

EXALL ENERGY CORPORATION ANNOUNCES MARTEN MOUNTAIN GILWOOD 3D SEISMIC WELL TEST DATA, MITSUE ALBERTA

CALGARY, January 18, 2012: Exall Energy Corporation (“Exall” or the “Company”) (TSX:EE) is pleased to announce the test production flow rates on the successful new discovery drilled on a 3D seismic channel anomaly in its Marten Mountain, Mitsue operating area. Additionally, Exall is pleased to provide a fourth quarter 2011 operational update. Exall's public filings can all be found at www.exall.com or www.sedar.com.

Highlights:

- Exall's recently drilled new Gilwood A Sand discovery well tested swabbing 777 BOEPD (net 513 BOEPD) of 40.8° API sweet oil with a small amount of solution gas
- Participated in the drilling of 5.0 gross (3.55 net wells) during the fourth quarter of 2011, a fifth well (0.66 net) was spud just prior to the Christmas break
- Current production is 1,900 BOEPD net
- Production equipment shortages and low reservoir pressure issues provided material operational challenges during the later half of December, preventing Exall from reaching its year end targets; December 31, 2011 production was approximately 1,602 BOEPD
- Exall has submitted an amendment to its South Marten Mountain waterflood scheme to the Energy Resource Conservation Board (the “ERCB”)

3D Seismic Gilwood “A” Well Test

The new Gilwood A Sand discovery well drilled on an interpreted channel-type anomaly identified on the 2011 3D seismic program is undergoing completion operations. The well is currently swab testing 777 BOEPD (net 513 BOEPD) of 40.8° API sweet oil with a small amount of solution gas and a high fluid level with very little drawdown.

The well is located over four kilometers northwest of the nearest Gilwood production on a portion of the 189,480 gross acres (75,792 gross hectares) and 138,040 net acres (55,216 net hectares) of undeveloped land the Company holds in the Greater Mitsue area. The second Gilwood channel test well has spud and is drilling.

Drilling Activities

During the fourth quarter of 2011, Exall participated in the drilling of 5.0 gross (3.55 net wells). Of the five wells drilled during the fourth quarter of 2011, one has been completed and tied in.

A sixth well (0.72 net) was spud just prior to the Christmas break and is currently drilling ahead.

Operational Activities

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Production equipment shortages and low reservoir pressure issues provided material operational challenges during the later half of the December time, frame preventing Exall from reaching its year end targets. December 31, 2011 production was 1,602 BOEPD.

Low reservoir pressure in the eastern extent of the South Marten Mountain waterflood project resulted in reduced production from four wells. Application has been submitted for an amended water flood scheme which includes the addition of three producing wells to the scheme and conversion of one well to water injection. Production from these wells will remain impacted until Exall receives approval of the amendment from the ERCB and can initiate pressure maintenance.

2012 Outlook

During calendar 2012 Exall intends to drill 18 to 24 wells, driving a capital budget of approximately \$45.0 million to \$65.0 million, including the \$12.5 million 244 square kilometer 3D Seismic program in the first quarter.

Exall anticipates that this program will add approximately 800 BOEPD to 1,000 BOEPD, resulting an an annual production average of 1,750 BOEPD to 2,500 BOEPD depending on operational timing. Exall's current target exit rate for 2012 is 3,000 BOEPD.

Exall anticipates that this program will drive a cash flow from operations of approximately \$30.0 million to \$40.0 million. This cash flow forecast is based upon realizing an average of \$90.33 Cdn for Exall's oil and \$4.01 for its gas. Royalties are expected to be in the range of 25.4% or \$21.60 Cdn while operating costs are anticipated to remain in the \$9.00 per boe range giving Exall an anticipated Field Netback of \$62.31 for fiscal 2012.

Sale of Texas Gas Properties

Exall has entered into a letter agreement with a private American company to sell all of its interest in the Harris and Layton, Texas properties held by the Company. Closing of the sale is scheduled for January 31, 2012. The properties currently produce approximately 40 MCFPD of gas and associated liquids net to Exall.

About Exall

Exall is a junior oil and gas company active in its business of oil and gas exploration, development and production from its properties in Alberta. Exall Energy is currently developing the new Mitsue area Marten Mountain discovery in north-central Alberta.

Exall Energy currently has 62,263,854 common shares outstanding. The Company's common shares are listed on the Toronto Stock Exchange under the trading symbol EE.

Reader Advisory

This news release contains forward-looking statements, which are subject to certain risks, uncertainties and assumptions, including those relating to results of operations and financial condition, capital spending, financing sources, commodity prices and costs of production. By their nature, forward-looking statements are subject to numerous risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, actual results may differ materially from those predicted. A number of factors could cause actual results to differ materially from the results discussed in such statements, and there is no assurance that actual results will be consistent with them. Such factors include fluctuating commodity prices, capital spending and costs of production, and other factors described in the Company's most recent Annual Information Form under the heading "Risk Factors" which has been filed electronically by means of the System for Electronic Document Analysis and Retrieval ("SEDAR") located at www.sedar.com. Such forward-looking statements are made as at the date of this news release, and

the Company assumes no obligation to update or revise them, either publicly or otherwise, to reflect new events, information or circumstances, except as may be required under applicable securities law.

For the purposes of calculating unit costs, natural gas has been converted to a barrel of oil equivalent (boe) using 6,000 cubic feet equal to one barrel (6:1), unless otherwise stated. The boe conversion ratio of 6 mcf: 1 bbl is based on an energy equivalency conversion method and does not represent a value equivalency; therefore boe may be misleading if used in isolation. This conversion conforms to the Canadian Securities Regulators' National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities.

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