

# **ODYSSEY ENERGY LIMITED**

ABN 73 116 151 636

## **PROSPECTUS**

**For the offer of up to 1,000 Shares at an offer price of \$0.50  
each to raise \$500.**

**THIS OFFER CLOSSES AT 4.00PM WST ON 16 FEBRUARY 2007.**

**VALID ACCEPTANCES MUST BE RECEIVED BEFORE THAT TIME.**

**Please read the instructions in this Prospectus and on the accompanying Application Form  
regarding the acceptance of the Offer.**

**THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT SHOULD  
BE READ IN ITS ENTIRETY.**

**IF YOU ARE IN DOUBT ABOUT WHAT TO DO, YOU SHOULD  
CONSULT YOUR PROFESSIONAL ADVISER WITHOUT DELAY.**

**THE SHARES OFFERED BY THIS PROSPECTUS ARE OF A SPECULATIVE NATURE.**

**Directors**

Mr Ian Middlemas - Chairman  
Mr Mark O'Clery - Managing Director  
Mr Mark Pearce - Finance Director

**Company Secretary**

Mr Mark Pearce

**Registered and Corporate Office**

Level 9, BGC Centre  
28 The Esplanade  
Perth WA 6000

Telephone: 61 8 9322 6322  
Facsimile: 61 8 9322 6558  
Internet: [www.odysseyenergy.com.au](http://www.odysseyenergy.com.au)

**Stock Exchange Listing**

Australian Securities Exchange  
ASX Code: ODY

**Solicitors to the Company**

Hardy Bowen Lawyers

<b>Section</b>	<b>Description</b>	<b>Page No</b>
	Important Notices	1
<b>1</b>	Purpose of the Offer	2
<b>2</b>	Details of the Offer	2
<b>3</b>	Capital Structure	3
<b>4</b>	Pro-Forma Balance Sheet	4
<b>5</b>	Risk Factors	6
<b>6</b>	Additional Information	15
<b>7</b>	Authorisation	22
<b>8</b>	Glossary of Terms	23

## IMPORTANT INFORMATION

This Prospectus is dated 15 February 2007 and was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the contents of this Prospectus.

No Shares will be issued on the basis of this Prospectus any later than 13 months after the date of this Prospectus.

A copy of this Prospectus is available for inspection at the registered office of the Company at Level 9, 28 The Esplanade, Perth, Western Australia, during normal business hours. The Company will provide a copy of this Prospectus to any person on request. The Company will also provide copies of other documents on request (see Section 6.6).

The Company will apply to ASX within 7 days of the date of this Prospectus for Official Quotation by ASX of the Shares offered by this Prospectus.

The Shares offered by this Prospectus should be considered speculative. Please refer to Section 5 for details relating to investment risks.

Applications for Shares can only be submitted on an Application Form sent with a copy of this Prospectus by the Company.

Revenues and expenditures disclosed in this Prospectus are recognised exclusive of the amount of goods and services tax, unless otherwise disclosed.

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

No action has been taken to permit the offer of Shares under this Prospectus in any jurisdiction other than Australia.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

The Company collects information about each Applicant provided on an Application Form for the purposes of processing the application and, if the application is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your application.

An Applicant has a right to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

---

## 1. Purpose of the Offer

The Company recently announced that it would make a placement of up to 6 million Shares at \$0.50 each ("Private Placement Shares") to raise up to \$3.0 million (before costs).

This Prospectus has been issued to facilitate secondary trading of the Private Placement Shares, as these Private Placement Shares will be issued without disclosure to investors under Part 6D.2 of the Corporations Act. A prospectus is required under the Corporations Act to enable persons who are issued Private Placement Shares to on-sell those shares within 12 months of their issue. The Company will not issue the Private Placement Shares with the purpose of the persons to whom they were issued selling or transferring their Shares, or granting, issuing or transferring interests in those Shares within 12 months of the issue but this Prospectus provides them the ability to do so should they wish.

Accordingly, the purpose of this Prospectus is to:

- (1) Make the Offer; and
- (2) Ensure that the on-sale of the Private Placement Shares does not cause a breach of Section 707(3) of the Corporations Act by relying on the exemption to the secondary trading provisions in Section 708A(11) of the Corporations Act.

---

## 2. Details of the Offer

The Company is offering 1,000 Shares at an offer price of \$0.50 per Share to raise \$500 (before the costs of the Offer).

All Shares offered under this Prospectus will rank equally with all existing Shares currently on issue. Further details on the rights and liabilities attaching to the Shares are contained in Section 6.1.

The Offer will be opened on the Lodgement Date and will remain open until 4.00pm WST on the Closing Date, subject to the right of the Directors to either close the Offer at an earlier time and date or to extend the closing time and date without prior notice. Shares issued under the Offer are expected to have commenced trading on the ASX by 21 February 2007. These dates are indicative only and the directors reserve the right to vary these dates.

The Offer under this Prospectus is made only to those Applicants that the Company sends a copy of the Prospectus to, together with an Application Form. There is no minimum subscription. If completed, funds raised from the Offer will be used for working capital requirements.

If you wish to subscribe for Shares, you should complete and return the Application Form, which will be provided with a copy of this Prospectus by the Company at the Company's discretion, in accordance with the instructions set out in the Application Form. Completed Application Forms and Application Monies must be received by the Company prior to 4.00pm WST on the Closing Date. Cheques must be made payable to "Odyssey Energy Limited - Subscription Account" and crossed "Not Negotiable". All cheques must be in Australian currency. Application Forms should be delivered to Odyssey Energy Limited, Level 9, BGC Centre 28 The Esplanade Perth WA 6000. All Application Monies received before the Shares are issued will be held by the Company on trust in a bank account established solely for the purpose of depositing Application Monies received. Any interest that accrues will be retained by the Company.

The Company reserves the right to reject any Application, or to issue a lesser number of Shares than those applied for. Where the number of Shares issued is less than the number applied for, surplus Application Monies will be refunded (without interest).

Subject to ASX granting Official Quotation of the Shares the Directors will proceed with the allotment of the Shares as soon as possible after the Closing Date. If ASX does not grant permission for Official Quotation of the Shares within 3 months after the date of this Prospectus

(or within such longer period as may be permitted by ASIC) none of the Shares offered by this Prospectus will be allotted and issued. If no allotment and issue is made, all Application Monies will be refunded (without interest) to Applicants as prescribed under the Corporations Act.

