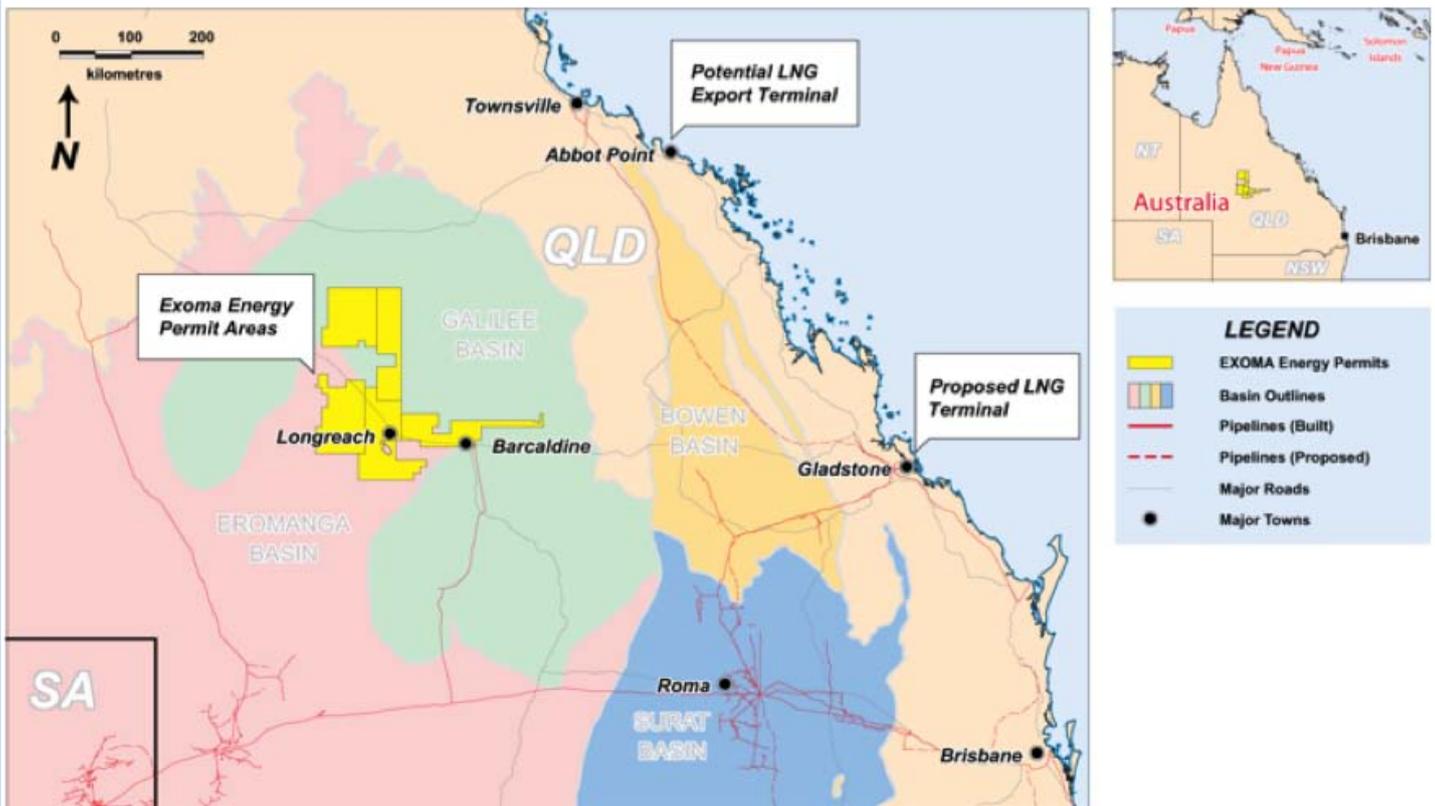


**ASX Release**

**EXOMA ENERGY LIMITED (EXE)  
QUARTERLY ACTIVITIES REPORT  
September 2010**

**QUARTER HIGHLIGHTS**

- Preparing for an extensive 2011 exploration drilling program
- Geological and geophysical studies completed
- Prospect portfolio now has 10 CSG prospects and a likely shale gas fairway
- Well site scouting, landowner and community consultation underway



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

**OPERATIONS**

Exoma's operational focus is on preparation for an extensive exploration drilling campaign commencing in 2011 after the end of the summer wet season. A total of 55 well locations have been identified as candidates for the programme.

