

EXOIL LIMITED
ABN 40 005 572 798

NOTICE OF 2010 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Members of EXOIL LIMITED ("Exoil" or "the Company") will be held at the Institute of Chartered Accountants in Australia, Level 3, 600 Bourke Street, Melbourne VIC 3000 at 10.00 am (AEDT) on Thursday, 25 November 2010.

AGENDA

ORDINARY BUSINESS

- 1. To receive and consider the Annual Financial Report of the Company for the year ended 30 June 2010 and the reports of the Directors and Auditor thereon.**

- 2. Resolution 1 - To receive and adopt the Remuneration Report for the year ended 30 June 2010.**

(A vote on this resolution is advisory only and does not bind the Company nor the Directors)

- 3. Resolution 2 - Re-election of a Director.**

To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

"That Mr James M D Willis, who retires pursuant to the Constitution, being eligible, offers himself for re-election and is hereby re-elected as a Director of the Company."

SPECIAL BUSINESS: GRANT OF OPTIONS TO DIRECTORS

To consider, and if thought fit, pass the following resolution as a special resolution, with or without amendment.

- 4. Resolution 3: Grant of Options to Mr J M D Willis**

"That approval is given to grant Mr J M D Willis (or his nominee) 500,000 options to acquire ordinary fully paid shares in the capital of the Company at an exercise price of 20 cents per option expiring at 5.00pm AEST on 30 June 2011, unless extended, with such options being granted on the terms and conditions set out in Note 2 to this Notice of Meeting and in the Explanatory Memorandum accompanying this Notice of Meeting which terms and conditions are hereby incorporated into and form part of this Notice of Meeting"

- 5. Resolution 4: Grant of Options to Mr G A Menzies**

"That approval is given to grant Mr G A Menzies (or his nominee) 300,000 options to acquire ordinary fully paid shares in the capital of the Company at an exercise price of 20 cents per option expiring at 5.00pm AEST on 30 June 2011, unless extended, with such options being granted on the terms and conditions set out in Note 2 to this Notice of Meeting and in the Explanatory Memorandum accompanying this Notice of Meeting which terms and conditions are hereby incorporated into and form part of this Notice of Meeting"

By Order of the Board of
Exoil Limited



J G Tuohy
Company Secretary
15 October 2010

NOTES

1. Voting

- (a) The Company has determined, in accordance with regulation 7.11.37 of the Corporations Regulations 2001 (Cth), that the holders of shares on the register of members as at 7.00pm on 23 November 2010 after the CHESS update on that day will be taken, for the purposes of the Annual General Meeting, to be held by the persons who held them at that time. Accordingly, those persons will be entitled to attend and vote at the meeting.
- (b) A Member entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the Member's voting rights.
- (c) A proxy duly appointed need not be a Member. In the case of joint holders all must sign.
- (d) A form of proxy accompanies this Notice and, to be effective, the form and any document necessary to show the validity of the form of proxy must be lodged at the registered office of the Company not less than 48 hours before the time appointed for the Meeting. Any proxy lodged after that time will be treated as invalid.
- (e) Directors and Officers of all corporate shareholders should note that unless the corporate shareholder either:
 - (i) completes and lodges with the Company a valid appointment of proxy in accordance with the instructions on the enclosed Proxy Form; or
 - (ii) completes and either lodges with the Company prior to the Meeting a form of appointment of or certificate of appointment of personal representative in accordance with the provisions of Section 250D of the Corporations Act 2001 ("the Act") or causes such personal representative to attend the meeting with such form of appointment or certificate; or
 - (iii) has appointed an attorney;and such proxy, personal representative or attorney attends the relevant meeting, then such corporate shareholder will be unable to exercise any votes at the relevant meeting.
- (f) Proxies and corporate appointment of representative forms may be returned to:
 - the Company by delivery (by hand, mail, courier or facsimile) to **Exoil Limited, Level 21, 500 Collins Street, Melbourne Vic 3000, Facsimile: (03) 8610 4799**
- (g) Corporate Members should comply with the execution requirements set out on the proxy form or otherwise comply with the provisions of Section 127 of the Act. Section 127 of the Act provides that a company may execute a document without using its common seal if the document is signed by:
 - (i) 2 directors of the company; or
 - (ii) a director and a company secretary of the company; or
 - (iii) for a proprietary company that has a sole director who is also the sole company secretary - that director.For the Company to rely on the assumptions set out in Sections 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.
In the case of a proprietary company that does not have a company secretary, as permitted by Section 204A of the Corporations Act 2001, an instrument appointing a proxy shall be valid if it is executed by the sole company director of that company and the person signing the instrument of proxy states next to his signature that he is the sole company director of the company. In such a case the person signing the instrument of proxy will be deemed to have warranted and represented to the Company that the company appointing him is a company with a sole director and no company secretary.
- (h) Completion of a proxy form will not prevent individual Members from attending the meetings in person if they wish. Where a Member completes and lodges a valid proxy form and attends the meeting in person then the proxy's authority to speak and vote for that Member is suspended while the Member is present at the meeting.
- (i) Where a proxy form or form of appointment of or certificate of appointment of personal representative is lodged and is executed under power of attorney the power of attorney must be lodged in like manner as a proxy, or be attached to any form of appointment of, or certificate of appointment of a personal representative and presented at the meeting.

