



ODYSSEY ENERGY LIMITED

ANNOUNCEMENT TO THE AUSTRALIAN STOCK EXCHANGE: 31 OCTOBER 2007

SEPTEMBER 2007 QUARTERLY REPORT

The Board of Odyssey Energy Limited (“Odyssey” or “Company”) is pleased to present its September 2007 quarterly report. During the September quarter, the Company announced production increases, a program of new ‘high impact’ work-overs and its plans to commence development drilling at the Jester-Bloomington Project in Oklahoma;

- The primary objective of the Oklahoma drilling program is to begin the development of the project’s 68 Bcf certified reserve base in the Brown Dolomite and Granite Wash reservoirs, and in the process rapidly increase the Company’s production and cash flow,*
- The program will commence in the coming weeks with 10 to 15 wells infilling acreage surrounding some of the most prolific producers from the original 1950’s through 1980’s development of the North Bloomington, Willow and Jester-Bloomington Field areas,*
- The wells will be batch-drilled and completed, with 6-8 wells in the north-eastern sector of the project area followed by 6-8 wells in the south-central (McAlexander#1) area.*
- The majority of these wells are expected to be drilled, completed and tied into existing production infrastructure pre-Christmas and be selling gas into the North American winter and traditional period of peak demand.*
- Given success, the drilling campaign will re-start early in Q1 2008, with a total of 60 wells planned for the initial development of the project area, which has now expanded to over 34,000 gross acres.*
- The drilling campaign will run in parallel with the recently announced ‘high-impact’ work-over program in the Wellington Limestone, which overlies the primary Granite Wash and Brown Dolomite reservoirs.*
- The Wellington has been a prolific producer in two wells in the project area (producing over one Bcf of gas each), but appears to have been over-looked in a number of wells on-trend during the original 1970’s and 80’s field development programs.*
- If these work-overs are successful they will not only substantially boost production and cash flow in the short term, but may also lead to certification of significant new proved and probable reserves for the project.*

In addition to the Wellington work-over program, the Company expects to continue to increase production from the 500 thousand cubic feet of gas per day (“mcfgd”) level achieved in October through an on-going program of low cost well and infrastructure optimisations which affect base-level production from all of the 57 wells currently in the project.

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In Utah, the 7 Ferron wells completed and tied into production infrastructure are continuing to de-water, with production slowly increasing in-line with expectations. Once de-watering has been completed and stable production rates achieved, the Ferron development drilling program will be re-started – most likely in January 2008.

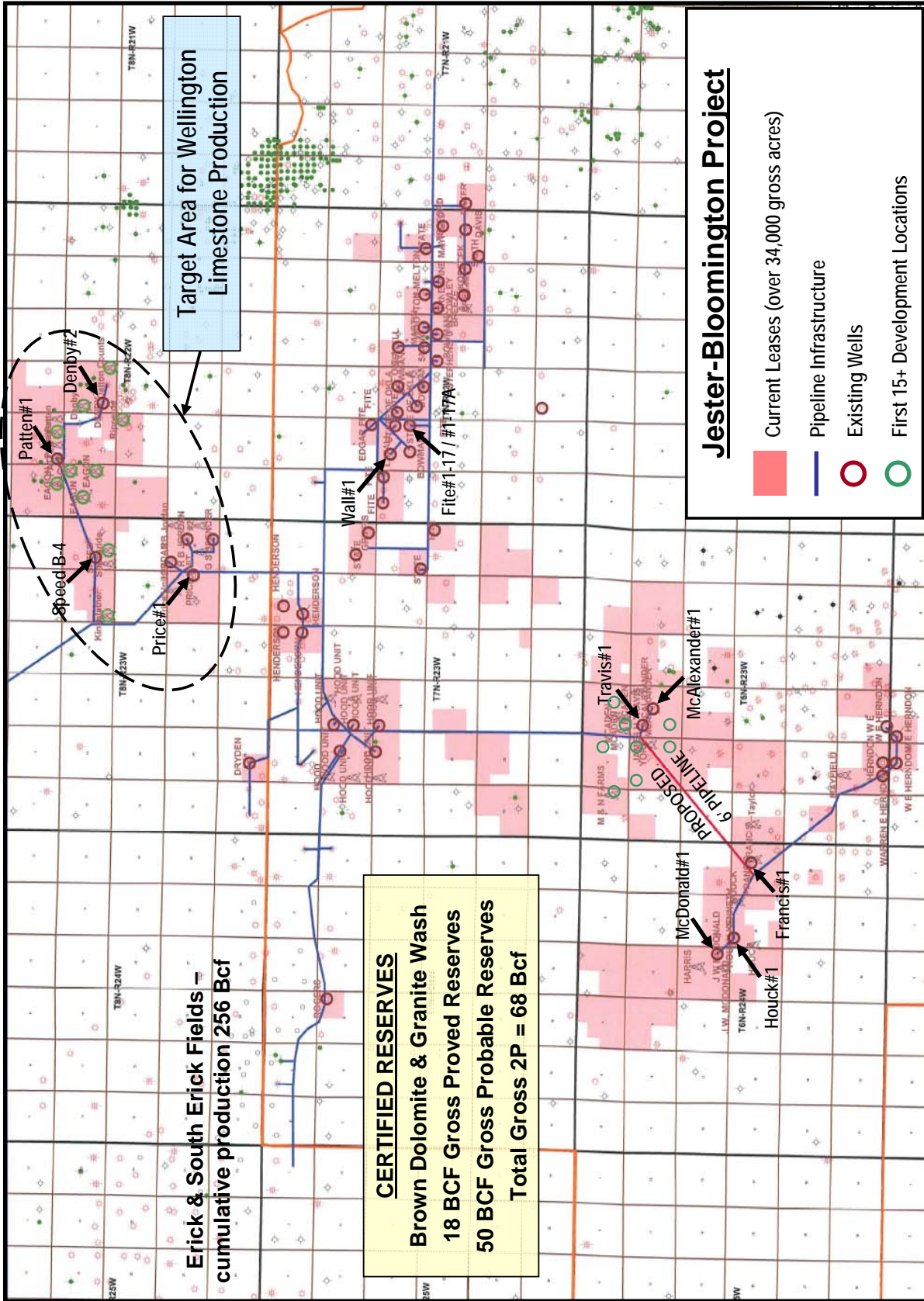
In the mean time Stage 2 of the completion of the Cordingly Canyon #15-5 Mancos Shale well will commence after on-going gas flows from the initial fracture stimulation of the well earlier in the year. The initial completion spanned just 20 feet of the 4,000+ foot Mancos section and demonstrated gas charge and productivity. Stage 2 will place new frac's totalling 60 feet between 2,100 and 2,300 feet in the sandy 'Emery' section of the shale, with the aim of establishing flow rates which will justify a multi-well development drilling program dedicated to the Mancos in early 2008.