Following allotment, statements of Share holdings will be despatched. It is the responsibility of Applicants to determine their allocation prior to trading in securities. Applicants who sell their Shares before they receive their holding statements will do so at their own risk.

Odyssey will apply within 7 days after the date of this Prospectus for Official Quotation of the Shares issued under the Offer. The fact that ASX may allow Official Quotation is not to be taken in any way as an indication of the merits of Odyssey or the Shares offered under this Prospectus. ASX takes no responsibility for the contents of this Prospectus. If Official Quotation is not granted no Shares will be issued and Application Monies refunded.

### 3. Capital Structure

The table below details the capital structure of the Company on completion of the Offer and issue of the Private Placement Shares.

	Number of Shares	Number of \$0.20 Options	Number of \$0.60 Options	Number of \$1.00 Options	Number of Convertible Notes (1)
Current issued capital	42,000,000	300,000	850,000	1,400,000	4,500,000
Offer	1,000	-	-	-	-
Private Placement Shares (2)	6,000,000	-	-	-	-
<b>Total</b>	<b>48,001,000</b>	<b>300,000</b>	<b>850,000</b>	<b>1,400,000</b>	<b>4,500,000</b>

#### Notes

1. On 23 March 2006, the Company issued 4,500,000 Convertible Notes each with a face value of \$0.65. Other key terms and conditions of the Convertible Notes are:
  - (i) The notes are unsecured;
  - (ii) Coupon rate of 9%, payable 3 monthly in arrears, with Shares able to be issued in lieu of cash payments of interest at the option of the Company;
  - (iii) Redeemable by the Company after 2 ½ years from date of issue;
  - (iv) Convertible into ordinary Shares on a one for one basis any time after 4 December 2006; and
  - (v) Repayable after 5 years.
2. The Company recently announced that it would issue up to 6,000,000 Shares at an issue price of \$0.50 per Share to raise \$3,000,000 (before costs). These Shares were issued on 15 February 2007.

#### 4. Pro-Forma Balance Sheet

The Pro-forma Balance Sheet of the Consolidated Entity at the conclusion of the Offer is as follows:

	31 Dec 2006 Un-audited \$	Pro-forma Adjustments \$	Pro-forma Balance Sheet \$
<b>Current Assets</b>			
Cash and cash equivalents	658,651	2,830,000	3,488,651
Trade and other receivables	123,363	-	123,363
Total Current Assets	782,014	2,830,000	3,612,014
<b>Non-current Assets</b>			
Property, plant and equipment	40,976	-	40,976
Exploration expenditure	13,261,074	-	13,261,074
Total Non-current Assets	13,302,050	-	13,302,050
<b>TOTAL ASSETS</b>	14,084,064	2,830,000	16,914,064
<b>Current Liabilities</b>			
Trade and other payables	1,217,236	-	1,217,236
Total Current Liabilities	1,217,236	-	1,217,236
<b>Non-current Liabilities</b>			
Convertible notes	2,925,000	-	2,925,000
Total non-current Liabilities	2,925,000	-	2,925,000
<b>TOTAL LIABILITIES</b>	4,142,236	-	4,142,236
<b>NET ASSETS</b>	9,941,828	2,830,000	12,771,828
<b>EQUITY</b>			
Contributed equity	11,582,187	2,830,000	14,412,187
Reserves	(46,160)	-	(46,160)
Accumulated losses	(1,594,199)	-	(1,594,199)
<b>TOTAL EQUITY</b>	9,941,828	2,830,000	12,771,828

#### Basis of Preparation

The pro-forma balance sheet has been prepared in accordance with the draft ASIC Guide to Disclosing Pro-Forma Financial Information (issued July 2005). The pro-forma balance sheet is based on the un-audited balance sheet at 31 December 2006 that has then been adjusted to reflect the following material transactions:

#### **Significant Movements since 31 December 2006:**

- (1) Issue of Private Placement Shares on 15 February 2007, being 6 million Shares at \$0.50 to raise \$3.0 million (before costs).
- (2) The payment of expenses associated with the issue of the Private Placement Shares amounting to approximately \$0.17 million, including placement fees of up to 5% being paid to holders of an Australian Financial Services Licence. These have been netted off against share capital raised.

***Effect of the Offer under this Prospectus:***

- (3) The impact of the issue of 1,000 Shares pursuant to this Prospectus to raise \$500 (before costs), if completed, will be to increase contributed equity by \$500 (less costs) with a corresponding increase in cash. As these amounts are immaterial, the impact of the Offer has not been reflected in the above pro-forma.

---

## **5. Risk Factors**

The activities of Odyssey are subject to a number of risks and other factors which may impact on its future performance. Some of these risks can be mitigated by the use of safeguards and appropriate controls, however many are outside the control of Odyssey and cannot be mitigated. There are also general risks associated with any investment in shares.

Hence, investors should be aware that the performance of Odyssey may be affected and the value of its Shares may rise or fall over any given period. Factors which investors and their advisors should consider before they make a decision whether or not to take up the Offer include but are not limited to the following.

### **5.1 Specific Risks associated with Odyssey**

#### **(1) Current Projects**

The Company operates in the upstream oil and gas industry which is a high-risk sector.

With respect to the Company's North Helper Gas Project in Utah, it should be noted that completion techniques in the adjacent coal-bed methane fields have changed a number of times since the development of the Helper Field began in 1997 and that of Drunkards Wash in 1991. The Operator of the North Helper Gas Project ("NHGP") has applied techniques consistent with the evolution of these practises in the completion and testing of the Kenilworth Railroad # 1 & 2 wells and subsequently adopted modified and more aggressive programs in the completion and testing of subsequent wells. Based on the high flow rates achieved in the Ball Park # 1 test, the Kenilworth wells have been re-completed with the modified program, which has also resulted in a successful test of the Cordingly Canyon # 15-1 well.

Despite these early encouraging test results, there can be no guarantee that these practises will be effective in future wells or will be reflected in sustained or long-term production rates from the NHGP. During recent clean-up and de-watering operations involving a number of Ferron wells there has been evidence that gas entry is being hampered by a reduction of near well-bore permeability. The associated restriction in flow is interpreted 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. Similar effects have been recognised in other fields in North America and been successfully treated using standard industry techniques. A treatment program of this type is currently being finalised for the NHGP wells, and whilst it is expected to assist in well-bore clean-up and flow, there can be no guarantee that it will result in sustained or long-term production rates from any of the Projects' wells.

