

ASX RELEASE

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Proposed conversion of contractual payments due to Executive Directors/Management into shares

The Board of Marion Energy (ASX: MAE) advise that they have resolved to seek shareholder approval to convert contractual cash payments due to Executive Directors and other management into fully paid ordinary shares in the Company.

The Executive Directors took this initiative to underline their confidence in the Company, its assets and its future. The Non Executive Directors approved the proposal – subject to shareholder approval – because in addition to the reasons cited above, it will have the additional benefits of conserving the working capital of the Company and maintain incentives for future growth.

Provision for the contractual payments to be made is contained in the Prospectus lodged with the Australian Securities Exchange on 17 December 2004.

The contractual payments, comprising two payments of a total of US\$500,000 each, to be shared among the Executive Directors and certain other management, relate to the completion of two key milestones:

1. The securing of a US\$5 million facility from a bank; and
2. Achieving a gas production level of 3 million cubic feet of gas per day for two consecutive months, net to the Company.

The first payment became due following the announcement to the market on 27 November 2006 of a US\$5 million revolving credit facility with Fortis Capital Corp. The Executive Directors and relevant management elected not to take the payment at the time to conserve the Company's working capital.

The second payment is anticipated to become due in the near term.

Following recent approval of the proposal by Non-Executive Directors, the Directors will now seek shareholder approval to convert both payments to fully paid ordinary shares in lieu of cash payments. In the instance of the second payment, this approval will be sought in anticipation of the required production levels being met in the near future.

The conversion price has been set at the ten day weighted average share price (VWAP) up to and including 31 July 2009. At the US\$/A\$ rate of .8268 on 31 July, 2009 and VWAP of \$0.236652, the maximum total number of shares that may be issued in conversion of both payments will be 5,110,804 shares.

A Meeting of Shareholders to consider the proposal will be called in the near future.

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