2. Terms of Options

The proposed terms of grant of the options are as follows:

- (a) The option entitles the holder to subscribe for 1 ordinary share in Exoil upon the payment of an amount of \$0.20 (20 cents);
- (b) The option will lapse at 5.00pm (AEST) on 30 June 2011 ("Expiry Date") unless extended.
- (c) There are no participating rights or entitlements inherent in these options and holders of the options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the option.
- (d) In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
- (e) The option shall be exercisable at any time during the period ending on or before the Expiry Date ("Exercise Period") by the delivery to the registered office of the Company of a notice in writing ("Notice") stating the intention of the optionholder accompanied by an Option Certificate or Holding Statement and a cheque made payable to the Company for the subscription monies for the shares to be issued on exercise of the options the subject of the Notice. The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some options shall not affect the rights of the optionholder to the balance of the options held by him.
- (f) The Company shall allot the resultant shares and deliver a statement of shareholdings with a Holders' Identification Number within 5 business days of exercise of the options.
- (g) The shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.

3. Resolutions 3 and 4: Approval of Grant of Options to Directors

In compliance with Listing Rules 6.25 and 6.44 the following information is provided in relation to resolutions 3 and 4 on the Notice of meeting.

- (a) The names of the grantees of the Options are as set out in resolutions 3 and 4;
- (b) The maximum number of Options which will be issued under the resolution is 800,000 Options, as specified in resolutions 3 and 4.
- (a) The date by which Exoil will issue the Options will be will be not later than 24 December 2010 which is not later than one (1) month after the date of the meeting.
- (b) The grantees of the Options are each directors of Exoil within the meaning of the Corporations Act 2001.
- (c) The Options are issued free of cost as incentive Options. The exercise price of each Option is \$0.20.
- (d) No funds will be raised by the grant of the Options.
- (e) In accordance with the provisions of Chapter 2E of the Corporations Act 2001 and the requirements of NSX Listing Rule 6.25 the Company advises that it will disregard any votes cast on Resolution 3 on the notice of meeting by Mr J M D Willis and any Associate of Mr Willis within the meaning of the Corporations Act 2001. However, the Company will not disregard a vote if:
 - (i) it is cast by any such person or any of its associates as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
 - (ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
- (f) In accordance with the provisions of Chapter 2E of the Corporations Act 2001 and the requirements of NSX Listing Rule 6.25 the Company advises that it will disregard any votes cast on Resolution 4 on the notice of meeting by Mr G A Menzies and any Associate of Mr Menzies within the meaning of the Corporations Act 2001. However, the Company will not disregard a vote if:
 - (i) it is cast by any such person or any of its associates as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
 - (ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of shareholders of Exoil Limited in connection with business to be transacted at the Annual General Meeting of shareholders to be held at The Institute of Chartered Accountants in Australia, Level 3, 600 Bourke Street Melbourne VIC 3000 at 10 am AEDT on Thursday, 25 November 2010.

It forms part of the accompanying Notice of Meeting ("Notice") convening the Annual General Meeting and contains an explanation of, and information about, the Special Business to be considered at the meeting: being the proposed grant of options to Directors on the terms set out in the Notice of Meeting and this Explanatory Memorandum. The Directors recommend shareholders read the accompanying Notice and this Explanatory Memorandum in full before making any decision in relation to the resolutions.