In addition, upward pressure on drilling and general oil & gas industry services may continue, which together with shortages in man-power, consumables and equipment may result in delays to anticipated drilling, completion and production operations and significant cost overruns.

As a result of these and other technical and commercial risk factors including the future price of domestic gas sales in the United States, the Company cannot guarantee that commercial production will be achieved or sustained from its current or future operations. To date the Company has not engaged in any hedging of commodity or currency as a possible risk mitigation strategy.

#### **(2) Limited Operating History of Odyssey**

The Company has limited operating history on which it can base the evaluation of its prospects.

The prospects of the Company must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly in the oil and gas exploration sector, which has a high level of inherent uncertainty.

(3) Reliance on Key Personnel

The Company is reliant on a small number of key personnel and consultants. The loss of one or more of these key contributors could have an adverse impact on the business.

It may be particularly difficult for the Company to attract and retain suitably qualified and experienced people, given the current high demand in the industry and relatively small size of the Company, compared to other industry participants.

The continued availability of consultants and advisers is to some extent dependent on maintaining the professional relationships that the Company's personnel have developed over time and which may be lost if key personnel cease to be involved with the Company before replacement arrangements can be made. If the involvement of key oil and gas specialists, managers or other personnel cease for reasons of contract termination; ill health; death or disability, technical programs and achievements may be adversely affected.

(4) Additional Requirements for Funding

The Company's funding requirements depend on numerous factors including the Company's ability to generate income from its Projects, the results of joint venture operations, future exploration and work programs and the acquisition of new projects. It may require further funding in addition to current cash reserves to fund operations including the drilling of new targets and completion of existing wells.

Additional equity financing, if available, may be dilutive to Shareholders and at lower prices than the current market price. Debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion.

(5) Joint Venture Parties and Contractors

The Company's current Projects are operated by Marion Energy, under JOA's which include provisions that require certain decisions relating to the exploitation of the Projects' to be passed with unanimous approval of all participants. Where a joint venture partner does not act in the best commercial interest of the joint venture, it could have a material adverse effect on the interests of the Company.

While, under the terms of the JOA's, the Operator can be removed for "good cause" defined as gross negligence, wilful misconduct, material breach or material failure or inability by the Operator to perform its obligations, any such removal may be difficult to effect.

Furthermore, the Directors are unable to predict the risk of:

- financial failure, non compliance with obligations or default by a participant in any joint venture to which the Company is, or may become, a party; or
- insolvency or other managerial failure by any of the contractors used by the Company in its exploration activities; or
- insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

(6) Minority Interests in Projects

Odyssey has a minority WI in the Projects. There exists a risk that as a minority participant, the Company may have the value of its interest in the Projects reduced by actions undertaken by the majority joint venture partners. There may be few legal impediments preventing other joint venture participants from exploiting their position to the detriment of minority participants in the Projects given that the Projects are established under USA laws.

Should other joint venture participants not act in the best interests of Odyssey as a minority holder in the Projects, then it is likely that this may have a material adverse effect on value of

Odyssey's holding in the Projects, which may in turn have a material adverse effect on Odyssey's profitability and/or the market price of Odyssey's Shares.

(7) Water Production and Disposal

The profitability of operations can be affected by the rate at which water is produced during the production process and the costs associated with its disposal. There can be no guarantee that the rate at which water is produced or declines will be in line with expectations. Any water production beyond that expected may increase the costs of production and materially impact on the profitability of the Company.

The North Helper Gas Project has an agreement with Anadarko to dispose of water. There can be no guarantee that this agreement will continue or that the cost of Anadarko providing water disposal will be economic. If the agreement is terminated or the cost of providing such services is uneconomic it may severely affect the operations of the Company and materially impact on its profitability.

(8) Private Land

The Blackhawk Lease and other leases within the Projects' areas are situated on private land and as such the rights of the Company to oil and gas arises from a lease with the landowners. As a consequence of this the Company is unable to do a search of the public record of titles as would be the case if the lease had been issued by a government authority. The Company has no reason to believe that there are any interests in the land which may materially affect the Company's interest in these leases, but there can be no guarantee that such interests do not exist.

(9) Joint and Several Liability

Participants in the some of the Company's Projects are jointly and severally liable to the lessor for liability arising under the particular lease. These contractual arrangements between the participants to the lease provide that each participant must give each other participant an indemnity to the extent of that party's participating interest. If the lessor makes a claim against the participants it will make the claim on a joint and several basis and the Company will need to rely on its ability to call on the indemnity between it and the other participants to the extent of the liability to the participating interests of the other parties.

(10) Other Actions by Marion Energy

Marion Energy is the controlling joint venture participant and operator of both the North Helper Gas Project and Jester-Bloomington Gas Field Re-Development Project. Odyssey is not aware of any legal restriction on Marion Energy selling its interest in either Project or assigning its interest as operator to a third party.

Should Marion Energy sell its interest in the Projects to a third party, there can be no guarantee that the third party does not take action that is detrimental to minority shareholders in the Projects.

Should Marion Energy assign its interest as operator to a third party(s) there can be no guarantee that the third party(s) will operate the Projects in the same manner as Marion Energy, which may have an adverse impact on the profitability of the Projects.

(11) Markets

The marketability of the Company's production depends in part upon the availability, proximity and capacity of natural gas gathering systems, pipelines and processing facilities. Federal and state regulation of oil and natural gas production and transportation, tax and energy policies, changes in supply and demand and general economic conditions all could adversely affect the ability to produce and market oil and natural gas.

(12) Completion Techniques

While completion techniques have changed and improved since the initial development of the Helper and Jester Bloomington Fields and the operator intends to apply techniques which are consistent with these improved practices at Kenilworth #1 and #2 and the other wells in the Projects, there can be no guarantee that these practices will be effective.

If these completion techniques are not effective at the Company's Projects the operations of the Company may be severely impacted which may have a material impact on its profitability.

(13) Operations and Production

Now that the Company is a joint owner of production and pipeline infrastructure there are both physical and financial risks associated with failure of equipment including (but not limited to) well-heads, pipelines and compression facilities. Any such failures may curtail or prevent existing or future production and sales and cause physical or environmental damage which requires substantial expenditure in repairs or remediation and which may have a material adverse effect on the Company.

(14) Weather

The weather in both Utah and Oklahoma can be extremely harsh at different times of the year and may disrupt drilling and production activities for extended periods of time.

