ANNOUNCEMENT TO THE AUSTRALIAN STOCK EXCHANGE: 31 JANUARY 2007

DECEMBER 2006 QUARTERLY REPORT

The Board of Odyssey Energy Limited ("Odyssey" or "Company") is pleased to present its December 2006 quarterly report. During the December quarter, the Company:

- *Completed a major expansion of the Jester-Bloomington Project in Oklahoma through acquisition of a suite of acreage, producing wells and pipeline infrastructure, including;*
  - *16,000 gross acres covering parts of the North Bloomington and Willow Gas Fields in Greer and Beckham counties;*
  - *The rights to 53 wells, which at the time of the acquisition were producing at an aggregate rate of approximately 200 thousand cubic feet of gas per day ("mcfd");*
  - *A network of production infrastructure including compression facilities and 112 kilometres of pipeline and gas gathering systems, which provide direct access to the US domestic gas sales network.*
- *Tested the McAlexander#1 well (drilled in the original Jester-Bloomington Project area) at a stable rate of 411mcfd from the shallower of the two reservoirs intersected by the well;*
- *Acquired the rights to two shut-in wells adjacent to McAlexander#1 (Houck#1 and Travis#1), which were worked-over and tested at stabilised flow rates of 750 mcfd and 280 mcfd respectively;*
- *Commenced an initial work-over program targeting up to 10 of the newly acquired wells and tested the first two of these in January, with Price#1 recording an 8-fold increase in flow rate to over 150 mcfd, and Patten#1 testing at a rate of 540 mcfd;*
- *Commenced drilling of the Kenilworth Railroad#15-3 (Ferron) directional well in the Company's 30% owned North Helper Gas Project, which was completed with good gas shows in mid-January;*
- *Commenced completion and testing of the Cordingly Canyon#15-5 (Mancos Shale) well; and*
- *Continued de-watering and clean-up operations from the Project's 4 Ferron wells un-affected by the 15-3 drilling operations and 15-5 testing operations, with associated sales of approximately 30 million cubic feet of gas ("mmcf").*

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As a result of the acquisition in Oklahoma, the Company's position in the Jester-Bloomington Gas Field Re-development Project more than tripled during the Quarter to a 33.3% Working Interest ("WI") in 24,000 gross acres – providing the Company with its second major project.

This Project expansion has focused on areas of the two primary gas reservoirs (the Brown Dolomite and Granite Wash) which appear to have been significantly under-produced in the original development of the area by local landowners and small private companies in the 1950's and 1960' – a strategy supported by the McAlexander#1, Travis#1 and Houch#1 well tests during the Quarter, and by the more recent tests of the Price#1 and Patten#1 wells in the newly acquired acreage (tested at over 150 mcfd and 540 mcfd respectively as announced to the ASX on 18 January 2007).

The Company will also make a placement of up to 6,000,000 shares at $0.50 each to clients of Argonaut Securities Pty Ltd and other institutional and sophisticated investors, to provide funding for the continued rapid development of the Jester-Bloomington Project and working capital.

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ACQUISITION OF HARLOW CORPORATION ACREAGE, PRODUCTION AND INFRASTRUCTURE, OKLAHOMA – ODY 33.3% WORKING INTEREST

