



ODYSSEY
ENERGY LIMITED

NOTICE OF GENERAL MEETING

A General Meeting of the Company will be held at the Plaza Level, BGC Centre, 28 The Esplanade, Perth, Western Australia on Wednesday 1 December 2010 at 10.00 am (WST).

This Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on (08) 9322 6322.

ODYSSEY ENERGY LIMITED

ABN 73 116 151 636

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of Shareholders of Odyssey Energy Limited (**Company**) will be held at Plaza Level, BGC Centre, 28 The Esplanade, Perth, Western Australia on Wednesday 1 December 2010 at 10.00am (WST) (**Meeting**).

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the General Meeting are those who are registered as Shareholders on 29 November 2010 at 5pm (WST).

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Section 9 of the Explanatory Memorandum.

AGENDA

1. Resolution 1 – Authority to Issue Placement Securities

To consider, and if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*"That, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve and authorise the Directors to allot and issue up to 125,000,000 Shares each at an issue price of \$0.02 together with 1 Option for every 2 Shares issued (**Placement Securities**) on the terms and conditions in the Explanatory Memorandum (**Placement**)."*

Voting Exclusion

The Company will disregard any votes cast on this resolution by a person or their associate, who may participate in the issue of the Placement Securities and might obtain a benefit, (except a benefit solely in their capacity as holder of ordinary securities), if the resolution is passed.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. Resolution 2 – Authorise Directors Participation in Placement

To consider, and if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That, subject to Resolution 1 being passed, and in accordance with Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 20,000,000 Shares and 10,000,000 Options in total under the Placement to Directors and/or their nominees on the terms and conditions in the Explanatory Memorandum accompanying this Notice."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by the Directors or any of their associates. However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. Resolution 3 – Debt for Equity Conversion

To consider, and if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That, in accordance with Listing Rule 7.1 and for all other purposes Shareholders approve:

- (a) *the variation of the terms of up to 3,230,000 Convertible Notes each with a face value of \$0.65 (\$2,099,500) such that conversion of the Convertible Notes into Shares occurs at a conversion price of \$0.02 per Share together with 1 Option for every 2 Shares issued (**Debt for Equity Conversion**); and*
- (b) *to the extent that the Convertible Notes referred to in paragraph (a) of this Resolution are not converted into Shares, the issue of up to 104,975,000 Shares at the issue price of \$0.02 per Share together with 1 Option for every 2 Shares issued in order to raise sufficient funds to repay the Convertible Notes which are not converted (**Top-up Facility**),*

on terms and conditions in the Explanatory Memorandum.

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person who may participate in the variation of the terms of the Convertible Notes or the issue of the Shares under the Top-up Facility and who might obtain a benefit (except a benefit solely in the capacity as a holder of ordinary securities) if the Resolution is passed, or any associates of such a person.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. Resolution 4 – Authorise Mr David Cruse to participate in Debt for Equity Conversion

To consider, and if thought fit, to pass with or without amendment as an ordinary resolution the following:

"That, subject to Resolution 3 being passed, and in accordance with Listing Rule 10.11 and for all other purposes, Shareholders approve the variation of the terms of up to 77,000 Convertible Notes (\$50,050) held by Mr David Cruse or his nominee such that conversion of the Convertible Notes into Shares occurs at a conversion price of \$0.02 per Share together with one Option for every 2 Shares issued on conversion on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by the Directors or any of their associates. However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. Resolution 5 – Section 195 Approval

To consider, and if thought fit, to pass with or without amendment as an ordinary resolution the following:

"That, for the purposes of section 195(4) of the Corporations Act and for all other purposes, Shareholders approve and authorise the Directors to complete the transactions as contemplated in this Notice of General Meeting."

Dated 26 October 2010

By Order of the Board



Mr Mark Pearce
Company Secretary

ODYSSEY ENERGY LIMITED
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EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at Plaza Level, BGC Centre, 28 The Esplanade, Perth, Western Australia on Wednesday 1 December 2010 at 10.00am (**WST**).

This Explanatory Memorandum should be read in conjunction with, and forms part of, the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions in the Notice.

This Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

- Section 2: Action to be taken by Shareholders
- Section 3: Recapitalisation of the Company
- Section 4: Resolution 1 – Approval of Issue of Placement Securities
- Section 5: Resolution 2 – Authorise Directors Participation in Placement
- Section 6: Resolution 3 – Debt for Equity Conversion
- Section 7: Resolution 4 - Authorise Participation by Mr David Cruse in Debt for Equity Conversion
- Section 8: Resolution 5 - Section 195 Approval

A Proxy Form is located at the end of the Explanatory Memorandum.

2. Action to be taken by Shareholders

Shareholders should read this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, to sign and return the Proxy Form to the Company in accordance with the instructions provided. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

3. Background

3.1 Recapitalisation of the Company

On 30 September 2010 the Company announced a capital raising (collectively referred to as the Recapitalisation) consisting of the following:

- (a) Placement – the issue of up to 125,000,000 Shares at \$0.02 per Share. One Option will be granted for every two Shares subscribed for at no further consideration. These Options will be exercisable at \$0.05 on or before 31 December 2014 (subject of Resolution 1);
- (b) Debt for Equity – conversion of up to \$2.0 million (revised to approximately \$2.1 million) of the debt relating to convertible notes into equity in the Company on the same terms as the Placement (subject of Resolution 3); and
- (c) 1 for 2 non-renounceable entitlements issue – the Shareholders will be entitled to subscribe for one Share for every 2 held at the record date and one Option for every two Shares subscribed for. Each Share will be offered at an issue price of \$0.02 (**Rights Issue**).

The Company has engaged Argonaut Capital Limited to manage the Recapitalisation on a reasonable endeavours basis.

The capital structure of the Company on completion of the Recapitalisation is set out below :

	Shares	Options	Con Notes (Face Value) \$
Number of Securities before the Recapitalisation	59,904,791	0	\$2,824,900
Maximum number of Securities proposed to issue pursuant to Placement (Resolution 1)	125,000,000	62,500,000	
Maximum number of securities proposed to issue pursuant to conversion of debt to equity (Resolution 3)	104,975,000	52,487,500	(\$2,099,500)
Approximate number of securities proposed to offer pursuant to the Rights Issue	144,952,396	72,476,198	
Total	434,832,187	187,463,698	\$725,400

3.2 Activities going forward

The Board and management will continue to focus on creating value from the Company's existing resource assets, as well as pursuing new opportunities in the resources sector.