Any disruptions caused by extreme weather conditions may result in a negative impact on the Company's revenues or increase operating costs, either of which may have a material impact on the Company's profitability and cash flows.

(15) Service Capacity

Due to exploration and development activities in many parts of North America being at near service capacity there may be delays in securing drilling rigs or other equipment and personnel required to carry out the Company's planned activities.

Due to the demand for equipment and personnel there may also be upward pressure on costs and mechanical failure may result in delays.

Any of these factors may result in cost and time overruns which may have a material impact on the Company's profitability and cash flows.

## **5.2 General Risks Associated with Oil and Gas Operations in the USA**

(1) Title and Title Opinions

The system for obtaining title to oil and gas leases in Utah and generally in other areas of the USA that the Company may operate in is complex given that numerous parties may hold the undivided mineral rights to a particular tract of land. Securing the leases to those rights often requires lengthy negotiation with the various parties. In order to independently verify that the parties with whom the Company is dealing are the correct and sole holders of the mineral rights and to analyse the full rights and restrictions applying to the interest held by those parties requires that a company obtain detailed title opinions from appropriately qualified and experienced lawyers. This can be a lengthy and expensive process and the final opinions are often the subject of numerous qualifications. It is therefore customary that such title opinions are not sought until it is proposed to conduct a drilling operation and/or expend significant amounts of money on a particular lease.

There may be third parties that hold or claim mineral rights in relation to the leases held by the Projects, either executive or rights to royalty interest, which have not previously been identified.

Further, some of the leases in which the Company will acquire an interest may have a fixed term and be subject to applications for renewal. The renewal of the term of each permit or licence is usually at the discretion of the relevant lessor. If a lease is not renewed or granted,

the Company may suffer significant damage through loss of the opportunity to develop and discover any oil or gas resources on that lease.

(2) Regulation in the USA - General

The oil and gas industry in the USA is extensively regulated. Extensive federal, state, local and foreign laws and regulations relating to the exploration for and development, production, gathering and marketing of oil and gas will affect the Company's operations. Some of the regulations set forth standards for discharge permits for drilling operations, drilling and abandonment bonds or other financial responsibility requirements, reports concerning operations, the spacing of wells, unitisation and pooling of properties and taxation. From time to time, regulatory agencies have imposed price controls and limitations on production by restricting the rate of flow of oil and gas wells below actual production capacity to conserve supplies of oil and gas.

Numerous environmental laws, including but not limited to, those governing the management of waste, the protection of water and air quality, the discharge of materials into the environment, and the preservation of natural resources, impact and influence the Company's operations. If the Company fails to comply with environmental laws regarding the discharge of oil, gas, or other materials into the air, soil or water it may be subject to liabilities to the government and third parties, including civil and criminal penalties. These regulations may require the Company to incur costs to remedy the discharge. Laws and regulations protecting the environment have become more stringent in recent years, and may, in some circumstances, result in liability for environmental damage regardless of negligence or fault. New laws or regulations, or modifications of or new interpretations of existing laws and regulations, may increase substantially the cost of compliance or adversely affect our oil and gas operations and financial condition. From time to time, the Company may agree to indemnify sellers of producing properties against some liabilities for environmental claims associated with these properties. Material indemnity claims may also arise with respect to properties acquired by or from the Company.

The Company cannot predict how existing laws and regulations may be interpreted by enforcement agencies or court rulings, whether additional laws and regulations will be adopted, or the effect such changes may have on the Company's business or financial condition.

(3) Regulation in the USA – Sale of Oil and Gas

Most sales of natural gas are not currently regulated and are generally made at market prices. The price received from the sale of these products is affected by the cost of transporting the products to market.

The Federal Energy Regulatory Commission in the USA regulates interstate and certain intrastate natural gas transportation rates and service conditions, which affect the marketing of natural gas produced by the Company, as well as the revenues received for sales of such production. Since the mid-1980s, the Federal Energy Regulatory Commission has issued a series of orders, culminating in Order Nos. 636, 636-A and 636-B, that have significantly altered the marketing and transportation of natural gas. These regulations mandated a fundamental restructuring of interstate pipeline sales and transportation service, including the unbundling by interstate pipelines of the sales, transportation, storage and other components of the city-gate sales services such pipelines previously performed.

One of the Federal Energy Regulatory Commission purposes in issuing these regulations was to increase competition within all phases of the natural gas industry. Generally, these regulatory orders have eliminated or substantially reduced the interstate pipelines' traditional role as wholesalers of natural gas and have substantially increased competition and volatility in natural gas markets.

(4) Regulation in the USA – Exploration and Production

Oil and natural gas exploration, production and related operations are subject to extensive rules and regulations promulgated by federal, state and local agencies. Failure to comply with such rules and regulations can result in substantial penalties. The regulatory burden on the oil and

gas industry increases the Company's cost of doing business and affects profitability. Because such rules and regulations are frequently amended or reinterpreted, the Company is unable to predict the future cost or impact of complying with such laws.

Permits are required by the State for drilling operations, drilling bonds and the filing of reports concerning operations and they impose other requirements relating to the exploration and production of oil and gas. Statutes or regulations addressing conservation matters also exist, including provisions for the unitisation or pooling of oil and natural gas properties, the establishment of maximum rates of production from oil and gas wells and the regulation of spacing, plugging and abandonment of such wells. The statutes and regulations of certain states limit the rate at which oil and gas can be produced.

The Company is required to comply with various federal and state regulations regarding plugging and abandonment of oil and natural gas wells, which impose a substantial rehabilitation obligation on the Company, which may have a material adverse effect on the Company's financial performance.

(5) Regulation in the USA – Environmental

Various federal, state and local laws and regulations in the USA govern the discharge of materials into the environment, or otherwise relating to the protection of the environment, health and safety, affect operations and costs. These laws and regulations sometimes require governmental authorisation before conducting certain activities, limit or prohibit other activities because of protected areas or species, create the possibility of substantial liabilities for pollution related to operations or properties and provide penalties for non-compliance. In particular, drilling and production operations, activities in connection with storage and transportation of crude oil and other hydrocarbons and use of facilities for treating, processing or otherwise handling hydrocarbons and related exploration and production wastes are subject to stringent environmental regulation.