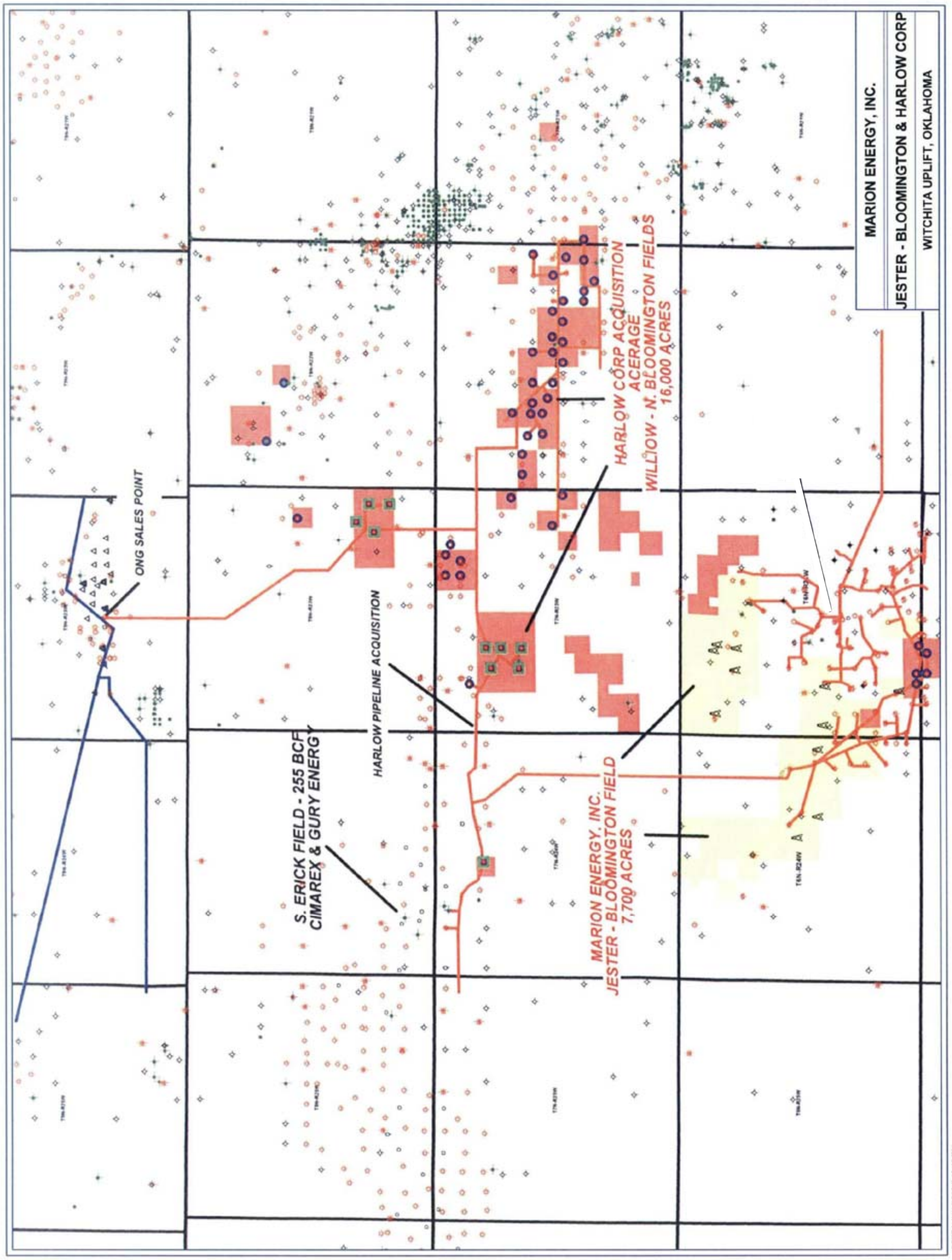
In December 2006 Odyssey participated in the acquisition of approximately 16,000 gross acres covering parts of the North Bloomington and Willow Fields in Greer and Beckham counties in Oklahoma, adjacent to the existing Jester-Bloomington Gas Re-Development Project.

In addition to the large increase in acreage in the project area from approximately 8,000 to 24,000 gross acres, the acquisition included the rights to 53 wells which have produced approximately 5 billion cubic feet of gas from the Brown Dolomite. The majority of these wells were shut-in or require remediation, but at the time of settlement produced at a combined rate of 200 mcfd net to the acquisition. Given that the wells had been poorly maintained over the past 5 years and the acreage was developed on a spacing of greater than 160 acres in the 1970’s and 1980’s, the Company saw the potential for significant increases in production through a program of work-overs or re-completions of existing wells as well as the potential for major re-development of the area through down-spacing to 40 acres or beyond.

