MARION ENERGY LIMITED

ACN 000 031 292

ANNUAL REPORT 2009

AUSTRALIA | AMERICA

CONTENTS

CORPORATE DIRECTORY

Directors:

Gregory Harvey (Chairman)
Jeffrey Clarke (Managing Director)
Peter Collery
Alan Edgar
Richard Carter
Karel Louman
Douglas Martin

Company Secretary:

Peter Collery

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Hawthorn, Vic 3122

Share Registry:

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Bankers:

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Commonwealth Bank of Australia Limited

Fortis Capital Corporation

Auditors:

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Stock Exchange Listing:

Australian Stock Exchange

Code: MAE

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CHAIRMAN'S STATEMENT

This year proved to be particularly challenging for the Company. World events centered on the global financial crisis created considerable uncertainty in both capital markets and in our industry as management of risk assumed great significance. In particular, gas prices declined significantly especially in the second half of the year.

The Company also faced a number of challenges with regard to our progress in achieving our target level of sustainable production. The Chief Executive has referred to these issues in his Operations Report. Together with the reduced gas prices, these issues resulted in the decision being taken to temporarily shut in most production for the second half of the year. To do otherwise would have been uneconomic.

The Company's management used the period when the wells were shut in to undertake a major review of the company's projects, to determine the issues that needed to be addressed to achieve our target levels of production and to devise an operational plan to achieve these targets. Where appropriate, the company utilized the services of outside consultants to assist with this review.

In August 2009 operations commenced implementing the review findings with a focused plan to bring back into production four to six of what are considered to likely be our most productive wells. Operations since then give us confidence that the planned results will be achieved. Initial results, though frustratingly slow, are encouraging. The current operational plan could take at least six months to complete. It is intended to proceed cautiously and methodically to avoid recurrence of some of the technical issues encountered previously with these low pressure reservoir wells. Extra time spent now will, we believe, pay dividends in the longer term.

In a more positive vein, it is pleasing to note that independent Reserve and Recoverable Resource reports were completed in April 2009 and these assessments confirm that the company has a substantial and valuable asset base. At that time, against the lowest gas price regime since we acquired our Utah acreage, the 1P, 2P and 3P Reserves came in at a total level of 241 Bcf of gas and the Recoverable Resource at between 2.4 and 4.3 Tcf of conventional and non conventional gas.

The Board remains both committed to and, despite the frustrating delays, confident in the Company's ability to deliver on our stated strategy and to see the undoubted value of these assets reflected in the market value placed on the company.

On the corporate front, following the major review of Marion and its operations undertaken by the Company's retained corporate adviser, Goldman Sachs, the Board mandated Goldman Sachs in April 2009 to seek buyers for the Company and/or its assets. Despite considerable interest being expressed in the Company and its assets, in the current risk averse environment no firm offers have yet been received. As a result, the Company will focus in the short term on bringing its selected wells back into production whilst at the same time continuing with the process of seeking buyers for the company and/or its assets via the Goldman Sachs mandate. In pursuit of enhancing shareholder value, this mandate has been broadened to include potential joint venture and farm-in options.

As I said in last year's Annual Report, while the year ahead looks set to be challenging on all fronts, the Board is confident that considerable increases in the value of your investment can and will be achieved. The quality of our assets and the extent of our acreage in exciting US gas provinces leave us well placed. Your Directors and Staff remain enthusiastic and dedicated to achieving the paramount strategic objective – increasing and realizing shareholder value coming year.

Greg Harvey

Gregory G. Harvey
Chairman

CHIEF EXECUTIVE'S REPORT

This year has been challenging in many ways with the global financial crisis having an overall negative impact on many aspects of our industry and also a significantly lower gas price prevailing for much of the year. Pricing as the main factor, combined with some operational issues led to management shutting in most field operations for the second half of the financial year. As a result we have not been able to deliver production at our previously expressed target of 20 million cubic feet of gas per day. We are very disappointed to have not achieved our target and share this frustration with shareholders.

Nonetheless, management utilised this shut in time to undertake a comprehensive review of its operations with the aim being to develop a future operational strategy. The review was completed in June/July 2009 and as has been detailed in the Review of Operations on page 8, a new work program designed to bring back on line significant production over the next six months commenced in August 2009. I believe it will lead to much better results from the Company's projects in the future as it develops its assets.

Whilst caution is needed with the management of this work program, the results to date on the first stage of the program are encouraging.

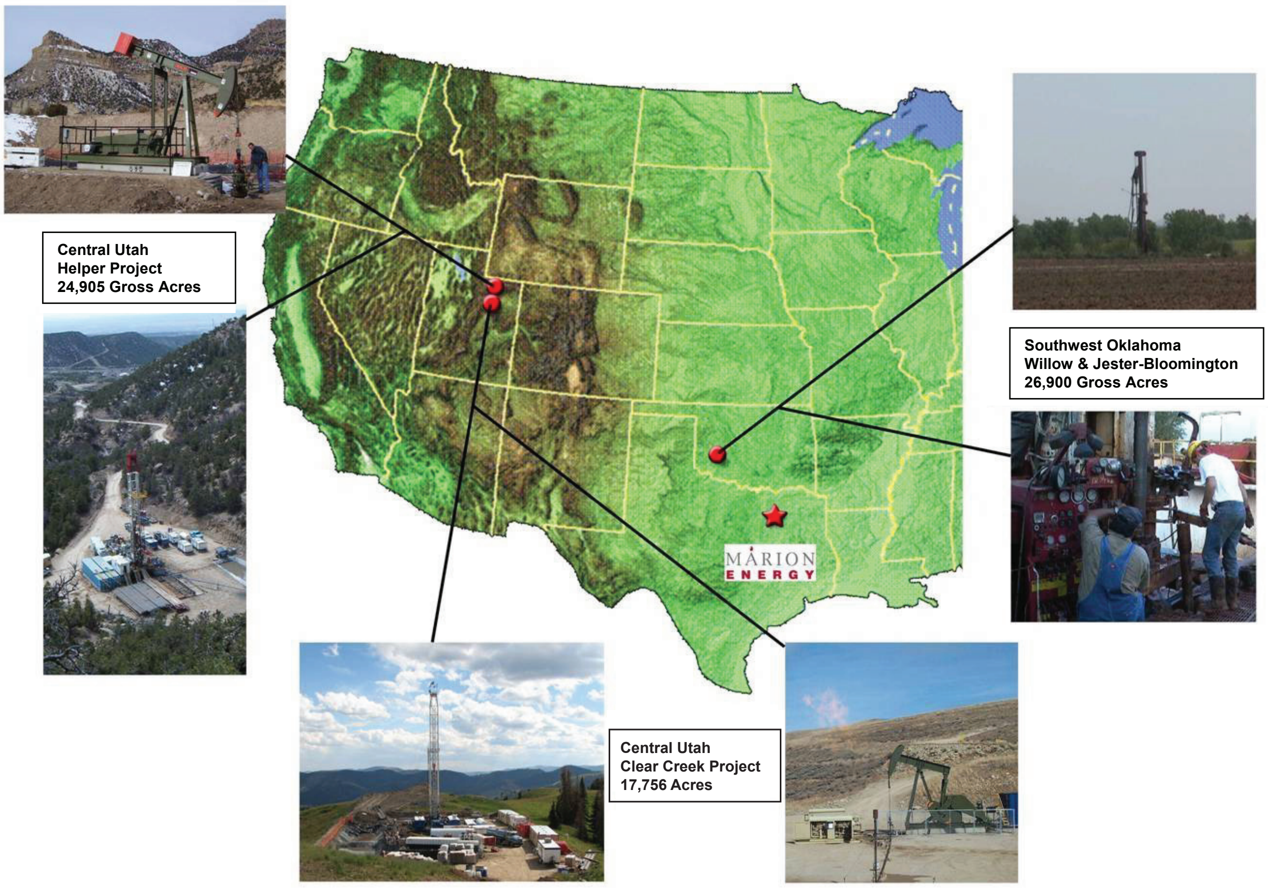
As I said in my report in last year's Annual Report, the Company has a very significant portfolio of assets in its Utah projects which I believe will produce considerable production, cash flow and reserves and has a portfolio of drilling locations which will keep the Company busy for a number of years to come.

A new independent resource and reserve report was commissioned and completed during the year. The Company currently has Reserves estimated at 241 Bcf of gas for its 1P, 2P and 3P reserves. It has also been assessed as having an estimated recoverable gas resource of between 2.4 and 4.3 Tcf of gas from all sources, conventional and non conventional. These reserves and resource estimates establish that the Company has a very significant asset base. The focus for the next twelve months will be on successfully exploiting these assets through production operations to create demonstrable value for shareholders.This program will support and enhance the Company's parallel objective of vigorously pursuing the Goldman Sachs mandate to find a buyer for the Company and/or its assets, either in whole or in part.

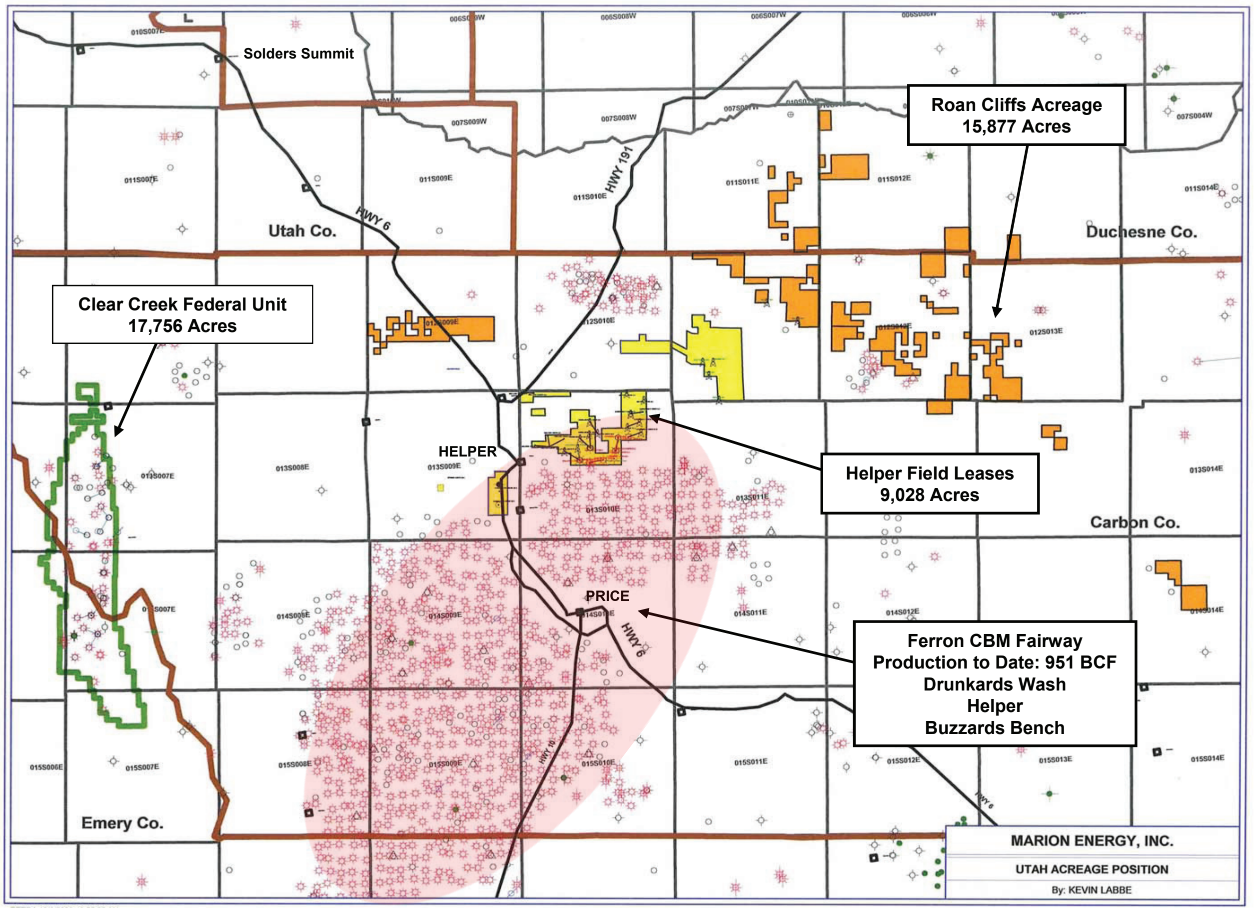
In conclusion, I remain confident that our future strategy will lead to us ultimately achieving our stated goals of producing at least 20 mmcf a day of gas and in turn add more value for shareholders.

Jeffrey Clarke
Chief Executive

CHIEF EXECUTIVE'S REPORT



CHIEF EXECUTIVE'S REPORT



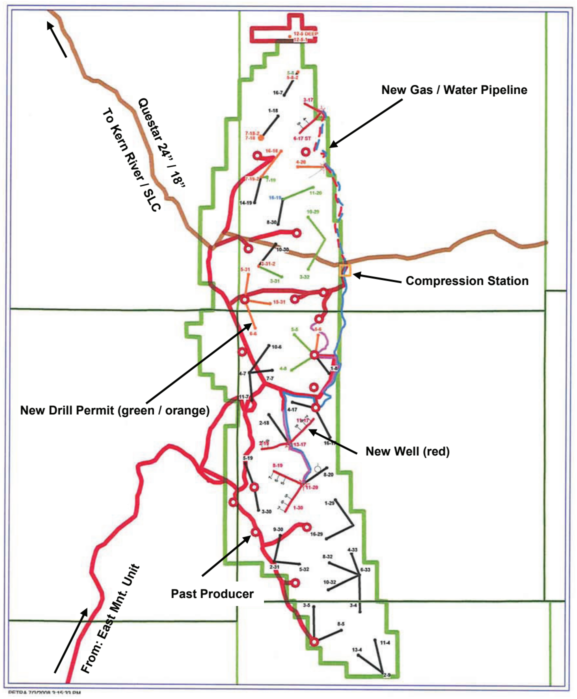
ANNUAL OPERATIONS REPORT

REVIEW OF OPERATIONS

Clear Creek Project – Utah
(100% working interest owned by Marion)

The Clear Creek Unit - which comprises approximately 17,756 acres - is located in Carbon and Emery counties approximately 12 miles west of the Drunkards Wash field in the Uinta Basin in central Utah. The field was drilled in the 1950's and mostly produced through the early 1970's on 1,000 acres spacing. It has produced 137 billion cubic feet ("Bcf") of natural gas from conventional reservoirs. In the Company's opinion the spacing was not sufficiently tight to drain all the gas in place. Each individual well only drained 40 to 80 acres, leaving a significant amount of gas in the reservoirs. Independent engineers have estimated significant potential reserves in the Ferron sands in addition to the Ferron, Blackhawk and Emory coals.

CLEAR CREEK FEDERAL UNIT
EMERY AND CARBON COUNTIES, UTAH
17,756 GROSS ACRES



There are potentially up to 200 well locations in the Ferron sandstone horizons with successful wells having the potential to produce in the range of 1 to 5 mmcf/day and with a reserve potential per well of 4-20 Bcf of gas. A number of secondary targets also exist in the project.

This year was disappointing for us as we fully expected to have production from the wells approaching the target of 20 million cubic feet of gas per day. As was indicated in my report for the 2008 Annual Report, in the December 2008 Quarter it was discovered that the Clear Creek wells had been affected by the presence of hydrates down hole and possibly also in the near well bore reservoir. The hydrates were caused by the super cooling of the fresh water produced in the presence of small quantities of carbon dioxide in the gas stream. The presence of these hydrates were a significant barrier to the wells producing at the level targeted.

As last year's report was released, the Company had commenced a program of remediation aimed to both remove and prevent the reformation of hydrates. Completion of these remediation actions resulted in the successful elimination of the hydrates and the subsequent maintenance program has resulted in the continued prevention of any hydrate reformation. This remediation program was successfully completed in the early part of calendar year 2009.

