

FARMIN AND PURCHASE AGREEMENT SUMMARY

The Farmin and Purchase Agreement between Ormil Energy, Ormil Operations, Apex Energy N.L. (Apex) and Sydney Basin CBM Pty Ltd (SCBM) provides for Ormil Operations to farm in to Petroleum Exploration Licenses 442, 444 and 454 in the Sydney Basin (the Permits). Under the agreement, Ormil Operations will purchase from Apex all of the ordinary shares in SCBM (SCBM Shares) which will hold a 20% interest in the Permits and a 20% interest in other assets including gas collection rights with respect to the Metropolitan Colliery and the closed Huntley and Clutha Mines. Apex will hold the remaining 80% interest in the Permits and the other assets.

On completion of the sale, Ormil Operations will enter into an unincorporated joint venture with SCBM and Apex with respect to the acquisition, exploration, appraisal and development of petroleum deposits in the area where Apex and SCBM is entitled to conduct operations under the Permits and gas collection rights (Joint Venture). Ormil Operations and SCBM owns or will own a joint 20% participating interest in the Joint Venture and Apex will own the remaining 80% participating interest.

Ormil Operations will be required to fund the work of the Joint Venture in two phases: \$1.6 million by 30 June 2011 (Phase 1) and a further \$1.6 million by 31 December 2011 (Phase 2). Ormil Operations will also have the option to earn an additional 30% participating interest in the Joint Venture by providing \$7 million in funding for further Joint Venture work by 30 June 2014 (Phase 3).

A summary of the terms of the Farmin and Purchase Agreement are as follows:

Sale and purchase of SCBM Shares and CBM Assets

- The sale and purchase by Apex to Ormil Operations of the SCBM Shares free from encumbrances, for the purchase price of \$1,750,000 consisting of 20 million Ormil Operations ordinary shares (5 cents per share) and \$750,000 cash. Under the Agreement, Apex is required to repay the \$200,000 loan it has from Ormil Energy. The parties have agreed that Apex's repayment of the loan may be set off against the \$750,000 cash amount portion of the purchase price for the SCBM Shares.
- By the completion of the sale and purchase of the SCBM Shares (Completion), Apex is to have assigned to SCBM a 20% undivided interest in all of the CBM Assets which include the Permits, gas collection rights in respect of the Metropolitan Colliery, Huntley Mine and Clutha Mine, mining information, assets, fixtures, mineral rights and records associated with the Permits and the gas collection rights, petroleum derived from the Permits and project documents relating to the gas collection rights and mineral rights (Project Documents).
- Completion is to occur 7 days following satisfaction or waiver of the condition of completion of due diligence to the satisfaction of Ormil Operations on the Permits, CBM Assets and the SCBM Shares (Completion Date). The agreement may be terminated by any party if the condition is not satisfied or waived within 45 days from the date of the agreement, by notice in writing to the other parties not later than 2 months thereafter.
- Prior to Completion, Apex is required to ensure that, among other things, Apex and SCBM carry on business in a proper and efficient way, the Permits are maintained and no encumbrance is created over the CBM Assets or Permits.

- If, at Completion, SCBM's 20% interest as tenant in common with Apex in any CBM Asset has not been duly assigned or transferred to SCBM, Apex must hold the CBM Asset on trust for SCBM, account to SCBM for any benefit it receives under any Project Document and continue to exercise its rights under any Project Document. In addition, if Ormil Operations is not satisfied that SCBM is, at the Completion Date, the holder of a 20% undivided interest in respect of any CBM Asset, Ormil Operations may require Apex by notice in writing to assign to Ormil Operations or SCBM, as soon as reasonably practicable and at the cost of Apex, a 20% unencumbered undivided interest in that CBM Asset or such interest as may be applicable so that, following the assignment, Ormil Operations or SCBM will hold a 20% unencumbered interest in that CBM Asset.

Joint Venture

- The purpose of the Joint Venture is acquiring, exploring, appraising and developing petroleum deposits in the Joint Venture area which includes the areas where Apex and SCBM are entitled to conduct operations under the Permits and the area of the gas collection rights. The Joint Venture will do all things which in the opinion of the Joint Venture operating committee comprised of 2 representatives from each party are reasonably necessary or conducive to achieve the purpose. Ormil Operations will be the operator of the Joint Venture (Operator).
- The Participating Interests in the Joint Venture, any joint operating agreement entered into by the parties and the joint venture assets (including the CBM Assets, Permits and other assets and rights acquired by the Joint Venture from time to time) will be:
 - Ormil Operations and SCBM . 20%; and
 - Apex . 80%.

The parties will share any petroleum product produced in any area covered by the Permits in proportion to their Participating Interests.

