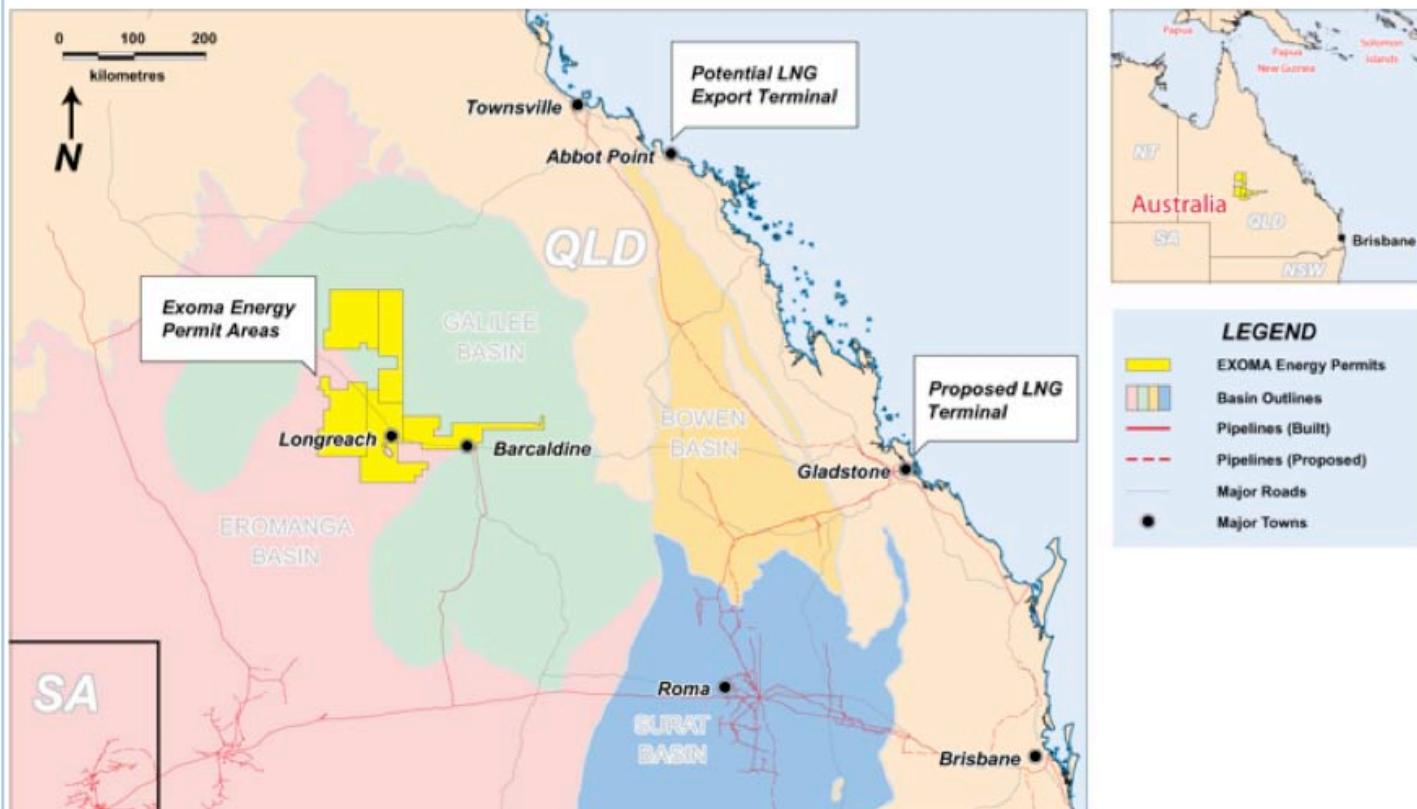


ASX Release

EXOMA ENERGY LIMITED (EXE) QUARTERLY ACTIVITIES REPORT December 2010

QUARTER HIGHLIGHTS

- Farmout of 50% interest in permits to CNOOC
- Technical studies in support of 2011 drilling
- Tenders called for 2011 Drilling Program



**Figure 1: Location map of Exoma's Galilee Basin permits.
ATP 991P; ATP 996P; ATP 999P; ATP 1005P; ATP 1008P**

OPERATIONS

CNOOC Farmin

During the Quarter Management and Board members were heavily engaged in finalising negotiations and due diligence processes leading to the closing of a \$50 million Farmin Agreement with China National Offshore Oil Corporation (“CNOOC”). Negotiations between the parties had been in progress for nearly 12 months and involved extensive technical due diligence and reviews of Exoma’s data, geological and geophysical evaluations and drilling programs covering all five of Exoma’s ATP’s in the Galilee Basin.

