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ASX Release

## **ACTIVITIES REPORT FOR THE QUARTER ENDED 31 MARCH 2010**

The Directors of Marion Energy Limited ("Marion") (ASX: MAE) present their Activities Report for the March 2010 Quarter.

The March 2010 Quarter saw the Company commence a number of initiatives aimed at providing a sound foundation to enable it to successfully develop its considerable reserves and resource in ground and provide significant demonstrable progress in field operations over the next six to nine months. A process of Board and Management renewal and a strategy to recapitalise and strengthen the Balance Sheet were initiated and the previously announced operational focus continues to be implemented with encouraging initial results.

### **OVERVIEW**

- Operational strategy further developed to bring 8 to 12 key Clear Creek wells into production. Work is currently in progress at varying levels of remediation on four of these wells.
- Work program for next 6 months further refined with management targeting each well to achieve production rates in a range of 1 to 4 million cubic feet of gas per day.
- The early success indicated from remediation operations with gas production and sale into the distribution system from the Oman 2-20 commencing in December 2009 continues with this well remaining on production throughout the quarter. This result gives confidence the operations being undertaken result in similar outcomes at the other wells. Work also commenced on Ridge Runner 13-17, 11-17 and 2-19 wells during the quarter.
- Placement of \$2.8 million completed.
- Bank facilities renegotiated on advantageous terms.
- Commencement of Board and Management changes.

### **Corporate: Board and Management Changes**

During the Quarter, the Company commenced a Board and Senior Management restructure and renewal process to support the strong operational and commercial focus of activities currently in progress while retaining extensive existing management expertise.

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Board and Management changes are as follows:

- Appointment of new Chief Executive Officer: current Executive Director Peter Collery has been appointed Chief Executive Officer replacing Jeff Clarke
- Resignation of Non-Executive Directors: Dick Carter, Alan Edgar, Gregory Harvey and Doug Martin have resigned from the Board

The Board now comprises Peter Collery and Karl Louman and Jeff Clarke. It is the intention to appoint additional independent Non-Executive Directors over the coming months. A selection process has commenced to facilitate these appointments.

Jay Stratton will continue in his role as Chief Operating Officer, with direct oversight of the implementation of the Company's comprehensive operational strategy.

The changes will allow for the Board restructure to occur in the near term and once completed should assist in bringing a reinvigorated and targeted focus to the Company's operations.

The Company looks forward to taking advantage of operational advances to maximise the value of our assets for long term shareholder value. The Company has a clear operational and capital management strategy in place to achieve that objective.

### **OPERATIONS REPORT**

A comprehensive operational plan has been designed by Operating Management and is now being implemented by the Company.

Work has commenced on a well remediation and workover program which is aimed at bringing Marion's existing, new wells and a number of the most promising old Clear Creek wells back into production by the end of September 2010 with a total production target of 8 million cubic feet of gas per day by this date.

Under the program, each well will be subject to three to four stages of works, which are designed to open up the full Ferron interval to production, via the removal of blockages and flow restrictions and the efficient management of water produced from operations.

The program is initially focussed on bringing the Oman 2-20, Ridge Runner (RR) 13-17, RR 11-17 and RR 2-19 wells at Clear Creek back into full production. Under the current schedule, these wells are expected to be back onto production to varying levels by June 2010.

As announced to the ASX on 22 March 2010, remediation work is continuing successfully on Oman 2-20, with natural gas now being consistently sold into the market throughout the quarter and which gives management encouragement with regard to the strategy being implemented.

The Company is also currently undertaking a number of operational initiatives which if successful will result in considerable operational efficiencies being achieved and which will also in turn result in significant cost savings.

Further updates will be released at the program progresses.

### **Capital Management Strategy Update**

The Company is also pursuing a prudent capital management strategy to support the continued implementation of the operational program, including the recent completion of a \$2.8 million Share Placement, the renegotiation of the Company's banking facility and a proposed capital raising. The Company is targeting a recapitalisation and strengthening of the Balance Sheet to ensure it has the necessary financial resources to successfully pursue its operational strategy.

As announced to the ASX on 7 April, 2010, the Company has successfully achieved a renegotiation of the terms of its banking facility with its bankers, BNP Paribas Fortis and Fortis Netherlands, resulting in:

- The removal of a requirement to repay \$5 million of the loan balance on September 31, 2010;
- A further six month extension to 30 September 2011 for the balance of the facility to be repaid.

In addition, the Company also intends to undertake a further capital raising involving existing shareholders in the current quarter.

The commencement of the Board restructure, progress on the operational program and the implementation of a capital management program provides Marion Energy with a strong platform for growth it moves into increased production across its North American onshore gas assets.

### **OUTLOOK FOR NEXT QUARTER**

The focus for the next quarter will be on the following:

- Continued focus on operational plan of well rehabilitation to consolidate production and revenue generation with four wells being targeted to be brought back onto initial production
- Strengthen Balance Sheet through undertaking of equity capital raising to all shareholders
- Board renewal and restructure

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