



Exoil Limited

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Dear Shareholder

FUTURE ACTIVITIES

We are writing to you to outline our proposals for the future of Exoil, but against a background of more disappointment from our most recent drilling operations.

We have just completed drilling the Beach Petroleum operated, Spikey Beach 1 well. We held a 10% free carried interest in the well. Unfortunately it failed to encounter any hydrocarbons.

This well follows last years wells; Coelacanth 1 in Vic/P45, drilled by Apache entirely at their cost, and Bazzard 1 in Vic/P53, drilled by Stuart Petroleum, also entirely at Stuart's cost.

The approximate cost of these three wells will have been in the order of AUD\$80 million, all of which was contributed by substantial third party farminees, and at no cost to the Company or its shareholders. While the Company incurred no costs with these wells, nevertheless we had high hopes for them, particularly Bazzard 1, given all the effort we have put into Vic/P53 over the last few years.

We must now to look to the future. We are pleased to let shareholders know that we have some ambitious plans.

We are seeking to position Exoil so it will participate in two wells in late 2009 and early 2010. They are the Braveheart 1 well in WA-333-P and a Cornea appraisal Well in WA-342-P.

The Braveheart well is to test a feature located in the Browse Basin, offshore Western Australia and in an area where there have been many materially significant discoveries (Ichthys, Prelude, Poseidon, Crux and Echuca Shoals to name just some). Braveheart is an oil target and is a very large feature. Success with the drill bit at Braveheart would have dramatic consequences for the Company.

The Cornea well is intended to appraise the Cornea oil and gas accumulation discovered in 1998 by Shell. Since the Cornea joint venture acquired WA-342-P, a large amount of analytical work has been undertaken, involving painstaking and careful assessments of all prior well results. We believe we have identified potential reservoir sweet spots and we have formulated a drilling plan that is best capable of assessing the production capabilities of this reservoir, all as a precursor to devising a development plan. We now need to take the plunge and commit to a well. Our plans for the drilling of Cornea are rapidly advancing.

To fund Exoil's participation in these wells, we must raise new share capital to meet our share of costs.

The estimated cost of the Braveheart 1 well is A\$18 million, while the preliminary estimated cost of the Cornea appraisal well (which will include a production testing programme) is A\$25 million. We now hold a 25.375% interest in WA-333-P and a 29.75% interest in WA-342-P, so our share of the above estimated costs is approximately A\$12,000,000

We plan to raise these monies by offering new shares in the company by way of a prospectus issue. At the same time we plan to seek listing on the ASX. This requires us to issue shares with an issue price of not less than 20 cents.

You will recall that in 3 September 2008 we split the Company's shares on a 2 for 1 basis, prior to listing our securities on the National Stock Exchange – the NSX. We did this in anticipation of creating a better market for our shares on this exchange. Quite frankly, with the benefit of hindsight, we achieved nothing by splitting the shares, as despite our NSX listing, there has been little or no interest in our shares. Even though we have participated in various wells, not only did we fail to find hydrocarbons, our drilling activities have also failed to produce any sharemarket interest.

In order to meet the ASX's requirement for the issue of securities at a minimum price of 20 cents, we have concluded that it will be necessary to reverse the share split and to put the Company's number of issued shares back to where it was prior to the placement.

Accordingly, with this letter there is a Notice of Meeting in relation to three proposed resolutions to prepare the Company for the issue of a Prospectus to raise the capital sought.

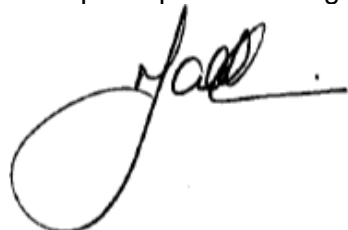
Resolution 3 on the Notice of Meeting consolidates the number of shares on issue on a 1 for 2 basis.

Resolution 4 on the Notice of Meeting permits the capital raising to be by way of a placement and Resolution 5 authorises the participation by the directors and their associates in either any shortfall from the Prospectus issue or any underwriting or sub-underwriting transaction. We are doing this to put the Company in the best position possible to ensure the success of the planned new issue because the Company will be looking to interests associated with the directors to assist with the capital raising effort.

We recommend each of these resolutions to you.

In due course you will receive a Prospectus detailing the Company's interests, with particular reference to the proposed Braveheart 1 and Cornea appraisal wells. This will include detailed geological reports and a thorough description of the forthcoming drilling campaign.

Despite the recent disappointments, we remain confident in the goal we have for Exoil, namely that it become a producing oil and gas company. If we are to achieve this goal, we must participate in drilling campaigns. We look forward to your continuing support.

A handwritten signature in black ink, appearing to read 'J.M.D. Willis', with a large, stylized loop at the beginning.

J.M.D. Willis
Chairman
18 September 2009