The Company has identified a number of potential resource projects, and intends to identify other new resource projects over the coming months. As an ongoing process, these projects will then be assessed for their technical, legal and commercial suitability.

It should be noted that there can be no guarantee that any proposed acquisition of a resource project will be completed or will be successful. The acquisition of new business opportunities (whether completed or not) may also require the payment of monies (as a deposit or exclusivity fee) after only limited due diligence and prior to the completion of comprehensive due diligence.

If any proposed acquisition is not completed, monies already advanced may not be recoverable. Furthermore, notwithstanding that an acquisition may proceed upon the completion of due diligence, the usual risks associated with the resources sector remain.

4. Resolution 1 – Approval of Issue of Securities

4.1 Introduction

Resolution 1 seeks Shareholder approval pursuant to Listing Rule 7.1 for the allotment and issue of the Placement Securities being up to 125,000,000 Shares each at an issue price of \$0.02 together with 62,500,000 Options (being 1 Option for every 2 Shares issued). The Options are each exercisable at \$0.05, expire 31 December 2014 and have the terms and conditions in Schedule 1.

Under the Placement, the Company proposes to raise up to \$2,500,000 by the issue of up to 125,000,000 Shares. The Placement is being used to provide working capital to enable the Company to continue exploration activities and to pursue new opportunities in the resources sector.

4.2 Listing Rule 7.1 – Shareholder Approval

Listing Rule 7.1 requires Shareholder approval for the proposed issue of the Placement Securities. Listing Rule 7.1 provides, subject to certain exceptions, that Shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the Company's securities then on issue.

Given the issue of the Placement Securities under Resolution 1 will exceed this 15% threshold and none of the exceptions contained in Listing Rule 7.2 apply, Shareholder approval is required in accordance with Listing Rule 7.3.

Resolution 1 is an ordinary resolution.

4.3 Specific information required by Listing Rule 7.3

For the purposes of Listing Rule 7.3 information regarding the issue of the Placement Shares is provided as follows:

- (a) the maximum of 125,000,000 Shares and 62,500,000 Options will be issued under the Placement;
- (b) the Company will issue the Placement Securities progressively but no later than 3 months after the date of the Meeting (or such longer period of time as ASX may in its discretion allow). The Company may issue the Shares on completion of the Placement and delay the issue of the Options until such time as the Company has lodged a prospectus (which will be within 3 months of the date of the Meeting);

- (c) the Shares under the Placement will be issued at an issue price of \$0.02. The Shares to be issued are fully paid ordinary shares and will rank equally in all respects with the Company's existing Shares on issue.
- (d) the Options under the Placement will be granted for nil consideration. The Options will have an exercise price of \$0.05, expire on 31 December 2014 and have further terms and conditions in Schedule 3;
- (e) the Shares and Options under the Placement will be issued to sophisticated and professional investors who are not related parties of the Company and the Directors participating in accordance with Resolution 2;
- (f) the Company will raise up to \$2,500,000 from the Placement, which will be used to continue funding exploration activities, pursue new opportunities in the resources sector and to provide for working capital requirements; and
- (g) a voting exclusion statement is included in the Notice.

5. Resolution 2 – Authorise Directors Participation in Placement

5.1 General

Subject to Resolution 1 being passed, Resolution 2 seeks Shareholder approval pursuant to Listing Rule 10.11 for the Directors and/or their nominees to participate in the issue of the Placement Securities up to a maximum of:

- (a) 20,000,000 Shares each at an issue price of \$0.02; and
- (b) 10,000,000 Options for no further consideration.

The terms and conditions upon which the Directors will subscribe for the Shares (together with free Options) under the Placement will be the same as other participants.

5.2 Listing Rule 10.11

Shareholder approval is required under Listing Rule 10.11 because the Directors are related parties of the Company.

Listing Rule 10.11 restricts the Company's ability to issue securities to Directors, unless approval is obtained from Shareholders. The effect of passing Resolution 2 will be to allow the Company to issue a maximum of 20,000,000 Shares (together with 10,000,000 Options being the 1 Option for every two Shares issued) in total to the Directors during the month after the Meeting (or a longer period, if allowed by ASX) without breaching Listing Rule 10.11 or using up the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 2 is an ordinary resolution. However it will not take effect unless Resolution 1 is also passed.

5.3 Specific Information Required by ASX Listing Rule 10.13

For the purposes of Listing Rule 10.13 information regarding the issue of the Placement Shares is provided as follows:

- (a) a maximum of 20,000,000 Shares and 10,000,000 Options will be issued to the Directors (or their nominees) under the Placement as follows:
 - (i) Ian Middlemas – 12,500,000 Shares and 6,250,000 Options;
 - (ii) Mark Pearce – 5,000,000 Shares and 2,500,000 Options ; and
 - (iii) David Cruse – 2,500,000 Shares and 1,250,000 Options;
 - (b) subject to receiving Shareholder approval, the Company will issue the Placement Securities no later than 1 months after the date of the Meeting (or such longer period of time as ASX may in its discretion allow). The Company may issue the Shares on completion of the Placement and delay the issue of the Options until such time as the Company has lodged a prospectus (which will be within 1 month of the date of the Meeting);
 - (c) the Shares under the Placement will be issued at an issue price of \$0.02. The Shares to be issued are fully paid ordinary shares and will rank equally in all respects with the Company's existing Shares on issue;
 - (d) the Options under the Placement will be granted for nil consideration. The Options will have an exercise price of \$0.05, expire on 31 December 2014 and have further terms and conditions in Schedule 3;
 - (e) the Company will raise up to \$400,000 from the participation of Directors in the Placement, which will be used to continue funding exploration activities, pursue new opportunities in the resources sector and to provide for working capital requirements; and
 - (f) a voting exclusion statement is included in the Notice.
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6. Resolution 3 – Debt for Equity Conversion

6.1 General

The Company currently has on issue 4,346,000 Convertible Notes each with a face value of \$0.65 (\$2,824,900). Each of the Convertible Notes is currently convertible per Share at the face value.

As part of the Recapitalisation, the Company is offering to the Convertible Note Holders the opportunity to convert all or part of their Convertible Notes to Shares at the same price as the Placement is being conducted. Resolution 3 seeks Shareholder approval for this variation of the Convertible Note Terms.