- The parties have agreed to negotiate a Joint Venture agreement, the key terms of which include:
 - the relevant provisions of the Farmin and Purchase Agreement;
 - that each party will be entitled to a share of production from the Permits in kind from the most downstream point of the Joint Venture owned infrastructure in proportion to their participating interest;
 - that the Operator must take all reasonable steps to obtain competitive tenders on proposed contracts exceeding \$750,000 (except in emergency situations);
 - that all decisions of the Joint Venture operating committee to be carried out by affirmative vote of parties holding more than 50% Participating Interest between them except in relation to decisions in relation to work programs and budgets for Ormil Operations' farmin work which are to be made by Ormil Operations;

- that unanimous agreement is required for decisions including terms and conditions of a production lease over all or part of the Permits, material terms of all major government infrastructure agreement and abandonment, surrender or variation of the Permits; and
- that the Operator must submit an AFE to the Joint Venture parties, for any expenditure for capital or geological and geophysical project costs which is estimated to be in excess of \$200,000 and the Operator may make expenditures in excess of any approved AFE by the lesser of no more than 10% of the approved AFE amount and \$100,000.

Farm-in interests

- Phase 1, Phase 2 and Phase 3 is to be spent on all work conducted for the acquisition, exploration, appraisal and development of petroleum deposits in the joint venture area (Farmin Work). Such Farmin Work is to be operated and carried out by Ormil Operations at its own risk. Ormil Operations must carry out the Farmin Work in accordance with good oilfield practice and all applicable laws and indemnify Apex from all liabilities it suffers by reason of Ormil Operations gross negligence, willful default or dishonesty in relation to carrying out the Farmin Work. Ormil Operations is to provide Apex with the results of any Farmin Work including copies of reports, results of core samples and analyses and an account of all expenditures.
- While undertaking the Farmin Work, Ormil Operations will be responsible for paying all bonds, rents and statutory fees applicable to the Permits, conducting, in consultation with Apex, all negotiations for access rights with third parties and obtaining all necessary environmental approvals. Following completion of the Farmin Work all bonds, rents and statutory fees applicable to the Permits will be paid by the parties in proportion to their respective Participating Interests. Apex will obtain all necessary approvals for Ormil Operations to access and conduct any on site work on a Permit area.
- Ormil Operations obligation to meet the expenditure requirement for each of Phase 1 and Phase 2 by the relevant completion date is subject to all government approvals and land access arrangements which are required for the Farmin Work having been granted or in place in sufficient time.
- If Ormil Operations fails to provide the Phase 1 funding by 30 June 2011, Apex may within 30 days require Ormil Operations to transfer a 12.5% Participating Interest to Apex. Ormil Operations will then be released from its Phase 2 funding obligation. If Ormil Operations completes the Phase 1 funding by 30 June 2011 but fails to provide the Phase 2 funding by 31 December 2011, Apex may within 30 days require Ormil Operations to transfer a 7.5% Participating Interest to Apex.
- Ormil Operations must exercise its Phase 3 option to earn an additional 30% Participating Interest by notifying Apex one month prior to the Phase 2 completion date of 31 December 2011. If Ormil Operations completes the Phase 3 funding by 30 June 2014, Apex will assign the 30% Participating Interest so that Ormil Operations and SCBM will hold an aggregate 50% Participating Interest.
- The completion dates to provide the Phase 1, Phase 2 and Phase 3 funding may be extended by agreement between the parties.

Other key terms

- In addition to termination for failure to satisfy or waive the conditions precedent by 45 days from the date of the agreement, the agreement may be terminated in writing by:
 - Ormil Operations, if Apex materially breaches its obligations under the agreement or an insolvency event occurs in relation to Apex or, prior to Completion, SCBM; and
 - Apex, if Ormil Operations materially breaches its obligations under the agreement or an insolvency event occurs in relation to Ormil Operations or, after Completion, SCBM.
- Ormil Operations and Apex may also terminate the agreement in writing, within 14 days if the other party has not fully complied with its obligations at Completion provided it has fully complied with its obligations at Completion and immediately if a delay which resulting from a force majeure event continues for more than 18 months.
- Apex provides representations and warranties to Ormil Operations and Ormil Energy including, in particular:
 - Apex and SCBM are the sole legal and beneficial owners of the CBM Assets and Permits and, on Completion, SCBM will hold a 20% undivided interest in the CBM Assets and Apex will hold a 80% undivided interest in the CBM Assets;
 - there are no facts or circumstances in existence which would cause Ormil Operations, Apex or SCBM to be in material breach of any environmental laws that require Ormil Operations, Apex or SCBM to carry out works or pay any money with respect to a Permit or CBM Asset to comply with any environmental law or give rise to a claim from any person against Ormil Operations, Apex or SCBM relating to a breach of any environmental law, handling, use or storage of dangerous substances or discharge of any contaminant; and
 - and that the Project Documents are fully enforceable against all parties to them, no party is in breach of a Project Document and no circumstance exists which would give rise to the termination of a Project Document.
- Mutual confidentiality obligations are owed by all parties with respect to all information disclosed under the agreement.
- The parties are to resolve a dispute or difference amicably by negotiation. If 28 days elapses without the parties resolving the dispute or difference the parties may commence any legal or other proceedings.