The Company currently operates 11 wells at Clear creek. At the same time as the technical difficulties outlined above were being encountered, there was a very significant downwards trend emerging in gas prices. This pricing environment continued well into the early part of calendar year 2009 and given the combination of technical difficulties and lower prices, the decision was taken to temporarily suspend field operations. As a result, the clear Creek wells were shut in for most of the second half of the financial year.

During this shut in period, management undertook a comprehensive review of all field operations to better understand the field management issues associated with our reservoirs. Management also engaged the services of outside consultants where appropriate to assist with this process. This review identified a number of steps that needed to be undertaken to bring the wells up to the production levels targeted. In August 2009, the Company recommenced field operations with a program aimed to remove what are believed to be a significant amount of residual drill and frac material from the wells. Once this material is removed, it is expected that the wells will flow freely and at rates originally anticipated based on the results of initial testing of the wells. This program is targeting 4 to 6 of the wells considered likely to be the most productive and profitable. It is believed the program will take a minimum of six months to complete.

The wells have provided sufficient prior evidence to indicate they are capable of producing at levels measured during drilling and testing which were as high as 7 to 8 million cubic feet of gas per day in the case of the Ridge Runner 11-17 well. Management holds to its previously expressed view that the wells are capable of producing at a combined rate of in excess of 20 million cubic feet of gas per day.

The Company also drilled one new well during the year, the Oman 10-29. During the successful drilling of this well, strong gas shows were encountered. The well was not fully tested as a result of unfavourable winter weather conditions making operations particularly difficult. It is, however, intended to fully test this well during the current six month work program.

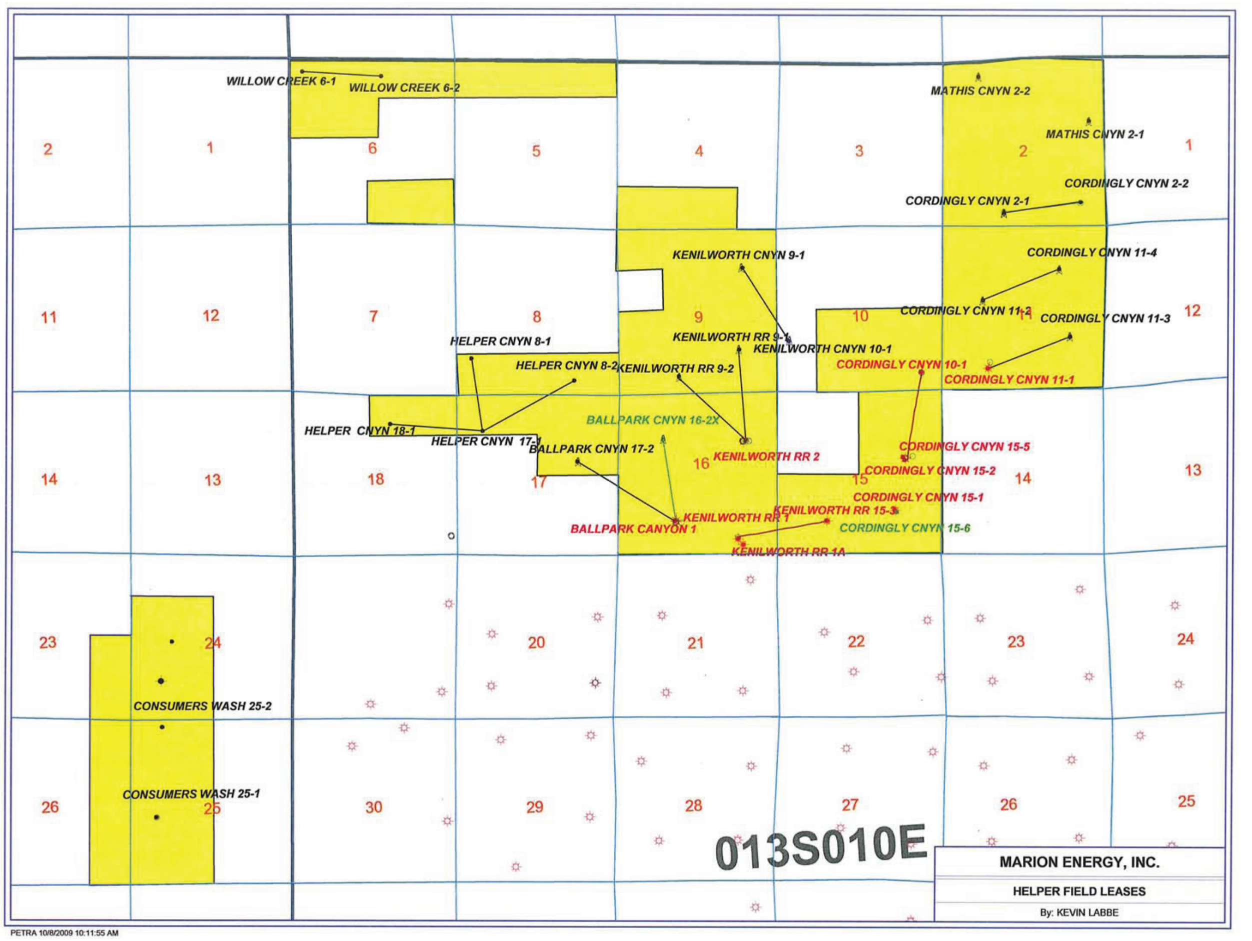
Helper Project – Utah (100% Marion owned)

At the date of the report Marion has a 100% working interest in a significant coal bed methane play in the Uinta Basin, Utah, USA (the Helper Project). The project is located within a proven prolific gas producing area, with some 55 billion cubic feet ("Bcf") of gas having been produced to date.

Based on empirical data of recoveries from the Helper field, Marion anticipates successful wells could contain recoverable reserves of at least 1.4 bcf per well. The Project has an interest in approximately 25,000 net acres.

Marion is the Project Operator.

HELPER FIELD
CARBON COUNTRY, UTAH
24,905 GROSS ACRES



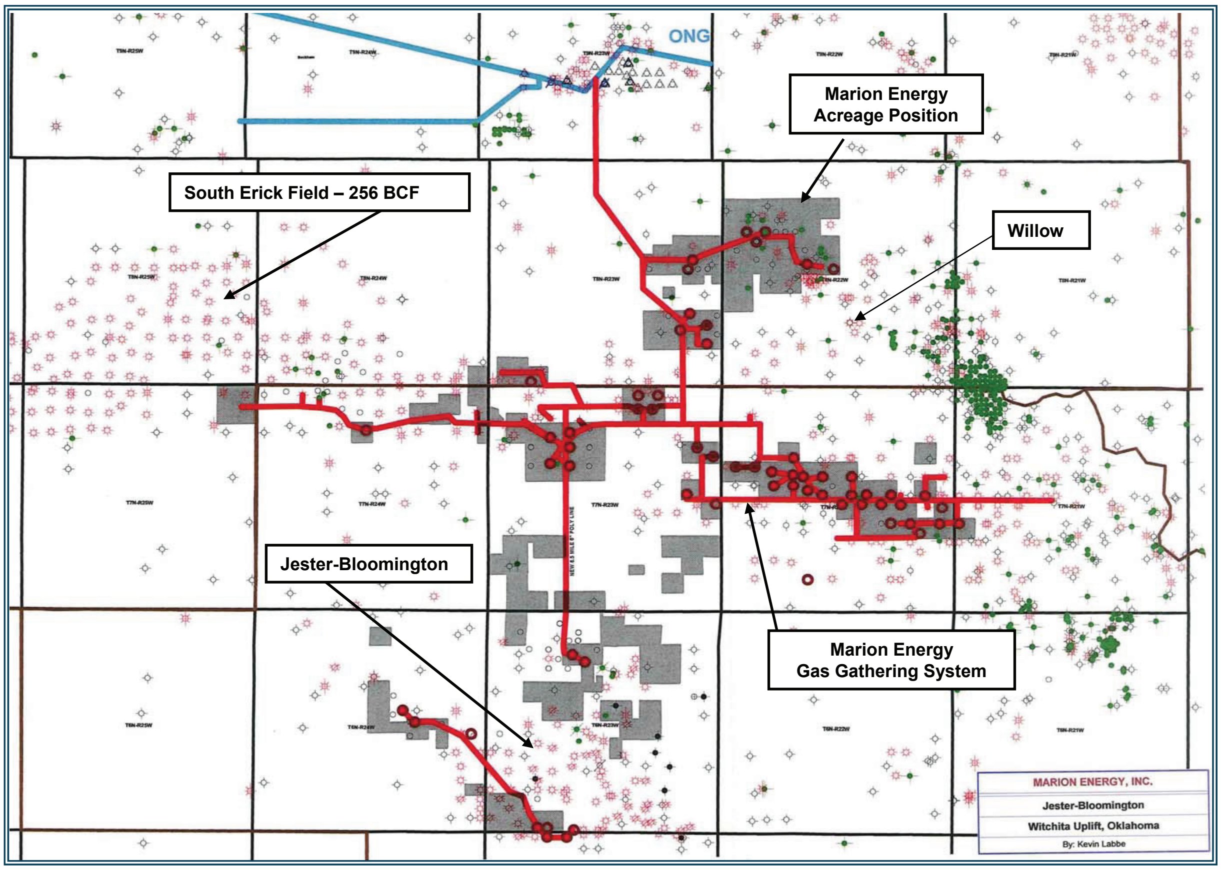
ANNUAL OPERATIONS REPORT

Jester Bloomington Project and Willows Project – Oklahoma (100% & 66.67% owned by Marion)

The Jester-Bloomington/Willow project is on trend to the substantial West-East Panhandle Fields of Oklahoma and Texas. The Jester-Bloomington gas field is an established field, which was discovered in 1959 and has produced 7.9 Bcf of gas from limited production activity. The Company has an interest in a gross 27,000 acres in this project.

The project has been operated for the last twelve months on the basis of maintaining previous production levels with little new work undertaken. It is intended to maintain this operational status for at least the next six months during which time it is also intended to undertake a review to determine future operational strategy.

JESTER - BLOOMINGTON AND WILLOW PROJECTS, OKLAHOMA
26,900 GROSS ACRES



Corporate Governance

During the 2009 financial year, the Company complied with the ASX Principles and Recommendations other than in relation to the matters specified below.

Recommendation Ref	Explanation for Departure	Explanation for Departure
2.4	A separate Nomination Committee has not been formed.	Until recently the Board considered that the Company was not currently of a size to justify the formation of a nomination committee. The Board is currently undertaking a review of this position. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification or attributes required in new Directors. Where appropriate, independent consultants are engaged to identify possible new candidates for the Board.

As the Company's activities increase in size, scope and/or nature the Company's corporate governance principles will be reviewed by the Board and amended as appropriate.

The Board of Directors of Marion Energy Limited is responsible for its corporate governance, that is, the system by which the Company and its subsidiaries ("the Group") are managed.

Board of Directors

<u>Role of the Board and Management</u>

The Board represents shareholders' interests in continuing a successful business, which seeks to optimise medium to long-term financial gains for shareholders. By not focusing on short-term gains for shareholders, the Board believes that this will ultimately result in the interests of all stakeholders being appropriately addressed when making business decisions.

The Board is responsible for ensuring that the Group is managed in such a way to best achieve this desired result. Given the current size and operations of the business, the Board currently undertakes an active, not passive role.

The Board is responsible for evaluating and setting the strategic directions for the Group, establishing goals for management and monitoring the achievement of these goals. The Managing Director is responsible to the Board for the day-to-day management of the Group.

The Board has sole responsibility for the following:

— Appointing and removing the Managing Director and any other executives and approving their remuneration;

— Appointing and removing the Company Secretary / Chief Financial Officer and approving their remuneration;

— Determining the strategic direction of the Group and measuring performance of management against approved strategies;

— Review of the adequacy of resources for management to properly carry out approved strategies and business plans;

— Adopting operating and capital expenditure budgets at the commencement of each financial year and monitoring the progress by both financial and non-financial key performance indicators;

— Monitoring the Group's medium term capital and cash flow requirements;

— Approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;

— Determining that satisfactory arrangements are in place for auditing the Group's financial affairs;

— Review and ratify systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and

— Ensuring that policies and compliance systems consistent with the Group's objectives and best practice are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

The Board's role and the Group's corporate governance practices are being continually reviewed and improved as required.

Composition of the Board and New Appointments

The Company currently has Seven Board members (see Directors' Report for further details). The Company's Constitution provides that the number of directors shall not be less than three and not more than ten. There is no requirement for any share holding qualification.

The Board currently comprises four independent non executive and three executive directors. The Chairman is an independent Non Executive Director and is independent from the Managing Director. The Board believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues.

If the Company's activities increase in size, nature and scope the size of the Board will be reviewed periodically and the optimum number of directors required for the Board to properly perform its responsibilities and functions also reviewed.

The terms and conditions of Appointments to the Board are formally set out in a letter of appointment.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next annual general meeting. Under the Company's Constitution the tenure of directors (other than managing director) is subject to reappointment by shareholders not later than the third anniversary following his/her last appointment. Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. An executive director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

Committees of the Board

The Board has an Audit Committee and a Remuneration Committee. Membership of these Committees comprises independent, non executive directors (see Directors Report for further details). The Audit and the Remuneration Committees are chaired by a Board member other than the Chairman of the Board.

The Board has also established a framework for the management of the Group including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds meetings at such times as may be necessary to address any general or specific matters as required.

Conflicts of Interest

In accordance with the Corporations Act and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

Independent Professional Advice

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

Ethical Standards

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all Directors and employees of the Group.

Code of Conduct for Directors

The Board has adopted a Code of Conduct for Directors to promote ethical and responsible decision-making by the Directors. The code is based on a code of conduct for Directors prepared by the Australian Institute of Company Directors.

The principles of the code are:

- A director must act honestly, in good faith and in the best interests of the company as a whole.
- A director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
- A director must use the powers of office for a proper purpose, in the best interests of the company as a whole.
- A director must recognise that the primary responsibility is to the Company's shareholders as a whole but should, where appropriate, have regard for the interest of all stakeholders of the company.
- A director must not make improper use of information acquired as a director.
- A director must not take improper advantage of the position of director.
- A director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the company.
- A director has an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken as a Board.
- Confidential information received by a director in the course of the exercise of directorial duties remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the Company, or the person from whom the information is provided, or is required by law.
- A director should not engage in conduct likely to bring discredit upon the company.
- A director has an obligation at all times, to comply with the spirit, as well as the letter of the law and with the principles of the Code.

The principles are supported by guidelines as set out by the Australian Institute of Company Directors for their interpretation. Directors are also obliged to comply with the Company's Code of Ethics and Conduct, as outlined below.

Code of Ethics and Conduct

The Company has implemented a Code of Ethics and Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company.

All employees and directors are expected to:

- respect the law and act in accordance with it;
- respect confidentiality and not misuse company information, assets or facilities;
- value and maintain professionalism;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;

— exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and

— act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Ethics and Conduct may face disciplinary action. If an employee suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must notify management of that breach. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

Dealings in Company Securities

The Company's share trading policy imposes basic trading restrictions on all employees of the Company with "inside information", and additional trading restrictions on the directors of the Company.

"Inside information" is information that:

— is not generally available; and

— if it were generally available, it would, or would be likely to influence investors in deciding whether to buy or sell the Company's securities.

If an employee possesses inside information, the person must not:

— trade in the Company's securities;

— advise others or procure others to trade in the Company's securities; or

— pass on the inside information to others – including colleagues, family or friends – knowing (or where the employee or Director should have reasonably known) that the other persons will use that information to trade in, or procure someone else to trade in, the Company's securities.

