



ODYSSEY ENERGY LIMITED

ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 31 OCTOBER 2008

SEPTEMBER 2008 QUARTERLY REPORT

The Board of Odyssey Energy Limited (“Odyssey” or “Company”) is pleased to present its September 2008 quarterly report. During the quarter the Company completed the sale of its North Helper and Jester-Bloomington Gas Projects to Marion Energy Limited (“Marion”) for 27.5 million Marion Shares.

Sale of Two Projects

As announced on 4 September 2008, the Company completed the sale of its subsidiary OEL Operating (USA) (“OEL”) to Marion Energy Limited, in consideration for 27.5 million Marion Shares.

OEL holds a 30% working interest in the North Helper Project and a 33% working interest in the Jester-Bloomington Project. The sale was approved by Odyssey Shareholders in August 2008.

Odyssey now holds 27.5 million Marion shares providing Odyssey’s shareholders with:

- *Continued exposure to the upside from the North Helper and Jester-Bloomington Project; as Marion have a majority interest and is operator of both Projects;*
- *Reduced requirements for working capital going forward, which is of particular importance as Marion have announced a new drilling campaign at North Helper (up to 3 wells) targeting the recent Morrison Formation conventional gas discovery and additional Mancos Shale plays;*
- *As a substantial shareholder in Marion, exposure to:*
 - *Marion’s cornerstone project, Clear Creek, in which Marion is currently undertaking a new 3-well drilling program aimed at increasing reserves and production over the coming months;*
 - *Marion’s increased interest to 100% at North Helper and 100% in the majority of the Jester-Bloomington project area (with 67% in the remaining leases), which is expected to increase the ultimate value of Marion’s projects;*
 - *Marion’s combined Proved and Probable (2P) reserves base now assessed (post completion) at approximately 319 billion cubic feet, with further reserve additions anticipated at Clear Creek and North Helper as a result of the reserves review currently being conducted by independent engineers Ryder Scott and Cobb and Associates.*