If Convertible Note Holders holding 3,230,000 Convertible Notes do not convert their Convertible Notes, then the Directors shall have the discretion to issue sufficient number of Shares (and Options) under the Top-up Facility on the same terms as the Placement and as would have been issued if all 3,230,000 Convertible Notes had been converted. Funds from the Top-up Facility will be used to repay those Convertible Notes not converted.

6.2 Listing Rule 7.1

Listing Rule 7.1 requires Shareholder approval for the proposed variation of the terms of the Convertible Notes. Listing Rule 7.1 provides, subject to certain exceptions, that Shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the Company's securities then on issue.

A variation of the terms of Convertible Notes is deemed by the ASX to be issue of securities to which Listing Rule 7.1 applies. Accordingly approval is being sought under Listing Rule 7.1.

Resolution 3 is an ordinary resolution.

6.3 Specific information required by Listing Rule 7.3

For the purposes of Listing Rule 7.3 information regarding the Debt for Equity Conversion and Top-up Facility variation of the Convertible Notes is provided as follows:

- (a) the Convertible Notes have the terms and conditions in Schedule 3 save that the Convertible Notes will be varied to provide for conversion at \$0.02 per Share together with 1 Option for each 2 Shares issued on conversion (currently the Convertible Notes convert at their face value of \$0.65 per Share);
- (b) the maximum number of Securities the Company intends to issue on conversion of all the Convertible Notes and under the Top-up Facility is 104,975,000 Shares and 52,487,500 Options;
- (c) the Company will vary the terms of the Convertible Notes and issue the securities under the Top-up Facility no later than 3 months after the date of the Meeting (or such longer period of time as ASX may, in its discretion, allow pursuant to a waiver of the Listing Rule 10.13.3);
- (d) the Shares will be issued on conversion of the Convertible Notes or under the Top-up Facility at \$0.02 per Share, being the same price as the Shares issued under the Placement;
- (e) the Options will be granted for nil consideration. The Options will have an exercise price of \$0.05, expire on 31 December 2014 and have further terms and conditions in Schedule 1;
- (f) the Shares will be issued to the Convertible Note Holders on conversion of the Convertible Notes who are listed in Schedule 2 or to participants in the Top-up Facility who will be professional and sophisticated investors (or otherwise investors that do not require a disclosure document) which are not related parties of the Company;
- (g) the Shares to be issued will be fully paid ordinary shares in the capital of the Company;
- (h) the Company will raise no funds from the variation of the terms or conversion of existing Convertible Notes;

- (i) the Company may raise up to \$2,099,500 from the issue of Shares under the Top-up Facility. The amount raised by the Top-up Facility will depend on the number of the Convertible Notes converted. Funds raised by the Top-up Facility will be used to repay the Convertible Notes not converted at any time up to their maturity date;
- (j) the Securities will be allotted progressively; and
- (k) a voting exclusion statement is included in the Notice.

7. Resolution 4 – Authorise Mr David Cruse to participate in Debt for Equity Conversion

7.1 General

Resolution 4 seeks Shareholder approval pursuant to Listing Rule 10.11 for Mr David Cruse to participate in the Debt for Equity Conversion proposed in Resolution 3.

The terms and conditions upon which the Mr David Cruse may participate in the Debt for Equity Conversion will be the same as other Convertible Note Holders.

7.2 Listing Rule 10.11

Pursuant to Listing Rule 10.11, Directors of a listed company are precluded from participating in any issue of securities in a company without the prior approval of Shareholders. A variation of the terms of Convertible Notes as proposed is deemed to be an issue of securities to which Listing Rule 10.11 applies.

Resolution 4 is an ordinary resolution. However it will not take effect unless Resolution 3 is also passed.

7.3 Specific information required by Listing Rule 10.13

The following information is provided to Shareholders for the purposes of Listing Rule 10.13:

- (a) the Convertible Notes have the terms and conditions in Schedule 3 save that the Convertible Notes will be varied to provide for conversion at \$0.02 per Share together with 1 Option for every 2 Shares issued on conversion (currently the Convertible Notes convert at their face value of \$0.65 per Share);
- (b) the maximum number of Securities the Company intends to issue to Mr David Cruse on conversion of the Convertible Notes held by Mr David Cruse is 2,502,500 Shares and 1,251,250 Options;
- (c) subject to receiving Shareholder approval, the Company will vary the terms of the Convertible Notes no later than 1 month after the date of the Meeting (or such longer period of time as ASX may, in its discretion, allow pursuant to a waiver of the Listing Rule 10.13.3);
- (d) the Shares will be issued on conversion of the Convertible Notes at a price of \$0.02 per Share, being the same price as the Shares issued under the Placement.

- (e) the Options will be granted for nil consideration. The Options will have an exercise price of \$0.05, expire on 31 December 2014 and have further terms and conditions in Schedule 1;
- (f) no funds will be raised by the conversion of the Convertible Notes held by Mr David Cruse; and
- (g) a voting exclusion statement is included in the Notice. and

8. Resolution 5 – Section 195 Approval

Section 195 of the Corporations Act essentially provides that a director of a public company may not vote or be present during meetings of directors when matters in which that director holds a 'material personal interest' are being considered.

Some of the Directors may have a material personal interest in the outcome of Resolutions 1 to 4. In the absence of this Resolution 5, the Directors may not be able to form a quorum at directors meetings necessary to carry out the terms of Resolutions 1 to 4.

The Directors have accordingly exercised their right under section 195(4) of the Corporations Act to put the issue to Shareholders to resolve upon.

9. Glossary

In this Explanatory Memorandum and Notice:

Argonaut means Argonaut Capital Limited ABN 18 099 761 547.

ASX means ASX Limited ABN 98 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

Board means the board of Directors.

Company means Odyssey Energy Limited ACN 116 151 636.

Convertible Note means convertible note on the terms and conditions set out in Schedule 3.

Debt for Equity Conversion has the meaning in Resolution 3.

Director means a director of the Company and **Directors** means the directors of the Company.

Explanatory Memorandum means the explanatory memorandum to the Notice.

Convertible Note Holders means holders of Convertible Notes in the Company who are listed in Schedule 2.

Listing Rules means the Listing Rules of ASX.