This prohibition applies regardless of how the employee or Director learns the information (e.g. even if the employee or Director overhears it or is told in a social setting).

In addition to the above, Directors must notify the Company Secretary as soon as practicable, but not later than 5 business days, after they have bought or sold the Company's securities or exercised options. In accordance with the provisions of the Corporations Act and the Listing rules of the ASX, the Company on behalf of the Directors must advise the ASX of any transactions conducted by them in the securities of the Company.

Breaches of this policy will be subject to disciplinary action, which may include termination of employment.

Interests of Other Stakeholders

The Company's business objective is to acquire and participate in the development of oil and gas opportunities, with an initial focus on North America. Given the nature of the Company's operations, it is not possible for the Company to conduct its activities without having some impact on the environment. Wherever reasonably possible, the Company adopts practices that minimise the impact on the environment.

It should also be noted that the Company's operations are subject to various environmental laws and regulations under the relevant government's legislation, including Utah and Oklahoma, USA. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve.

To assist in meeting its objective, the Company conducts its business within the Code of Ethics and Conduct, as outlined in 2.2 above.

Disclosure of Information

Continuous Disclosure to ASX

The continuous disclosure policy requires all executives and Directors to inform the Managing Director or in their absence the Company Secretary of any potentially material information as soon as practicable after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

Information is not material and need not be disclosed if:

(a) A reasonable person would not expect the information to be disclosed or it is material but due to a specific valid commercial reason is not to be disclosed; and

(b) The information is confidential; or

(c) One of the following applies:

- i) It would breach a law or regulation to disclose the information;
- ii) The information concerns an incomplete proposal or negotiation;
- iii) The information comprises matters of supposition or is insufficiently definite to warrant disclosure;
- iv) The information is generated for internal management purposes;
- v) The information is a trade secret;
- vi) It would breach a material term of an agreement, to which the company is a party, to disclose the information;
- vii) It would harm the company's potential application or possible patent application; or
- viii) The information is scientific data that release of which may benefit the company's potential competitors.

The Managing Director is responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board. The Company Secretary is responsible for all communications with ASX.

<u>Communication with Shareholders</u>

The Company places considerable importance on effective communications with shareholders.

The Group's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Group. The strategy provides for the use of systems that ensure a regular and timely release of information about the Group is provided to shareholders. Mechanisms employed include:

— Announcements lodged with ASX;

— ASX Quarterly Reports;

— Half Yearly Report;

— Presentations at the Annual General Meeting/General Meetings; and

— Annual Report.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Group's strategy and goals.

The Company also posts all reports, ASX and media releases and copies of significant business presentations on the Company's website.

Risk Management

<u>Identification of Risk</u>

The Board is responsible for the oversight of the Group's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Group with the Managing Director and Chief Financial Officer having ultimate responsibility to the Board for the risk management and control framework.

Areas of significant business risk to the Group are highlighted in the Business Plan presented to the Board by the Managing Director each year.

Arrangements put in place by the Board to monitor risk management include monthly reporting to the Board in respect of operations and the financial position of the Group.

Integrity of Financial Reporting

The Company's Managing Director and Chief Financial Officer (or equivalent) report in writing to the Board that:

— the consolidated financial statements of the Company and its controlled entities for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;

— the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and

— the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

Role of Auditor

The Company's practice is to invite the auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Performance Review

The Board has adopted a self-evaluation process to measure its own performance and the performance of its committees during each financial year. Also, an annual review is undertaken in relation to the composition and skills mix of the directors of the Company.

Arrangements put in place by the Board to monitor the performance of the Group's executives include:

— a review by the Board of the Group's financial performance; and

— annual performance appraisal meetings incorporating analysis of key performance indicators to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Company.

Remuneration Arrangements

The Company's remuneration policy is set out in the Remuneration Report section of the Directors' Report, and also included in the Annual Financial Report.

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2009.

Directors

The names of directors in office at any time during or since the end of the year are:

Peter Collery	Alan Edgar
Jeffrey Clarke	Richard Carter
Karel Louman	Douglas Martin (appointed 2 July 2008)
Gregory Harvey	

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

The Company Secretary of the Company during the financial year was Mr Peter Collery who has worked for Marion Energy Limited since December 2004 performing executive roles in the business. Prior to that Peter had over 20 year's experience at senior executive level in a number of organisations. He has extensive experience in strategic and financial management, mergers and acquisitions, capital markets and corporate regulatory matters. He holds a Bachelor of Business from RMIT, Graduate Diploma of Business from Swinburne University, Graduate Diploma of Applied Finance and Investment from the entity previously known as the Securities Institute of Australia (now known as FINSIA) and Diploma of Education.

Principal Activities

The principal activities of the consolidated entity during the financial year were:

— Investment in Oil and Gas projects and the identification and assessment of new opportunities in the oil and gas industry in Texas, Utah and Oklahoma in the USA;

The following significant changes in the nature of the principal activities occurred during the financial year:

— Raised additional capital of $14,118,432 net of costs, through the placement of 17,441,860 ordinary shares.

— Secured an increase in the revolving credit facility from US$25,500,000 to US$42,000,000.

— Acquired the interests of Odyssey Energy Limited (ASX: ODY) in the Helper and Jester-Bloomington projects increasing equity to 100% of Helper and a 100% working interest in most of the Jester-Bloomington project through the issue of 27,500,000 ordinary shares.

There were no other significant changes in the nature of the consolidated entity's principal activities during the financial year.

Operating Results

The consolidated loss of the consolidated entity after providing for income tax amounted to $22,392,235 (2008: $7,113,038 loss).

Dividends Paid or Recommended

The Directors do not recommend and have not provided for the payment of a dividend.

Review of Operations

Clear Creek Project – Utah (100% working interest owned by Marion)

The company currently operates 11 wells at Clear Creek. The main focus of operations for the financial year was upon completion of the installation of all gathering and distribution infrastructure. By year end this task was largely complete and as a result the company now has the infrastructure capability to deliver to the pipeline company all production that could be generated from the company's wells. The Company experienced considerable difficulties with establishing sustainable production from the wells during the year. At times the wells provided clear evidence that they were capable of producing at levels encountered during drilling and testing which were as high as 7 to 8 million cubic feet of gas per day from one of the wells. Management believes that the wells are more than capable of producing at a combined rate of in excess of 20 million cubic feet of gas per day. As was reported during the year, the wells encountered hydrates while being placed on production and this significantly curtailed production operations whilst the problem was dealt with.

With gas prices declining significantly during the first half of the year, the decision was taken to temporarily shut in the wells around calendar year end as to continue with operations would have been uneconomic. The intention was to restart production once gas prices improved. Management used the shut in period to undertake a major review of the operations to better understand the particular issues encountered with these low pressure reservoirs and also retained outside consultants to assist them with this process. Following this review, it was clear that considerable fluids associated with drilling and fracture stimulation operations remain to be removed from the wells before they will flow freely and at the levels anticipated. A work program has been designed to work over the wells with the objective being to achieve sustained production over the next six months. This work program commenced in August 2009. Significant progress has already been achieved as at the date of this report with work over operations on the first well in the program, the Ridge Runner 11-17, now being largely completed with very promising indications of success from the work program. It is anticipated that this well will be able to be brought back onto production in the very near term and work on the second well, the Ridge Runner 2-19 is also scheduled to commence in the near future.

The Company drilled one new well in the financial year, the Oman 10-29. This well was successfully drilled with strong evidence of gas shows but was not fully tested. Testing of this well will occur as part of the current work program and based on gas shows encountered during drilling is expected to produce gas at a good level.

Helper Project – Utah (100% Marion owned)

Initially dewatering operations of the 7 Helper wells continued. However with lower gas prices the wells have largely been operating on either a maintenance basis or alternately shut in as to continue with operations would have resulted in significant loss to the company with operating costs exceeding revenues. Accordingly the wells have largely been operated at a minimal level for the financial year and this will likely continue in the short term until gas prices improve.

Jester Bloomington Project and Willows Project – Oklahoma (100% & 66.67% owned by Marion)

This project has been operated on the basis of maintaining previous production levels with little new work undertaken. It is not intended to undertake any new work for at least the next six months after which the operations will be reviewed to determine future strategy for the project.

Reserves, Resource in Ground

During the year, the Company commissioned MHA Petroleum Consultants, Inc to prepare a new Reserve Report. This report shows the Company has 138.8 Billion Cubic Feet (Bcf) of Proved Reserves, 84.9 Bcf of Probable Reserves and 18.2 Bcf of Possible Reserves for a total of 241.9 Bcf of Reserves.

The Company also commissioned Ryder Scott Company and William M. Cobb & Associates, Inc to prepare a Resource in Ground Report. This Resource is an asset of the Company in addition to the Reserves as described above. The report indicates a Recoverable Resource from all the Company's oil and gas assets of between 2.4 and 4.3 Trillion Cubic Feet (Tcf) of gas which is a very substantial asset.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the company occurred during the financial year:

i. On 14 August 2008 the company issued 17,441,860 ordinary shares at $0.86 as part of a share placement.

ii. On 3 September 2008 the company issued 27,500,000 ordinary shares to increase the group's equity in the Helper Project to 100% and to increase the group's working interest in the Jester-Bloomington Project to 100%.

The share placement raised additional working capital of $14,118,432.

Changes in Controlled Entities

On 1 September 2008 the company issued 27,500,000 shares to Odyssey Energy Limited (ASX: ODY) as consideration for the purchase of 100% of the issued capital of OEL Operating (USA) Inc which holds oil and gas assets in the Helper and Jester-Bloomington projects in the USA. This acquisition increased the group's interest in Helper to 100% and a 100% working interest in most of the Jester-Bloomington project.

During the year ended 30 June 2008 the company initiated the process of having its dormant subsidiaries deregistered. As at 30 June 2009 this process was incomplete. The subsidiaries to be deregistered are:

— Brisa Pty Ltd;

— Delta Oilfield Developments Ltd; and

— Delta Oil Taranaki Pty Ltd.

There are no other changes in controlled entities during the year ended 30 June 2009.

DIRECTORS' REPORT

Subsequent Events

With the exception of the details provided below, there has not been any matter, or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

- On 28 September 2009 the Group's Credit Facility providers, Fortis Capital Corporation and Fortis Bank Nederland, approved, subject to final documentation, the 90 day extension of the Credit Facility and associated amendments and waivers. The due date of the Credit Facility will now be 30 December 2009.

Future Developments

During the year the Company retained Goldman Sachs to undertake a strategic review of the Company and its operations. Following completion of this review, the Company entered into a mandate with Goldman Sachs in April 2009 to seek buyers for the company and/or its assets either in whole or in part. At the date of this report this process is ongoing.

Other than future developments described above, further information on likely developments in the operations of the consolidated entity and the expected results have not been included in this report because the directors believe information of this nature to be commercially sensitive.

Environmental Issues

The consolidated entity's operations are subject to significant environmental regulation under the law of the States of Texas, Utah and Oklahoma in the USA. As such, the consolidated entity's interests in mineral properties are subject to State Environmental Regulations and requirements. The consolidated entity adheres to these conditions and the directors are not aware of any contraventions of these requirements and regulations.

Details of the Directors in office during the year and at the date of this report are as follows:

Mr Jeff Clarke – Managing Director & CEO

Mr Clarke, born and educated in the United Kingdom, has over 35 years experience worldwide in Oil and Gas Exploration and Production, the majority of which has been in the United States and Canada.

Mr Clarke has held the position of Chief Executive of several exploration companies and was for ten years Chief Executive of a NASDAQ listed company. As Chief Executive Mr Clarke took this company public and subsequently directed the raising of both public equity and public debt capital in excess of US$350 million. During this tenure, Mr Clarke oversaw a US$60 million merger with a private company and the acquisition of over US$300 million of oil and gas properties.

Mr Clarke graduated from the University of Wales in 1966 with an Honours Degree in Physics. He is a U.S citizen.

Mr Peter Collery - Executive Director & Company Secretary

Mr Collery has over 20 years experience as Chief Executive Officer, Chief Financial Officer, Company Secretary and Director. He previously held these positions with Coho Australia Limited, Freshmark Limited, Queensland Diagnostic Imaging Pty Ltd and Ergon Energy Limited. He has over seven years experience in the resource industry. Mr Collery has extensive experience in strategic and financial management, corporate regulatory matters, mergers and acquisitions and capital markets transactions.

Mr Collery has a Bachelor of Business, Graduate Diploma of Business, Graduate Diploma in Applied Finance and Investment, and Diploma of Education. He is a member of the Institute of Chartered Accountants in Australia, Fellow of the Australian Society of Certified Practicing Accountants, Fellow of the Institute of Company Directors and an associate of the Securities Institute of Australia.

Mr Alan L Edgar – Independent Non-Executive Director and Remuneration Committee Chairman

Mr Edgar is an Australian citizen who resides in the United States. Prior to forming his own energy investment banking business in 1998, he was the co-head of Energy for the Wall Street investment/merchant banking firm of Donaldson & Lufkin Jenrette Securities Inc. Mr Edgar brings 33 years of oil and gas experience to the company.

DIRECTORS' REPORT

Mr Gregory G Harvey BA LLB - Chairman

Greg Harvey was, during the reporting period, Chairman of the National Gas Pipeline Advisory Committee (NGPAC) and a member of the International Advisory Board of Ocean Power Technologies Inc. Mr Harvey was formerly Executive Director, Exploration and Gas, for BP Australia Pty Limited, Chief Executive - South and East Asia Division of BP Oil International Limited, based in Singapore and more recently he was CEO of the Gas and Fuel Corporation of Victoria.

Mr Karel Louman – Executive Director & CFO

Mr Louman was born and educated in the Netherlands where he received a Masters Degree in Business Administration from Nyenrode University. He has 15 years of experience as an oil and gas banker.

In 1992 he moved to the US to open an office in Dallas, Texas for MeesPierson, a Dutch merchant bank which at the time was a wholly owned subsidiary of ABN Amro with the North American Exploration and Production industry as its main focus. Mr Louman has gained international experience in the debt and capital markets as well as in the financial and strategic advisory area.

Most recently, Mr Louman was the CEO of Fortis Capital Corp, the North American lending arm of Fortis Bank NV, where he gained further experience in financial management and legal and regulatory matters.

Richard (Dick) Carter – Audit Committee Chairman and Independent Non-Executive Director

Dick Carter is Chairman of Macmahon Holdings Limited and a Director of ERA Ltd. He is also Chair of Prahan Mission – Uniting Care and Deputy Chairman of UCA Funds Management. Dick is a past director of several listed companies; including North Ltd and he was Chairman of Ticor Ltd and Consolidated Minerals Ltd. His executive career spanned 37 years with the BHP Group (now BHP Billiton) from which he retired in 1997 as BHP Minerals' Chief Executive Officer. Dick has wide experience in industry, professional representative groups and government bodies focused on regional development.

Douglas Martin – Independent Non-Executive Director

Doug Martin is a Chartered Accountant with the Ontario Institute of Chartered Accountants in Canada (since 1969) and is a Honours graduate from York University with an MBA in Finance (1972) and as a BA in Political Science from the University of Toronto (1966).

Doug is currently a Director of Stars Aviation Inc, Rival Energy, Rock Creek Resources Inc and is Chairman of Enerplus Resource Fund and Canoro Resource Limited. Doug was appointed to the Board on 2 July 2008.

Meetings of Directors

During the financial year, seven meetings of directors (including committees of directors) were held. Attendances by each director during the year were:

	DIRECTORS' MEETINGS	
	Number eligible to attend	Number Attended
R Carter	7	6
J Clarke	7	7
P Collery	7	7
K Louman	7	7
A Edgar	7	6
G Harvey	7	7
D Martin	7	7

Audit Committee	**Remuneration Committee**
Richard Carter (Chairman)	Gregory Harvey
Gregory Harvey	Alan Edgar (Chairman)
Alan Edgar	

During the year the following committee meetings, attended by all members, were held:

- Audit Committee – 2 meetings
- Remuneration Committee – 1 meeting

REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of Marion Energy Limited and for the executives receiving the highest remuneration.