As with the industry in general, compliance with existing and anticipated regulations increases the overall cost of business. While these regulations affect capital expenditures and earnings, the Company believes that such regulations do not affect its competitive position in the industry because environmental regulatory programs similarly affect competitors. Environmental regulations have historically been subject to frequent change and, therefore, the Company cannot predict with certainty the future costs or other future impacts of environmental regulations on future operations. A discharge of hydrocarbons or hazardous substances into the environment could subject the Company to substantial expense, including the cost to comply with applicable regulations that require a response to the discharge, such as containment or cleanup, claims by neighbouring landowners or other third parties for personal injury, property damage or their response costs and penalties assessed, or other claims sought, by regulatory agencies for response cost or for natural resource damages.

(6) Exploration and Development Risks

Oil and gas exploration involves significant risk only occasionally providing high rewards. In addition to the normal competition for prospective ground, and the high costs of discovery and development of an economic deposit, factors such as demand for commodities, stock market fluctuations affecting access to new capital, sovereign risk, environmental issues, labour disruption, project financing, foreign currency fluctuations and technical problems all affect the ability of a company to profit from a discovery.

There is no assurance that exploration and development of the prospects being acquired by the Company, or any other projects that may be acquired in the future, will result in the discovery of an economic oil and gas deposit. Even if an apparently viable hydrocarbon accumulation is identified, there is no guarantee that it can be profitably exploited.

Furthermore, the Company will only proceed to the next stage of exploration or development when data supports the existence of an economically viable oil and gas deposit. Should the empirical data not support the existence of an economically viable oil and gas deposit, the Company will generally not proceed to the next stage of exploration.

(7) Drilling and Operating Risks

Oil and gas drilling activities are subject to numerous risks, many of which are beyond the Company's control. The Company's operations may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortage or delays in the delivery of rigs and/or other equipment and compliance with governmental requirements. Drilling may involve unprofitable efforts, not only with respect to dry wells, but also with respect to wells, which, through yielding some petroleum, are not sufficiently productive to justify commercial development or cover operating costs. Completion and/or successful testing of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In particular, tested rates may not prove to be representative of ultimate production rates. Hazards incidental to the exploration and development of oil and gas properties such as unusual or unexpected formations, pressures or other factors are inherent in drilling and operating wells and may be encountered by the Company.

Industry operating risks include the risk of fire, explosions, blow-outs, pipe failure, abnormally pressured formations and environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures or discharges of toxic gasses, the occurrence of any of which could result in substantial losses to the Company due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation and penalties and suspension of operations. Damages occurring as a result of such risks may give rise to claims against the Company. Although the Company believes that it or the operator will carry adequate insurance with respect to its operations in accordance with industry practice, in certain circumstances the Company's or the operator's insurance may not cover or be adequate to cover the consequence of such events. In addition, the Company may be subject to liability for pollution, blow-outs or other hazards against which the Company or the operator does not insure or against which it may elect not to insure because of high premium costs or other reasons. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of operations of the Company. Moreover, there can be no assurance that the Company will be able to maintain adequate insurance in the future at rates that it considers reasonable.

(8) Ability to Exploit Successful Discoveries

It may not always be possible for the Company to participate in the exploitation of any successful discoveries which may be made in any areas in which the Company has an interest. Such exploitation will involve the need to obtain the necessary licences or clearances from the relevant authorities, which may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. Further the decision to proceed to further exploitation may require the participation of other companies whose interests and objectives may not be the same as the Company. As described above, such further work may require the Company to meet or commit to financing obligations for which it may not have planned.

(9) Hydrocarbon Reserve Estimates

Hydrocarbon reserve estimates are an expression of judgment based on knowledge, experience and industry practice. Estimates that were valid when made may change significantly when new information becomes available.

In addition, reserve estimates are necessarily imprecise and depend to some extent on interpretations, which may prove inaccurate. Should the Company encounter oil and/or gas deposits or formations different from those predicted by past drilling, sampling and similar examinations, reserve estimates may have to be adjusted and production plans may have to be altered in a way which could adversely affect the Company's operations.

(10) Competition

The Company will compete with other companies, including major oil companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. Many of the

Company's competitors not only explore for and produce oil and gas, but also carry out refining operations and market petroleum and other products on a worldwide basis. There can be no assurance that the Company can compete effectively with these companies.

(11) Claims by Indigenous Inhabitants

The current and future oil and gas assets of the Company may be subject to land claims by indigenous people. Should this occur, the Company's ability to conduct exploration and/or mining activities may be affected, which may have a material adverse effect on the Company's financial performance and the price at which its securities trade.

The Company is not aware of any land claims or potential claims by indigenous people in respect of its exploration activities that could significantly affect its tenure or exploration or any future production operations.

### **5.3 General Risks**

(1) Securities Investments

There are risks associated with any securities investment. The prices at which the Shares trade may fluctuate in response to a number of factors.

Furthermore, the stock market, and in particular the market for oil and gas exploration companies, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. There can be no guarantee that these trading prices will be sustained. These factors may materially affect the market price of the Shares regardless of the Company's operational performance.

(2) Share Market Conditions

The market price of the Shares may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company, or any return on an investment in the company.

(3) Changes in Legislation and Government Regulation

Changes to legislation in Australia and the USA, including changes to the taxation system, may affect future earnings and the relative attractiveness of investing in the Company. Changes in government policy or statutory changes may affect the Company and the attractiveness of an investment in it.

(4) Economic Conditions

Economic conditions in Australia, the USA and globally, may affect the performance of the Company. Factors such as currency fluctuations, inflation, interest rates, supply and demand and industrial disruption may have an impact on operating costs and share market prices. The Company's future possible revenue and Share price can be affected by these factors all of which are beyond the control of the Company or its Directors. In addition, the Company's ability to raise additional capital, should it be required, may be affected.

(5) Foreign Exchange Risk

The Company's main business undertakings are based in the USA, and as a result, revenues, cash inflows, expenses, capital expenditure and commitments will be primarily denominated in USA dollars.

To comply with Australian reporting requirements for Odyssey, the income, expenditure and cash flows of OEL Operating (USA) Inc will need to be accounted for in Australian dollars. This will result in the income, expenditure and cash flows of the Company being exposed to the fluctuations and volatility of the price of oil and gas and the rate of exchange between the USA dollar and the Australian dollar, as determined in international markets.

Furthermore, no hedging strategy has yet been developed by the Company. This may result in Odyssey being exposed to the effects of the change in currency (exchange rate) risk, which may have an adverse impact on the profitability and/or financial position of the Company.

(6) Oil and Gas Price Volatility – USA Market

The demand for, and price of, natural gas in the USA is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments.