Formal execution of the Farmin Agreement took place in Beijing on 8 December 2010, (details of which are set out in Attachment A). The signing was attended by the Australian Ambassador to China, Dr Geoff Raby, and over 100 guests who witnessed Mr Wang Jiaxiang Assistant President of CNOOC and President of CNOOC Gas & Power Group and Exoma Chairman Mr Brian Barker complete the signing formalities.



Technical Studies

During the Quarter Exoma progressed a number of important studies underpinning its 2011 exploration program. These included:

1. Review of North American shale gas core analysis methodology and practice and identification of laboratory services with the capacity to undertake this work. This has provided the basis of design for the shale-testing program for 2011.
2. Review and analysis of the DERM water bore data. This data set includes some 3000 water wells in the area of Exoma’s permits, of which some 150 have been geophysically logged. The data provides critical input to planning including: enhanced structural control on the Toolebuc shale and aquifers within the basin; mapping of hydrological properties,

geochemistry and bottom hole temperatures; and the identification and mapping of aquifers in commercial use.

3. Development of the terms of a cooperative research program with a major Queensland university to map and visualise the hydrogeology of the Great Artesian Basin. This work will combine with the CSG core analysis program to lead to the identification of pilot locations for 2012.
4. Finalization of a sequence of well locations for the 2011 core drilling designed to optimise exploration results with land access and remote area logistics.

2011 Drilling Program

On 9 December 2010 Exoma called tenders for two drill rigs for its 2011 CSG and shale core-drilling program. The Company received notices of intention to tender from 5 drilling contractors. Tenders close on 28 January 2011.

In addition Exoma has called for tenders for supply of geological services and casing.

Supply Base

Exoma has taken out a lease to establish a supply base in Longreach consisting of a hard-standing area, casing storage, covered workshop and storage facilities. This will provide logistical support for the 2011 program.

SAFETY & ENVIRONMENT

Exoma and its contractors experienced no lost time accidents during the quarter. None of Exoma's operations caused any environmental impact.

CORPORATE

Because of the transfer of Exoma's office from Perth to Brisbane it was no longer practical for the Perth-based auditor, HLB Mann Judd to continue as the Company's auditor. As a result application was made to ASIC for the change of auditor to PriceWaterhouseCoopers. ASIC authorised this change on 18th August 2010.

Shareholders subsequently approved the appointment of PriceWaterhouseCoopers at the Annual General Meeting on 24 November 2010.

During the Period 400,000 options with an exercise price of 10 cents (ASX Code: EXEOA) were exercised for total net proceeds of \$40,000. The shares were issued on 9 December 2010.

During the Period 1,000,000 incentive options exercisable at various prices were issued to an independent director, Mr Dave Mathew, pursuant to shareholder approval at the Annual General Meeting on 24 November 2010.

Brisbane: January 31 2011

ATTACHMENT A

CNOOC Transaction:

On 9 December 2010 Exoma announced a farmin agreement with one of China's leading integrated energy companies, China National Offshore Oil Corporation ("CNOOC"), through CNOOC Galilee Gas Company Pty Ltd, one of its subsidiaries in Australia. This farmin is a major development in the exploration and evaluation of Exoma's extensive acreage position, providing both funding for the exploration activity and a close working relationship with an international major experienced in exploration, development and gas marketing.

Under the terms of the Farmin CNOOC will acquire a 50% participating interest in Exoma's ATP 991, 996, 999, 1005 and 1008 located in the central Queensland Galilee Basin by contributing \$50 million towards exploration and appraisal expenditure during the Farmin Period, expiring on 31 August 2013.