Names and positions held of key management personnel in office at any time during the financial year are:

Company Directors

Jeffery Clark	Director — Executive and Managing Director
Peter Collery	Director — Executive and Company Secretary
Alan Edgar	Director — Non-Executive
Richard Carter	Director — Non-Executive
Doug Martin	Director — Non-Executive (appointed 2 July 2008)
Gregory Harvey	Chairman — Non-Executive
Karel Louman	Director — Executive and Chief Financial Officer

Remuneration Policy

The remuneration policy of Marion Energy Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated entity's financial results. The board of Marion Energy Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the consolidated entity, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the consolidated entity is as follows:

- The performance of executives is measured against criteria agreed bi-annually with each executive and is based predominantly on the forecast growth of the consolidated entity's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.
- The Australian based executive director receives superannuation guarantee contributions required by the government, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares awarded to directors and executives are valued as the difference between the market price of those shares and the amount potentially payable by the director or executive. Options are valued using the Black-Scholes methodology and recognised on a pro-rata basis over the options vesting periods.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the consolidated entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the incentive option plan. The Board does not have a policy in relation to directors, or executives limiting their exposure to risk in relation to the securities granted under the incentive option plan.

The table below sets out information about the consolidated entity's earnings and movements in shareholder wealth for the five years to 30 June 2009.

	Note	2009 $	2008 $	2007 $	2006 $	2005 $
Revenue		1,095,121	1,432,269	944,723	1,196,734	1,457,184
Net profit/(loss) before tax	31	(22,392,235)	(7,113,038)	(9,335,410)	(4,146,992)	(1,276,947)
Net profit/(loss) after tax	31	(22,392,235)	(7,113,038)	(9,335,410)	(4,146,992)	(1,276,947)
Share price at start of year		1.27	1.45	0.74	0.22	0.07
Share price at end of year		0.28	1.27	1.45	0.74	0.22
Dividends		-	-	-	-	-
Return of capital		-	-	-	-	9,869,162
Basic earnings per share	31	(6.7)	(2.5)	(4.3)	(2.6)	(1.4)
Diluted earnings per share	31	(6.7)	(2.5)	(4.3)	(2.6)	(1.4)

Details of Remuneration for Year

The remuneration for each director of the consolidated entity receiving remuneration during the year was as follows:

	Short-term benefits			Post Employ -ment	Share based payment	Total	
	Salary & Fees	Cash profit share	Non-cash benefits	Super-annuation	Options		% Consisting of Options
	$	$	$	$	$	$	
2009							
R Carter	70,000	-	-	-	28,600	98,600	29.0%
J Clarke	440,352	-	94,192	-	-	534,544	-
P Collery	228,609	-	13,540	13,773	-	255,922	-
A Edgar	141,313	-	21,857	-	22,095	185,265	11.9%
G Harvey	115,000	-	-	-	22,095	137,095	16.1%
K Louman	352,282	-	33,436	-	-	385,718	-
D Martin[1]	76,768	-	-	-	28,600	105,368	27.1%
	1,424,324	-	163,025	13,773	101,390	1,702,512	
2008							
R Carter	19,993	-	-	-	-	19,993	-
J Clarke	351,551	-	94,243	-	-	445,794	-
P Collery	209,420	-	16,860	20,363	-	246,643	-
A Edgar	369,199	-	24,393	-	57,345	450,937	12.7%
G Harvey	115,000	-	-	-	57,345	172,345	33.3%
K Louman	281,241	-	38,265	-	-	319,506	-
	1,345,404	-	173,761	20,363	114,690	1,655,218	

[1]D Martin was appointed as a director on 2 July 2008.

No Director or senior management person appointed during the period received a payment as part of his consideration for agreeing to hold the position.

Options issued as part of remuneration for the year ended 30 June 2009

Options are issued to directors and executives as part of their remuneration. The options are issued to the majority of directors and executives of Marion Energy Limited and its subsidiaries to increase goal congruence between executives, directors and shareholders.

The consolidated entity has not entered into any employment contracts with directors or management personnel. Neither the consolidated entity, nor any executives has in place any hedges over share based payments.

During the year 250,000 options with a valuation of $57,200, an exercise price of $1.50 and expiry date of 30 June 2009 were granted and vested to each of Douglas Martin and Richard Carter. These options expired unexercised on 30 June 2009. No options were exercised during the year.

During the year options have vested to Directors as follows:

	Vested 2009	Vested 2008	Grant Date	Exercise Price	Expiry Date
A Edgar	500,000	250,000	30 May 2006	$1.00	16 June 2011
G Harvey	500,000	250,000	30 May 2006	$1.00	16 June 2011

Further details of Directors compensation options are provided in Note 24(b).

There are no conditions, other than service conditions, attached to the options issued to directors and management personnel as the issue of these options were approved by a meeting of shareholders without such conditions attached.

Non-audit Services

Details of amounts paid or payable to the auditor for non-audit services during the year by the auditor are outlined in Note 25 to the financial statements.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person, or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 25 to the financial statements do not compromise the external auditors independence, based on advice received from the Audit Committee, for the following reasons.

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in the Code of Conduct, APES 110 Code of Ethics for Professional Accountants, issued by the Accounting Professional & Ethical Standards Board.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page 25.

Indemnifying Officers or Auditor

During the financial year the consolidated entity paid indemnity insurance premiums of $113,291 (2008: $64,452) to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct whilst acting in the capacity of Director of the consolidated entity, other than conduct involving a wilful breach of duty in relation to the consolidated entity.

Options

During the year the company issued options as follows:

Grant Date	Date of Expiry	Exercise Price	Number Under Option
10/9/2008	30/6/2009	$1.50	500,000
27/2/2009	18/9/2012	$0.30	7,000,000
26/3/2009	31/12/2009	$0.45	5,000,000
30/6/2009	1/7/2012	$0.375	10,000,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of any other body corporate. At the date of this report a total of 31,000,000 unquoted options are on issue.

Directors' shareholdings

The following table sets out each director's relevant interest in shares and options of the company or a related body corporate as at the date of this report.

	Number of Fully Paid Ordinary Shares	Number of Options
R Carter	700,000	-
A Edgar	-	750,000
G Harvey	603,333	750,000
J Clarke	-	-
P Collery	-	-
K Louman	333,333	-
D Martin	-	-

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Signed in accordance with a resolution of the Board of Directors made pursuant to s.298 (2) of the Corporations Act 2001.

Peter Collery
Director

Dated this 30 day of September 2009.

Deloitte.

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The Board of Directors
Marion Energy Limited
Suite 3.14 Pacific Tower
737 Burwood Road
HAWTHORN, VIC 3122

30 September 2009

Dear Board Members

Marion Energy Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Marion Energy Limited.

As lead audit partner for the audit of the financial statements of Marion Energy Limited for the financial year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu

Ian Sanders

Ian Sanders
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of
Deloitte Touche Tohmatsu

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated Entity		Company	
		2009 $	2008 $ Restated	2009 $	2008 $ Restated
Revenue	3	1,095,121	1,432,269	48,162	322,677
Other income	4	-	107,466	-	115,568
Total		1,095,121	1,539,735	48,162	438,245
Salaries and employee benefits expense	5	(2,756,820)	(903,576)	(585,678)	(557,356)
Production expenses	5	(5,295,585)	(186,158)	-	-
Depreciation and amortisation expense	5	(825,499)	(432,985)	(19,837)	(14,566)
Legal and professional fees		(2,499,003)	(1,725,238)	(594,365)	(282,544)
Travel expense		(397,363)	(262,091)	(285,386)	(141,968)
Office rent expense		(272,209)	(196,751)	(36,774)	(36,606)
Other office expenses		(621,309)	(390,475)	(69,593)	(50,487)
Secretarial and corporate expenses		(344,231)	(356,030)	(217,802)	(293,179)
Insurance expense		(298,825)	(218,959)	-	-
Unrealised foreign exchange loss		(96,700)	-	(96,700)	-
Diminution in value of investment	5	-	-	-	(1)
Impairment of other receivable	8	(446,344)	-	-	-
Finance costs	5	(9,536,570)	(3,949,537)	(1,710)	(2,079)
Other expenses		(96,898)	(30,973)	(4,365)	(4,467)
Loss before income tax expense	5	(22,392,235)	(7,113,038)	(1,864,048)	(945,008)
Income tax expense	6	-	-	-	-
Net loss attributable to members of the company		(22,392,235)	(7,113,038)	(1,864,048)	(945,008)
Basic earnings per share (cents per share)	26	(6.7)	(2.5)		
Diluted earnings per share (cents per share)	26	(6.7)	(2.5)		

The accompanying notes form part of these financial statements.

BALANCE SHEET

AS AT 30 JUNE 2009

	Note	Consolidated Entity		Company	
		2009 $	2008 $	2009 $	2008 $
CURRENT ASSETS			Restated		Restated
Cash and cash equivalents	7	454,012	4,270,056	436,346	753,288
Trade and other receivables	8	401,441	954,510	20,815	16,866
Other	11	106,686	69,519	-	-
TOTAL CURRENT ASSETS		962,139	5,294,085	457,161	770,154
NON-CURRENT ASSETS					
Trade and other receivables	8	-	-	132,704,072	119,950,273
Financial assets	9	154,799	154,799	25,926,024	1,146,664
Plant and equipment	12	848,429	766,793	55,143	34,449
Oil and gas properties	13	181,279,175	113,247,565	-	-
Other	11	262,468	219,914	-	-
TOTAL NON-CURRENT ASSETS		182,544,871	114,389,071	158,685,239	121,131,386
TOTAL ASSETS		183,507,010	119,683,156	159,142,400	121,901,540
CURRENT LIABILITIES					
Trade and other payables	14	16,403,853	5,249,044	216,996	194,573
Borrowings	15	42,427,377	25,703,761	6,630	6,305
Provisions	16	658,706	569,098	658,706	569,098
TOTAL CURRENT LIABILITIES		59,489,936	31,521,903	882,332	769,976
NON-CURRENT LIABILITIES					
Borrowings	15	38,875	20,295	13,665	20,295
Provisions	16	696,053	504,573	-	-
TOTAL NON-CURRENT LIABILITIES		734,928	524,868	13,665	20,295
TOTAL LIABILITIES		60,224,864	32,046,771	895,997	790,271
NET ASSETS		123,282,146	87,638,385	158,246,403	121,111,269
EQUITY					
Issued capital	17	191,069,634	154,951,202	191,069,634	154,951,202
Reserves	19	15,842,916	(6,076,648)	13,309,283	10,428,533
Accumulated losses		(83,630,404)	(61,238,169)	(46,132,514)	(44,268,466)
TOTAL EQUITY		123,282,146	87,636,385	158,246,403	121,111,269

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2009

	Note	Ordinary Share Capital $	Foreign Currency Reserve $	Option Reserve $	Accu-mulated losses $	Capital Profits $	Total $
Consolidated Entity					Restated		
Balance at 1 July 2007		113,717,711	(8,805,342)	9,044,369	(53,536,131)	277,610	60,698,217
Correction of prior period error	31	-	-	-	(589,000)	-	(589,000)
Restated Balance at 1 July 2007		113,717,711	(8,805,342)	9,044,369	(54,125,131)	277,610	60,109,217
Shares issued during the year	17	43,530,000	-	-	-	-	43,530,000
Transaction costs		(2,296,509)	-	-	-	-	(2,296,509)
Recognition of share based payments	17	-	-	1,106,554	-	-	1,106,554
Adjustments from translation of foreign controlled entities		-	(7,699,839)	-	-	-	(7,699,839)
Profit attributable to members of consolidated entity		-	-	-	(7,113,038)	-	(7,113,038)
Balance at 30 June 2008		154,951,202	(16,505,181)	10,150,923	(61,238,169)	277,610	87,636,385
Shares issued during the year	17	37,000,000	-	-	-	-	37,000,000
Transaction costs		(881,568)	-	-	-	-	(881,568)
Recognition of share based payments	17	-	-	2,880,750	-	-	2,880,750
Adjustments from translation of foreign controlled entities		-	19,038,814	-	-	-	19,038,814
Profit attributable to members of consolidated entity		-	-	-	(22,392,235)	-	(22,392,235)
Balance at 30 June 2009		191,069,634	2,533,633	13,031,673	(83,630,404)	277,610	123,282,146
Company							
Balance at 1 July 2007		113,717,711	-	9,044,369	(42,734,458)	277,610	80,305,232
Correction of prior period error	31	-	-	-	(589,000)	-	(589,000)
Restated Balance at 1 July 2007		113,717,711	-	9,044,369	(43,323,458)	277,610	79,716,232
Shares issued during the year	17	43,530,000	-	-	-	-	43,530,000
Transaction costs		(2,296,509)	-	-	-	-	(2,296,509)
Recognition of share based payments	17	-	-	1,106,554	-	-	1,106,554
Loss attributable to members of company		-	-	-	(945,008)	-	(945,008)
Balance at 30 June 2008		154,951,202	-	10,150,923	(44,268,466)	277,610	121,111,269
Shares issued during the year	17	37,000,000	-	-	-	-	37,000,000
Transaction Costs		(881,568)	-	-	-	-	(881,568)
Recognition of share based payments	17	-	-	2,880,750	-	-	2,880,750
Loss attributable to members of company		-	-	-	(1,864,048)	-	(1,864,048)
Balance at 30 June 2009		191,069,634	-	13,031,673	(46,132,514)	277,610	158,246,403

Capital Profits Reserve

The capital profits reserve records non-taxable profits on sale of investments.

Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

Option Reserve

The option reserve records items recognised on valuation of share options.

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated Entity		Company	
		2009	2008	2009	2008
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		1,350,091	1,873,552	-	-
Payments to suppliers and employees		(12,290,380)	(3,361,246)	(1,681,191)	(1,118,594)
Interest received		118,983	331,648	48,162	322,677
Interest and other costs of finance paid		(10,260,234)	(1,928,509)	(1,710)	(2,079)
Net cash used in Operating Activities	22a	(21,081,540)	(3,084,555)	(1,634,739)	(797,996)
CASH FLOWS FROM INVESTING ACTIVITIES					
Amounts advanced to related parties		-	-	(12,753,799)	(41,463,886)
Purchase of oil and gas property		-	(1,191,483)	-	-
Expenditure on oil and gas projects		(13,566,264)	(44,208,685)	-	-
Payments for plant and equipment	12	(86,880)	(481,761)	(40,531)	(9,223)
Proceeds from sale of oil and gas project		-	367,862	-	-
Proceeds from sale of plant and equipment		5,471	32,142	-	-
Deposit guarantees (acquired) / realised		(2,114)	(219,914)	-	-
Net cash used in investing activities		(13,649,787)	(45,701,839)	(12,794,330)	(41,473,109)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		15,000,000	43,530,000	15,000,000	43,530,000
Payment of share issue costs		(881,568)	(2,296,509)	(881,568)	(2,296,509)
Proceeds from borrowings		14,054,053	16,332,644	-	517,545
Repayment of borrowings		(13,445)	(5,697,765)	(6,305)	(5,991)
Net cash provided by financing activities		28,159,040	51,868,370	14,112,127	41,745,045
Net Increase/(Decrease) in cash held		(6,572,287)	3,081,976	(316,942)	(526,060)
Effects of exchange rate changes on the balance of cash held in foreign currencies		1,092,713	(1,170,669)	-	-
Cash and cash equivalents at 1 July	7	4,270,056	2,358,749	753,288	1,279,348
Cash and cash equivalents at 30 June	7	(1,209,518)	4,270,056	436,346	753,288

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: UPDATED STANDARDS AND INTERPRETATIONS IN ISSUE

Standards and interpretations issued not yet effective

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Group and the Company's financial report:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101', AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	30 June 2010
• AASB 8 'Operating Segments', AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	1 January 2009	30 June 2010
• AASB 2009-2 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments'	1 January 2009 (and that ends on or after 30 April 2009)	30 June 2010

Initial application of the following Standards/Interpretations is not expected to have any material impact on the financial report of the Group and the Company:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	1 January 2009	30 June 2010
• AASB 3 'Business Combinations' (revised), AASB 127 'Consolidated and Separate Financial Statements' (revised) and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'	Business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009	30 June 2010
• AASB 2008-1 'Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations'	1 January 2009	30 June 2010
• AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 January 2009	30 June 2010
• AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 July 2009	30 June 2010
• AASB 2008-8 'Amendments to Australian Accounting Standards – Eligible Hedged Items'	1 July 2009	30 June 2010
• AASB 2009-4 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 July 2009	30 June 2010
• AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 January 2010	30 June 2011
• AASB 2009-6 "Amendments to Australian Accounting Standards"	1 January 2009	30 June 2010
• AASB 2009-7 "Amendments to Australian Accounting Standards"	1 July 2009	30 June 2010
• AASB Interpretation 16 'Hedges of a Net Investment in a Foreign Operation'	1 October 2008	30 June 2010

NOTE 1: UPDATED STANDARDS AND INTERPRETATIONS IN ISSUE (CONT'D)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB Interpretation 17 'Distributions of Non-cash Assets to Owners', AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners'	1 July 2009	30 June 2010
• AASB Interpretation 18 'Transfers of Assets from Customers'	1 July 2009	30 June 2010

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group.

