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Exoma Energy December 2008 Quarterly Report

Exoma Energy Limited (ASX code **EXE** or **Exoma**) is pleased to present its December 2008 Quarterly Report.

HIGHLIGHTS

During the Quarter:

- **Net cash revenue from production for the Quarter was A$0.413 million despite abrupt declines in commodity prices and delays in receiving the first revenue receipts from the Brearley 1H-11 well.**
- **Net share of production for the Quarter was 7,532 Boe; a decrease of 6% against the preceding Quarter's result as the Kelln 94-2 production rates settled to anticipated long term production rates.**
- **Net Operating Cash Flows, excluding exploration and evaluation expenditure, increased to a net outflow of A$0.127 million for the Quarter. The key driver was reduced cash receipts due to lower commodity prices.**
- **Given the current lower commodity prices further exploration drilling on adjoining acreage has been postponed pending improvements in commodity prices.**

MANAGING DIRECTOR'S COMMENTS

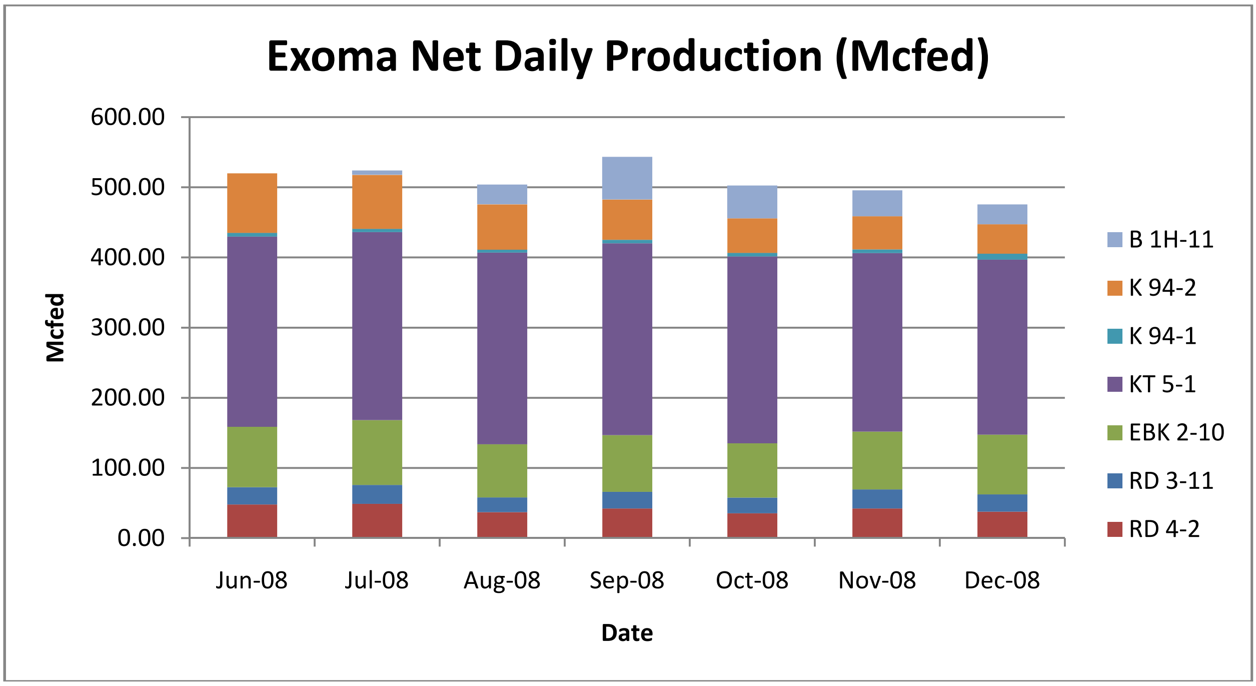
Exoma Energy's current business model has been challenged by an unprecedented decrease in the oil and gas prices arising from the U.S. recession. In October, as a response to the initial decreases in commodity prices, Exoma management conducted a strategic review of the Company's oil and gas production, exploration assets and Company-wide overhead costs.

