



ODYSSEY ENERGY LIMITED

ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 28 JANUARY 2011

DECEMBER 2010 QUARTERLY REPORT

The Board of Odyssey Energy Limited (“Odyssey” or “Company”) is pleased to present its December 2010 quarterly report.

- *During the quarter the Company assessed a number of new business opportunities and is continuing to actively pursue a number of opportunities in the resources sector.*
- *The Company has now substantially progressed its recapitalisation, which will greatly assist with the objective of securing new projects. Argonaut Capital were mandated to assist with a recapitalisation involving:*
 - **Share Placement** – *the issue of 125 million shares at \$0.02 per share in December 2010. These shares have an entitlement to one option for every two new shares issued at no further consideration. These options will be exercisable at \$0.05 on or before 31 December 2014;*
 - **Debt for Equity** – *conversion of convertible notes with a face value of approximately \$2.05 million into 102,494,993 shares together with an entitlement to 51,247,498 options (on the same terms and conditions as above); and*
 - **1 for 2 non-renounceable entitlements issue** – *The Company issued a prospectus in December 2010 for the issue of new shares under an entitlements issue at \$0.02 per share with the same rights to options as the above share placement. The entitlement offer closes on 31 January 2011.*

The Board will continue to focus on creating value from the Company’s existing resource assets, as well as pursuing new opportunities in the resources sector and as and when acquisitions are completed the Company will make appropriate announcements.

Enquiries-

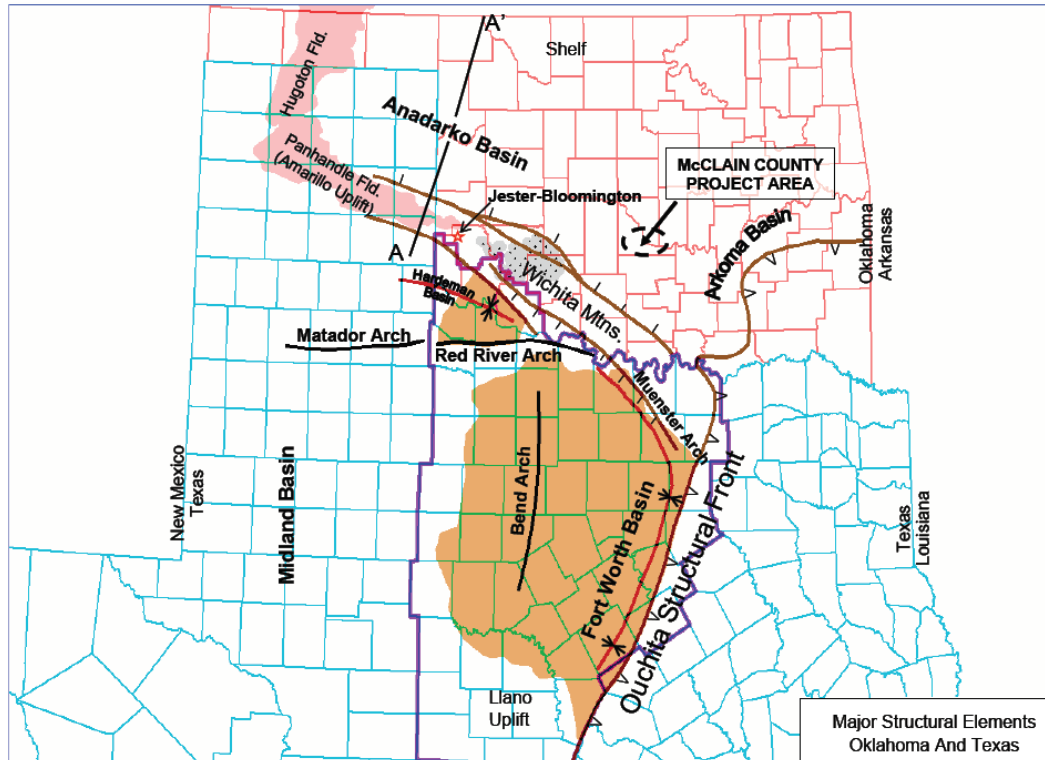
Mark Pearce
Contact Details:

Company Secretary
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Operations - McClain County Project – Odyssey 50% WI:

In mid 2008 Odyssey acquired a 50% working interest in a new project area in Oklahoma comprising 1,626 gross acres, and targeting gas and associated oil in the Woodford Shale at between 6,000 and 8,000 feet.

The Company is undertaking desktop geological and other technical studies which will, initially focusing on the results achieved by other operations in the area.



McClain County Oil & Gas Project, South-Central Oklahoma

Corporate

Recapitalisation

As announced last quarter, the Company has mandated Argonaut Capital, on a reasonable endeavours basis, to manage the recapitalisation process.

Following shareholder approval in December 2010, the Company has now completed:

- the issue of 125 million shares at \$0.02 per share - one option has or will be granted for every two new shares issued at no further consideration. These options are exercisable at \$0.05 on or before 31 December 2014; and
- conversion of convertible notes with a face value of approximately \$2.05 million into 102,494,993 shares together with an entitlement to 51,247,498 options (on the same terms and conditions as above).

The prospectus for the 1 for 2 non-renounceable entitlements issue was lodged in December 2010, with the offer closing on 31 January 2011.

Business Development

During the quarter the Company assessed a number of new business opportunities and is continuing to actively pursue a number of opportunities in the resources sector, both domestic and overseas.

However no agreements have been reached and the Directors are not able to assess the likelihood or timing of a successful outcome of any of the opportunities.

Investments

The Company continues to hold 27.5 million shares in Marion Energy Limited which it received following the sale of its subsidiary OEL Operating (USA) to Marion.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

ODYSSEY ENERGY LIMITED

ABN

71 116 151 636

Quarter ended ("current quarter")

31 DECEMBER 2010

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	-	(5)
(b) development	-	-
(c) production	-	-
(d) administration	(225)	(251)
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	(290)	(354)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material) - Business Development	-	-
Net Operating Cash Flows	(514)	(609)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(514)	(609)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(514)	(609)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	2,500	2,500
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	100
1.17	Repayment of borrowings	(1,040)	(1,040)
1.18	Dividends paid	-	-
1.19	Other (provide details if material) - capital raising expenses	(97)	(99)
	Net financing cash flows	1,363	1,461
	Net increase (decrease) in cash held	849	852
1.20	Cash at beginning of quarter/year to date	26	23
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	875	875

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	182
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 Directors fees, superannuation 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

Conversion of convertible notes with a face value of approximately \$2.05 million into 102,494,993 shares together with 51,247,498 options. The options are exercisable at \$0.05 on or before 31 December 2014.

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

Not applicable.

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	50
4.2 Development	-
4.3 Production	-
4.4 Administration	200
Total	250

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	875	26
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	875	26

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference + securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	287,399,784	287,399,784	Not applicable	Not applicable
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	227,494,993	227,494,993	\$0.02	\$0.02
7.5 +Convertible debt securities <i>(description)</i>	1,192,308	-	Not applicable	Not applicable
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, or converted	3,153,692	-	Not applicable	Not applicable
7.7 Options <i>(description and conversion factor)</i>	113,747,498	113,747,498	<i>Exercise price</i> \$0.05	<i>Expiry date</i> 31 Dec 2014
7.8 Issued during quarter	113,747,498	113,747,498	<i>Exercise price</i> \$0.05	<i>Expiry date</i> 31 Dec 2014
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: 28 January 2011
(~~Director~~/Company secretary)

Print name: MARK 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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