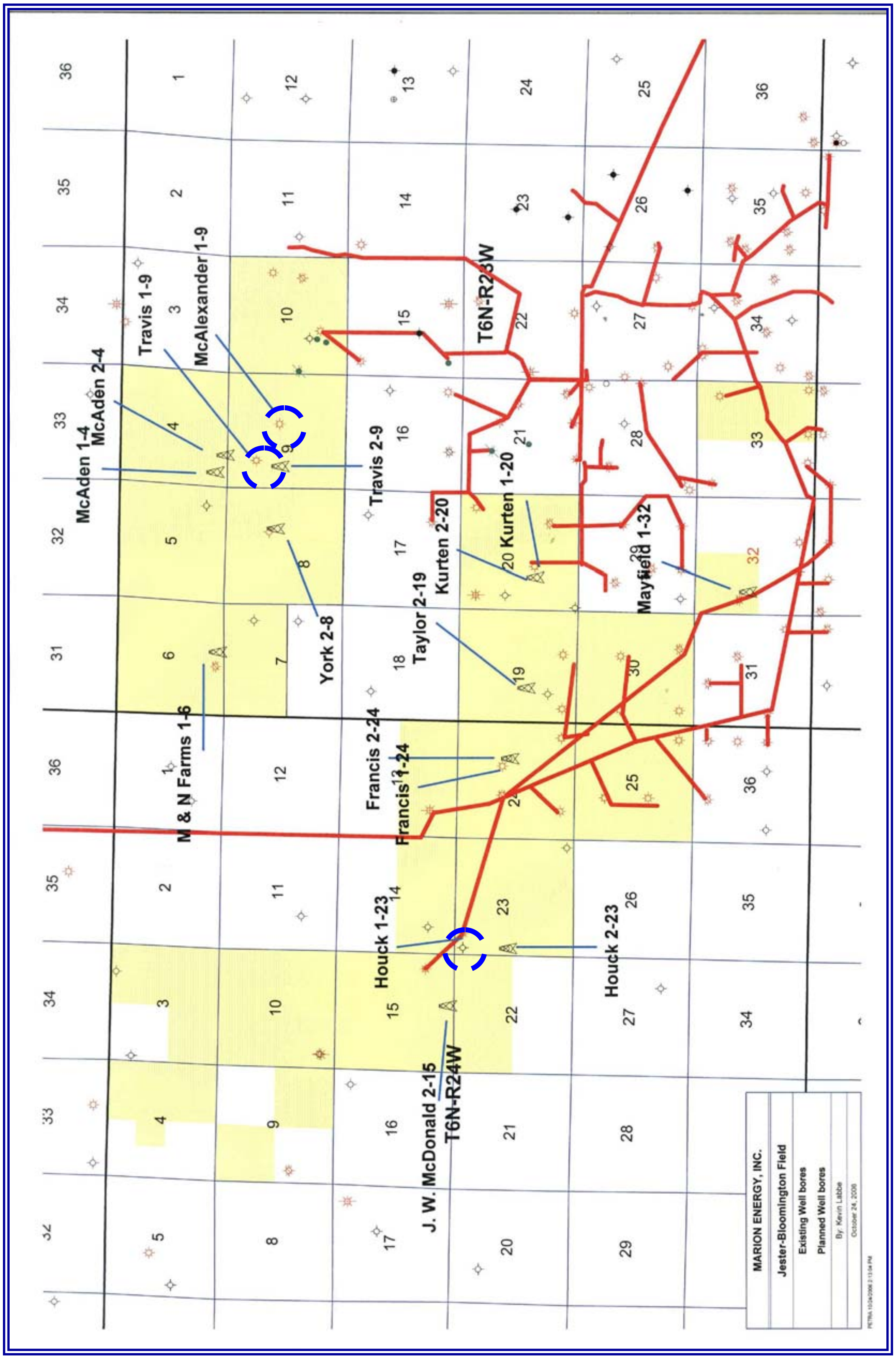
An initial work-over program targeting up to 10 of the Harlow wells commenced in late December, with the results of the first two announced to the ASX on 18 January 2007. The work-over of the Price#1 well (which included replacement of the well’s pumping unit) resulted in an 8-fold increase in flow rate, with the well being put back on line at a rate of over 150 mcfd, and the second work-over (of Patten#1) resulted in the well building to over 600 pounds of casing-head pressure after the addition of 8 feet of new perforations, and testing at a rate of 540 mcfd. These two wells alone, coupled with improvements to the compression facilities and pipeline infrastructure currently underway are expected to substantially increase the gross production from the newly acquired acreage from its 200 mcfd base.

Combined with these initial work-over results, the completion and testing of the McAlexander#1 well and work-overs of the 1950’s Travis#1 and Houck#1 wells in the original project area (tested at 411 mcfd, 280 mcfd and 750 mcfd respectively) support the contention that the area was not only originally significantly under-developed, but that productive areas shut in for extended periods may have re-charged.

Importantly the acquisition also included compression facilities and 112 kilometres of pipeline and gathering system which gives the Company direct access to the domestic US natural gas market. McAlexander#1 and Travis#1 are in the process of being tied into this grid through a new 6 inch line which will form a hub for new wells in the central field area. The Houck#1 well to the west and newly acquired McDonald#1 and Francis#1 wells may also be tied to this grid, or utilise nearby 3rd party infrastructure.