The review concluded that in order to preserve and generate additional shareholder growth in the future, planned capital commitments would be suspended until there was greater certainty in commodity prices and drilling costs. As a result of the overhead cost review, the Company headcount has been reduced by three and the Dallas office relocated. Exoma continues to seek to diversify and manage its exposure to the US domestic gas market as it comprises 70% of the Company's revenue by value and market prices are being adversely impacted by the US economic slowdown.

Traditionally in the December quarter Operators contract drilling rigs for the next calendar year. This year there has been reluctance by Operators to commit to drilling rigs until the rig prices reflect the drop in commodity prices. Exoma was not in a position to gain "Operator status" on the acreage under consideration through an agreement with local explorer Canyon Exploration. A strategic decision was made not to participate in an undeveloped land package assembled since June 2009. The balance of the deposit funds returned being AS0.464 million was received in January 2009.

EXOMA'S PRODUCTION AND EXPLORATION INTERESTS

Production Highlights



Production from the Brearley 1H-11 continues to stabilise with sales increasing in late December following the installation of new pumping equipment. The sale of gas from the well remains suspended due to high CO2 levels associated with load water and gases from the frac operation. The Operator has reported that initial January gross daily oil production was 40 Bopd continues with a decrease in water following the changes to pumping equipment. Gas production remains suspended.

The Kelln 94-2 well has completed the "Flush Production" phase and settled down to its anticipated stabilised longer term production rates.

Leasing Activities

Commencing in June, the Company along with an Alliance partner acquired rights to additional acreage within the highly productive and prospective Anadarko Basin. This additional acreage adjoined the Company's existing production operations in the Anadarko Basin. The abrupt reduction in the commodity prices dramatically changed the economics involved in the risks associated with this programme. A strategic review was conducted together with the Alliance partner and following discussions in November surrounding drilling rig commitments the Company agreed to relinquish its interests in the additional acreage at the initial purchase cost. Given the reduction in drilling activity this outcome is highly favourable in the current market.

Drilling Plans

The steep decline in commodity prices has had a negative impact on the interest level shown by potential joint venture farmin partners. The operators of the proposed King 1H-10 well allowed their permit to lapse pending a review of their Company-wide drilling commitments. Exoma continues to explore the possibility of securing a joint venture partner to complete the Deal 1-11 re-entry well, once the rig operators have confirmed their 2009 schedule and reviewed rig pricing.

East Texas

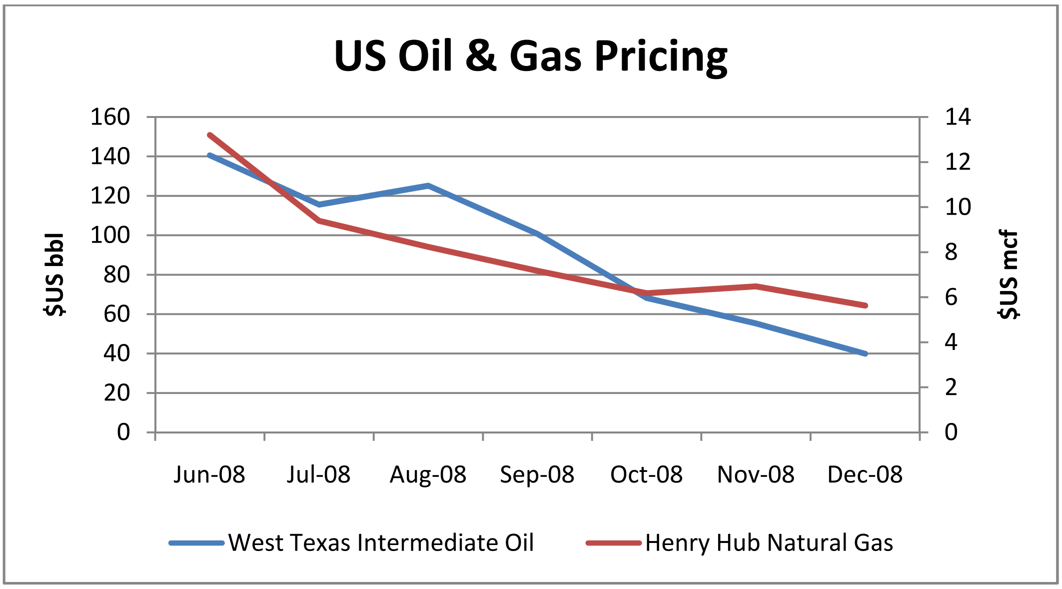
The Operator of the Goliath prospect failed to secure the additional joint venture partners required to complete the sale of the outstanding interests in the prospect before the end of October 2008. The Board decided that Exoma would not seek an extension in the current economic environment and subsequently permitted the option to participate to lapse at the end of October 2008.