International oil and gas prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Importantly, Shareholders should note that:

- spot gas prices rose from \$US5.53 per mmBtu on 3 January 2005 to \$US15.27 per mmBtu as at 23 September 2005. Fluctuations have continued and there can therefore be no certainty that prices will maintain their current levels; and
- it is currently anticipated that the Company will sell most or all of the oil and gas that is produced from its projects into the USA domestic market. Due to limited supply and high demand in recent times, natural gas in the USA is currently priced at 2 to 3 times the Australian market. As a result, should demand decrease and/or supply of natural gas in the USA market increase, the selling price of this commodity in the USA may decline, notwithstanding that international prices have remained at the same level or have increased.

Fluctuations in oil and gas prices and, in particular, a material decline in the price of oil or gas, may have a material adverse effect on the Company's business, financial condition and results of operations.

(7) Termination of Contracts

Current and future agreements may be at risk of being terminated prematurely due to default or at the discretion of another party. In negotiating licenses, the Company would seek to include termination payments for such an event. The Directors can provide no assurance, however, at this stage, as to the outcome of any negotiations.

## 5.4 New Business Development and Project Acquisitions

The Company has to date and will continue to actively pursue and assess other new business opportunities in the oil and gas sector. These new business opportunities may take the form of joint ventures, farm-ins, acquisition of tenements, or direct equity participation.

The acquisition of projects (whether completed or not) may require the payment of monies (as a deposit and/or exclusivity fee) after only limited due diligence and prior to the completion of comprehensive due diligence. There can be no guarantee that any proposed acquisition will be completed or be successful. If the proposed acquisition is not completed, monies already advanced may not be recoverable, which may have a material adverse effect on the Company.

If an acquisition is completed, the Board will need to reassess, at that time, the funding allocated to current projects and new projects, which may result in the Company reallocating funds from other projects and/or the raising of additional capital (if available). Furthermore, notwithstanding that an acquisition may proceed upon the completion of due diligence, the usual risks associated with the new project/business activities will remain.

---

## **6. Additional Information**

### **6.1 Terms and conditions attaching to Shares**

#### **(1) General**

The Shares to be issued pursuant to this Prospectus are ordinary shares and will, as from their allotment, rank equally in all respects with all ordinary shares in the Company.

The rights attaching to the Shares arise from a combination of the Company's Constitution, statute and general law. Copies of the Company's Constitution are available for inspection during business hours at its registered office. The Constitution has been lodged with ASIC.

A summary of the more significant rights is set out below and assumes that the Company is admitted to the Official List of the ASX. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Company's Shareholders.

#### **(2) Reports and Notices**

Shareholders are entitled to receive all notices, reports, accounts and other documents required to be furnished to shareholders under the Company's Constitution, the Corporations Act and the Listing Rules.

#### **(3) General Meetings**

Directors may call a meeting of members whenever they think fit. Members may call a meeting as provided by the Corporations Act. All members are entitled to a notice of meeting. A meeting may be held in two or more places linked together by audio-visual communication devices. A quorum for a meeting of members is 2 eligible voters.

The Company will hold annual general meetings in accordance with the Corporations Act and the Listing Rules.

Shareholders are entitled to be present in person, or by proxy, attorney or representative (in the case of a company) to speak and to vote at general meetings of the Company.

#### **(4) Voting**

Subject to any rights or restrictions at the time being attached to any class or classes of shares, at a general meeting of the Company on a show of hands, every ordinary Shareholder present in person, or by proxy, attorney or representative (in the case of a company) has one vote and upon a poll, every Shareholder present in person, or by proxy, attorney or representative (in the case of a company) has one vote for any Share held by the Shareholder.

A poll may be demanded by the chairperson of the meeting, any 5 Shareholders entitled to vote in person or by proxy, attorney or representative or by any one or more Shareholders holding not less than 5% of the total voting rights of all Shareholders having the right to vote.

#### **(5) Dividends**

The Directors may declare and authorise the distribution from the profits of the Company, dividends to be distributed to shareholders according to their rights and interests. The Directors may determine the property to constitute the dividend and fix the time for distribution. Except to the extent that the terms of issue of shares provide otherwise, each dividend must be distributed according to the amount paid up on the share in a manner calculated in accordance with the Constitution.

(6) Winding Up

Subject to any rights or restrictions attached to a class of shares, on a winding up of the Company, any surplus must be divided among the Shareholders in the proportions which the amount paid (including amounts credited) on the Shares of a Shareholder is of the total amounts paid and payable (including amounts credited) on the Shares of all Shareholders. Subject to any rights or restrictions attached to a class of Shares, on a winding up of the Company, the liquidator may, with the sanction of a special resolution of the Shareholders:

- (i) distribute among Shareholders the whole or any part of the property of the Company; and
- (ii) decide how to distribute the property as between the Shareholders or different classes of Shareholders.

The liquidator of the Company may settle any problem concerning a distribution.

(7) Transfer of Shares

Generally, Shares in the Company are freely transferable, subject to formal requirements, and to the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia.

(8) Issue of Further Shares

The Directors may, subject to any restrictions imposed by the Constitution and the Corporations Act, allot, issue, grant options over, or otherwise dispose of, further Shares with or without preferential rights on such terms and conditions as they see fit.

(9) Directors

The business of the Company is to be managed by or under the direction of the Directors.

Directors are not required under the Constitution to hold any Shares.

Unless changed by the Company in general meeting, the minimum number of Directors is 3 and the maximum is 10. The existing Directors may appoint a new Director to fill a casual vacancy or as an addition to the Board. Any such Director must retire at the next following annual general meeting of the Company (at which meeting he or she may be eligible for election as a Director).

The Constitution contains provisions relating to the rotation and election of directors. No Director other than the Managing Director may hold office later than the third annual general meeting after his or her appointment or election without submitting himself or herself for re-election.

For a person to be eligible for election as a Director, a nomination for the office of Director and the written consent of the proposed director must be received at the Company's registered office:

- (i) 30 business days prior to the meeting, in the case of a meeting of members that the Directors have been requested by members to call; and
- (ii) 35 business days prior to the meeting, in any other case.

(10) Offer of Shares

Subject to the requirements of the Corporations Act and if applicable, the Listing Rules, the issue of Shares by the Company is under the control of the Directors. Under the Constitution the Company is empowered, without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, to issue shares with preferred, deferred or other rights.

The Constitution also contains provisions enabling the Directors to issue preference shares.

