



# ODYSSEY ENERGY LIMITED

ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 31 JULY 2008

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## JUNE 2008 QUARTERLY REPORT

*The Board of Odyssey Energy Limited (“Odyssey” or “Company”) is pleased to present its June 2008 quarterly report. During the quarter the Company reached a significant milestone; entering into an agreement to sell the North Helper and Jester-Bloomington Gas Projects to Marion Energy Limited (“Marion”) for 27.5 million Marion Shares.*

### **Sale of Two Projects**

*As announced on 24 June 2008, the Board of Odyssey has entered into an agreement to sell its interests in the North Helper and Jester-Bloomington projects to Marion for 27.5 million Marion Shares.*

*Upon completion Odyssey will hold an 8.4% interest in Marion (7.3% fully diluted), providing Odyssey’s shareholders with:*

- *Continued exposure to the upside from the Company’s current projects as Marion Energy have a majority interest and is operator of both the North Helper and Jester-Bloomington Projects;*
- *Reduced requirements for working capital going forward, which is of particular importance as it is expected that Marion, as operator, will commence a new drilling campaign at North Helper in the coming months targeting the recently discovered deeper zone (Morrison Formation), which commenced production at a rate of 1.5 million cubic feet of gas per day;*
- *As a substantial shareholder in Marion, exposure to:*
  - *Marion’s cornerstone project, Clear Creek, which is expected to see increased reserves and production over the coming months;*
  - *Marion’s increased interest to 100% at North Helper and 100% in the majority of the Jester-Bloomington project area (with 67% in the remaining leases), which is expected to increase the ultimate value of Marion’s projects;*
  - *Marion’s combined Proved and Probable (2P) reserves base (upon completion) assessed at approximately 319 billion cubic feet.*

*The sale of the two projects will be implemented by Odyssey selling one of its wholly owned US subsidiaries (OEL Operating (USA)) to Marion Energy in consideration for 27.5 million fully paid ordinary shares.*

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*The sale is subject to approval by Odyssey shareholders at a General Meeting to be held on Tuesday 12 August 2008, with settlement expected to occur soon thereafter.*

*The shares issued by Marion will be subject to a voluntary escrow period of 9 months. The Odyssey Board will examine the most appropriate alternatives for the shareholding in Marion upon the expiry of the escrow period, which may include a return of capital.*

## **Operations**

*In Oklahoma;*

- *Production at Jester-Bloomington reached 1.0 million cubic feet of gas equivalent per day in mid-February as a result of gas sales from the first four wells in the development drilling program, and then stabilised at a rate of approximately seven hundred thousand cubic feet of gas per day.*
- *On 2 May 2008 Marion announced that as a result of undertaking a review its oil and gas properties, the Board resolved that the Oklahoma projects were no longer core and mandated Macquarie Securities (USA) Inc to market these assets.*
- *Under Odyssey's Share Sale Agreement with Marion, the Company is obliged to carry on the business of OEL in its ordinary and usual course until completion. The Company and OEL may sell OEL's interest in any project (including the Jester Bloomington Project) if Marion agrees to sell its interest in the same project on the same terms and conditions. If OEL does sell its interest in any project prior to completion the consideration of the sale of the project remains an asset of OEL at completion.*

*In Utah;*

- *Marion has advised that after achieving an initial production rate of 1.5 million cubic feet of gas per day, the new Morrison Formation discovery well (Kenilworth Railroad 1-A) at North Helper has been periodically on and off-line as minor adjustments are made to fine tune production.*
- *The Ferron coal seam methane wells are continuing to de-water, resulting in production increasing slowly over time. During the quarter these wells produced at between 500 and 1,000 thousand cubic feet of gas per day.*

## **New Project**

*In March 2008, Odyssey entered into an agreement to acquire a 50% interest in a new oil & gas project area in Oklahoma.*

*The Company has now completed acquisition of a total of 1,626 acres in this play, which targets gas and associated oil in the Woodford Shale. The objective section is 6,000 to 8,000*

feet deep, with recent wells in the region utilising new drilling and completion techniques developed specifically for shale formations and initially producing at rates of 2 to 3 million cubic feet of gas per day.

Odyssey will be operator, and has an option (expiring 30 June 2009) to acquire the remaining 50% interest in the project. The lease cost per acre is approximately US\$160 (plus associated transaction costs).

The Company will undertake geological and other technical studies over the remainder of 2008 and based on these results may commence an initial drilling program during 2009.

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# 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 JUNE 2008**

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	93	230
1.2 Payments for		
(a) exploration and evaluation	(774)	(4,203)
(b) development	-	-
(c) production	-	-
(d) administration	(65)	(308)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	3	63
1.5 Interest and other costs of finance paid	-	(191)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material) - Business Development	(9)	(71)
<b>Net Operating Cash Flows</b>	<b>(752)</b>	<b>(4,480)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	(427)	(782)
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	(7)	(7)
<b>Net investing cash flows</b>	<b>(434)</b>	<b>(789)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,186)</b>	<b>(5,269)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(1,186)	(5,269)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	4,000
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	350	350
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material) - capital raising expenses	-	(225)
<b>Net financing cash flows</b>		350	4,125
<b>Net increase (decrease) in cash held</b>		(836)	(1,144)
1.20	Cash at beginning of quarter/year to date	897	1,216
1.21	Exchange rate adjustments to item 1.20	(4)	(15)
1.22	<b>Cash at end of quarter</b>	57	57

**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	84
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.

+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	1,100	350
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	350
4.2 Development	-
<b>Total</b>	<b>350</b>

### 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	57	897
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>57</b>	<b>897</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

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**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	McClain County Prospect, Oklahoma	1,626 net mineral acres	-	50%

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**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 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	58,154,000	58,154,000	Not applicable	Not applicable
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	4,346,000	-	Not applicable	Not applicable
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	300,000	Nil	<i>Exercise price</i> \$0.20	<i>Expiry date</i> 31 December 2008
	850,000		<i>Exercise price</i> \$0.60	<i>Expiry date</i> 30 June 2009
	1,400,000		<i>Exercise price</i> \$1.00	<i>Expiry date</i> 31 December 2009
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~does not~~\* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: ..... Date: 31 July 2008  
(~~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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