Accounting Standards include Australian Equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with A-IFRS ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the directors on 30 September 2009.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Going Concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the reasons described below, there is significant uncertainty whether, in the current economic and financial environment, the consolidated entity and Company will continue as going concerns:

— The consolidated entity has net current liabilities of $58,527,797 (inclusive of bank debt). The Company has net current liabilities of $425,171.

— For the year ended 30 June 2009 the consolidated entity and the Company incurred losses of $22,392,235 and $1,864,048 respectively. The consolidated entity and the Company incurred negative cash flows from operations of $21,081,540 and $1,634,739 respectively.

— At the date of this financial report the consolidated entity and the Company are managing their cash flows and renegotiating payment arrangements with creditors.

— At 30 September 2009 the consolidated entity was required to repay the A$52,069,420 (US$42,000,000) Fortis Facility on 30 September 2009. At 30 June 2009 the consolidated entity had drawn down A$44,631,788 (US$36,000,000) and on 4 July 2009 drew down the remaining A$7,437,632 (US$6,000,000). At 30 June 2009 some banking covenants were in breach, but waived until 30 September 2009. Fortis has notified the consolidated entity that it has approved the consolidated entity proposed 90-day extension of the Credit Facility and associated amendments/waivers to 30 December 2009, subject to documentation. Final documentation is expected to be received mid October 2009 in a form similar to that received in June 2009.

— The consolidated entity's cash flow forecasts for the coming twelve months require additional cash inflows of $61,600,000 to meet its working capital requirements and to be able to pay creditors and finance facilities on a timely basis.

The directors have reasonable expectations they will be able to raise additional cash resources from a number of alternative sources to support current activities for the next twelve months. However, the ability of the Company and consolidated entity to pay their creditors on an ongoing basis and continue as going concerns are dependent on their ability to achieve a combination of the following:

— Maximise revenue and cash flow from operations by bringing key wells into production over the next six months. The consolidated entity has a work program designed to work over the wells with the objective being to achieve sustained production over the next six months.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

— Raise equity through a capital raising of approximately A$7 million in November 2009 to ensure that ongoing working capital requirements are met and creditors are paid on a timely basis.

— The Board is currently reviewing a number of alternatives with regard to a possible significantly larger capital raising, including a share placement, and/or rights issue, later in November or December 2009.

— The capital raisings are expected to be applied against the Fortis debt and trade creditors.

— Obtaining continuing support of its unsecured creditors to defer payments of amounts due. Although the consolidated entity has not entered into any formal arrangements to defer payments, the consolidated entity is in regular communication with our creditors, who are aware of our intention to raise capital and at this point are willing to wait for positive developments.

— Continuing discussions with Fortis around further extensions and amendments to debt facilities.

— Sale of Company assets in whole or in part including possible farm out and/or JV with industry participants.

At the date of this report and having considered the above factors, the directors are confident that the consolidated entity and the Company will be able to continue as going concerns for the foreseeable future and therefore it is appropriate to prepare the financial report on a going concern basis. Notwithstanding these factors, there remains significant uncertainty whether the consolidated entity and Company will continue as going concerns and, therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the consolidated entity and Company not continue as going concerns.

a. Principles of Consolidation

A controlled entity is any entity Marion Energy Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

All controlled entities have a 30 June financial year-end and are listed in Note 10 to the financial statements.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the company.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

b. Income Tax

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination), which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax Consolidation

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Marion Energy Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the "separate taxpayer within group" approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

c. Plant and Equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

The cost of fixed assets constructed within the consolidated entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Depreciation

The depreciable amount of all fixed assets including capitalised lease assets, is depreciated on a straight line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the estimated useful lives of the improvements.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rates	
	2009	2008
Leasehold improvements	14%	14%
Plant and equipment	14% - 20%	14% - 20%

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

d. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the consolidated entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the fair value of the assets or if lower, the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis, except where another systematic basis is more representative, over their estimated useful lives where it is likely that the consolidated entity will obtain ownership of the asset or over the term of the lease whichever is shorter. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

e. Investments

Shares in listed companies held as current assets are carried at fair value.

Non-current assets classified as available for sale are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

f. Investments in Associates and Subsidiaries

Subsequent to initial recognition, investments in associate companies are recognised in the consolidated financial statements by applying the equity method of accounting and the cost method in the company financial statements.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements.

g. Interests in Joint Ventures

Interests in the joint ventures are carried at the lower of the equity-accounted amount and recoverable amount in the consolidated financial report. Subsequent to initial recognition investments in joint ventures are measured at cost in the company financial statements

h. Exploration and Development Expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

a. the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

b. exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to , the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to the operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset is estimated to determine the extent of the impairment loss (if any).

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to Oil and Gas properties.

i. Oil and gas properties

Development expenditure is recognised at cost less accumulated depletion and any impairment losses. Where commercial production in an area of interest has commenced, the associated costs together with any forecast capital expenditure necessary to develop proved and probable reserves are amortised over the estimated economic life of the field on a units-of-production basis.

Changes in factors such as estimates of proved and probable reserves that affect unit-of-production calculations are dealt with on a prospective basis.

j. Provision for site restoration costs

A provision for site restoration costs is recognised when there is a present obligation as a result of exploration, development or production activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of dismantling and removal of oil and gas plant, equipment and building structures, waste removal and rehabilitation of the site in accordance with clauses of the oil and gas permits.

k. Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

l. Foreign Currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Marion Energy Limited, and the presentation currency for the consolidated financial statements. In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

On consolidation, the assets and liabilities of the Group's foreign operations (including comparatives) are translated into Australian dollars at exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after the date of transition to A-IFRS are treated as assets and liabilities of the foreign entity and translated at exchange rates prevailing at the reporting date. Goodwill arising on acquisitions before the date of transition to A-IFRS is treated as an Australian dollar denominated asset.

m. Employee Benefits

Provision is made for the consolidated entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the consolidated entity to externally managed employee accumulation superannuation funds and are charged as expenses when incurred.

n. Cash

Cash and cash equivalents include cash on hand, deposits held at call within banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

For the purpose of the cash flow statement, cash includes:

— Cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and

— Investments in money market instruments with less than 14 days to maturity.

o. Revenue

Revenue from the sale of oil and gas is recognised upon the delivery of goods to customers.

Interest revenue is recognised on an accrual basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised by reference to the stage of completion of the contract. The stage of completion for time and material contracts is recognised at the rates agreed for the delivery of the service as labour hours are delivered and the direct expenses incurred. All revenue is stated net of the amount of goods and services tax (GST).

p. Financial Assets

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements.

Other financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity investments", "available-for-sale" financial assets, and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets "at fair value through profit or loss".

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Available-for-sale financial assets

Certain shares and redeemable notes held by the Group are classified as being available-for-sale and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effectiv interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or los previously recognised in the investments revaluation reserve is included in profit or loss for the period.
Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive the dividends is established.
The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment.
Interest income is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.
For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.
The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.
With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

De-recognition of financial assets

The Group de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

q. Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

r. Earnings per Share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

— Costs of servicing equity (other than dividends);

— The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and

— Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

Divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

s. Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

t. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

u. Comparative Figures

When the presentation or classification of items in the financial report is amended, comparative amounts are reclassified unless the reclassification is impractical. No comparative amounts have been reclassified in these financial statements.

v. Share based payments

Equity settled share-based payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes methodology. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

w. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

x. Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

y. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Recoverability of oil and gas properties

During the year, management reconsidered the recoverability of its oil and gas properties which are included in its balance sheet at 30 June 2009 at $181,279,175. The oil and gas properties are recognised at cost less accumulated amortisation and any impairment losses. Where commercial production in an area of interest has commenced, the associated costs are amortised over the estimated economic life of the field on a units-of-production basis. Changes in factors such as estimates of proved and probable reserves that affect unit-of-production calculations are dealt with on a prospective basis. Management is confident that the carrying amount of oil and gas properties will be recovered in full. This situation will be closely monitored, and adjustments made to carrying amounts in future periods if future developments indicate that such adjustments are appropriate.

	Consolidated Entity		Company	
	2009	2008	2009	2008
	$	$	$	$
NOTE 3: REVENUE				
Operating activities				
— Sale of oil and gas	939,809	1,056,598	-	-
— Interest received – other unrelated persons	118,983	331,648	48,162	322,677
— Other revenue	36,329	44,023	-	-
	1,095,121	1,432,269	48,162	322,677
NOTE 4: OTHER INCOME				
— Profit on sale of equipment	-	2,147	-	-
— Profit on sale of oil and gas property	-	39,619	-	-
— Unrealised exchange gain	-	65,700	-	65,700
— Reversal of loan recovery provision	-	-	-	49,868
	-	107,466	-	115,568

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

	Consolidated Entity		Company	
	2009	2008	2009	2008
	$	$	$	$
NOTE 5: EXPENSES				
Expenses include the following items whose disclosure is relevant in explaining the financial performance of the entity:				
Cost of production				
— Lease operating expenses	5,295,585	186,158	-	-
— Depreciation of producing oil and gas properties	630,161	281,621	-	-
	5,925,746	467,779	-	-
Finance costs:				
— External	4,259,328	3,143,134	1,710	2,079
— Accretion expense	39,142	24,003	-	-
— Facility maintenance fees	5,238,100	782,400	-	-
	9,536,570	3,949,537	1,710	2,079
Depreciation and amortisation of non-current assets:				
— Plant and equipment	180,090	142,793	11,266	5,995
— Leased motor vehicles	15,248	8,571	8,571	8,571
Bad debt	-	11,488	-	-
Provision for doubtful debts	446,344	-	446,344	-
Rental expense on operating leases:				
— Minimum lease payments	290,876	198,859	39,738	38,714
Unrealised exchange loss	96,700	-	96,700	-
Provision for diminution in value of investments	-	-	-	1
Salaries & Employee expense:				
— Post employment benefits – defined contribution plans	183,773	165,460	183,773	165,460
— Other employee benefits	357,438	192,942	63,998	56,186
— Remuneration	1,776,690	221,020	236,517	221,020
— Share based payments	438,919	324,154	101,390	114,690
Total employee expense	2,756,820	903,576	585,678	557,356
Loss on disposal of equipment	1	-	-	-
NOTE 6: INCOME TAX EXPENSE				
Income tax recognised in loss				
Tax expense (income) comprises:				
Current tax expense/(income)	(7,554,339)	(4,413,645)	(447,117)	(264,373)
Adjustments recognised in the current year in relation to the current tax of prior years	(300,472)	-	(10,967)	-
Deferred tax income relating to the origination and reversal of temporary differences	(8,921,991)	(12,713,687)	(355,293)	(313,298)
Tax assets not recognised	16,776,802	16,127,332	813,377	577,671
Total tax expense	-	-	-	-

	Consolidated Entity		Company	
	2009	2008	2009	2008
	$	$	$	$
NOTE 6: INCOME TAX EXPENSE (CONT'D)				
The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:				
Loss from operations	(22,392,235)	(7,113,038)	(1,864,048)	(945,008)
Income tax benefit calculated at 30%	(6,717,671)	(2,133,911)	(559,214)	(283,502)
Effect of expenses that are not deductible in determining taxable income	1,143,349	983,024	101,130	19,129
Effect of expenses that are deductible in determining taxable income	(355,293)	(313,298)	(355,293)	(313,298)
Effect of oil and gas expenditure capitalised but deductible in determining taxable income	(8,566,698)	(12,400,389)	-	-
Effect of taxable gains and losses		-	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,280,489)	(2,262,758)	-	-
Sub total	(16,776,802)	(16,127,332)	(813,377)	(577,671)
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	16,776,802	16,127,332	813,377	577,671
	-	-	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian Corporate entities on taxable profits under Australian tax law. An effective corporate tax rate of 35% has been used for the US subsidiary. There has been no change in the corporate tax rate when compared with the previous year.

Management does not believe it is appropriate to recognise the deferred tax assets as the activities of the consolidated entity have not reached a stage of maturity that enables their recovery to be probable.

The movement in the carrying amounts of each type of unrecognised deferred tax assets between the beginning and end of the current financial year was as follows:

	Capital Losses	Section 40-880 Costs	Operating Losses	Other Temporary Differences	Total
Consolidated Entity:	$	$	$	$	$
Balance at the beginning of year	3,037,463	825,056	30,360,641	44,891	34,268,051
Adjustments during the year:					
- Assumed on subsidiary acquisition	-	-	3,163,266	-	3,163,266
- Amount that relates to prior years	-	2,568	4,165,407	-	4,167,975
- Amount that relates to current year	-	264,468	16,776,802	19,807	17,061,077
Balance at the end of year	3,037,463	1,092,092	54,466,116	64,698	58,660,369
Company:					
Balance at the beginning of year	3,037,463	825,056	3,499,432	44,891	7,406,842
Adjustments during the year:					
- Amount that relates to prior years	-	2,568	10,968	-	13,536
- Amount that relates to current year	-	264,468	813,377	19,807	1,097,652
Balance at the end of year	3,037,463	1,092,092	4,323,777	64,698	8,518,030

	Consolidated Entity		Company	
	2009	2008	2009	2008
	$	$	$	$
NOTE 6: INCOME TAX EXPENSE (CONT'D)				
Deferred tax liabilities				
Oil and Gas Properties	35,450,946	25,456,465	-	-

The movement in the carrying amounts of each type of deferred tax liability between the beginning and end of the financial year was as follows:

Balance at the beginning of year	25,456,465	13,056,076	-	-
Adjustments during the year:				
Amount that relates to current year	8,566,698	12,400,389	-	-
Amount that relates to prior year	-	-	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,427,783	-	-	-
Balance at the end of year	35,450,946	25,456,465	-	-
Deferred tax assets				
The following deferred tax assets have not been brought to account as assets:				
Temporary differences	3,048,869	2,762,026	3,048,869	2,762,026
Tax losses – revenue	19,015,170	4,904,176	4,323,777	3,499,432
Tax losses – capital	3,037,463	3,037,463	3,037,463	3,037,463
	25,101,502	10,703,665	10,410,109	9,298,921
Deferred income tax				
Deferred income tax at 30 June 2008 relates to the following:				
Deferred Tax Liabilities				
Oil and Gas Properties	35,450,946	25,456,465	-	-
Deferred Tax Assets used to offset	(35,450,946	(25,456,465)	-	-
Deferred Tax Liabilities	-	-	-	-
Deferred Tax Assets				
Accrued expenditure	48,234	28,309	48,234	28,309
Other	4,852	2,843	4,852	2,843
Leave provisions	11,612	13,739	11,612	13,739
Capital raising costs	1,092,092	825,056	1,092,092	825,056
Provisions for diminution	1,892,079	1,892,079	1,892,079	1,892,079
Tax losses available to offset against future taxable income	57,503,579	33,398,104	7,361,240	6,536,895
Deferred tax assets used to offset deferred tax liabilities	(35,450,946)	(25,456,465)	-	-
Deferred tax assets not brought to account	(25,101,502)	(10,703,665)	(10,410,109)	(9,298,921)
	-	-	-	-

NOTE 6: INCOME TAX EXPENSE (CONT'D)

The benefit of deferred tax assets not brought to account will only be brought to account if:-

(i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

(ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and

(iii) no changes in tax legislation adversely affect the Company in realising the benefit.