(11) Variation of Shares and Rights Attaching to Shares

Shares may be converted or cancelled with member approval and the Company's share capital may be reduced in accordance with the requirements of the Corporations Act.

Class rights attaching to a particular class of shares may be varied or cancelled with the consent in writing of holders of 75% of the shares in that class or by a special resolution of the holders of shares in that class.

(12) Unmarketable Parcels

The Company may procure the disposal of Shares where the member holds less than a marketable parcel of Shares within the meaning of the Listing Rules (being a parcel of shares with a market value of less than \$500). To invoke this procedure, the Directors must first give notice to the relevant member holding less than a marketable parcel of Shares, who may then elect not to have his or her Shares sold by notifying the Directors.

(13) Share Buy-Backs

The Company may buy-back Shares in itself in accordance with the provisions of the Corporations Act.

(14) Proportional Takeovers

The Constitution provides for Shareholder approval of any proportional takeover bid for the Company shares. Subject to the Listing Rules and SCH Business Rules, the provisions require the Directors to refuse to register any transfer of Shares made in acceptance of a proportional takeover offer until the requisite Shareholder approval has been obtained. To comply with the Corporations Act, the proportional takeover provisions must be renewed by members in general meeting at least every 3 years to remain in place.

(15) Indemnity and Insurance of Officers

Under the Constitution the Company is obliged, to the extent permitted by law, to indemnify an officer (including Directors) of the Company against liabilities incurred by the officer in that capacity, against costs and expenses incurred by the officer in successfully defending civil or criminal proceedings, and against any liability which arises out of conduct not involving a lack of good faith.

To the extent permitted by law the Company may also pay the premium on any insurance policy for any person who is or has been an officer against a liability incurred by that person in his or her capacity as an officer of the Company provided that the liability does not arise out of conduct involving a wilful breach of duty.

(16) Changes to the Constitution

The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

(17) Listing Rules

Provided the Company is admitted to the Official List of the Australian Stock Exchange Ltd, then despite anything in the Constitution, no act may be done that is prohibited by the Listing Rules, and authority is given for acts required to be done by the Listing Rules. The Company's Constitution will be deemed to comply with the Listing Rules as amended from time to time.

## **6.2 Market price of Shares**

The highest and lowest market sale prices of the Company's Shares on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest: \$0.66 per Share on 17 November 2006

Lowest: \$0.50 per Share on 18 January 2007

The latest available market sale price of the Company's Shares on ASX prior to the date of lodgement of this Prospectus with the ASIC was \$0.56 per Share on 14 February 2007.

## **6.3 Dividend policy**

The Directors are not able to say when and if dividends will be paid in the future, as the payment of any dividends will depend on the future profitability, financial position and cash requirements of the Company.

## **6.4 Company is a disclosing entity**

The Company is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under both the Corporations Act and the Listing Rules of ASX.

Copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office (see Section 6.6 below).

## **6.5 Major activities and financial information**

A summary of the major activities and financial information relating to the Company for the financial year ended 30 June 2006 is in the Annual Report which was sent to Shareholders on 23 October 2006.

A summary of activities relating to the Company for the quarters ended 30 September 2006 and 31 December 2006 are included in the quarterly activities reports, lodged with ASX on 31 October 2006 and 31 January 2007 respectively.

The Company's continuous disclosure notices (i.e. ASX announcements) since the lodgement of its annual financial report on 28 September 2006 are listed in Section 6.6.

Copies of these documents are available free of charge from the Company. Directors strongly recommend that Shareholders review these and all other announcements prior to deciding whether or not to participate in the Offer.

## **6.6 Copies of documents**

Copies of documents lodged by the Company in connection with its reporting and disclosure obligations may be obtained from, or inspected at, an office of ASIC. The Company will provide free of charge to any person who requests it during the period of the Issue, a copy of:

- (1) the Annual Report of the Company for the year ended 30 June 2006, being the last financial year for which an annual financial report has been lodged with the ASIC in relation to the Company before the issue of this Prospectus;
- (2) the following continuous disclosure notices given by the Company to notify ASX of information relating to the Company during the period from the date of lodgement of the annual financial report referred to in paragraph (1) and before the date of issue of this Prospectus are as follows:

<b>Date Lodged</b>	<b>Subject of Announcement</b>
28 September 2006	Short Form Prospectus
29 September 2006	Appendix 3B - Share Placement Completed
29 September 2006	Change of Director's Interest Notice
29 September 2006	Change of Director's Interest Notice
10 October 2006	Becoming a substantial holder
13 October 2006	Notice of Annual General Meeting
23 October 2006	Annual Report
31 October 2006	First Quarter Activities & Cashflow Report
6 November 2006	Significant Expansion of Jester-Bloomington Project
9 November 2006	First McAlexander #1 Pay Zone Flows at over 400MCFD
16 November 2006	Kenilworth Railroad #15-3 well commences drilling
17 November 2006	Results of AGM
20 November 2006	Investor Presentation – November 2006
22 November 2006	Launch of Company Website
19 December 2006	Settlement of Expanded Jester-Bloomington Project
18 January 2007	First Two Workovers Successful at Jester Bloomington
31 January 2007	Second Quarter Activities & Cashflow Reports
15 February 2007	Share Placement Completed and Appendix 3B

The following documents are available for inspection throughout the application period of this Prospectus during normal business hours at the registered office of the Company at Level 9, 28 the Esplanade, Perth, Western Australia:

- (1) this Prospectus;
- (2) Constitution; and
- (3) the consents referred to in Section 6.12 and the consents provided by the Directors to the issue of this Prospectus.

## **6.7 Information excluded from continuous disclosure notices**

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules, and which is required to be set out in this Prospectus.

## **6.8 Determination by the ASIC**

The ASIC has not made a determination which would prevent the Company from relying on section 713 of the Corporations Act in issuing the Shares under this Prospectus.

## 6.9 Directors' Interests

### (a) Directors' Holdings

Set out in the table below are details of Directors' relevant interests in the Securities of the Company at the date of this Prospectus:

Director	No. of Shares held directly	No. of Shares held indirectly	No. of Options held directly	No. of Options held indirectly
Ian Middlemas	900,000	2,000,000	-	-
Mark O'Clery	500,000	-	1,500,000 <sup>1</sup>	-
Mark Pearce	-	1,016,000	-	500,000 <sup>2</sup>

<sup>1</sup> 300,000 \$0.20 unlisted options with an expiry date of 31 December 2008, 600,000 \$0.60 unlisted options with an expiry date of 30 June 2009, and 600,000 \$1.00 unlisted options with an expiry date of 31 December 2009.