RESOLUTIONS 3 AND 4 ON THE NOTICE OF MEETING: GRANT OF OPTIONS TO DIRECTORS

Resolutions 3 and 4 on the Notice provides for the grant of options to two directors. These resolutions, if passed, will approve the grant to these Directors a total of 800,000 options to subscribe for up to 800,000 ordinary fully paid shares on the terms set out herein. The options proposed to be issued to directors will be subject to the restrictions set out below.

All options to be granted to Directors under resolutions 3 and 4 will, if approved for grant, be granted to Directors by no later than 24 December 2010, being not more than one (1) month from the date of the meeting.

The intention of the proposed grant is to continue to provide Directors with a level of incentive to continue to strive for the benefit of the Company.

The value of the 800,000 Options as proposed to be granted have a value of \$501 based on a Black-Scholes model of valuation.

Additionally to the Directors, the Company has agreed to grant a total of 4,700,000 options to the other members of that team and staff generally, including the grant of 300,000 options to Mr Robert Wright, the Company's Chief Financial Officer and the grant of 300,000 Options to Mr John G Tuohy, the Company Secretary.

All Options proposed to be granted are to be granted on the same terms, but only the Options to be granted to Directors require shareholder approval.

Without a tight, cohesive and competent management team the prospect of commercial success for the benefit of shareholders generally is reduced significantly.

The Board asks Members to consider and take into account a number of important factors when deciding how to vote on the resolutions being put to the meeting.

These include that:

1. The incentive that the grant of these options to the Directors will provide will significantly cause directors to identify with shareholders in the need to increase shareholder value because the options directly enable the Directors to participate alongside shareholders in the increase in value that the Directors will be responsible in creating. Essentially, to the extent that the Directors, by their actions create wealth, the grant of these options allows them to participate in the fruits of that wealth creation.
2. Exoil has on issue a total of 81,550,523 shares. The total number of Options to be approved and granted to Directors is 800,000 which is less than one percent of the existing capital of Exoil.
3. The percentage of capital of many companies which is under option to directors as incentives or remuneration is often in excess of 5% of the relevant company's capital.
4. The ascribed value of the options is not significant. The members might consider that the minimal dilution of their interests by approximately one percent as a result of the proposed grant is not material when contrasted with the potential upside in value that a dedicated and cohesive management team might create for them.

Option Valuation

A valuation of the options prepared as at 5 March 2010, on a Black-Scholes model, was based on the following assumptions:

- the current share price of \$0.03 (3 cents);
- an exercise price of \$0.20 (20 cents);
- the options expiring on 30 June 2011;
- a risk free rate of 4.60 based on Treasury Bond yields on 5 March 2010 with a with maturity approximating the expiry date of the options);
- a volatility factor of 81% calculated by reference to the average volatility of 11 similar sized companies to Exoil.

A copy of the valuation will be tabled at the Annual General Meeting.

Members should understand that the price of the Shares in the Company may change from the price as at the date when the Board passed the resolution to seek approval for grant of the options and that by the time of the meeting the market value of the shares

and thus the deemed value of the options using the Black-Scholes method of valuation may differ from that value shown here. Consequently Members should have regard to the Company's share price as at the time they determine how they intend to vote.

Terms of Options

The proposed terms of grant of options are as follows:

- (a) The option entitles the holder to subscribe for 1 ordinary share in Exoil upon the payment of an amount of \$0.20;
- (b) The option will lapse at 5.00pm (AEST) on 30 June 2011 ("Expiry Date"), unless extended.
- (g) There are no participating rights or entitlements inherent in these options and holders of the options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the option.
- (h) In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
- (i) The option shall be exercisable at any time during the period ending on or before the Expiry Date ("Exercise Period") by the delivery to the registered office of the Company of a notice in writing ("Notice") stating the intention of the optionholder accompanied by an Option Certificate or Holding Statement and a cheque made payable to the Company for the subscription monies for the shares to be issued on exercise of the options the subject of the Notice. The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some options shall not affect the rights of the optionholder to the balance of the options held by him.
- (j) The Company shall allot the resultant shares and deliver a statement of shareholdings with a Holders' Identification Number within 5 business days of exercise of the options.
- (k) The shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.