The Company has made multiple capital raisings over the past four years and increased share capital significantly. Under Australian Income Tax Law, the availability of losses to be claimed against assessable income is subject to a continuity of ownership test. This test will determine the Available Fraction of losses that may be claimed in any one year. This Available Fraction may result in allowable tax losses not being able to be wholly offset against taxable income in a particular income tax year. This may result in income tax being paid in a year when there are still tax losses to be claimed.

		Consolidated Entity		Company	
		2009	2008	2009	2008
		$	$	$	$
NOTE 7: CASH AND CASH EQUIVALENTS					
Cash at bank and in hand		454,012	809,044	436,346	753,288
Short-term bank deposits		-	3,461,012	-	-
		454,012	4,270,056	436,346	753,288

The effective interest rate on US short-term bank deposits was 1.9% (2008: 1.6%) these deposits are at call with floating interest rates.

Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is as follows:					
Cash and cash equivalents		454,012	4,270,056	436,346	753,288
Bank overdraft		(1,663,530)	-	-	-
		(1,209,518)	4,270,056	436,346	753,288
NOTE 8: TRADE AND OTHER RECEIVABLES					
Trade Receivables	(a)	128,500	425,973	-	-
Receivables from partners	(b)	189,742	423,555	-	-
Employee advances	(c)	30,994	26,165	-	-
Goods and services tax recoverable		20,815	16,866	20,815	16,866
Other receivables	(d)	477,734	61,951	-	-
Provision for impairment	(e)	(446,344)	-	-	-
		401,441	954,510	20,815	16,866

(a) Trade receivables are on normal commercial arrangement and are paid 60 days after volume verification by the purchaser.

(b) Receivables due from minority partners in oil and gas projects as a result of calls to meet operational expenditure commitments.

(c) Employee advances are repaid in accordance with signed promissory notes.

(d) Other receivables are non-interest bearing and have repayment terms between 30 and 60 days.

(e) A provision has been made against a third party receivable of a US subsidiary. The receivable is over 180 days old and past due.

NON-CURRENT					
Related party receivables:					
Advances to controlled entities	(a)(b)	-	-	138,884,684	126,130,885
Allowance against advances to controlled entities		-	-	(6,180,612)	(6,180,612)
		-	-	132,704,072	119,950,273

NOTE 8: TRADE AND OTHER RECEIVABLES (CONT'D)

Terms and Conditions

(a) Transactions between Marion Energy Limited and its controlled entities consist of inter-company loans, upon which interest may be charged and are repayable in A$ on demand. The loan is not expected to be repaid in the current year.

(b) The loan is principally to the wholly owned subsidiary, Marion Energy Inc, in the USA, is non-interest bearing, is repayable in Australian Dollars and is repayable at call. The directors have reviewed the carrying value of this loan and believe it is supported by the value of Marion Energy's investment in its oil and gas fields in Utah and Texas.

		Consolidated Entity		Company	
		2009 $	2008 $	2009 $	2008 $
NOTE 9: FINANCIAL ASSETS					
NON-CURRENT					
Available for sale financial assets					
Investment in US unlisted company		154,799	154,799	154,799	154,799
Unlisted investments, at cost					
— Shares in controlled entities	10	-	-	25,771,225	991,865
		154,799	154,799	25,926,024	1,146,664

NOTE 10: SUBSIDIARIES

	Country of Incorporation	Percentage Owned	
Company: Marion Energy Limited		2009	2008
Subsidiaries of Marion Energy Limited:			
Brisa Pty Limited	Australia	100%	100%
Delta Oilfield Developments Ltd	Australia	100%	100%
Delta Oil Taranaki Pty Ltd	Australia	100%	100%
Marion Energy Inc	USA	100%	100%
OEL Operating (USA) Inc	USA	100%	-

The financial year of all Subsidiaries is the same as that of the company. Marion Energy Inc is audited by BDO Siedman LLP and OEL Operating (USA) Inc is audited by Deloitte Touche Tohmatsu. All Australian based companies are audited by Deloitte Touche Tohmatsu. The tax consolidated group includes all Australian based entities.

During the 2008 year deregistration of all Australian subsidiaries was initiated. The deregistration process is ongoing and is expected to be completed without giving rise to any losses for the group.

	Consolidated Entity		Company	
	2009 $	2008 $	2009 $	2008 $
NOTE 11: OTHER ASSETS				
CURRENT				
Prepayments	106,686	69,519	-	-
NON-CURRENT				
Deposits – letters of credit	262,468	219,914	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 11: OTHER ASSETS (CONT'D)

Deposits of US$211,707 have been made with the Fortis Bank to support guarantees made by the Fortis Bank on behalf of Marion Energy Inc. against property lease obligations and for contractors' indemnity. Refer to Note 30 for details of guarantees.

NOTE 12: PLANT AND EQUIPMENT

	Leasehold Improve-ments $	Leased Plant and Equipment $	Plant and Equipment $	Total $
Consolidated Entity:				
Gross carrying amount				
Balance at 1 July 2007	14,852	59,569	912,342	986,763
Additions	-	-	481,761	481,761
Write-off and disposals	-	(14,419)	(131,992)	(146,411)
Net foreign currency exchange differences	(2,893)	(2,294)	(199,926)	(205,113)
Balance at 30 June 2008	11,959	42,856	1,062,185	1,117,000
Additions	-	44,512	42,368	86,880
Write-off and disposals	-	-	(19,310)	(19,310)
Net foreign currency exchange differences	2,208	(3,157)	190,665	189,716
Balance at 30 June 2009	14,167	84,211	1,275,908	1,374,286
Accumulated depreciation / amortisation and impairment				
Balance at 1 July 2007	(6,038)	(23,183)	(224,188)	(253,409)
Write-off and disposals	-	6,249	35,362	41,611
Depreciation expense	(738)	(8,571)	(187,557)	(196,866)
Net foreign currency exchange differences	1,246	1,060	56,151	58,457
Balance at 30 June 2008	(5,530)	(24,445)	(320,232)	(350,207)
Transfer	-	-	54,405	54,405
Write-off and disposals	-	-	14,161	14,161
Depreciation expense	(2,178)	(15,248)	(177,913)	(195,339)
Net foreign currency exchange differences	(866)	473	(48,484)	(48,877)
Balance at 30 June 2009	(8,574)	(39,220)	(478,063)	(525,857)
Net book value 30 June 2008	6,429	18,411	741,953	766,793
Net book value 30 June 2009	5,593	44,991	797,845	848,429
Company:				
Gross carrying amount				
Balance at 1 July 2007	-	42,856	26,690	69,546
Additions	-	-	9,223	9,223
Balance at 30 June 2008	-	42,856	35,913	78,769
Additions	-	-	40,531	40,531
Balance at 30 June 2009	-	42,856	76,444	119,300
Accumulated depreciation/amortisation and impairment				
Balance at 1 July 2007	-	(15,874)	(13,880)	(29,754)
Depreciation expense	-	(8,571)	(5,995)	(14,566)
Balance at 30 June 2008	-	(24,445)	(19,875)	(44,320)
Depreciation expense	-	(8,571)	(11,266)	(19,837)
Balance at 30 June 2009	-	(33,016)	(31,141)	(64,157)
Net book value 30 June 2008	-	18,411	16,038	34,449
Net book value at 30 June 2009	-	9,840	45,303	55,143

	Consolidated Entity		Company	
	2009	2008	2009	2008
	$	$	$	$
NOTE 13: OIL AND GAS PROPERTIES				
Producing projects at cost				
Producing projects	182,743,763	113,933,162	-	-
Less: accumulated depreciation	(1,464,568)	(685,597)	-	-
Total producing projects	181,279,175	113,247,565	-	-

Movements in Carrying Amounts

The movement in the carrying amounts for each class of oil and gas properties between the beginning and the end of current financial year were as follows:

	Note	Producing Projects	Property, Plant and Equipment	Total
		$	$	$
Consolidated Entity:				
Balance at the beginning of year		98,160,662	15,086,903	113,247,565
Additions		21,610,923	5,313,187	26,924,110
Acquisitions through business combination	21	19,991,012	2,062,915	22,053,927
Transfer		(54,405)	-	(54,405)
Amortisation / depreciation		(547,412)	(82,749)	(630,161)
Net foreign currency exchange differences		17,243,794	2,494,345	19,738,139
Carrying amount at the end of year		156,404,574	24,874,601	181,279,175

	Note	Consolidated Entity		Company	
		2009	2008	2009	2008
		$	$	$	$
NOTE 14: TRADE AND OTHER PAYABLES					
Trade payables	(a)	9,770,269	4,498,762	-	-
Sundry payables and accrued expenses		6,633,584	750,282	216,996	194,573
		16,403,853	5,249,044	216,996	194,573

(a) The average credit period on outstanding purchases of goods is currently 120 days. No interest is charged on trade payables. At 30 June 2009 $8,605,829 of trade and other payables were past due.

	Note	Consolidated Entity 2009 $	Consolidated Entity 2008 $	Company 2009 $	Company 2008 $
NOTE 15: BORROWINGS					
CURRENT					
Secured liabilities:					
Lease liability	18	14,591	6,305	6,630	6,305
Bank overdraft		1,663,530	-	-	-
Bank loans	15(a)	44,631,788	26,688,157	-	-
Prepaid finance fees		(4,037,841)	(1,146,010)	-	-
Unsecured liabilities:					
Unsecured loan	15(b)	155,309	155,309	-	-
		42,427,377	25,703,761	6,630	6,305
NON-CURRENT					
Secured Liabilities:					
Lease liability	18	38,875	20,295	13,665	20,295

NOTE 15: BORROWINGS (CONT'D)

(a) The secured loan facility provided by Fortis Capital Corporation for US$42,000,000 (A$52,069,420), (2008: US$25,500,000 (A$26,688,157)) has been drawn to US$36,000,000 (A$44,631,788), (2008: US$25,500,000 (A$26,688,157)) as at 30 June 2009. The facility matures and is due in full on 30 September 2009 with no payment required until maturity.

The facility is secured by substantially all the assets, including oil and gas reserves, of the company's wholly owned subsidiary, Marion Energy Inc, a US incorporated company. The interest rate applied to the facility during the year ended 30 June 2009 was 11.20% (2008: 10.07%).

Refer to note 27, Events After Balance Sheet Date, for details of a 90 day extension of the facility.

(b) The unsecured loan is non interest bearing and repayable on demand. There is no repayment program currently scheduled.

	Note	Consolidated Entity		Company	
		2009 $	2008 $	2009 $	2008 $
NOTE 16: PROVISIONS					
CURRENT					
Contractual liabilities	16(a)	620,000	523,300	620,000	523,300
Employee benefits	16(b)	38,706	45,798	38,706	45,798
		658,706	569,098	658,706	569,098
NON-CURRENT					
Restoration of operating locations	16(c)	696,053	504,573	-	-

(a) Contractual Liabilities

In accordance with the Prospectus dated 17 September 2004 the company has a contractual obligation to pay the Executive Directors and certain other management US$500,000 for securing a US$5,000,000 facility from a bank (refer Note 31). This milestone was achieved on 27 November 2006 and it has been resolved by the Directors that the liability will be satisfied by the issue of shares in the company. The issue of the shares is subject to shareholder approval.

(b) Aggregate employee benefits liability	38,706	45,798	38,706	45,798

(c) Restoration of operating locations

Site restoration costs include the dismantling and removal of oil and gas plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the oil and gas permits.

Movements in Provisions

(i) Employee benefits				
Carrying amount – opening balance	45,798	34,198	45,798	34,198
Employee leave paid	(24,823)	-	(24,823)	-
Additional provision	17,731	11,600	17,731	11,600
Carrying amount – closing balance	38,706	45,798	38,706	45,798
(ii) Contractual liabilities				
Carrying amount – opening balance	523,300	589,000	523,300	589,000
Unrealised exchange adjustment	96,700	(65,700)	96,700	(65,700)
Carrying amount – closing balance	620,000	523,300	620,000	523,300
Total provision 30 June 2009	658,706	569,098	658,706	569,098

	Note	Consolidated Entity		Company	
		2009 $	2008 $	2009 $	2008 $
NOTE 16: PROVISIONS (CONT'D)					
NON-CURRENT					
(ii) Restoration of operating locations					
Carrying amount – opening balance		504,573	791,181	-	-
Disposal		-	(56,654)	-	-
Provision - adjustments		44,780	(90,081)	-	-
Assumed as part of acquisition	21	53,597	-	-	-
Net foreign currency exchange differences		93,103	(139,873)	-	-
Carrying amount – closing balance		696,053	504,573	-	-
NOTE 17: ISSUED CAPITAL					
Fully paid ordinary shares	17a	191,069,634	154,951,202	191,069,634	154,951,202

		2009	2008	2009	2008
a. Ordinary shares		$	$	No.	No.
Number of shares on issue at the beginning of reporting period		154,951,202	113,717,711	298,894,186	250,527,519
Shares issued during year					
— 12 October 2007	(a)	-	28,530,000	-	31,700,000
— 3 December 2007	(b)	-	15,000,000	-	16,666,667
— 19 August 2008	(c)	15,000,000	-	17,441,860	-
— 3 September 2008	(d)	22,000,000	-	27,500,000	-
- less transaction costs		(881,568)	(2,296,509)	-	-
Number of ordinary shares on issue at reporting date		191,069,634	154,951,202	343,836,046	298,894,186

(a) On 12 October 2007, the company issued 31,700,000 shares at $0.90 per share through a share placement to institutions and high net worth individuals.

(b) On 3 December 2007, the company issued 16,666,667 shares at $0.90 per share through a share placement to institutions and high net worth individuals.

(c) On 19 August 2008, the company issued 17,441,860 shares at $0.86 per share through a share placement to institutions and high net worth individuals.

(d) On 3 September 2008 the company issued 27,500,000 shares as payment for the acquisition for an increased interest in the Helper and Jester-Bloomington oil and gas properties.

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held.