Exoma also granted to CNOOC an option (the "Option"), expiring five days after the satisfaction of all conditions precedent, to acquire up to 86.6 million ordinary shares of the Company at 31.5 cents per share. Each share will be issued with one free attaching option to acquire a further ordinary share at an exercise price of 31.5 cents, expiring 31 December 2012.

The Farmin Agreement and the Option are conditional on the indicative approval of the Queensland Government to the assignment of the Participation interest in the ATP's, approvals and consents from the Chinese Government Authorities and notice from the Treasurer pursuant to the Foreign Acquisitions and Takeovers Act 1975 that there is no objection to the transaction.

The granting of the Option is also conditional on shareholder approval in accordance with the ASX Listing Rules. The General Meeting to consider and, if thought fit, grant this Option will be held at the Brisbane Polo Club, Naldham House, 1 Eagle Street, Brisbane on 10 February 2011 at 10.30am (EST).

China National Offshore Oil Corporation (CNOOC) is the largest offshore oil and gas producer in China. Established in 1982, the company has its headquarters in Beijing. CNOOC Gas and Power Group, a wholly-owned subsidiary of CNOOC, is a leading importer and supplier of LNG in China.

CNOOC has committed itself to investing in overseas energy projects for a long time. Recently, it has made rapid progress in Australia, in particular the coal seam gas to LNG project in Queensland, where CNOOC Gas and Power Group has acquired 5% interest in CSG acreage in the Surat Basin and a 10% interest in one of the two trains at Gladstone LNG plant from BG. CNOOC has signed a Sales and Purchase Agreement with BG to purchase annually 3.6 million tons of LNG from the plant.

CNOOC also holds 5.3% interest in the North West Shelf natural gas project in Australia and 25% interest of an offshore oil exploration project in West Australia.

Recently, CNOOC has won Australian Foreign Investment Review Board's approval to acquire a controlling stake in the Arckaringa coal mine exploration project in South Australia, which targets coal resources for power generation and olefin production.

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

EXOMA ENERGY LIMITED

ABN

56 125 943 240

Quarter ended ("current quarter")

31 December 2010

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (... months) \$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(82) (909)	(435) (1584)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	36	53
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	Net Operating Cash Flows	(955)	(1,966)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects (b) other fixed assets		(19)
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		(19)
1.13	Total operating and investing cash flows (carried forward)	(955)	(1,985)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(955)	(1,985)
1.14	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	40	2,117
1.15	Payments for prospectus		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Proceeds from forward cover deposit		
1.19	Other (provide details if material)		
	Net financing cash flows	40	2,117
	Net increase (decrease) in cash held	(915)	132
1.20	Cash at beginning of quarter/year to date	3,427	2,380
1.21	Exchange rate adjustments to item 1.20		
		2,512	2,512
1.22	Cash at end of quarter		

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	100
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Directors fees \$67 thousand
and Consulting fees paid to directors based on special project hours \$71 thousand

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

Nil

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

Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,921
4.2 Development	
4.3 Production	
4.4 Administration	704
Total	2,625

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	561	2,476
5.2 Deposits at call	1,951	951
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2,512	3,427

+ 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	NA		
6.2	Interests in mining tenements acquired or increased	NA		

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)	Nil		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	318,071,665	318,071,665	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	400,000	400,000	10 Cents 10 Cents 40,000
7.5	+Convertible Performance Shares (description)	37,992,085	Convertible Performance shares milestone for remaining tranche not yet reached	

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Nil			
7.7	Options - (description and conversion factor)	66,941,250 146,876,250 6,380,000	66,941,250 146,876,250	Exercise price 20 cents 10 cents ESOP Incentive Various prices	Expiry date 31.03.2011 30.09.2012 Various dates
7.8	Issued during quarter	1,000,000		Incentive Options Various prices	Various dates
7.9	Exercised during quarter	400,000	400,000	10 Cents	400,000
7.10	Expired during quarter	Nil			
7.11	Debentures (totals only)	Nil			
7.12	Unsecured notes (totals only)	Nil			

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 give a true and fair view of the matters disclosed.

Sign here:
(Company Secretary)

Date: 28 January 2011

Print name: Brian McGillivray

Notes

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity quarterly report

- 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.