Meeting has the meaning given in the introductory paragraph of the Notice.

Notice means this notice of general meeting.

Option means an option which entitles the holder to subscribe for one Share on the terms and conditions set out in Schedule 1.

Placement has the meaning in Resolution 1.

Placement Securities has the meaning in Resolution 1.

Proxy Form means the proxy form attached to the Notice.

Rights Issue has the meaning given in section 3 of the Explanatory Memorandum.

Resolution means the resolution contained in this Notice.

Schedule means a schedule to this Notice.

Securities means the Shares and Options.

Share means, as contemplated by this Notice, a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

Top-up Facility has the meaning in Resolution 3.

WST means Western Standard Time, being the time in Perth, Western Australia.

Schedule 1 – Terms and Conditions of Options

(a) **Entitlement**

The Options entitle the holder to subscribe for one Share upon exercise of each Option.

(b) **Exercise Price and Expiry Date**

The Options have an exercise price of \$0.05 (“Exercise Price”) and an expiry date of 31 December 2014 (“Expiry Date”).

(c) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date.

(d) **Notice of Exercise**

The Options may be exercised by notice in writing to the Company (“Notice of Exercise”) and payment of the Exercise Price for each Option being exercised. Any Notice of Exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.

(e) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then shares of the Company.

(f) **Quotation of Shares on exercise**

Application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

(g) **Timing of issue of Shares**

Within 15 Business Days after the later of the following:

- (a) receipt of a Notice of Exercise given in accordance with these terms and conditions and payment of the Exercise Price for each Option being exercised the Company; and
- (b) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

the Company will:

- (a) allot and issue the Shares pursuant to the exercise of the Options;
- (b) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act or lodge a prospectus with ASIC that qualifies the Shares for resale under section 708A(11) of the Corporations Act; and
- (c) apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

(h) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten business days after the issue is announced. This will give the holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

(i) **Adjustment for bonus issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

(j) **Adjustment for rights issue**

If the Company makes an issue of Shares pro rata to existing Shareholders there will be no adjustment of the Exercise Price of an Option.

(k) **Adjustments for reorganisation**

If there is any reconstruction of the issued share capital of the Company, the rights of the Optionholders may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

(l) **Quotation of Options**

The Options will initially be unlisted Options. The Company intends to make an application for quotation of the Options. Should the ASX accept the application for quotation of the Options then the Options will be listed Options from the time that the ASX accepts such application.

(m) **Options transferable**

If the Options are not listed options, then they are transferable provided that the transfer of Options complies with section 707(3) of the Corporations Act. Should the Options become listed Options in accordance with paragraph (l) above then the Options will be transferable.

(n) **Lodgement Instructions**

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for shares on exercise of the Options with the appropriate remittance should be lodged at the Company's Registry.

Schedule 2 – Convertible Note Holders

HSBC Custodian Nominees Limited
Flue Holdings Pty Ltd
Ocean View WA Pty Ltd
Alleyndale Pty Ltd
Nutsville Pty Ltd
Neven Nikola Botica
Cantori Pty Ltd
Saltwater Group Pty Ltd
Minturn Pty Ltd
Dean Clark
Eric De Mori
David Durack
Greg Southee
Mrs Melissa Jayne Oliver
Greg & Carol Evans
AFM Perseus Fund Limited
Linkville Pty Ltd
Argonaut Equity Partners

Schedule 3 – Terms and Conditions of Convertible Notes

1. Interpretation and Definitions

Unless the context otherwise requires:

"Accounts" in relation to a company means the annual audited consolidated balance sheet and profit and loss accounts of that company and its Subsidiaries.

"Agency" means any government or governmental, semi-governmental or judicial entity or authority and includes any self-regulatory organisation established under statute or any stock exchange.

"Allotment Date" means the date on which Shares are issued under Note Condition 6 on a Conversion being on or before that date that is:

- (a) ten (10) Business Days after the date of delivery of a Notice to the Company, if the Company is capable of issuing a section 708A(5) notice, or
- (b) thirty (30) Business Days after the date of delivery of a Notice to the Company, if the Company is not capable of issuing a section 708A(5) notice; or
- (c) determined in Note Condition 5(e)(iii)(A) or 5(e)(iii)(B), as applicable,

or such other agreed date except as provided in Note Condition 4(d), where applicable.

"ASX" means Australian Stock Exchange Limited.

"Bonus Issue" means an issue of any Securities by way of capitalisation of profits, reserves, share premium account or capital redemption reserve fund or otherwise, but excluding any issue of Securities made in place of a cash payment as a dividend under the Constitution of the Company.

"Bonus Securities" means Securities issued under a Bonus Issue.

"Business Day" means any day on which Trading Banks are open for normal banking business in WA.

"Company" means Odyssey Energy Limited ABN 73 116 151 636 of Level 9, BGC Centre, 28 The Esplanade, Perth, Western Australia.

"Constitution" means, in relation to any corporation, the constitution, or memorandum and articles of association or other like document regulating the internal affairs of such corporation.

"Conversion" means the conversion of the Convertible Notes into Shares under the Note Conditions, and **"Convert"** and **"Converted"** will be interpreted accordingly.

"Conversion Amount" means the Total Amount.

"Conversion Date" means the Business Day immediately prior to that date which is the date of delivery of a Notice to the Company in accordance with Note Condition 5(a).

"Conversion Period" means the period from the earlier to occur of:

- (a) 4 December 2006 if the Company is capable of issuing a section 708A(5) notice; and
- (b) 1 February 2007, if the Company is not capable of issuing a section 708A(5) notice

unless the Company proposes a merger by scheme of arrangement or a takeover bid (as defined in the Corporations Act) in which case the conversion period commences on the announcement of the merger or takeover bid, to the later to occur of:

- (a) five (5) years from the Issue Date;
- (b) the date on which the Noteholder makes a determination under Note Condition 13; or
- (c) the date on which the notice period as set out in Note Condition 9, expires under Note Condition 9.

"Conversion Price" means the Face Value.

"Conversion Shares" mean the Shares into which the Conversion Amount may be Converted in accordance with Note Condition 5.

"Convertible Note" means a Convertible Note having the Face Value and issued in accordance with and subject to the Note Conditions.

"Convertible Note Certificate" means the document of that name to which these Note Conditions of issue are attached.

"Corporations Act" means the Corporations Act 2001 (Cth).