The Company carefully reviewed the option of commencing drilling during the Spring of 2010, but concluded that this course of action would be unacceptably risky given the prospect of further heavy rain in the Longreach/Barcaldine area. Central Queensland experienced exceptionally heavy rain in September as a result of La Nina conditions and, based on the strongly positive Southern Oscillation Index, the forecast for the spring months points to the probability of above average rainfall.

Given that site access for drilling equipment is likely to be difficult in excessively wet conditions and considering the potential safety and environmental consequences of wet weather operations, Exoma has decided to commence drilling after the wet season. At present, Exoma expects to begin exploration drilling in March/April 2011.

The principal targets of this exploration will be the Permian coals of the Rodney Creek and Aramac coal measures for coal seam gas (CSG). In adjacent permits, these coals have been shown to have significant gas contents. Exoma will also target the Toolebuc shale, which is a known petroleum source that has the potential to be a significant gas resource.

### **Coal Seam Gas**

The geological work which underpinned Exoma's 2TCF of 3C contingent resource was extended during the quarter to define the planning for exploration programs in 2011 and 2012. Geological and geophysical studies included the re-interpretation of seismic data to help provide better regional geological and structural understanding of the coal measures sequence. Detailed mapping of the top Permian coal measures, intra-Permian and basement horizons has occurred. Draft two way time and isochron (time thickness) maps have been completed and depth maps are near completion. Final mapping should be completed during the following quarter.

Geological work has continued, with the delineation of 10 coal seam gas prospects. The prospects outlined in blue on the attached map (Figure 2) are controlled by seismic and logs from nearby conventional petroleum wells and initial drilling will likely concentrate on these. A total of 35 preliminary coal seam gas exploration drilling locations have been identified to date by the Exoma technical team. This list will be refined during the selection and planning stage of the 2011 drilling program. The geological and geophysical work is aimed at providing accurate control on well site locations for 2011's exploration program.

### **Shale Gas**

Geological work on the potential for the Toolebuc Shale as a shale gas play continued. Independent consultant's experience in the North American shale gas industry was engaged to complete a technical review on the data gathering and testing requirements for 2011's exploration program. Appropriately qualified Australian based geological service providers have been identified to conduct the specialist laboratory analysis required to measure the characteristics of the Toolebuc shale gas play and identify potential 'sweet spots' for follow up appraisal work.

The Toolebuc is a shallow, high organic content shale. Conventional petroleum wells intersecting the Toolebuc encounter gas and Exoma believes the shale has good potential for commercial gas production. Exoma's western permits all lie within a shale gas fairway defined by the interplay of depth of target, location and thickness of the organic-rich facies, structural disposition and presence of gas shows in earlier drilled wells (Figure 3).

A total of 20 preliminary shale gas exploration well locations have been identified to date by the Exoma technical team. Detailed seismic analysis of the Toolebuc and its associated faulting patterns will be used as a screening tool to refine the drilling candidate list.