NOTE 17: ISSUED CAPITAL (CONT'D)

	Consolidated Entity		Company	
	2009 No.	2008 No.	2009 No.	2008 No.
b. Options				
— Options on issue at beginning of reporting period	54,000,000	52,000,000	54,000,000	52,000,000
— Options issued on 10 September 2008	500,000	-	500,000	-
— Options issued on 27 February 2009	7,000,000	-		-
— Options lapsed on 28 February 2009	(3,000,000)	-	(3,000,000)	-
— Options issued on 26 March 2009	5,000,000	-	5,000,000	-
— Options cancelled on 30 March 2009	(2,000,000)	-	(2,000,000)	-
— Options lapsed on 30 June 2009	(40,500,000)	-	(40,500,000)	-
— Options issued on 30 June 2009	10,000,000	-	10,000,000	-
— Options issued on 16 July 2007	-	500,000	-	500,000
— Options issued on 18 September 2007	-	1,500,000	-	1,500,000
— Options on issue at reporting date	31,000,000	54,000,000	32,500,000	54,000,000

Terms of the options on issue as at 30 June 2009 are:

The following options are fully vested:

- 7,000,000 unlisted options are exercisable at 30 cents on or before 18 September 2012.
- 1,500,000 unlisted options are exercisable at 90 cents on or before 14 November 2011.
- 5,000,000 unlisted options are exercisable at 40 cents on or before 28 August 2011.
- 1,000,000 unlisted options are exercisable at 70 cents on or before 14 November 2011.
- 5,000,000 unlisted options are exercisable at 45 cents on or before 31 December 2009.
- 1,500,000 unlisted options are exercisable at $1.00 on or before 16 June 2011.
- 10,000,000 unlisted options are exercisable at $0.375 on or before 1 July 2012.

During 2007 the following options were granted but not vested:

- 8,000,000 options exercisable at 80 cents.

  During 2007 the Consolidated Entity increased its percentage ownership in the Clear Creek field and granted the vendor 8,000,000 options subject to conditions. For the options to vest, and become exercisable the following conditions must be met:

  - If an Annual Reserve Report estimates, for the Clear Creek Natural Gas Unit, Carbon and Emery County, Utah, that all proved and provable resources of hydrocarbons in place, in whatever form, attributable to Marion Energy Limited, sold or unsold, are equal to or greater than the following Bcf hurdles:
    - 250 Bcf – 2,000,000 options will be vested and issued
    - 500 Bcf – 2,000,000 options will be vested and issued
    - 750 Bcf – 4,000,000 options will be vested and issued

The options expire if they are not exercised within 36 months of vesting or 31 August 2016, whichever date occurs earlier.

Options valuation

Options issued during the year were independently valued using the Black-Scholes option pricing model. The use of this model required the input of the following data assumptions:

	Option Series			
Inputs into the Model	**Issued 10 Sept 2008**	**Issued 27 Feb 2009**	**Issued 26 Mar 2009**	**Issued 30 June 2009**
Grant date share price	$0.90	$0.32	$0.36	$0.31
Exercise price	$1.50	$0.30	$0.45	$0.375
Expected volatility	76%	65%	65%	65%
Option life	0.83 years	3.64 years	0.80 years	3.01 years
Dividend yield	-	-	-	-
Risk-free interest rate	5.73%	2.80%	3.03%	4.53%

NOTE 17: ISSUED CAPITAL (CONT'D)

During the year the independent valuations of share based payments, using the Black-Scholes option pricing model, were as follows:

		Consolidated Entity		Company	
	Note	2009 $	2008 $	2009 $	2008 $
Options issued as part of borrowing arrangements	(a)	1,297,945	-	1,297,945	-
Options issued as part of funding arrangements	(b)	1,134,101	782,400	1,134,101	782,400
Options issued to employees	(c)	347,314	209,464	347,314	209,464
Amortisation of executive options	(d)	101,390	114,690	101,390	114,690
Balance at the end of year		2,880,750	1,106,554	2,880,750	1,106,554

(a) Option value recognised as borrowing costs which are being amortised over the life of the borrowing.

(b) Option value expensed as borrowing cost during the year.

(c) Options value expensed as salaries and wages during the year.

(d) Options value for options that were vested in the current year and expensed as salaries and wages.

NOTE 18: CAPITAL AND LEASING COMMITMENTS

a. Finance Lease Commitments

Payable					
— not later than 1 year		15,464	7,503	7,503	7,503
— later than 1 year but not later than 5 years		38,931	21,225	13,721	21,225
Minimum lease payments		54,395	28,728	21,224	28,728
Less future finance charges		(929)	(2,128)	(929)	(2,128)
Present value of minimum lease payments		53,466	26,600	20,295	26,600
Included in the financial statements as:					
Current borrowings	15	14,591	6,305	6,630	6,305
Non current borrowings	15	38,875	20,295	13,665	20,295
Total Lease Liability		53,466	26,600	20,295	26,600

	Consolidated Entity		Company	
	2009 $	2008 $	2009 $	2008 $
b. Operating Lease Commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements:				
Payable				
— not later than 1 year	95,875	86,227	2,892	1,416
— later than 1 year but not later than 5 years	5,061	9,733	5,061	-
	100,936	95,960	7,953	1,416

NOTE 18: CAPITAL AND LEASING COMMITMENTS (CONT'D)

The property leases are non-cancellable leases of varying terms of up to four years, with rent payable monthly in advance. Contingent rental provisions within the lease agreements allow annual rental increases in accordance with CPI. Options exist to renew each lease at the end of each term.

The leases allow for subletting of all lease areas.

NOTE 19: RESERVES

Foreign Currency Translation reserve	2,533,633	(16,505,181)	-	-
Option reserve	13,031,673	10,150,923	13,031,673	10,150,923
Capital profits reserve	277,610	277,610	277,610	277,610
	15,842,916	(6,076,648)	13,309,283	10,428,533

Foreign Currency Translation

Balance at the beginning of the year	(16,505,181)	(8,805,342)	-	-
Translation of foreign operations	19,038,814	(7,699,839)	-	-
Balance at end of financial year	2,533,633	(16,505,181)	-	-

Option Reserve

Balance at the beginning of the year	10,150,923	9,044,369	10,150,923	9,044,369
Recognition of share based payments	2,880,750	1,106,554	2,880,750	1,106,554
Balance at end of financial year	13,031,673	10,150,923	13,031,673	10,150,923

Capital Profits Reserve

Balance at the beginning of the year	277,610	277,610	277,610	277,610
Balance at end of financial year	277,610	277,610	277,610	277,610

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 20: SEGMENT REPORTING

(a) Primary Reporting - Business Segment

The consolidated entity has one business segment: Oil and gas development and production.

(b) Secondary Reporting - Geographical segments

	USA		Australia		Consolidated Entity	
	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
REVENUE						
External sales	939,809	1,056,598	-	-	939,809	1,056,598
Other segment revenue	107,150	44,892	48,162	438,245	155,312	483,137
Total revenue	1,046,959	1,101,490	48,162	438,245	1,095,121	1,539,735
RESULT						
Segment result	(20,528,187)	(6,168,510)	(1,864,048)	(945,008)	(22,392,235)	(7,113,038)
Loss from ordinary activities before income tax expense					(22,392,235)	(7,113,038)
Income tax expense					-	-
Net loss after income tax expense					(22,392,235)	(7,113,038)
ASSETS						
Segment assets	182,994,706	118,878,553	512,304	804,603	183,507,010	119,683,156
Unallocated assets					-	-
Total assets					183,507,010	119,683,156
LIABILITIES						
Segment liabilities	59,173,558	31,101,191	1,051,306	945,580	60,224,864	32,046,771
Unallocated liabilities					-	-
Total liabilities					60,224,864	32,046,771
OTHER						
Acquisitions of non-current segment assets	49,103,223	66,013,168	4,248	9,223	49,107,471	66,022,391
Depreciation and amortisation of segment assets	805,662	418,419	19,837	14,566	825,499	432,985
Other non-cash segment expenses	1,957,116	2,537,314	159,998	126,290	2,117,114	2,663,604

Geographical Segments

The consolidated entity has two geographic segments:

— An oil and gas development and production division based in Texas and Utah, USA

— A corporate head office function based in Camberwell, Victoria, Australia

NOTE 20: SEGMENT REPORTING (CONT'D)

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include revenue and expenses where a reasonable basis of allocation exists.

Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of accounts payable, employee entitlements, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Inter-segment Transfers

Segment revenues, expenses and result include transfers between segments. The prices charged on inter-segment transactions are the same as those charged for similar goods to parties outside of the consolidated entity at an arm's length. These transfers are eliminated on consolidation.

NOTE 21: ACQUISITION OF SUBSIDIARIES

On 3 September 2008, the Group acquired 100% of the issued share capital of OEL Operating (USA) Inc, a company incorporated in the USA, through the issue of 27,500,000 shares at a value of $22,000,000 and $Nil cash consideration. OEL Operating (USA) Inc's principal activity is the development of oil and gas properties in the USA. This transaction has been accounted for using the acquisition method of accounting.

The net assets acquired in the business combination, are as follows:

	Acquiree's carrying amount before business combination $	Fair value adjustments $	Fair value $
Net assets acquired:			
Cash and cash equivalents	1	(1)	-
Oil and gas properties	17,960,967	4,092,960	22,053,927
Provision for restoration of operating locations	(53,927)	-	(53,927)
	17,907,041	4,092,959	22,000,000
Goodwill arising on acquisition			-
Total consideration satisfied by issue of shares in Marion Energy Limited			22,000,000
Consideration net of cash acquired			-

The initial accounting for the acquisition of OEL Operating (USA) Inc has only been provisionally determined at reporting date. OEL Operating (USA) Inc became wholly-owned on acquisition but as a foreign subsidiary has not joined the company's tax-consolidated group.

No goodwill arose in the business combination because the purchase price equalled the fair value of assets acquired.

Included in the net loss for the period since acquisition is $788,575 attributable to the increased interest in the projects, being OEL Operating (USA) Inc's share of the Group's operations from the Helper and Jester-Bloomington projects.

	Consolidated Entity		Company	
	2009	2008	2009	2008
	$	$	$	$
NOTE 22: CASH FLOW INFORMATION				
a. **Reconciliation of Cash Flow from Operations with Loss after Income Tax**				
Loss after income tax	(22,392,235)	(7,113,038)	(1,864,048)	(945,008)
Non-cash flows				
— Amortisation and depreciation	864,319	432,985	19,837	14,566
— Net gain on disposal of investments	-	(39,619)	-	-
— (Profit) / loss on sale of plant and equipment	1	(2,147)	-	-
— Unrealised exchange (gain)/loss	96,700	(65,700)	96,700	(65,700)
— Option valuation expensed	1,582,805	1,106,554	101,390	114,690
— Provision for non recovery of loan and investment	-	-	-	(49,867)
— Provision for doubtful debts	446,344	-	-	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
— (Increase)/decrease in trade and term receivables	233,083	1,438,852	(3,949)	(292)
— (Increase)/decrease in prepayments	(26,193)	363,823	-	-
— Increase/(decrease) in trade payables and accruals	(1,918,414)	758,132	22,423	122,015
— Increase/(decrease) in provisions	32,050	35,603	(7,092)	11,600
Cash flow used in operating activities	(21,081,540)	(3,084,555)	(1,634,739)	(797,996)

b. Non Cash Investing Activities

During the current year the consolidated entity issued 27,500,000 shares at a value of $22,000,000 to acquire a 100% interest in OEL Operating (USA) Inc. and increase its oil and gas interests. The $22,000,000 was not reflected in the cash flow statement.

During the prior year the consolidated entity paid $20,077,732 to increase its areas of interest of which only $1,191,483 was cash consideration. The balance was non cash asset exchanges which were not reflected in the cash flow statement.

c. Financing Facilities

	Consolidated Entity		Company	
	2009	2008	2009	2008
	$	$	$	$
Secured bank loan facilities with a maturity date of 30 September 2009 and which may be extended by mutual agreement:				
Amount used	44,631,788	26,688,157	-	-
Amount unused	7,437,632	-	-	-
	52,069,420	26,688,157	-	-

The Group has access to secured US$ financing facilities at reporting date as indicated above (refer Note 15).

NOTE 23: ECONOMIC DEPENDENCY

The USA subsidiaries, Marion Energy Inc, and OEL Operating (USA) Inc are reliant on the company, Marion Energy Limited, for funding for their oil and gas properties.

NOTE 24: KEY MANAGEMENT PERSONNEL COMPENSATION

a. Key Management Personnel Compensation

The aggregate compensation made to key management personnel of the company and the Group is set out below.

	Consolidated Entity		Company	
	2009 $	2008 $	2009 $	2008 $
Short-term employee benefits	1,587,349	1,520,165	468,144	692,321
Post-employment benefits	13,773	20,363	13,773	20,363
Other long term benefits:				
- Termination benefits	-	-	-	-
- Share based benefits	101,390	114,690	101,390	114,690
	1,702,512	1,655,218	583,307	827,374

b. Compensation Options

Unlisted options granted as compensation.

					Terms and Conditions for each Grant		
	Vested No	Granted No	Grant Date	Fair value at grant date	Exercise Price	First Exercise Date	Expiry Date
R Carter	250,000	250,000	10 Sept 2008	$0.1144	$1.50	Anytime	30 June 2009
D Marin	250,000	250,000	10 Sept 2008	$0.1144	$1.50	Anytime	30 June 2009
A Edgar	750,000	750,000	30 May 2006	$0.2923	$1.00	anytime	16 June 2011
G Harvey	750,000	750,000	30 May 2006	$0.2923	$1.00	anytime	16 June 2011
	2,000,000	2,000,000					

c. Options and Rights Holdings

Number of options held by key management personnel

2009	Balance 1.7.08 No.	Granted No.	Net Change Other[1] No.	Balance 30.6.09 No.	Total Vested 30.6.09 No.	Total Exercisable No.
R Carter	-	250,000	(250,000)	-	-	-
J Clarke	9,932,730	-	(9,932,730)	-	-	-
P Collery	7,396,800	-	(7,396,800)	-	-	-
A Edgar	750,000	-	-	750,000	750,000	750,000
G Harvey	750,000	-	-	750,000	750,000	750,000
K Louman	6,762,700	-	(6,762,700)	-	-	-
D Martin	-	250,000	(250,000)	-	-	-
Total	25,592,230	500,000	(24,592,230)	1,500,000	1,500,000	1,500,000

[1] Options have expired.

NOTE 24: KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

c. Options and Rights Holdings (cont'd)

2008	Balance 1.7.07	Granted	Options Exercised	Net Change Other	Balance 30.6.08	Total Vested 30.6.08	Total Exercisable
	No.	No.	No.	No.	No.	No.	No.
J Clarke	9,932,730	-	-	-	9,932,730	9,932,730	9,932,730
P Collery	7,396,800	-	-	-	7,396,800	7,396,800	7,396,800
A Edgar	750,000	-	-	-	750,000	500,000	500,000
G Harvey	750,000	-	-	-	750,000	500,000	500,000
K Louman	6,762,700	-	-	-	6,762,700	6,762,700	6,762,700
Total	25,592,230	-	-	-	25,592,230	25,092,230	25,092,230

d. Shareholdings

Number of Shares held by key management personnel

	Balance 1.7.07	Net Change Other~	Balance 30.6.08	Net Change Other~	Balance 30.6.09
	No.	No.	No.	No.	No.
R Carter^	-	200,000	200,000	500,000	700,000
A Edgar	750,000	(750,000)	-	-	-
G Harvey	503,333	100,000	603,333	-	603,333
K Louman	333,233	-	333,333	-	333,333
Total	1,586,666	(450,000)	1,136,666	500,000	1,636,666

~ Net Change other refers to shares purchased or sold during the financial year or, in the case of the appointment of a new director, a pre-existing holding at the date of appointment.

^ R Carter has a beneficial interest in a retirement fund that maintains an investment in the company.

NOTE 25: AUDITORS' REMUNERATION	Consolidated Entity		Company	
	2009 $	2008 $	2009 $	2008 $
Remuneration of Deloitte Touche Tohmatsu as auditor of the company and subsidiaries:				
— auditing or reviewing the financial report	164,966	115,986	164,966	115,986
— auditing Australian subsidiaries and OEL Operating (USA) Inc.	7,068	7,068	7,068	7,068
— taxation services provided by the auditor	-	-	-	-
Remuneration of BDO Siedman LLP as auditor for Marion Energy Inc.				
— auditing or reviewing the financial report of subsidiaries	121,364	94,732	-	-
	293,398	217,786	172,034	123,054

NOTE 26: EARNINGS PER SHARE

		Consolidated Entity	
		2009 $	2008 $
	Basic earnings per share from continuing operations	(6.7)	(2.5)
	Diluted earnings per share from continuing operations	(6.7)	(2.5)
a.	Reconciliation of earnings to net loss		
	Net loss	(22,392,235)	(7,113,038)
	Earnings used in the calculation of basic and dilutive EPS	(22,392,235)	(7,113,038)
b.	Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	336,549,490	282,782,711
	Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	336,549,490	282,782,711

c. Classification of securities

As at 30 June 2009, the Company has on issue 31,000,000 options over unissued capital as the Group has generated losses these potential ordinary are not dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted EPS.