"Face Value" means as defined in Note Condition 2.

"Event of Default" means any of the events of default mentioned in Note Condition 13.

"Indebtedness" means any indebtedness, present or future, actual or contingent in respect of monies borrowed or raised or any financial accommodation whatever. Without limitation it includes indebtedness under or in respect of a negotiation or other financial instrument, guarantee, redeemable share, share the subject of a guarantee, discounting arrangement, finance or capital lease, hire purchase, deferred purchase price (for more than ninety (90) days) of an asset or service or an obligation to deliver goods or other property or provide services paid for in advance by a financier or in relation to another financing transaction but does not include any off balance sheet, operating lease or any payment by a trade customer in advance of delivery of goods or services on ordinary commercial terms.

"Interest" means the interest payable to the Noteholder in accordance with Note Condition 4.

"Interest Period" means the period commencing on the Issue Date and ending on the earlier to occur of the following:

- (a) the Conversion Date; and
- (b) the date the Convertible Notes is repaid in accordance with Note Condition 8 or 13 or redeemed in accordance Note Condition 9.

"Interest Rate" means as the rate of nine percent (9%) per annum.

"Issue Date" means 23 March 2006 or such other date as may be agreed between the Company and the Noteholder.

"Material Adverse Effect" means a material adverse effect on the ability of the Company to perform its obligations under the Note Conditions or on the financial condition or business of the Company.

"Note Conditions" means these conditions of issue of the Convertible Notes.

"Noteholder" means as defined in the Convertible Note Certificate.

"Notice" means the Notice of Conversion in or substantially in the form of Schedule 1.

"Officer of the Noteholder" means each of the managing director, the general manager, a manager, a director, or a secretary for the time being of the Noteholder and any person for the time being acting in place of any such persons.

"Repayment Amount" means the Total Amount and outstanding Interest.

"Securities" includes shares, debentures, debenture stock, notes and any options or rights to subscribe for any of them.

"Share" means one fully paid ordinary share in the capital of the Company, provided that if prior to any Conversion Date the fully paid ordinary shares in the capital of the Company are consolidated or divided then the expression **"Share"** means such number of ordinary shares in the capital of the Company as is derived from an ordinary share in the capital of the Company pursuant to consolidation or subdivision.

"Subsidiary" and **"Related Body Corporate"** have the meaning given to those terms by the Corporations Act.

"Tax" means and includes any tax, levy, impost, deduction, charge, rate, duty, compulsory loan or withholding which is levied or imposed by a Governmental Agency, and any related interest, penalty, charge or other amount.

"Termination Date" means the earlier to occur of the date:

- (a) 5 years from the Issue Date;
- (b) the Noteholder makes a declaration in accordance with Note Condition 13; or
- (c) the date determined in accordance with Note Condition 9.

"Total Amount" means the total of the Face Value of all of the Convertible Notes in the Convertible Note Certificate.

"Trading Bank" has the meaning, given to it by section 5(1) of the Banking Act 1959 of the Commonwealth of Australia.

"Transaction Documents" means the Note Conditions, the Convertible Note Certificate and any Notice issued pursuant to the provisions of the Note Conditions.

2. Face Value

Each of the Convertible Notes has a face value of \$0.65 ("**Face Value**") which will be paid by the Noteholder to the Company in cleared funds on or before the Issue Date.

3. Terms of Issue of Convertible Notes

- (a) Each of the Convertible Notes:
 - (i) may be converted into Shares by the Noteholder in accordance with Note Condition 5;
 - (ii) is interest bearing in accordance with Note Condition 4;
 - (iii) unless Converted by the Noteholder or redeemed by the Company in accordance with the Note Conditions, entitles the Noteholder to be paid by the Company the Repayment Amount on the Termination Date;
 - (iv) is unlisted; and
 - (v) cannot be transferred.
- (b) If all of the Convertible Notes are redeemed, repaid or Converted then the Convertible Notes are automatically cancelled and may not be re-issued.

4. Interest

- (a) The Company agrees to pay interest during the Interest Period at the Interest Rate on the Face Value.
- (b) Interest:
 - (i) accrues daily during the Interest Period;
 - (ii) is calculated on actual days elapsed and a year of 365 days; and
 - (iii) is payable three (3) monthly in arrears.
- (c) Interest will cease to accrue on the earlier of the following:
 - (i) the Conversion Date; and
 - (ii) the date all the Convertible Notes are repaid in accordance with Note Condition 8 or 13 or redeemed under Note Condition 9.

- (d) The Company may at any time during the Conversion Period elect at its discretion to satisfy its obligations under Note Conditions 4(b) and 5(c) by issuing Shares to the Noteholder at the price per Share determined in Note Condition 4(f) on the due date of the Interest payment.
- (e) A certificate signed by two directors of the Company as to the amount of interest that has accrued and is payable on each of the Convertible Notes is (in the absence of manifest error) conclusive and binding on the Noteholder.
- (f) The price per Share at which Shares will be issued in lieu of the payment of Interest will be the volume weighted average share price of the Shares of the Company over the 30 day period immediately preceding the due date of the Interest payment.

5. Conversion of Convertible Notes

- (a) The Noteholder may at anytime during the Conversion Period Convert the Conversion Amount in whole into Shares at the Conversion Price by delivery to the Company of the Notice duly executed by the Noteholder, completed as to the Conversion Amount and the number of Shares to be issued on Conversion;
- (b) A Notice, once given, is irrevocable;
- (c) Within five Business Days after the Allotment Date the Company will pay to the Noteholder the amount of Interest outstanding at the Conversion Date; and
- (d) The Conversion Amount is not capable of Conversion in part.
- (e) Notwithstanding anything to the contrary contained or implied in the Transaction Documents:
 - (i) the Company must give the Noteholder notice of the Company's intention to lodge a prospectus at least five (5) Business Days prior to lodgement;
 - (ii) if the Noteholder receives a notice from the Company under Note Condition 5(e)(i), then prior to the commencement of the Conversion Period, the Noteholder may give the Company a Notice; and
 - (iii) if the Company lodges a prospectus and the Notice is received by the Company prior to the Company closing the offer of Shares under the prospectus, then the Convertible Notes will be Converted and the Shares issued on the date which the:
 - (A) prospectus is lodged, if the Notice is received by the Company prior to the lodgement of the prospectus; or
 - (B) Notice is received by the Company, if the Notice is received after the lodgement of the prospectus but before the close of the offer of Shares under the prospectus.