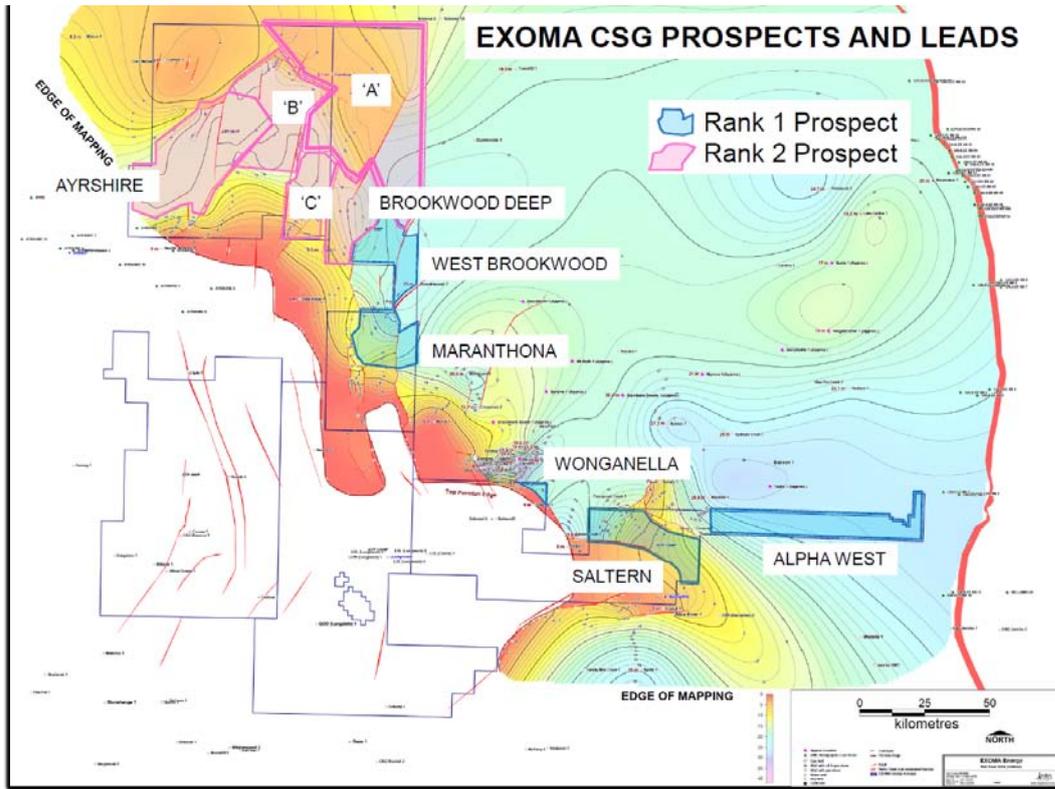


Figure 2: CSG prospects and leads map

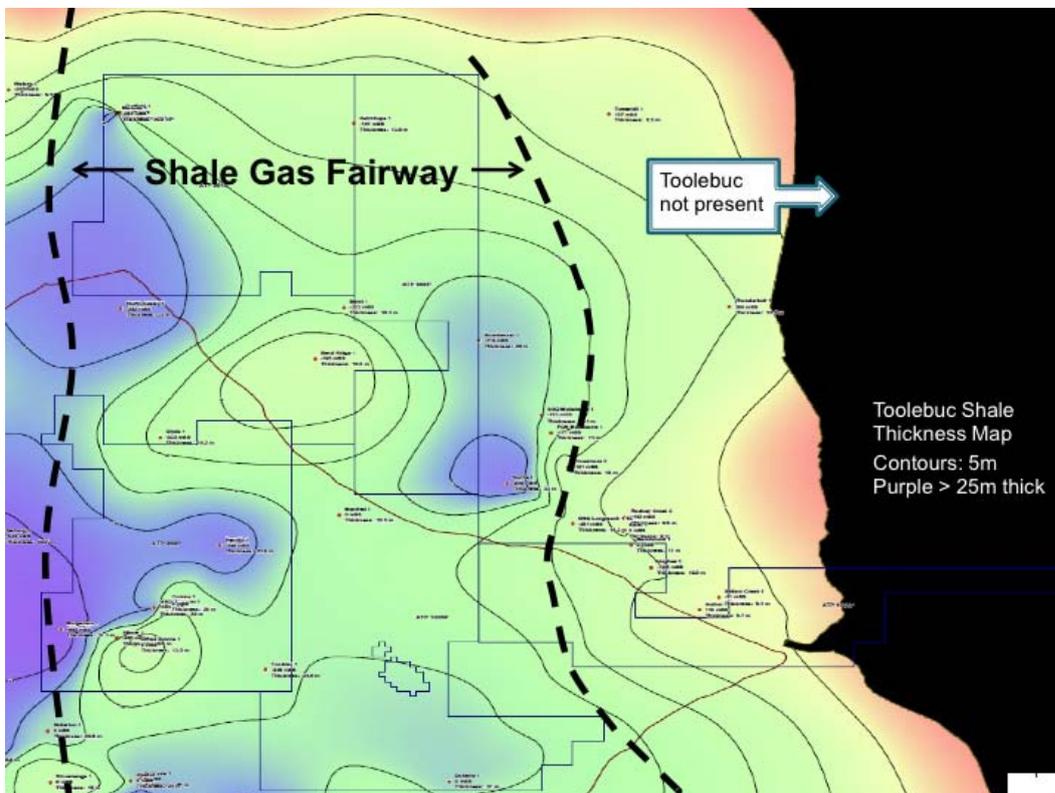


Figure 3: Outline of shale gas fairway

## **Hydrogeology**

Exoma is engaged in a series of projects to ensure that its operational planning is based on a well-informed and accurate assessment of the hydrogeology of the Great Artesian Basin.

