	2009/2010
Available Funds as at 30 June 2008	1,270,368	N/A
Accounts Payable as at 30 April 2008	(528,433)	N/A
Available Funds 1 July 2009	N/A	344,435
Funds from Stuart Petroleum re farmin to Vic/P53	798,600	0
Proceeds from anticipated Share Issue (2009/2010)	N/A	1,500,000
Total Available Funds	1,540,535	1,844,435
Exploration Expenditure		
Vic/P53	0	33,333
Vic/P45	10,000	100,000
T/37P	40,000	55,000
T/38P	50,000	160,000
WA-332-P	0	100,000
WA-333-P	0	100,000
WA-342-P	10,000	25,000
EPP34	30,000	0
EPP35	7,500	100,000
EPP36	5,000	55,000
Vic/P61	10,000	10,000
WA-359-P	0	0
Other Expenditure		
Capital Payment to Cue Petroleum Pty Ltd (see Section 10.1.3)	798,600	0
Administration and Corporate		
Administration	90,000	120,000
Listing Costs	50,000	0
Directors Fees	60,000	60,000
Other Corporate Expenses	35,000	75,000
Total Expenditure	1,196,100	993,333
Unallocated Working Capital at End of Year	344,435	851,102

The Company's ability to meet budgeted expenditures during 2010 and later years will depend on the results of activities in 2009, as well as on its ability to raise capital, whether from a subsequent issue of shares, from the exercise of existing options or from farm outs and other means. The use of funds statement set out above contemplates that a capital raising of approximately \$1,500,000 is proposed in the 2009/2010 year. The Directors consider it reasonable to anticipate that, if the Company achieves any significant level of success in its operations, that the existing options would be exercised.

Actual use of funds may differ from budgeted use of funds based on the outcomes from the Company's exploration activities in relation to any project, which may vary from present expectations, and the requirement to obtain various regulatory and other approvals in relation thereto.

The Directors will continually review the exploration strategy as results are obtained or events transpire and will review projects and allocate funds to maximise Shareholder value. The above Source and Application of Funds statement is the current proposed use of funds, but is subject to modification at the discretion of the Board.