ODYSSEY
ENERGY LIMITED

ANNOUNCEMENT TO THE AUSTRALIAN STOCK EXCHANGE: 31 OCTOBER 2006

SEPTEMBER 2006 QUARTERLY REPORT

The Board of Odyssey Energy Limited ("Odyssey" or "Company") is pleased to present its September 2006 quarterly report. During the September quarter, the Company:

- *Successfully completed the Cordingly Canyon #15-1 well, which has been flow tested at rates in excess of 2.0 million cubic feet per day ("mmcfgd"). Cordingly Canyon #15-1 is the fourth well to be successfully flow tested, and the sixth well to be drilled to the primary Ferron objective in the Company's North Helper Gas Project;*

- *Drilled the first three wells in the project's accelerated drilling program, including one Ferron and two dedicated Mancos Shale wells;*

- *Completed the acquisition of an additional 22,798 acres on-trend with the original 5,023 acre North Helper Gas Project, giving the Company a 30% Working Interest in 27,981 gross acres in the expanded project area;*

- *Drilled the first well at the Company's 33.3% owned Jester-Bloomington Gas Field Re-Development Project. The McAlexander #1 well intersected both the Brown Dolomite and Granite Wash reservoirs with a gross thickness of approximately 120 feet and good gas shows;*

- *Completed a placement of 12,000,000 shares at $0.60 each to clients of Argonaut Securities Pty Ltd to raise $7.2 million in new capital (before costs). The capital raised will be used to fund the accelerated drilling and development program at North Helper, pursue business development activities and to provide general working capital.*

- *Appointed Mark O'Clery as Managing Director and Mark Pearce as Finance Director of the Company.*

At the time of writing this report, all six Ferron wells in the North Helper Gas Project had been tied into production infrastructure and commenced the process of clean-up and de-watering, with associated gas sales. Initial high water rates are consistent with highly permeable coals, with gas rates expected to increase as the de-watering and clean-up process continues as is typical of coal-bed methane wells.

In Oklahoma, McAlexander#1 has been completed and fracture stimulated and is awaiting testing. Operator is currently negotiating access to nearby gas gathering lines and associated production infrastructure as well as the rights to a number of adjacent shut-in wells; with the objective of re-completing these wells in conjunction with the McAlexander#1 test and ultimately tying-in multiple wells to re-establish field production. Several of these shut-in wells have been the subject of initial short-term tests with significant gas flows recorded, indicating that the reservoirs in these areas of the field may have re-charged.

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The North Helper Gas Project ("North Helper" or "NHGP") – ODY 30% WI

Drilling and Testing Results

Six wells have now been drilled to the Ferron objective in the North Helper Gas Project area, with all intersecting the offsetting productive sands and coals, and exhibiting comparable gas shows.

Of these wells, four have been flow tested to date, with Kenilworth Railroad # 1 tested at a rate in excess of 1.3 mmcfgd, Kenilworth Railroad # 2 tested at rate in excess of 1.1 mmcfgd, Ball Park Canyon # 1 tested at a stabilised rate of 2.0 mmcfgd (and peak flow rates in excess of 4.0 mmcfgd), and Cordingly Canyon # 15-1 tested at a rate in excess of 2.0 mmcfgd.

The test results achieved to date (flow rates in all Ferron wells in excess of 1.0 mmcfgd) are considered in part due to an aggressive completion program incorporating a high density of perforations and multi-stage fracture stimulation program, together with enhanced permeability in the Ferron due to secondary fracturing of the reservoirs.

All six Ferron wells are now tied into production infrastructure and have commenced the process of clean-up and de-watering (with associated gas sales) typical of coal-bed methane wells.

Accelerated Drilling Program

In June 2006 a 15-well drilling program at NHGP commenced, which is now expected to be completed in the March 2007 quarter. This accelerated program is based on the encouraging results from drilling to date, and represents an effective doubling of the activity initially proposed for the area as documented in the Company's IPO Prospectus.

The new drilling program is planned to be completed in two stages (on a trouble free basis), with the first phase consisting of eight wells; the vertical Ferron and Mancos Shale Cordingly Canyon #11-1 and #15-5 wells, followed by six wells which will be drilled directionally from the existing Kenilworth Railroad #1 & #2, Cordingly Canyon #15-2 and Ball Park #1 drilling pads.

Three wells in this program have been drilled to date: the Cordingly Canyon #11-1 well, which is a vertical test of the Ferron sands and coals to the northeast of Cordingly Canyon #15-2, and the Cordingly Canyon 15-5 and 10-1 wells.

Cordingly Canyon #15-5 has been drilled off the same pad as Cordingly Canyon #15-2 as a dedicated test of the Mancos Shale. This unit, which overlies the Ferron throughout the project area, was highlighted as a potential objective in the Independent Geologist's Report in the Company's IPO Prospectus, and exhibited gas shows in both the Cordingly Canyon #15-1 and #15-2 wells.

In Cordingly Canyon 15-5 the Mancos was over 4,000 feet thick, with numerous gas shows observed during drill string connections and possibly associated with interpreted fracture sets in the shale. This interval has not been specifically targeted and tested in previous wells in the project area, but is based on analogue production from the Douglas Creek Arch in the adjacent Piceance Basin in Colorado.

The third well drilled in the current program, Cordingly Canyon # 10-1, was originally designed as a directional test of the Ferron from the Cordingly Canyon # 15-2 drilling pad. After drilling through the Ferron section, the well developed hole problems associated with swelling clays at the top of the Ferron, and will now be completed and tested as a second Mancos Shale well. Future Ferron directional wells will include a set of intermediate casing designed to isolate this reactive clay section immediately after drilling.