In conjunction with the other 7 operators in the Galilee Basin, a joint working group (The Galilee Basin Operators Forum) was established. The Forum has engaged independent consultants to complete a basin wide hydrological review of the Galilee Basin to provide input to understanding the issues of hydrology in a regional context. This report will provide a basin-wide aquifer base line study; the study should be completed during the second quarter of 2011.

In addition to its own hydrogeology work, Exoma is in discussions with several universities to provide research support for further, more specific hydrological assessments within Exoma's tenements. This work will build on the general base line study and will incorporate the results of the 2011 exploration program.

## **Community Engagement:**

Exoma continued the process of meeting with landowners in the areas planned for the 2011 exploration campaign. In the case of properties on which drilling is planned, Exoma continues to work with landowners to conclude well locations and compensation agreements.

## **SAFETY & ENVIRONMENT**

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

The Company has completed development of a Safety Management System for its forthcoming operations. This system is designed to provide a safety, health and environmental risk management tool specific to the planned operations. The system will undergo a final independent compliance audit before implementation.

## **COMMERCIAL**

During the Quarter, Exoma progressed farmout discussions with parties interested in participating in the Galilee Basin exploration program. These discussions are continuing.

## **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 18<sup>th</sup> August 2010.

During the Period 7,035,000 options with an exercise price of 20 cents (ASX Code: EXEO) and 6,700,000 options with an exercise price of 10 cents (ASX Code: EXEOA) were exercised for total net proceeds of \$2,077,000.

Brisbane: October 26 2010

# 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")

30 September 2010

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(353)	(353)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	17	17
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
	(1,011)	(1,011)
<b>Net Operating Cash Flows</b>		
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) other fixed assets	(19)	(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)		
	(19)	(19)
<b>Net investing cash flows</b>		
1.13 Total operating and investing cash flows (carried forward)	(1,030)	(1,030)

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(1,030)	(1,030)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	2,077	2,077
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)		
	<b>Net financing cash flows</b>	<b>2,077</b>	<b>2,077</b>
	<b>Net increase (decrease) in cash held</b>	<b>1,047</b>	<b>1,047</b>
1.20	Cash at beginning of quarter/year to date	2,380	2,380
1.21	Exchange rate adjustments to item 1.20		
		3,427	3,427
1.22	<b>Cash at end of quarter</b>		

**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	138
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

**Financing facilities available**

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

+ See chapter 19 for defined terms.

	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	358
4.2 Development	
4.3 Production	
4.4 Administration	643
<b>Total</b>	<b>1,001</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	2,476	980
5.2 Deposits at call	951	1,400
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>3,427</b>	<b>2,380</b>

+ 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	<b>Preference + securities</b> (description)	Nil		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	<b>+Ordinary securities</b>	317,671,665	317,671,665	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	7,035,000 6,700,000	7,035,000 6,700,000	20 Cents 10 Cents 1,407,000 670,000
7.5	<b>+Convertible Performance Shares</b> (description)	37,992,085	Convertible Performance shares milestone for remaining tranche not yet reached	

+ See chapter 19 for defined terms.

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Nil			
7.7	<b>Options</b> (description and conversion factor)	66,941,250 147,276,250	66,941,250 147,276,250	Exercise price 20 cents 10 cents	Expiry date 31.03.2011 30.09.2012
7.8	Issued during quarter	6,380,000		ESOP Incentive Options	
7.9	Exercised during quarter	7,035,000 6,700,000	7,035,000 6,700,000	20 Cents 10 Cents	1,407,000 670,000
7.10	Expired during quarter	Nil			
7.11	<b>Debentures</b> (totals only)	Nil			
7.12	<b>Unsecured notes</b> (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 /does not\* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: ..... Date: .....  
(Director/Company secretary)

Print name: .....

## 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.

---

+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity quarterly 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.

== == == == ==