<sup>2</sup> 250,000 \$0.60 unlisted options with an expiry date of 30 June 2009 and 250,000 \$1.00 unlisted options with an expiry date of 31 December 2009.

### (b) Remuneration of Directors

No person has paid or agreed to pay any amount or has given any benefit to any Director to induce them to become, or qualify as a Director or for services provided by the Director, in connection with:

- (i) the formation or promotion of the Company; or
- (ii) the offer of Shares under this Prospectus,

except as set out below or elsewhere in this Prospectus.

The Company's Constitution provides that the Company may remunerate the Directors. The remuneration shall, subject to any resolution of a general meeting, be fixed by the Directors.

The Constitution of the Company provides that the Non-Executive Directors may collectively be paid as remuneration for their services at a fixed sum not exceeding the aggregate maximum of \$150,000 per annum which has been determined by the Company in general meeting. It is currently resolved that the Chairman (Mr Ian Middlemas) will receive director fees of \$36,000 per annum.

Mr Mark Pearce currently receives remuneration of \$30,000 per annum.

A Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

### (c) Other Interests

Apollo Group Pty Ltd, a company in which Mr Pearce is a director and beneficial shareholder receives a monthly retainer of \$15,000 for providing administration and company secretarial services and serviced office facilities. Apollo Group Pty Ltd was paid a total of \$114,990 by the Company for the 30 June 2006 financial year. To date Apollo Group Pty Ltd has been paid a total of \$101,000 by the Company for the 30 June 2007 financial year.

Mr O'Clery will receive ongoing consulting fees in relation to consulting geological services provided by him. These services are charged to the Company at a rate of \$1,500 per day (\$1,950 per day whilst travelling internationally). Mr O'Clery was paid a total of \$93,564 by the Company for consulting geological services provided during the 30 June 2006 financial year. To date Mr O'Clery has been paid or is payable a total of \$172,888 by the Company for consulting geological services provided during the 30 June 2007 financial year.

## **6.10 Interests of Named Persons**

Except as disclosed in this Prospectus, no promoter or other person named in this Prospectus that has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus holds, or in the past two years has held, any interest in:

- (a) The formation or promotion of the Company; or
- (b) Property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Issues; or
- (c) The Offer,

and no amounts of any kind (whether in cash, Shares or otherwise) have been paid or agreed to be paid to a promoter or any person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus for services rendered by that person in connection with the formation or promotion of the Company or the Issues.

Hardy Bowen Lawyers act as solicitors to the Company and in that capacity have been involved in providing legal advice to the Company in relation to the Offer. The Company will pay approximately \$5,000 to Hardy Bowen Lawyers for these services. Since incorporation (8 September 2005) Hardy Bowen Lawyers have been paid a total of \$56,616 by the Company for legal services including those in relation to the IPO Prospectus.

## **6.11 Expenses of the Offer**

The total expenses of the Offer are estimated at approximately \$10,000 which have been paid or will be payable by the Company. These expenses include legal fees and other miscellaneous expenses.

## **6.12 Consents**

The following consents have been given in accordance with the Corporations Act and have not been withdrawn as at the date of lodgement of this Prospectus with the ASIC:

Hardy Bowen has given, and has not withdrawn, their written consent to being named in this Prospectus as solicitors to the Company. Hardy Bowen have not authorised or caused the issue of this Prospectus or the making of the Offer. Hardy Bowen make no representation regarding, and to the extent permitted by law exclude any responsibility for, any statements in or omissions from any part of this Prospectus.

---

**7. Authorisation**

This Prospectus is authorised by each of the Directors of the Company.

This Prospectus is signed for and on behalf of Company by:

A handwritten signature in black ink, appearing to read 'M O'Clery', with a horizontal line underneath it.

Mark O'Clery  
**Managing Director**

Dated: 15 February 2007

---

## 8. Glossary of Terms

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

**"Acceptance"** means a valid application for Shares made pursuant to this Prospectus on an Entitlement and Acceptance Form.

**"Annual Report"** means the financial report lodged by the Company with ASIC in respect to the year ended 30 June 2006 and includes the corporate directory, chairman's report, review of activities, Shareholder information, financial report of the Company and its controlled entities for the year ended 30 June 2006, together with a Directors' report in relation to that financial year and the auditor's report for the period to 30 June 2006.

**"Applicant"** means a person who submits an Application Form.

**"Application Form"** means an application form for Shares under the Offer.

**"Application Monies"** means application monies for Shares received by the Company.

**"ASIC"** means Australian Securities and Investments Commission.

**"ASTC"** means ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532.

**"ASX"** means Australian Stock Exchange Limited ACN 008 129 164.

**"Board"** means the Directors meeting as a board.

**"Business Day"** means Monday to Friday inclusive, other than a day that ASX declares is not a business day.

**"CHESS"** means ASX Clearing House Electronic Subregistry System.

**"Closing Date"** means 16 February 2007 or such earlier or later date as the Directors may determine.

**"Company"** or **"Odyssey"** means Odyssey Energy Limited ABN 73 116 151 636.

**"Consolidated Entity"** means the Company and its controlled entities.

**"Constitution"** means the constitution of the Company as at the date of this Prospectus.

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

**"Directors"** means the directors of the Company as at the date of this Prospectus.

**"Issue"** or **"Offer"** means the offer of Shares under this Prospectus.

**"Issuer Sponsored"** means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.

**"Listing Rules"** means the Listing Rules of ASX.

**"Lodgement Date"** means the date of this Prospectus.

**"Official List"** means the official list of ASX.

**"Official Quotation"** means quotation of Shares on the Official List.

"**Option**" means the right to acquire one ordinary fully paid Share in the capital of the Company.

"**Optionholders**" means a holder of Options.

"**Private Placement Shares**" has the meaning in Section 1 of this Prospectus.

"**Projects**" means collectively the North Helper Gas Project and the Jester-Bloomington Gas Field Re-Development Project.

"**Prospectus**" means this prospectus with the date in Section 7.

"**Relevant Company**" means the Company and each subsidiary of the Company.

"**Section**" means a section of this Prospectus.

"**SCH**" means Securities Clearing House.

"**Shareholders**" means holders of Shares.

"**Share**" means an ordinary fully paid share in the capital of the Company.

"**\$**" means Australian dollars.

"**WT**" means working interest.

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