The Operator of the Glory Road #1 well, finalised the billing of well costs that were paid in January 2009. Based upon the Glory Road #1 well's results the participants jointly agreed not to proceed with the drilling of the Glory Road #2 well.

REVENUES & OPERATIONAL COSTS

Revenue

Net cash revenue from production for the Quarter was A$0.413 million representing a 21% decrease over the cash revenue from the preceding Quarter. Further weakness in the key commodity index prices and a delay in receipt of the first revenues for the Brearley 1H-11 well were the key drivers of the decrease.



West Texas Intermediate Oil prices dropped by US$101 (68%) since June month-end and US$61 (41%) of this fall occurred during the last quarter of 2008. The benchmark Henry Hub Natural Gas price has fallen 60% between the June and December month-ends. Gas prices have generally followed an annual price cycle and in prior years the gas prices over the same period remained relatively unchanged. The abrupt falls in commodity prices was against a backdrop that included forecasts of US$200 a barrel oil and US$15 gas. The revenue loss has been reduced by favourable movements in the exchange rate against the United States dollar.

The standard industry terms of payment for net operating revenue to joint venture partners is 60 days. The first cash revenue from the Brearley 1H-11 well of A$0.060 million was expected in the December quarter, however receipt was delayed due to local permitting issues by some of the joint venture partners.

General & Administration costs

General & Administration (G&A) costs remained materially unchanged against the June & September quarter results. However the December quarter included one-off payments associated with a reduction to staff levels. The Dallas Office lease was not renewed in December and other cost reduction initiatives were taken to further reduce costs. The benefit of the reduction in overhead costs was reduced by the relative strengthening of the United States dollar to the Australian dollar. The lower revenue, G&A costs and significant movement in exchange rates resulted in a Net Operating Cash outflow, excluding exploration and evaluation, for the Quarter of A$0.127 million.

Including the net revenues due from the Brearley 1H-11 well of approximately A$0.060 million, the net cash burn rate (excluding exploration costs) is approximately A$60,000 for the Quarter based on current commodity prices and exchange rates.

CORPORATE AND OTHER DEVELOPMENTS

Resignation of Director

During the period Mr. Steve Noske resigned as a Non-Executive Director of Exoma Energy Limited effective 4 December 2008. Mr. Noske's position on the Board was not replaced following the status change of Mr. Brendan Egan to a Non-executive Director in September 2008.

Cash Position

Cash held at 31 December 2008 was A$0.823 million.

The Company remains free of long term debt.

FURTHER INFORMATION

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This release will be available on the Exoma website at: www.exoma.net

Glossary

Bbl	Barrel of crude oil (i.e., 159 litres)
Bcf	Billion cubic feet
Boe	Barrel of crude oil equivalent – commonly defined as equating to circa 6,000 cubic feet dry of gas.
Bopd	Barrels of oil per day
M	Thousand
MM	Million
A$	Australian Dollars
US$	United States Dollars.