



ODYSSEY ENERGY LIMITED

ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 30 SEPTEMBER 2010

CAPITAL RAISING AND DEBT FOR EQUITY SWAP

Odyssey Energy Limited ("Odyssey" or "Company") is pleased to announce that it will undertake a recapitalisation of the Company to place it in a strong position to continue exploration activities and to pursue new opportunities in the resources sector.

Argonaut Capital have been mandated, on a reasonable endeavours basis, to manage following recapitalisation process:

- **Share Placement** – *the issue of up to 125 million shares at \$0.02 per share. One option will also be granted for every two new shares subscribed for at no further consideration. These options will be exercisable at \$0.05 on or before 31 December 2014;*
- **Debt for Equity** – *Conversion of up to \$2.0 million of the debt relating to convertible notes into equity in the Company on the same terms as the share placement referred to above.*
- **1 for 2 non-renounceable entitlements issue** - *new shares under an entitlements issue will be offered at \$0.02 per share with the same rights to options as the share placement.*

The Company will apply for quotation of the options upon completion of the entitlements issue. The share placement and debt for equity conversion are subject to shareholder approval. The directors of the Company intend to seek shareholder approval for their respective participation in the share placement.

The entitlements issue will be undertaken after the completion of the share placement and debt for equity conversion.

The Company will no longer proceed with the previously announced entitlements issue and debt for equity conversion.

Further details of the entitlements issue are included in the accompanying Appendix 3B. A Notice of General Meeting regarding the above will be issued by the Company shortly.

Enquiries- *Mark Pearce* *Company Secretary*
 Contact Details: *Telephone: (61 8) 9322 6322*

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Name of entity

ODYSSEY ENERGY LIMITED

ABN

73 116 151 636

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|---|
| 1 | +Class of +securities issued or to be issued | (a) Ordinary Shares
(b) Options |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 1(a) 125,000,000 – Ordinary Shares
1(b) 62,500,000 – Options
2(a) 100,000,000– Ordinary Shares
2(b) 50,000,000 – Options
3(a) 142,452,396– Ordinary Shares
3(b) 71,226,198 – Options |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | (a) Fully paid ordinary shares
(b) Options – Exercise price of \$0.05 on or before 31 December 2014 |

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

<p>4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>(a) Yes (b) New security</p>				
<p>5 Issue price or consideration</p>	<p>(a) \$0.02 (b) Free attaching option on the basis of 1 for every 2 shares issued</p>				
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>1(a&b) To provide working capital enabling the Company to continue exploration activities and to pursue new opportunities in the resources sector 2(a&b) Conversion of debt for equity relating to convertible notes 3(a&b) Non-renounceable entitlements issue</p>				
<p>7 Dates of entering +securities into uncertificated holdings or despatch of certificates</p>	<p>TBA</p>				
<p>8 Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable)</p>	<table border="1"> <thead> <tr> <th data-bbox="686 1467 989 1500">Number</th> <th data-bbox="989 1467 1281 1500">+Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="686 1500 989 1720">427,357,187 183,726,198</td> <td data-bbox="989 1500 1281 1720">Ordinary Shares Options expiring 31 December 2014</td> </tr> </tbody> </table>	Number	+Class	427,357,187 183,726,198	Ordinary Shares Options expiring 31 December 2014
Number	+Class				
427,357,187 183,726,198	Ordinary Shares Options expiring 31 December 2014				

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	Number	+Class
9	Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)	Not applicable
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Not applicable

Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	No
12	Is the issue renounceable or non-renounceable?	Non-renounceable
13	Ratio in which the +securities will be offered	1 for 2
14	+Class of +securities to which the offer relates	Ordinary Shares
15	+Record date to determine entitlements	To be advised
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	Not applicable
17	Policy for deciding entitlements in relation to fractions	Rounded down
18	Names of countries in which the entity has +security holders who will not be sent new issue documents <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	To be advised
19	Closing date for receipt of acceptances or renunciations	To be advised

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

20	Names of any underwriters	Not applicable
21	Amount of any underwriting fee or commission	Not applicable
22	Names of any brokers to the issue	To be confirmed
23	Fee or commission payable to the broker to the issue	To be confirmed
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of ⁺ security holders	Not applicable
25	If the issue is contingent on ⁺ security holders' approval, the date of the meeting	Not applicable
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	To be advised
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	Not applicable
28	Date rights trading will begin (if applicable)	Not applicable
29	Date rights trading will end (if applicable)	Not applicable
30	How do ⁺ security holders sell their entitlements <i>in full</i> through a broker?	Not applicable
31	How do ⁺ security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	Not applicable
32	How do ⁺ security holders dispose of their entitlements (except by sale through a broker)?	Not applicable
33	⁺ Despatch date	To be advised

+ See chapter 19 for defined terms.

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) Securities described in Part 1

(b) All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 A copy of any trust deed for the additional +securities

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

Entities that have ticked box 34(b)

38 Number of securities for which
 +quotation is sought

Not applicable

39 Class of +securities for which
 quotation is sought

Not applicable

40 Do the +securities rank equally in all
 respects from the date of allotment
 with an existing +class of quoted
 +securities?

If the additional securities do not
 rank equally, please state:

- the date from which they do
- the extent to which they
 participate for the next dividend,
 (in the case of a trust,
 distribution) or interest payment
- the extent to which they do not
 rank equally, other than in
 relation to the next dividend,
 distribution or interest payment

Not applicable

41 Reason for request for quotation
 now

Example: In the case of restricted securities, end of
 restriction period

(if issued upon conversion of
 another security, clearly identify that
 other security)

Not applicable

	Number	+Class
42 Number and +class of all +securities quoted on ASX (including the securities in clause 38)		

+ See chapter 19 for defined terms.

Quotation agreement

- 1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

- 2 We warrant the following to ASX.
 - The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.

 - There is no reason why those +securities should not be granted +quotation.

 - An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.
Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

 - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.

 - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: Date: 30 September 2010
(~~Director~~/Company secretary)

Print name: MARK PEARCE

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