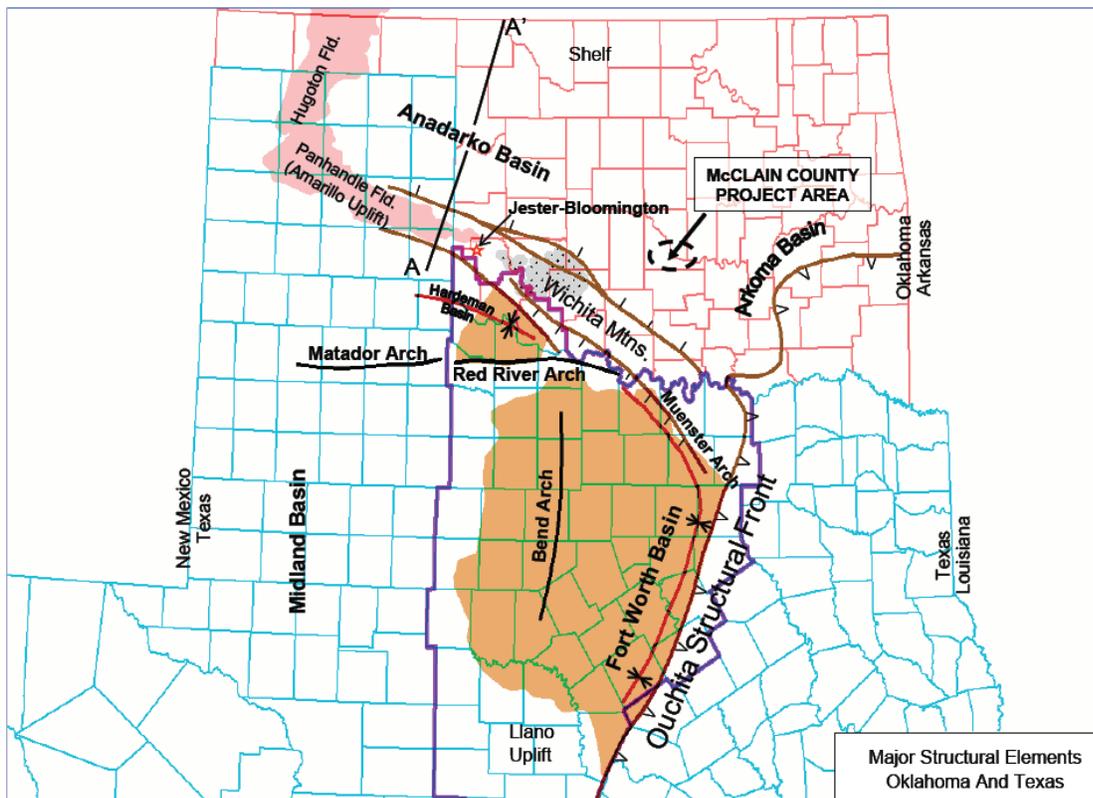
Operations

In mid 2008 the Company completed the acquisition of a 50% interest in a new oil & gas project area in Oklahoma, comprising a total of 1,626 acres. This play targets gas and associated oil in the Woodford Shale.

The objective section is 6,000 to 8,000 feet deep, with recent wells in the region utilising new drilling and completion techniques developed specifically for shale formations and initially producing at rates of 2 to 3 million cubic feet of gas per day.

Odyssey will be operator, and has an option (expiring 30 June 2009) to acquire the remaining 50% interest in the project.

The Company intends to undertake geological and other technical studies over the next six to 12 months, initially focusing on the results of other operations in the area and based on these results may commence an exploratory drilling program in late 2009.



McClain County Oil & Gas Project, South-Central Oklahoma

Corporate

Board Changes

As announced on 3 October 2008, Mr Mark O'Clery resigned as Managing Director of the Company, and Mr David Cruse was appointed as a non executive director.

Mr O'Clery remains a technical consultant to Odyssey and will assist the Company in its efforts to continue to progress the appraisal of its current projects and evaluate new business opportunities in the energy sector.

Business Development

The Company continues to examine new business opportunities in the energy sector, both domestic and overseas.

Funding

The Board is currently examining a number of funding alternatives, which may include further capital raisings or additional debt facilities, and expects to make an announcement regarding funding arrangements in the near future.

Marion Energy Shares

The shares issued by Marion Energy are subject to a voluntary escrow period of 9 months. (The escrow will cease in the event of a takeover that is approved by the Marion Board.) The Odyssey Board will examine the most appropriate alternatives for the shareholding in Marion upon the expiry of the escrow period.

Following settlement, the Company is now exposed to equity price risk arising from its shareholding in Marion Energy (ASX Code: MAE). This investment is currently held for strategic rather than trading purposes. The Company does not actively trade its equity investments and no hedging or derivative transactions have been used to manage equity price risk.

As discussed above, Marion Energy is currently undertaking activities to increase its production rates and also its gas reserves. The outcome of these activities, as well as the corporate review of its assets by Goldman Sachs, is expected to impact on the price at which Marion Energy's shares trade on the ASX, as well as the usual risk factors that apply to equity investments for companies undertaking exploration and development activities in the oil and gas sector in the USA (see Odyssey's prospectus dated 15 February 2007 for further details regarding risks).

Enquiries-

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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 2008

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	130	130
1.2 Payments for		
(a) exploration and evaluation	(154)	(154)
(b) development	-	-
(c) production	-	-
(d) administration	(65)	(65)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	1
1.5 Interest and other costs of finance paid	(54)	(54)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material) - Business Development	(11)	(11)
Net Operating Cash Flows	(153)	(153)
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) - Sale of assets expenditure	(3)	(3)
Net investing cash flows	(3)	(3)
1.13 Total operating and investing cash flows (carried forward)	(156)	(156)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(156)	(156)
	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	150	150
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material) - capital raising expenses	-	-
	Net financing cash flows	150	150
	Net increase (decrease) in cash held	(6)	(6)
1.20	Cash at beginning of quarter/year to date	57	57
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	51	51

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	88
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	1,100	500
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	300
4.2 Development	-
Total	300

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	51	57
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	51	57

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	58,154,000	58,154,000	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 <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				
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 2008
(~~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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