6. Allotment and Ranking of Shares

- (a) The Company will on the Allotment Date issue the Shares to which the Noteholder is entitled on Conversion.
- (b) The Company must, not later than two (2) Business Days after the Allotment Date, forward free of charge to the Noteholder a certificate for the issued Shares or if the Shares are uncertificated, a notice of entitlement in respect of those Shares, and must within that time apply for official quotation of those Shares as provided under Note Condition 14(a)(ii).
- (c) On the issue to the Noteholder of the Share certificates or the notice of entitlement referred to in Note Condition 6(b), the Total Amount is deemed to be repaid.
- (d) The Shares issued on Conversion must rank *pari passu* and form one class with the other Shares on issue at the Conversion Date.

7. Bonus Issues and Reconstruction

- (a) If at any time after the Issue Date but before the Termination Date or Conversion Date, the Company makes a Bonus Issue and issues to the holders of Shares any Bonus Securities, then the Company must issue to the Noteholder Bonus Securities of the number which the Noteholder would have been entitled to receive by way of participation in the issue of Bonus Securities if it had Converted the Convertible Notes into Shares:
 - (i) immediately before the issue of Bonus Securities; or
 - (ii) if before the Conversion there has been more than one issue of Bonus Securities, immediately before the first issue of Bonus Securities, and had retained all the Shares issued on Conversion together with all the Bonus Securities which would have been issued to it under this Note Condition following the first issue.
- (b) Fractional entitlements are disregarded for the purposes of this Note Condition.
- (c) If at any time after the Issue Date but before the date the Total Amount has been Converted, there occurs any reduction, repayment by way of reduction, consolidation or division of the issued capital of the Company, then subject to the ASX Listing Rules the entitlement of the Noteholder to Convert the Convertible Notes must be reconstructed in the same proportion and manner as that reduction, repayment by way of reduction, consolidation or division of the issued capital of the Company (subject to the same provisions, if any, with respect to the rounding of entitlements) as are approved by the meeting of members of the Company which approves that reconstruction of capital.
- (d) If:
 - (i) the Company ("**first company**") merges with another company ("**third party**"); or
 - (ii) the first company enters into an arrangement under which its operations are disposed of to a third party,

the Company must ensure that it is a condition of the merger or arrangement that the right to Convert in relation to the first company is transferred to a right to Convert into ordinary shares in the third party at the Conversion Price which would put the Noteholder in the same position after the merger or arrangement that it was in before the merger or arrangement relative to the weighted average trading price of the first company for the thirty (30) days before the date of the public announcement of the merger or arrangement.

8. Repayment

On the Termination Date the Company must repay the Repayment Amount to the Noteholder if the Convertible Notes have not been Converted or redeemed by the Company in accordance with the Note Conditions.

9. Redemption

Subject to the other provisions of the Transaction Documents:

- (a) the Company may at any time 30 months after the Issue Date, and provided
 - (i) that the Company is not in material breach of any terms of the Transaction Documents;
 - (ii) the Noteholder has not made a declaration in accordance with Note Condition 13; and
 - (iii) the Noteholder has not given a notice under Note Condition 5(a),give the Noteholder 20 Business Days written notice of its intention to repay the Repayment Amount and redeem the Convertible Notes; and
- (b) if after the expiry of the notice period in Note Condition 9(a) above and provided the Noteholder has not converted the Convertible Notes in accordance with Note Condition 5 the Company may redeem the Convertible Notes by paying the Repayment Amount.

10. Security

The Convertible Notes are unsecured.

11. Noteholder's Right to Attend General Meetings

- (a) The Company must give the Noteholder notice of all general meetings as if the Noteholder were a shareholder in the Company.
- (b) The Noteholder may attend all general meetings of the Company but may not vote unless permitted by the Corporations Act or ASX Listing Rules.

12. Representations and Warranties

The Company represents and warrants for the benefit of the Noteholder as at the Issue Date that other than as disclosed to the Noteholder:

- (a) the Company is a corporation validly existing under the laws of the place of its incorporation;
- (b) the Company has full power and authority (corporate and other) to borrow as provided in the Note Conditions and full power and authority (corporate or other) to execute the Note Conditions and the Convertible Note Certificate annexed to the Note Conditions and full power to perform its obligations under the Note Conditions and to observe all the terms and provisions of the Note Conditions;
- (c) all corporate action on the part of the Company and its directors necessary for the authorisation, execution and performance of the Convertible Note Certificate and the Note Conditions has been duly taken;
- (d) each of the Transaction Documents has been duly authorised and executed by the Company and are enforceable against the Company;
- (e) neither the Constitution of the Company nor the provisions of any obligation, agreement or arrangement to which the Company is a party or by which it is bound or any statute, rule or regulation or any judgment, decree or order of any court or agency binding on the Company has been or will be contravened by the execution, delivery and performance of the Convertible Notes;
- (f) no event has occurred and is continuing which constitutes an Event of Default or which with lapse of time or notice of other conditions would become an Event of Default;
- (g) to the best of the Company's knowledge, information and belief no litigation, arbitration, Tax claim, dispute or administrative or other proceeding is current or pending or to its knowledge, threatened, which if adversely determined is likely to have a Material Adverse Effect;
- (h) the Company is not in material default under a document or agreement binding on it or its assets which relates to Indebtedness and nothing has occurred which constitutes an event of default, cancellation event, prepayment event or similar event (whatever called) under those documents or agreements, whether immediately or after notice or lapse of time or both, and which is subsisting;
- (i) all information provided by the Company to the Noteholder is true in all material respects at the Issue Date;
- (j) the Company has complied with all laws binding on it, where breach may have a Material Adverse Effect, and has not at any time failed to make full disclosure of material information to the public in accordance with the ASX Listing Rules and the Corporations Act;

- (k) the Company does not hold any assets as the trustee of any trust other than:
 - (i) any implied, constructive or resulting trust which arises as part of the ordinary course of its business;
 - (ii) any superannuation trust which has been notified to the Noteholder; and
 - (iii) each of the representations and warranties above are true and accurate also in respect of any Subsidiary of the Company.
-

13. Events of Default and Early Repayment

Upon the occurrence without the prior written consent of the Noteholder of any of the following events, that is to say:

- (a) the Company fails to make, within twenty (20) Business Days of the due date, any payment due in accordance with the Note Conditions;
- (b) the Company makes default in duly performing or observing any of the undertakings or agreements on its part contained in the Note Conditions other than as specified in Note Condition 13(a) and such default, if capable of remedy, is not remedied for a period of twenty one (21) days after notice from the Noteholder requiring such default to be remedied;
- (c) any representations or warranties contained in the Note Conditions are found to have been false or misleading in any material respect when made;
- (d) a judgment is entered against the Company or any Subsidiary or Related Body Corporate of the Company on a claim not covered by insurance and such judgment, in the reasonably formed opinion of the Noteholder, has a Material Adverse Effect on the financial position of the Company or the Subsidiary or Related Body Corporate;
- (e) a petition is lodged and is not withdrawn or struck out within fourteen (14) Business Days of lodgement or is not contested on a bona fide basis or an order is made or a resolution is passed for the winding up of the Company or any Subsidiary or Related Body Corporate of the Company or placing the Company or any Subsidiary or Related Body Corporate of the Company under voluntary administration, or any meeting is convened for the purposes of considering the said resolutions;
- (f) a receiver or receiver and manager or administrator of the undertaking or property of the Company or any Subsidiary or Related Body Corporate of the Company or any part of the Company is appointed;
- (g) the Company or any Subsidiary or Related Body Corporate of the Company has failed to comply with a statutory demand, within the meaning of section 459F of the Corporations Act 2001 (Cth);
- (h) the Company or any Subsidiary or Related Body Corporate of the Company suspends payment of its debts (which words shall have the same meaning as when used in Section 40 of the Bankruptcy Act 1966) or the Company or any Subsidiary or Related Body Corporate of the Company, without the consent in writing of the Noteholder, ceases or threatens to cease to carry on a substantial part of its business;

- (i) the Company or any Subsidiary or Related Body Corporate of the Company fails:
 - (i) to comply with any of its other obligations under the Note Conditions and, if in the opinion of the Noteholder that failure can be remedied within ten (10) Business Days, does not remedy the failure within ten (10) Business Days of notice from the Noteholder of that failure;
 - (ii) without prior consent of the Noteholder, the Company or any Subsidiary or Related Body Corporate of the Company:
 - (A) reduces its capital (including, without limitation, a purchase of its shares but excluding a redemption of redeemable shares);
 - (B) passes a resolution to reduce its capital or to authorise it to purchase its shares; or
 - (C) applies to a Court to call any such meeting or to sanction any such resolution or reduction;
- (j) any other event or series of events, whether related or not, occurs which has a Material Adverse Effect;
- (k) the main business undertaking of the Company or any Subsidiary or Related Body Corporate of the Company is sold; or
- (l) the Company is removed from the Official List of ASX.

then in any such event, and at any time thereafter, the Noteholder may by written notice to the Company declare the Convertible Notes due and payable and the same shall become immediately due and payable on the date of that declaration.

14. Covenants by the Company

- (a) At all times during the Conversion Period the Company must:
 - (i) execute and do all acts and things as are reasonably necessary for conferring the full benefit of the Convertible Notes and the Note Conditions on the Noteholder;
 - (ii) ensure that the Company applies for quotation of the Shares issued on Conversion in accordance with the ASX Listing Rules and Note Condition 4;
 - (iii) not amend its Constitution or alter the voting or other rights attached to the Shares in a manner which is prejudicial to the interests of the Noteholder;
 - (iv) observe and perform all the covenants, conditions and agreements contained in the Note Conditions and the Transaction Documents;
 - (v) give notice to the Noteholder immediately upon becoming aware that the power to control more than 50% of the issued Shares will or is likely to change;
 - (vi) not breach in any material respect any material agreement binding on it;

- (vii) not default in the payment of a material sum, or not comply with a material obligation in respect of Indebtedness or a guarantee;
- (viii) ensure that the most recent Accounts are prepared in accordance with applicable Australian accounting standards and contain all information necessary to give a true and accurate view of the financial position of the Company as at the date to which they relate;
- (ix) ensure that all information provided to the Noteholder by or on behalf of the Company in respect of its business and affairs, is true and correct as at the time it is given in all material respects;
- (x) make full disclosure of material information to the public in accordance with the ASX Listing Rules and the Corporations Act;
- (xi) file all corporate notices and effect all registrations with all relevant Agencies as required by all applicable laws; and
- (xii) comply with all Tax laws in all applicable jurisdictions and pay all Taxes due and payable by it other than Taxes being contested in good faith.

15. Replacement of Certificates

- (a) If at any time the Noteholder Converts or the Company redeems the Convertible Notes then the Noteholder shall deliver to the Company the Convertible Note Certificate and the Company shall cancel the Convertible Note Certificate.
- (b) If a Convertible Note Certificate becomes worn out or defaced, on production and delivery of that Convertible Note Certificate to the Company that Convertible Note Certificate may be cancelled and a new Convertible Note Certificate issued in place of the worn out or defaced Convertible Note Certificate within three (3) Business Days of production of the relevant Convertible Note Certificate to the Company.
- (c) If a Convertible Note Certificate is lost or destroyed then subject to the Noteholder, at its expense, providing proof of that loss or destruction and an indemnity satisfactory to the Company, a new Convertible Note Certificate will be given to the person entitled to that lost or destroyed Convertible Note Certificate within three (3) Business Days of the Noteholder providing the evidence and indemnity required by this Note Condition.

16. Register

- (a) The Company must establish and maintain a register and enter on the register the name and address of the Noteholder and the date of issue of the Convertible Notes.
- (b) If any change of name and address of the Noteholder is notified in writing to the Company, the register must be altered accordingly.

