MARION ENERGY LIMITED

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ASX Release

Update on Goldman Sachs Engagement and Corporate Strategy

- Goldman Sachs to continue management of sale of North American oil and gas assets
- Re-engineering of operations and strengthening of the balance sheet to enhance asset values and maximise returns for shareholders in sale process
- Board commits to strategy of funding operational improvements and capital management initiatives to drive shareholder value

The Board of Marion Energy Limited (ASX: MAE, Marion) is pleased to provide an update on key elements of the Company's corporate strategy.

The Company's mandate with Goldman Sachs for the management of the proposed sale of its North American oil and gas portfolio is continuing.

Both parties remain committed to the engagement to seek a buyer, either for Marion as an entity or for its assets, either in whole or in part, including the possible formation of a joint venture with interested parties. This process formally commenced with calls for expressions of interest in April 2009.

The Goldman Sachs mandate is part of a wider, updated Board strategy to maximise returns to shareholders through realising value from the North American asset portfolio.

Other key elements of the strategy include implementing a number of operational improvements to the assets to maximise their sale value, re-setting of debt facilities and a review of the capital management position.

Marion Chairman Greg Harvey said the Board was committed to the previously announced strategy of monetising the Company's investment in the North American assets.

"However, we are also committed to maximising returns for shareholders and we believe that substantially higher values could be secured through implementation of a number of operational initiatives," said Mr Harvey.

"This will enhance the value of our assets in the short term for a longer term benefit. We want to achieve the best return – not the quickest return – for our shareholders."

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The Marion Board accepts and understands that the sale process has taken longer than some shareholders had expected. However, given the inherent uncertainties in any sale process in terms of timing and outcomes, it is prudent to ensure the Company also remains focused on the operational assets.

"The Board believes shareholder value would be maximised by investing in the optimisation of assets in the short term to put Marion on a strong footing operationally and corporately while the sale process continues," said Mr Harvey.

Further details on these initiatives will be released in coming weeks but are likely to include:

- Investment in operational improvements to increase sustainable, long term and profitable production
- Evaluation of the Company's capital needs, with existing shareholders given preference for participation in any capital raising should it be decided to undertake this
- Evaluation of a number of options for Marion to restructure its debt facilities to longer dated maturity.

The Board is confident that a prudent approach to the sale process can enhance potential returns for shareholders, particularly given asset valuation work already undertaken, interest expressed in the sale process to date and the improvement in oil and gas prices and world markets generally.

In line with advice from Goldman Sachs, the Company will now work in parallel with the sale process to implement operational enhancements to producing assets and to re-balance its debt maturity profile.

The Chairman emphasised that the process will be driven by the ongoing participation and involvement of the current management team to implement operational enhancements and retain the support of current or future lenders.

The Board looks forward to providing further updates on the implementation of the strategy, operational improvements and capital management initiatives in the weeks ahead.

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