Recent Market Prices of Shares on NSX

In considering the terms of resolutions 3 & 4, members should note the trading history of shares in the Company. Since listing on the NSX on 1 December 2008 at a price of 10 cents per share there has been only one trade of Exoil shares on 25 January 2010 where 100,000 shares were sold for three cents per share.

Related Party Requirements of Chapter 2E of the Corporations Act 2001

The requirements of Section 219 of the Act as set out in Chapter 2E thereof require that certain information must be provided to members to enable them to vote in relation to each of the resolutions to be put to the meeting.

The nature of the financial benefits which may be obtained by the Directors as related parties of the Company are that the Directors (or their nominees) will be granted the options which have a total value of \$501.

To this extent, while the options have value, that value can be considered to be of a different quality and nature from a cash or money payment or an entitlement thereto which can be realised and taken by the employee. It also differs from the value reflected in the grant of shares or options which have no restrictions and which can be disposed of and also be readily converted into money by the employee.

The value inherent in the options cannot be converted into money or money's worth in the hands of the grantees of the options unless they exercise the options and to do that they must pay the Company the Exercise Price of the options exercised.

No assurance can be given as to the future performance of the Company or as to future share prices and therefore, because of the restrictions it is not possible to quantify what the ultimate benefit to the employees will be on exercise, if exercised. That amount may well exceed the theoretical value placed on the options or be significantly less than that amount.

The making of any profit from the exercise of the options in the present circumstances is purely hypothetical although the benefit which is granted gives the potential opportunity for that to occur.

The valuation of the options is an assessment of the likely value inherent in the options on exercise.

Further, members should realise that an option valuation measures the value of the option in question based on a volatility factor. In this case the volatility factor was 81% calculated by reference to a comparable group of companies. The valuation takes into account movements in the share price of that magnitude as part of the value calculation.

As stated, on exercise the value created in the optionholder will not necessarily equate to the valuation. It will be a reflection of the difference between the share price at the date of exercise and the exercise price.

Voting Restrictions

Exoil will disregard any votes cast on the resolution by each of Mr J M D Willis and Mr G A Menzies or any associate of any of them. However, Exoil will not disregard a vote if:

- it is cast by any such person or any of its associates as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Members should be aware that the acquisition by any person of options does not change voting power. That voting power will only change in accordance with changes in the relevant interests in shareholdings of any member or of those of his associates.

Director's recommendations

The Corporations Act requires in Section 219, inter alia, that, in relation to each director of the company it must be set out herein:

- (a) if the director wanted to make a recommendation to members about the proposed resolution—the recommendation and his or her reasons for it; or
- (b) if not—why not; or
- (c) if the director was not available to consider the proposed resolution—why not.

Accordingly the following information is provided.

Insofar as Resolutions 3 and 4 relating to the issue of Options to two of the Directors is concerned, they abstain from making any recommendation because of their interested in the outcome.

However, Mr E G Albers, a director to whom no Options are to be granted, will vote in favour of Resolutions 3 and 4.

In relation to Mr J M D Willis and grant of Options to him:

Mr Willis, as Chairman, has been, and will continue to be primarily responsible for management initiatives and direction of the Company.

In relation to Mr Menzies and grant of Options to him:

Mr Menzies was primarily responsible for the corporate structuring and documentation that implemented each of the transactions that Exoil has entered into in recent years and has a continued role where he provides such services.

Each member must form his own opinion in relation to the resolution and vote as he or she considers appropriate having regard to the information contained in this explanatory memorandum and the level of benefits already received by each of the two Directors from the Company and its subsidiaries as disclosed in the Annual Report.

They should also consider the need to maintain the current team to enable continued progress of the Company and the concept that it is reasonable that the Directors, who will be responsible for creation of any increased wealth for shareholders, be incentivised to work to create that wealth by being permitted to share in the wealth created by the grant of these options.

ADDITIONAL INFORMATION

The Directors are not aware of any other information that:

- (d) is reasonably required by members in order to decide whether or not it is in the Company's interests to pass each of the proposed resolution; and,
- (e) is known to the Company or to any of its director;

that has not previously been disclosed either direct to members or generally to the market in accordance with the Company's continuing disclosure obligations under the Listing Rules of NSX.