17. Miscellaneous

- (a) In the Note Conditions unless the context otherwise requires:
 - (i) the singular shall include the plural and vice versa;
 - (ii) the use of one gender shall include all other genders;
 - (iii) representations, agreements, covenants, obligations or warranties, by more than one person shall include those persons jointly and each of them severally;
 - (iv) the use of the term "**person**" means and includes a natural person or firm; and
 - (v) the use of expressions such as "**including**" and "**in particular**" and the like does not imply any limitation of the preceding general category or class referred to.
- (b) Headings in the Note Conditions are for reference purposes only and are not intended to affect the interpretation of the Note Conditions.
- (c) The Note Conditions shall be governed by and construed by reference to the law applicable in Western Australia. The parties submit to the non-exclusive jurisdiction of courts exercising jurisdiction in Western Australia in connection with the Note Conditions.
- (d) If any provision or part of a provision of the Note Conditions is or becomes void, invalid or unenforceable that provision or part shall be severed from the Note Conditions but the remainder of the Note Conditions shall continue in full force and effect.
- (e) A reference to any statutory enactment shall include all amendments for the time being in force and any other statute enacted in substitution for and the regulations by-laws or other orders for the time being made under that statutory enactment.
- (f) Any demand, notice, consent or other communication to be made or given under the Note Conditions shall be in writing and signed by the party giving it and shall be served either by delivery, by facsimile, by email or by pre-paid courier to the address of the party as specified in Note Condition 17(h) or at such substituted address as may be advised by notice in writing from time to time.
- (g) All notices shall be deemed to be received when sent by:
 - (i) courier or delivered on the date of delivery if the notice is received prior 5.00pm (WST Australia) or the next day after delivery if the notice arrives after 5.00pm (WST Australia); or
 - (ii) facsimile or email on the date of receipt if the notice is received prior 5.00pm (WST Australia) or the next day after receipt if the notice arrives after 5.00pm (WST Australia).

- (h) Notice under these Note Conditions must be given as follows:
- (i) Company
 - Odyssey Energy Limited
 - Attention: Company Secretary
 - Level 9, 28 The Esplanade
 - PERTH WA 6000
 - Fax: +61 (08) 9322 6558
 - (ii) Noteholder
 - Attention:
 - Fax:
 - Email:
- (i) Any reference to the Note Conditions herein means and includes the schedules and annexures (if any) to the Note Conditions, and which are deemed to form part thereof.
- (j) Unless the context otherwise requires, references in the Note Conditions to recitals, conditions, schedules or annexures, mean and constitute references to the recitals, conditions, schedules or annexures (if any) of the Note Conditions.
- (k) No party shall be taken to have waived any breach of the Note Conditions by any other party unless such waiver shall be in writing, and signed by the party granting the waiver. No waiver, forbearance or failure by a party of its right to enforce any provision of the Note Conditions shall constitute a waiver or estoppel of such party's right to enforce that provision thereafter or to enforce any other provision of the Note Conditions.
- (l) The Note Conditions shall bind and benefit each of the parties and their respective personal representatives, successors and permitted assigns.
- (m) Where the day or date appointed or specified by the Note Conditions for the payment of any money is not a Business Day, the day or last day by which payment of that money shall be made shall be deemed to be the next following Business Day.
- (n) Notwithstanding anything said or written prior to execution, the Note Conditions and the Transaction Documents embody the entire understanding of the parties and constitutes the entire terms agreed upon between them and supersedes and replaces entirely any prior written or oral agreement between the parties concerning the advance of the Face Value.
- (o) Each of the parties covenants and agrees to execute, complete, deliver, make and do all such other assurances, documents, instruments, notices, acts and things as may be necessary or required for effectually carrying out the terms of the Note Conditions.
- (p) Any payment to be made in accordance with the terms of the Note Conditions shall be made in cash or by bank cheque unless the parties agree otherwise.

- (q) The Company shall bear the legal costs in connection with the preparation, registration and stamping of all documentation relating to the Convertible Notes, including the Note Conditions.
- (r) No amendment to the Note Conditions shall be effective unless in writing and signed by all parties.
- (s) All remedies afforded under the Note Conditions shall be taken and construed as cumulative and in addition to every other remedy provided in the Note Conditions or by law or at equity.
- (t) A reference to money is a reference to Australian currency unless otherwise specified.

ODYSSEY ENERGY LIMITED

ABN 73 116 151 636

PROXY FORM

The Company Secretary
Odyssey Energy Limited

By delivery:
Level 9, 28 The Esplanade
PERTH WA 6000

By post:
PO Box Z5083
PERTH WA 6831

By facsimile:
+61 8 9322 6558

For information on returning this proxy form please see instructions over the page.

I/We¹ _____

of _____

being a Shareholder/Shareholders of the Company and entitled _____

votes in the Company, hereby appoint² _____

or failing such appointment the chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the meeting of the Company to be held at Plaza Level, BGC Centre, 28 The Esplanade, Perth, Western Australia on Wednesday 1 December 2010 at 10.00am (WST) and at any adjournment thereof in the manner indicated below or, in the absence of indication, as he thinks fit. If 2 proxies are appointed, the proportion or number of votes this proxy is authorised to exercise is * []% of the Shareholder's votes*/ [] of the Shareholder's votes. (An additional Proxy Form will be supplied by the Company, on request).

INSTRUCTIONS AS TO VOTING ON RESOLUTION

If the chairman of the Meeting is to be your proxy and you have not directed your proxy how to vote on the Resolutions 1 to 4 please tick this box. By marking this box you acknowledge that the chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of Resolutions 1 to 4 and that votes cast by him, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the chairman of the Meeting will not cast your votes on the Resolutions 1 to 4 and your votes will not be counted in computing the required majority if a poll is called on these Resolutions 1 to 4.

The chairman of the Meeting intends to vote undirected proxies in favour of the Resolutions.

		For	Against	Abstain
Resolution 1	Authority to Issue Placement Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Authorise Directors Participation in Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Debt for Equity Conversion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Authorise Mr David Cruse to participate in Debt for Equity Conversion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Section 195 Approval	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Authorised signature/s This section **must** be signed in accordance with the instructions below to enable your voting instructions to be implemented.

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

¹Insert name and address of Shareholder

²Insert name and address of proxy

*Omit if not applicable

Proxy Notes:

A Shareholder entitled to attend and vote at the Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting, the representative of the body corporate to attend the Meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

- Joint Holding: where the holding is in more than one name all of the holders must sign.
- Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.
- Companies: a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Meeting the appropriate 'Certificate of Appointment of Representative' should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Return of Proxy Forms

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the Company's office as set out below not less than 48 hours prior to the time of commencement of the meeting (WST).

Facsimile: +61 8 9322 6558

Post: PO Box Z5083, Perth, WA, 6831

Delivery: Level 9, BGC Centre
 28 The Esplanade
 Perth WA 6000