Location of New Acreage, Wells and Pipeline Infrastructure – Jester-Bloomington Gas Field Re-Development Project, Oklahoma



Location of Original Jester-Bloomington Leases, McAlexander#1, Travis#1 & Houck#1 Wells

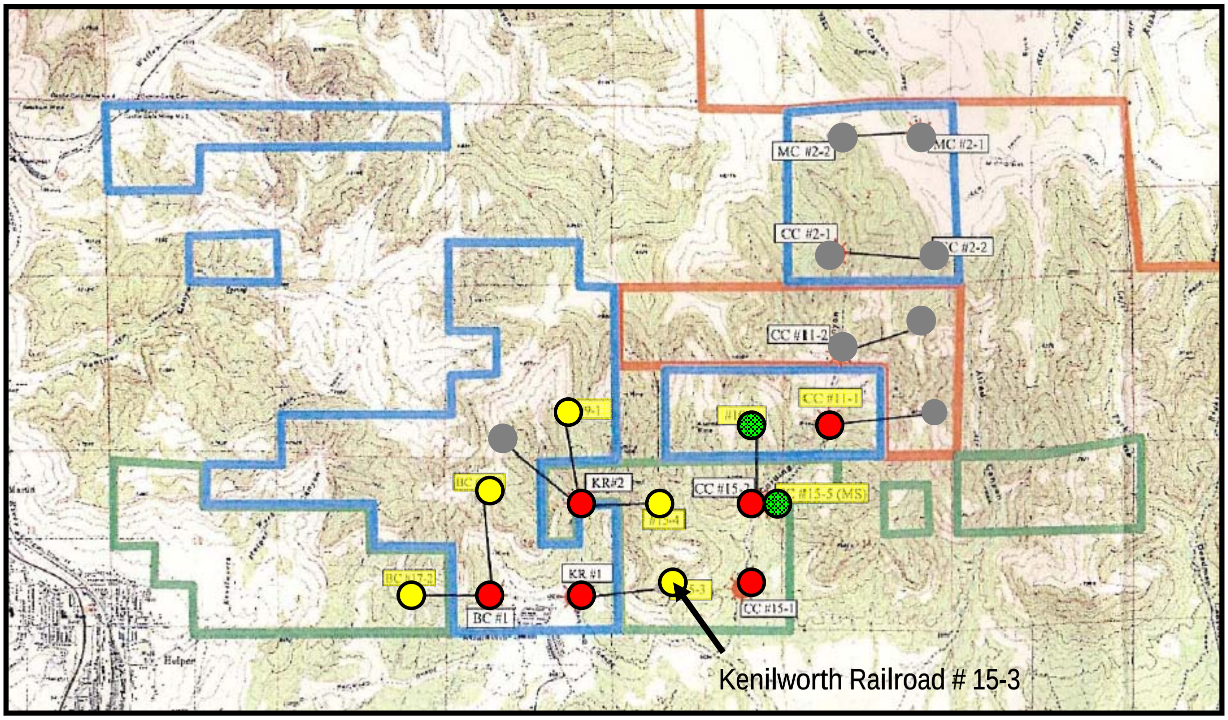
NORTH HELPER GAS PROJECT OPERATIONS REPORT, UTAH – ODY 33.0% WORKING INTEREST

The drilling of the Kenilworth Railroad#15-3 well during the Quarter represents a significant operational milestone, with this being the first directional Ferron well in the North Helper Gas Project ("NHGP"). The well was completed in mid-January 2007 with good gas shows recorded throughout the objective section, and with preliminary log analysis indicating both a good coal section and gas associated with the interbedded Ferron sands. This brings the total number of wells drilled in the project area to nine – comprising 7 Ferron wells (6 vertical and 1 directional) and two Mancos Shale wells (1 vertical and 1 directional).

At the time of writing one of the Mancos Shale wells (Cordingly Canyon#15-5) had been fracture stimulated and tied into production infrastructure, and is in the process of being put on compression to establish gas flow rates.

The Quarter also saw the first phase of clean-up and de-watering of the project's Ferron Coal-Bed Methane ("CBM") wells. Of the six wells drilled & completed, four were consistently produced over the 3-month period, with Kenilworth Railroad#1 and Cordingly Canyon#15-2 periodically shut-in due to drilling of the Kenilworth 15-3 well (from the KRR#1 pad) and testing of the Cordingly Canyon#15-5 well (from the CC#15-2 pad).