In the September quarter Odyssey announced funding, subject to shareholder approval, for the Jester-Bloomington development program, together with additional working capital for its operations at North Helper in Utah and Business Development activities through the placement of 10 million shares raising \$4.0 million before costs to clients of Tricom Equities, Stripe Capital and Cunningham Securities.

Following the independent certification of gross proved and probable gas reserves at both projects, the Company has now increased its focus on new business activities, with a view to leveraging off the inherent value of the certified reserves to attract and complete the acquisition of new projects (targeting early development / redevelopment stage) in the oil and gas sector.

As previously announced, the Company also intends undertake a rights issue to all existing and new (placee) shareholders on a 1 for 3 basis for a listed option exercisable at \$0.50 on or before 31 December 2009, at an issue price of \$0.03 per option.

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Target Area for Wellington Limestone Production

Erick & South Erick Fields – cumulative production 256 Bcf

CERTIFIED RESERVES
Brown Dolomite & Granite Wash
18 BCF Gross Proved Reserves
50 BCF Gross Probable Reserves
Total Gross 2P = 68 Bcf

Jester-Bloomington Project

- Current Leases (over 34,000 gross acres)
- Pipeline Infrastructure
- Existing Wells
- First 15+ Development Locations

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

71 116 151 636

Quarter ended ("current quarter")

30 SEPTEMBER 2007

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	45	45
1.2 Payments for		
(a) exploration and evaluation	(472)	(472)
(b) development	-	-
(c) production	-	-
(d) administration	(86)	(86)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	9	9
1.5 Interest and other costs of finance paid	(64)	(64)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material) - Business Development	(14)	(14)
Net Operating Cash Flows	(582)	(582)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
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	-	-
1.13 Total operating and investing cash flows (carried forward)	(582)	(582)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(582)	(582)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material) - capital raising expenses	(1)	(1)
	Net financing cash flows	(1)	(1)
	Net increase (decrease) in cash held	(583)	(583)
1.20	Cash at beginning of quarter/year to date	1,216	1,216
1.21	Exchange rate adjustments to item 1.20	(5)	(5)
1.22	Cash at end of quarter	628	628

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	105
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	1,500
4.2 Development	-
Total	1,500

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	628	816
5.2 Deposits at call	-	400
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	628	1,216

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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			

+ 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 <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	48,154,000	44,839,000	Not applicable	Not applicable
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	154,000	154,000	Not applicable	Not applicable
7.5 +Convertible debt securities <i>(description)</i>	4,346,000	-	Not applicable	Not applicable
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	154,000	154,000	Not applicable	Not applicable
7.7 Options <i>(description and conversion factor)</i>	300,000	Nil	<i>Exercise price</i> \$0.20	<i>Expiry date</i> 31 December 2008
	850,000		<i>Exercise price</i> \$0.60	<i>Expiry date</i> 30 June 2009
	1,400,000		<i>Exercise price</i> \$1.00	<i>Expiry date</i> 31 December 2009
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ 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 ~~not~~* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: Date: 31 October 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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