



QUARTERLY EXPLORATION REPORT For the three month period ending 30 September 2010

OVERVIEW

During the quarter the foundations for the Company's ongoing growth were further established. These steps included:

1. Consolidation of the Company's shares on a 30:1 basis.
2. A capital raising of \$12.5 million.
3. Establishment of a strategic alliance with Beach Energy Limited (Beach).
4. Securing an option to acquire an interest in PRL 2 (onshore Gippsland Basin).

CORPORATE

In August shares were consolidated on a 30:1 basis, following which a capital raising was completed, realising approximately \$12.5 million through the issue of approximately 96.8 million shares at \$0.13 per share.

The raising was strongly supported by the Company's major shareholders and resulted in Somerton holding cash reserves of \$11.3 million at 30 September 2010 (after costs of the issue and repayment of the debt to Beach). Subsequent to the end of the quarter, the Company repaid its debt of \$0.7 million to Mitsui E&P Australia Pty Limited.

Capital Structure at 30 September was:

Capital Structure	30 September 2010
Fully Paid Ordinary Shares	141,486,642
Employee Incentive Rights	3,000,000

Somerton Energy Limited

25 Conyngham Street
GLENSIDE SA 5065
AUSTRALIA

Managing Director:
Hector Gordon

P: +61 8 8433 1481

F: +61 8 8338 2336

E: info@somerton.com.au

www.somertonenergy.com.au

ABN: 38 089 956 150

STRATEGIC ALLIANCE WITH BEACH ENERGY

On 12 August 2010 the Company entered into a Strategic Alliance Agreement with Beach which provides Somerton with defined benefits under three areas:

1. access to deal flow and other business development opportunities;
2. funding support where mutually attractive opportunities exist;
3. support services.

More information on the strategic alliance with Beach was provided in the prospectus for the recently completed rights issue.

OPERATIONS

PEP 151 (Interest – 75%)

No seismic or drilling was undertaken during the period in PEP 151. Seismic acquisition is planned for early 2011.

PEP 168 (Interest – 50%)

Beach was appointed Operator of the PEP 168 Joint Venture effective 19 July 2010.

No seismic or drilling was undertaken during the period in PEP 168.

Future activity is expected to include seismic acquisition early in 2011 aimed at maturing one or more conventional gas prospects for drilling in 2012. Concurrently the PEP 168 Joint Venture is undertaking studies to evaluate the potential for production of shale gas from the Eumeralla Formation. Options to develop the East Wing gas discovery are being assessed by the Operator, Beach.

PRL 13 (Interest – 20%)

No seismic or drilling was undertaken during the period in PRL 13. Drilling of one or more Killanoola appraisal wells early 2011 is under consideration by the Operator, Adelaide Energy Limited.

PEP 150 (Interest – 20%)

Grant of PEP 150 is contingent upon entering into agreement with the native title claimants. Negotiations are being lead by Beach, as Operator of the PEP 150 Joint Venture. Somerton expects these negotiations will be completed by the end of FY11, which should allow exploration to commence in FY12.

PRL 2 (Option to earn up to 16.7% Interest)

During the quarter Somerton received an offer from Beach to participate in that company's farmin transaction with Lakes Oil NL (*Lakes*) in relation to PRL 2 in the onshore Gippsland Basin. Subsequent to the end of the quarter Somerton has confirmed its intention to accept the offer from Beach.

Subject to completion of final documentation, Somerton will acquire from Lakes up to a 5% interest in PRL2 by funding 33.3% of the cost to fracture stimulate and test the Wombat-2 and Boundary Creek-2 wells, at an estimated cost to Somerton of up to \$3.33 million. Somerton will also have a further option to earn a further 11.7% interest (up to a total interest of 16.7%) by contributing a further \$13.33 million (bringing total expenditure to \$16.7 million) to further appraisal and development of the Wombat field.

PRL 2 is a retention lease in the onshore Gippsland Basin, eastern Victoria containing the Wombat tight gas accumulation, which has been estimated by Gaffney, Cline & Associates to contain a 2C Contingent Gas Resource ("Development Pending/Uncertain") of 329 BCF. Wells in the field have flowed gas on Drill Stem Test (DST) at rates of 0.48 million standard cubic feet of gas per day (mmscfd) and up to 4.3 mmscfd after fracture stimulation. If such rates can be achieved on a sustained basis, then development of the Wombat accumulation may be economically viable.

The purpose of the testing program, which will be operated by Beach, will be to determine whether economic gas flow rates can be achieved on a sustained basis and to confirm the fluid type in some zones in which it is not possible on the basis of available data to determine whether gas or fresh water is the predominate fluid present.

Fracture stimulation of Wombat-4 is expected to be carried out in the first quarter of 2011.

The farmin to PRL 2 will be the first new asset acquired since the Company's restructure and has resulted from the Strategic Alliance with Beach.

For more information contact:

Hector Gordon, Managing Director, Somerton Energy

Tel (08) 8433 1481

Email info@somerton.com.au.

Or visit the website: www.somertonenergy.com.au