Since the start of de-watering the project has produced and sold approximately 55 million cubic feet ("mmcf") of gas, with the majority of this (30 mmcf) in the December Quarter. During this time individual wells have produced at rates of up to several hundred mcfd, with brief peaks in line with the original well tests (1.0+ mmcf per day). Despite these rates being consistent with the performance of wells in the Helper Field to the south, the NHGP wells have shown evidence that gas-entry is being hampered by reduced near well-bore permeability – an issue which may not have been recognised during the development of the adjacent Helper Field in the 1990's. This restriction in flow appears to be associated with unbroken gel from the original fracture stimulation process and iron precipitation associated with periodic low PH conditions during well clean-up. Both effects are recognised in other producing CBM fields in North America and are treated using standard techniques developed for Iron-rich coals. Design of the appropriate injection program for North Helper commenced in December 2006 based on analysis of samples from the field, with the expectation that treatment of wells will commence in the coming weeks.



__Location of 6 completed Ferron wells in the North Helper Gas Project (red), 2 Mancos Shale wells (green) and recently drilled Kenilworth Railroad#15-3 well.__

CORPORATE

The Company will make a placement of up to 6,000,000 shares at $0.50 each to clients of Argonaut Securities Pty Ltd and other institutional and sophisticated investors, to raise $3 million (before costs) providing funding for the continued rapid development of the Jester-Bloomington Project and working capital.

During the December quarter, a number of one-off payments were made, including:

- Acquisition of the Producing Harlow Acreage which forms part of the Jester-Bloomington Project;
- Repayment of a short term working capital facility;
- Payment of the final instalment in respect to the increased interest in the North Helper Gas Project;
- Payments for the establishment of the infrastructure and tie in costs at North Helper; and
- Payment of costs associated with the accelerated drilling program at North Helper undertaken in the prior months.

Cash outflows going forward are now expected to be substantially reduced, with sales (and resulting cash flows) expected to increase during the March quarter for both projects.

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

ODYSSEY ENERGY LIMITED

ABN	Quarter ended ("current quarter")
71 116 151 636	**31 DECEMBER 2006**

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter $A'000	Year to date (6 months) $A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(2,131)	(3,131)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(133)	(244)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	36	42
1.5	Interest and other costs of finance paid	(66)	(132)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material) - Business Development	(36)	(67)
	Net Operating Cash Flows	(2,330)	(3,532)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a)prospects	(2,927)	(4,952)
	(b)equity investments	-	-
	(c) other fixed assets	(40)	(43)
1.9	Proceeds from sale of: (a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	(2,967)	(4,995)
1.13	Total operating and investing cash flows (carried forward)	(5,297)	(8,527)

1.13	Total operating and investing cash flows (brought forward)	(5,297)	(8,527)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	7,200
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	800
1.17	Repayment of borrowings	(800)	(800)
1.18	Dividends paid	-	-
1.19	Other (provide details if material) - capital raising expenses	(453)	(453)
	Net financing cash flows	(1,253)	6,747
	Net increase (decrease) in cash held	(6,550)	(1,780)
1.20	Cash at beginning of quarter/year to date	7,208	2,438
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter**	658	658

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	234
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payments include consulting fees, directors fees, company secretarial services and provision of a fully serviced office.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not applicable.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not applicable.

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	800
4.2	Development	-
	Total	**800**

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	658	7,208
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	658	7,208

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed				
6.2	Interests in mining tenements acquired or increased	Harlow Acquisition, Greer & Beckham Counties	1/3 of Harlow ‘s right, title, and interest in the wells and leases, associated gathering systems, pipelines, compressors, meter stations, wells and equipment.	-	33.3%

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	42,000,000	38,685,000	Not applicable	Not applicable
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	**+Convertible debt securities** *(description)*	4,500,000	-	Not applicable	Not applicable
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	300,000 850,000 1,400,000	Nil	*Exercise price* $0.20 *Exercise price* $0.60 *Exercise price* $1.00	*Expiry date* 31 December 2008 *Expiry date* 30 June 2009 *Expiry date* 31 December 2009
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

+ See chapter 19 for defined terms.

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does /~~does not~~* *(delete one)* give a true and fair view of the matters disclosed.

Sign here: .... Date: 31 January 2007
(~~Director~~/Company secretary)

Print name: MARK L PEARCE

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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