



ODYSSEY ENERGY LIMITED

ANNOUNCEMENT TO THE AUSTRALIAN STOCK EXCHANGE: 18 JANUARY 2007

FIRST TWO WORKOVERS SUCCESSFUL IN EXPANDED JESTER-BLOOMINGTON PROJECT – ODYSSEY 33.3% WORKING INTEREST

The Board of Odyssey Energy Limited (“Odyssey” or “Company”) is pleased to advise that work-overs of the Price#1 and Patten#1 wells in the expanded Jester-Bloomington Project area have been successful and are expected to substantially increase production from the recently acquired Harlow acreage.

The work-over of the Price#1 well (which included replacement of the well’s pumping unit) has resulted in an 8-fold increase in flow rate, with the well being put back on line at a rate of over 150 thousand cubic feet of gas per day (“MCFD”). The second workover, of Patten#1, has included addition of 8 feet of new perforations which resulted in the well building to over 600 pounds of casing-head pressure prior to testing at a rate of 540 MCFD. These two wells, coupled with improvements to the compression facilities and pipeline infrastructure, are expected to substantially increase the gross production from the acreage acquired last month from an initial base of approximately 200 MCFD.

The Price#1 and Patten#1 work-overs form the first part of an initial program targeting up to 10 of the 53 wells acquired from Harlow. The rig will next move to the Denby#2 well, with the project partners considering bringing additional rig(s) into the project to accelerate the work program. Announcements regarding new gas sales rates will be made over coming weeks as further workovers are completed and the gas gathering and sales infrastructure is optimised.

Tie-in of McAlexander#1 and Travis#1 from the central field area is also progressing with permitting and land acquisition for the well’s pipeline underway. These wells will be tied to the Harlow grid through a new 6 inch line which will form a central hub for new wells in the project. The Houck#1 well to the west and recently acquired McDonald#1 and Francis#1 wells may also be tied to this grid, or utilise nearby 3rd party infrastructure.

Further lease acquisitions have now grown the project to over 30,000 gross acres.

North Helper Gas Project (“NHGP”) Update – Odyssey 30% Working Interest.

The Company is pleased to advise that drilling of the Kenilworth Railroad#15-3 directional well from the Kenilworth Railroad#1 location has now been completed. The well design, which incorporated intermediate casing to stabilise shales above the primary Ferron objective has proved to be effective. Good gas shows were recorded throughout the objective section, with preliminary log analysis indicating both a good coal section and gas associated with the interbedded Ferron sands. Based on the well results project partners are now discussing

completion options for the well, including use of the cavitation process recently trialled in the area as a lower-cost alternative to the more traditional fracture stimulation techniques used to date.

In addition, the first Mancos Shale well, Cordingly Canyon#15-5, has been fracture stimulated and tied into production infrastructure. The well will now be put on compression to establish a flow rate and commence gas sales. The second Mancos shale well (Cordingly Canyon#10-1) is expected to be fracture stimulated and tested in coming weeks.

Dewatering and gas sales from the Ball Park#1, Kenilworth#2 and Cordingly Canyon#15-1, #15-2 and #11-1 wells has continued across the pre-Christmas and New Year period despite several weeks of lost time due to extreme (mid-winter) weather conditions and flow-line freezing. Since de-watering commenced individual wells have been producing at rates of up to several hundred MCFD, with brief peaks in line with tested rates. Despite these base-rates being consistent with the performance of wells in the Helper Field to the south, the NHGP wells are showing evidence that gas-entry is being hampered by reduced near well-bore permeability – an issue which may not have been recognised during the 1990's development of Helper. This restriction in flow appears to be associated with unbroken gel from the original fracture stimulation process and iron precipitation associated with periodic low PH conditions during well clean-up. Both effects are recognised in other producing CBM fields in North America and will be treated using standard techniques developed for Iron-rich coals. Analysis of samples from the field has been completed & design of the appropriate injection program commenced, with the expectation that treatment of wells will commence in mid-to late January.

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