

Exoil Limited

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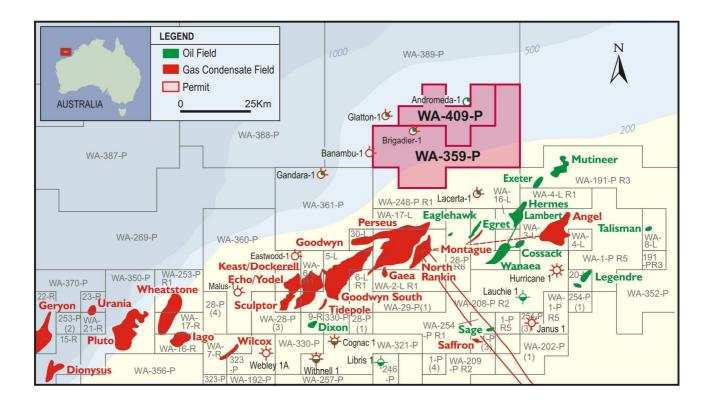
RELEASE

WA-359-P - FARMOUT SIGNED

Exoil Limited (NSX code: EXX) advises that it has entered into a farmout agreement with Apache Northwest Pty Limited (Apache), a subsidiary of Apache Corporation, in respect of Exoil's current 50% Participating Interest in WA-359-P. The farmout agreement also involves the farmout by Cue Exploration Pty Ltd (a wholly owned subsidiary of Cue Energy Resources Limited (ASX code: CUE)) of its 50% Participating Interest in WA-359-P on the same terms.

As part of the same overall transaction, Apache has also entered into an agreement with respect to WA-409-P, a permit in which Exoil has no participating interest. The location of the two permits is shown below.

Each transaction remains subject to receipt of various regulatory approvals including a successful outcome to an application to vary the terms applying to WA-359-P.



Under the terms of the Agreements relating to both WA-409-P and WA-359-P, Apache has agreed to fund the acquisition, processing, mapping and interpretation of a 3D seismic survey across both permits. This commitment will earn Apache a 40% equity interest and operatorship in each of WA-409-P and WA-359-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-409-P and WA-359-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.

Exoil 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%.

Exoil will make a further and more detailed announcement in due course once the regulatory approval and permit variation process is further advanced and the planned 3D seismic programme has been finalised.

By Order of the Board

J.G. Tuohy

Company Secretary

21 October 2010