Both Mancos Shale wells are currently in the process of being completed.

Expanded Project Area

In July 2006 the Company significantly increased its acreage position in Utah by acquiring leases comprising 22,798 acres on-trend with the existing NHGP acreage. Odyssey's Working Interest in all of the new leases is 30%, consistent with the Company's move in March 2006 to a 30% Working Interest in the original 5,023 acre (now 5,183 acre) project area.

The primary objective of exploration and appraisal activities in this northern area will also be the Ferron sands and coals. Secondary objectives include the Mancos Shale, which is currently being targeted by dedicated drilling in the original NHGP area, and a series of shallower objectives which may come into play as the Uinta Basin stratigraphy thickens and the Ferron and Mancos Shale sections deepen to the north.

Additional objectives in the new acreage include;

- The Cretaceous Blackhawk sands and coals, which currently produce gas from both the Castlegate and Soldier Fields directly adjacent to the extended project area;
- The shallower Cretaceous and Tertiary Mesaverde, Wasatch and Fort Union Formations which are currently being exploited in acreage to the east of the new licenses; and
- The deeper Cretaceous Dakota Formation, which also forms a secondary objective in the original 5,023 acre project area.

The Company is actively pursuing additional licences on-trend and expects to continue to increase its acreage holding in the project area in the future.

Jester-Bloomington Gas Re-Development Project – ODY 33.3% WI

The Jester-Bloomington Field, discovered in June 1959, encompasses two reservoirs (Brown Dolomite and Granite Wash) which combined have a productive footprint of 14,200 acres and a structural footprint of 24,000 acres.

Within the field area a total of 78 wells were drilled in the Granite Wash, with the deepest interval completed at 1,540 feet. Of these, 20 commingled production from the Brown Dolomite and only 4 were completed as dedicated Brown Dolomite producers. Average well spacing in the Granite Wash is over 160 acres and in the Brown Dolomite is over 640 acres.

The cumulative volume of gas produced from the field was approximately 7.9 BCF with peak production between 1974 and 1979, after which production flattened and gradually declined until 1998 at which point the field was shut-in.

In line with current industry practise in the Brown Dolomite and Granite Wash on trend, the Operator intends to in-fill existing wells and re-develop both reservoirs in the field on an initial 160 acre spacing, with the potential to subsequently down-space to 40 acres or beyond. The first of these appraisal / production wells (McAlexander#1) was drilled in the September quarter.

McAlexander#1 was planned as a short-radius horizontal into the Brown Dolomite, but drilling problems associated with the directional equipment on the well-site resulted in Operator electing to complete the well as an inclined (20 degree) appraisal well. Both the Brown Dolomite and Granite Wash reservoirs were intersected with a gross thickness of approximately 120 feet and good gas shows throughout. The well has been completed and fracture stimulated and is currently awaiting testing.

Operator is currently negotiating access to nearby gas gathering lines and associated pipeline and production infrastructure (which is intact and ready for tie-ins) as well as the rights to a number of adjacent shut-in wells, with a view to re-completing these wells in conjunction with the McAlexander#1 test, and ultimately tying-in multiple wells to re-establishing production from the field.

Of these existing wells, Travis#1 (drilled in 1959 and shut-in in 1997) was placed on an initial 24-hour test, and achieved a stabilised flow rate of 280 thousand cubic feet of gas per day ("mcfgd") after water had been removed from the well-bore. Given that this rate is as high as the original production rates from the well, it is possible that the reservoir in this area of the field has re-charged. Two other wells of similar vintage were also tested, achieving rates of over 100 mcfgd without swabbing the accumulated water.

The Company's gross acreage position in Oklahoma (33.3% WI) has grown to approximately 7,200 acres, with additional leases currently being targeted for acquisition.

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Rule 5.3

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 2006

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	-	-
1.2	Payments for		
	(a) exploration and evaluation	(942)	(942)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(169)	(169)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	6	6
1.5	Interest and other costs of finance paid	(66)	(66)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material) - Business Development	(31)	(31)
	Net Operating Cash Flows	(1,202)	(1,202)
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a)prospects	(2,025)	(2,025)
	(b)equity investments	-	-
	(c) other fixed assets	(3)	(3)
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	(2,028)	(2,028)
1.13	Total operating and investing cash flows (carried forward)	(3,230)	(3,230)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(3,230)	(3,230)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	7,200	7,200
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	800	800
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)		
	- capital raising expenses	-	-
	Net financing cash flows	8,000	8,000
	Net increase (decrease) in cash held	4,770	4,770
1.20	Cash at beginning of quarter/year to date	2,438	2,438
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter**	7,208	7,208

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	89
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.

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	2,000
4.2	Development	-
	Total	**2,000**

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	7,208	2,438
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	7,208	2,438

+ See chapter 19 for defined terms.

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	North Helper Gas Project – Bayless Acreage	22,798 acres of oil and gas leases.	-	30%

+ 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** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	42,000,000	38,685,000	Not applicable	Not applicable
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	12,935,000	12,935,000	$0.60	$0.60
7.5	**+Convertible debt securities** *(description)*	4,500,000	-	$0.65	Not applicable
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	300,000 850,000 1,400,000	Nil	*Exercise price* $0.20 *Exercise price* $0.60 *Exercise price* $1.00	*Expiry date* 31 December 2008 *Expiry date* 30 June 2009 *Expiry date* 31 December 2009
7.8	Issued during quarter	850,000 1,400,000		*Exercise price* $0.60 *Exercise price* $1.00	*Expiry date* 30 June 2009 *Expiry date* 31 December 2009
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

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

Sign here: ..... Date: 31 October 2006
(~~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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+ See chapter 19 for defined terms.