NOTE 27: EVENTS AFTER BALANCE SHEET DATE

With the exception of the details provided below, there has not been any matter, or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

- On 28 September 2009 the Group's Credit Facility providers, Fortis Capital Corporation and Fortis Bank Nederland, approved, subject to final documentation, the 90 day extension of the Credit Facility and associated amendments and waivers. The due date of the Credit Facility will now be 30 December 2009.

NOTE 28: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties include:

i. Director-related Entities:

There have been no transactions with Director related entities for the year ended 30 June 2009 or 30 June 2008 with the exception that the director's fees of D Martin are paid to a US corporation in which he has a beneficial interest.

ii. Other Director Related Transactions

There are no director related transactions with the exception of:

— The payment of a consulting fee of $77,929 to A Edgar for assistance in the assessment of the mergers and acquisition opportunities in the US and the US investment banking and capital markets. This amount was included as part of Directors Remuneration in the current year.

— The payment of a placement fee in the prior year of $277,131 to A Edgar for the placement of shares to Swiss investors in October and December 2007. This payment was treated as a cost against issued capital. This amount was included as part of Directors Remuneration in the prior year.

— In a Prospectus lodged with the ASX on 17 December 2004 a milestone bonus payment of US$500,000 was to be paid to the executive directors, Messrs Clarke (US$206,140), Louman (US$140,350) and Collery (US$153,510), in the event of securing a US$5 million facility from a bank. This milestone was achieved on 14 November 2006 when the bank facility with Fortis was executed. The payment was delayed by the executive directors to assist the Company's cashflows and it was resolved on 27 July 2009 to convert the liability to a share based payment as announced to the ASX. A provision for the payment of A$620,000 has been made. Also refer note 31, correction of prior period error.

NOTE 29: FINANCIAL INSTRUMENTS

a. Capital risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern whilst maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2008.

The capital structure of the Group consists of debt, which includes borrowings disclosed in Note 15 cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings as disclosed in Notes 7, 17 and the Statement of Changes in Equity.

The Group operates in the USA, through subsidiary companies established in that market. None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to invest in Oil and Gas projects in the US to fulfil its strategy of becoming a substantial gas producer, as well as to make the routine outflows of tax, dividends and repayment of maturing debt.

The Group's policy is to fund its operations in the markets and currency where its business activities are predominant, using a variety of capital market issues in Australia and borrowing facilities in the US, to meet anticipated funding requirements.

Gearing Ratio

The Board reviews the capital structure on a continuing basis. As a part of this review the Board considers the cost of capital and the risks associated with each class of capital. Based on these decisions the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The gearing ratio at year end was as follows:

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Financial Assets:				
Debt (i)	42,466,252	25,724,056	20,295	26,600
Cash and cash equivalents	(454,012)	(4,270,056)	(436,346)	(753,288)
Net debt	42,012,240	21,454,000	(416,051)	(726,688)
Equity (ii)	123,351,377	87,636,385	158,315,634	121,111,269
Net debt to equity ratio	34.1%	24.5%	-	-

i Debt is defined as long- and short-term borrowings, as detailed in note 15.

ii Equity includes all capital and reserves.

b. Categories of financial instruments

	2009 $	2008 $	2009 $	2008 $
Financial assets				
Available for sale investments	154,799	154,799	154,799	154,799
Loans and receivables	401,441	954,510	132,724,887	119,967,139
Cash and cash equivalents	454,012	4,270,056	436,346	753,288
Financial liabilities				
Amortised cost	58,852,929	30,973,100	220,115	221,173

c. Financial risk management objectives

The Board co-ordinates access to domestic and international markets, monitors and manages the financial risks related to the operations of the Group. These risks will include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

d. Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer note 29 (e)) and interest rates (refer note 29 (f)). The Group does not enter into derivative financial instruments to manage its exposure to interest rate and foreign currency risk.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

NOTE 29: FINANCIAL INSTRUMENTS (CONT'D)

e. Foreign currency risk management

The following table details the Group's sensitivity to a 10% increase and 10% decrease in the Australian Dollar against the US Dollar. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates a decrease in profit or loss where the Australian Dollar strengthens against the US Dollar. For a weakening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit, and the balances below would be negative.

	US$ Impact			
	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Other equity (a)	14,696,000	10,109,000	-	-

(a) This is attributable to the exposure on the intercompany advances denominated in AUD in the United States subsidiary, Marion Energy Inc.

The Group's sensitivity to foreign currency has increased during the current period due to the increased level of investment in oil and gas projects in the US subsidiaries, Marion Energy Inc and OEL Operating (USA) Inc.

f. Interest rate risk management

The company and the Group are exposed to interest rate risk as the Group borrows funds in US$ at floating interest rates.

The company and the Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's:

— Net loss would increase by $423,000 and decrease by $423,000 (2008: increase by $232,000 and decrease by $232,000). This is mainly attributable to the Group's net exposure to interest rate movement on its cash and cash equivalents and on its variable rate borrowings.

The Group's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate debt instruments and reduction in cash and cash equivalents.

g. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who apply an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate equity reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following tables detail the company's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

NOTE 29: FINANCIAL INSTRUMENTS (CONT'D)

	Weighted average effective interest rate	1 - 3 months	3 – 12 months	1 – 5 years	5+ years
	%	$	$	$	$
Consolidated					
Trade and other payables	-	16,403,853	155,309	-	-
Finance lease liability	2.0	3,866	11,588	38,931	-
Borrowings	20.0	47,591,587	-	-	-
		63,999,306	166,897	38,931	-
2008					
Trade and other payables	-	5,249,044	155,309	-	-
Finance lease liability	5.1	1,890	5,670	21,168	-
Borrowings	10.1	575,796	28,415,548	-	-
		5,826,730	28,576,527	21,168	-
Company					
2009					
Trade and other payables	-	216,996	-	-	-
Finance lease liability	5.1	1,876	5,627	13,721	-
		218,872	5,627	13,721	-
2008					
Trade and other payables	-	194,573	-	-	-
Finance lease liability	5.1	1,890	5,670	21,168	-
		196,463	5,670	21,168	-

The following table details the company's and the Group's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets.

Consolidated					
2009					
Receivables	-	401,441	-	-	-
Cash and cash equivalents	3.9	454,012	-	-	-
		855,453	-	-	-
2008					
Receivables	-	954,510	-	-	-
Cash and cash equivalents	5.5	4,270,056	-	-	-
		5,224,566	-	-	-
Company					
2009					
Receivables	-	20,815	-	-	132,704,072
Cash and cash equivalents	3.9	436,346	-	-	-
		457,161	-	-	132,704,072
2008					
Receivables	-	16,866	-	-	119,950,273
Cash and cash equivalents	5.9	753,288	-	-	-
		770,154	-	-	119,950,273

NOTE 30: CONTINGENT LIABILITIES AND COMMITMENTS

a. Guarantees

A controlled entity, Marion Energy Inc. has provided the following guarantees:

— A contractors indemnity guarantee for US$160,000 (A$198,500).

— A lessor guarantee in favour of the Blackhawk Coal Company for US$50,000 (A$62,000).

b. Exploration Commitments

The Consolidated Entity is not subject to any minimum exploration expenditure or activity requirements.

c. Contingent Liabilities

In accordance with the Prospectus dated 17 December 2004 the company may become liable to make a payment of US$500,000 to the Executive Directors when the Group achieves a net gas production level of 3 million cubic feet of gas per day for two consecutive months (refer Note 31 for further details).

NOTE 31: CORRECTION OF PRIOR PERIOD ERROR

Marion Energy Limited was formed in 2004 by the transfer to Carpenter Pacific Resources Limited of US oil and gas interests. In return management were issued with 40 million options and two other payments were to be made to management when specific milestones were achieved. These were detailed in a Prospectus lodged with the ASX on 17 December 2004.

The first milestone is a bonus payment of US$500,000 to be paid to the executive directors, Messrs Clarke, Louman and Collery, in the event of securing a US$5 million facility from a bank.

This milestone was achieved on 14 November 2006 when the bank facility with Fortis was executed. The first bonus payment of US$500,000 should have been provided for from this date. The payment was delayed by the executive directors to assist the Company's cashflows and it was resolved, on 27 July 2009, to convert the liability to a share based payment as announced to the ASX. The US$500,000 (A$641,000) payable should have been recognised on 14 November 2006 and included in related party disclosures and has now been restated in note 28, related parties.

A second bonus payment of US$500,000 is payable to the executive directors Messrs Clarke, Collery and Louman in event of achieving a gas production level of 3 million cubic feet per day for two consecutive months. There is no impact on the recorded amounts for this second payment. However, a contingent liability should have been disclosed in prior years. This has been restated in note 30, contingent liabilities and commitments.

Restated financial information for the financial year ended 30 June 2008 and 30 June 2007 is presented below as if the error had not been made.

Income Statement for the Year ending 30 June 2007

	Consolidated Entity Reported $	Company Reported $	Adjustments $	Consolidated Entity Restated $	Company Restated $
Salaries and employees benefits expense	(2,332,647	(1,766,925)	(641,000)	(2,973,647)	(2,407,925)
Unrealised foreign currency gain/(loss)	-	-	52,000	52,000	52,000
Loss before income tax expense	(8,746,410)	(2,445,064)	(589,000)	(9,335,410)	(3,034,064)
Income tax expense	-	-	-	-	-
Net Loss attributable to members of the company	(8,746,410	(2,445,064)	(589,000)	(9,335,410)	(3,034,064)
Basic earnings per share (cents per share)	(4.1)			(4.3)	
Diluted earnings per share (cents per share)	(4.1)			(4.3)	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 31: CORRECTION OF PRIOR PERIOD ERROR (CONT'D)

Income Statement for the Year ending 30 June 2008

	Consolidated Entity	Company		Consolidated Entity	Company
	Reported	Reported	Adjustments	Restated	Restated
	$	$	$	$	$
Salaries and employees benefits expense	n/a	n/a	n/a	n/a	n/a
Unrealised foreign currency gain/(loss)	-	-	65,700	65,700	65,700
Loss before income tax expense	(7,178,738)	(1,010,708)	65,700	(7,113,038)	(945,008)
Income tax expense	-	-	-	-	-
Net Loss attributable to members of the company	(7,178,738)	(1,010,708)	65,700	(7,113,038)	(945,008)
Basic earnings per share (cents per share)	(2.5)			(2.5)	
Diluted earnings per share (cents per share)	(2.5)			(2.5)	

Balance Sheet as at 30 June 2007

	Consolidated Entity	Company		Consolidated Entity	Company
	Reported	Reported	Adjustments	Restated	Restated
	$	$	$	$	$
CURRENT LIABILITIES					
Provisions	34,198	34,198	589,000	623,198	623,198
TOTAL CURRENT LIABILITIES	21,888,203	112,747	589,000	22,477,203	701,747
NET ASSETS	60,698,217	80,305,232	(589,000)	60,109,217	79,716,232
EQUITY					
Accumulated losses	(53,536,131)	(42,734,458)	(589,000)	(54,125,131)	(43,323,458)
TOTAL EQUITY	60,698,217	80,305,232	(589,000)	60,109,217	79,716,232

Balance Sheet as at 30 June 2008

CURRENT LIABILITIES					
Provisions	45,798	45,798	523,300	569,098	569,098
TOTAL CURRENT LIABILITIES	30,998,603	246,676	523,300	31,521,903	769,976
NET ASSETS	88,159,685	121,634,569	(523,300)	87,638,385	121,111,269
EQUITY					
Accumulated losses	(60,714,869)	(43,745,166)	(523,300)	(61,238,169)	(44,268,466)
TOTAL EQUITY	88,159,685	121,634,569	(523,300)	87,636,385	121,111,269

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 31: CORRECTION OF PRIOR PERIOD ERROR (CONT'D)

Restated financial information for the half years ended 30 December 2006, 2007 and 2008 is presented below as if the error had not been made.

Income Statement for the Six months ending 31 December 2006

	Reported $	Adjustments $	Restated $
Employee benefits expense	(779,569)	(641,000)	(1,420,569)
Unrealised foreign currency gain/(loss)	-	9,000	9,000
Loss before income tax expense	(3,402,292)	(632,000)	(4,034,292)
Income tax expense	-	-	-
Loss attributable to members of the company	(3,402,292)	(632,000)	(4,034,292)
Basic earnings per share (cents per share)	(1.7)		(2.0)
Diluted earnings per share (cents per share)	(1.7)		(2.0)

Income Statement for the Six months ending 31 December 2007

Employee benefits expense	n/a	n/a	n/a
Unrealised foreign currency gain/(loss)	-	17,000	17,000
Loss before income tax expense	(7,454,372)	17,000	(7,437,372)
Income tax expense	-	-	-
Loss attributable to members of the company	(7,454,372)	17,000	(7,437,372)
Basic earnings per share (cents per share)	(2.8)		(2.8)
Diluted earnings per share (cents per share)	(2.8)		(2.8)

Income Statement for the Six months ending 31 December 2008

Employee benefits expense	n/a	n/a	n/a
Unrealised foreign currency gain/(loss)	-	(200,700)	(200,700)
Loss before income tax expense	(8,706,344)	(200,700)	(8,907,044)
Income tax expense	-	-	-
Loss attributable to members of the company	(8,706,344)	(200,700)	(8,907,044)
Basic earnings per share (cents per share)	(2.6)		(2.7)
Diluted earnings per share (cents per share)	(2.6)		(2.7)

Balance Sheet as at 31 December 2006

	Reported $	Adjustments $	Restated $
CURRENT LIABILITIES			
Provisions	22,213	632,000	654,213
TOTAL CURRENT LIABLITIES	4,958,247	632,000	5,590,247
NET ASSETS	61,361,411	(632,000)	60,729,411
EQUITY			
Accumulated losses	(48,192,013)	(632,000)	(48,824,013)
TOTAL EQUITY	61,361,411	(632,00)	60,729,411

NOTE 31: CORRECTION OF PRIOR PERIOD ERROR (CONT'D)

Balance Sheet as at 31 December 2007

	Reported $	Adjustments $	Restated $
CURRENT LIABILITIES			
Provisions	38,706	572,000	610,706
TOTAL CURRENT LIABLITIES	24,973,527	572,000	25,545,527
NET ASSETS	97,607,847	(572,000)	97,035,847
EQUITY			
Accumulated losses	(60,990,503)	(572,000)	(61,562,503)
TOTAL EQUITY	97,607,847	(572,000)	97,035,847

Balance Sheet as at 31 December 2008

CURRENT LIABILITIES			
Provisions	32,500	724,000	756,500
TOTAL CURRENT LIABLITIES	51,169,610	724,000	51,893,610
NET ASSETS	155,580,952	(724,000)	154,856,952
EQUITY			
Accumulated losses	(69,421,213)	(724,000)	(70,145,213)
TOTAL EQUITY	155,580,952	(724,000)	154,856,952

NOTE 32: COMPANY DETAILS

The registered office of the company is:

Marion Energy Limited
Level 3, Pacific Tower, 737 Burwood Road , Hawthorn, Victoria, 3122

The principal places of business are:

Marion Energy Limited

— Corporate Offices
Level 3, Pacific Tower, 737 Burwood Road , Hawthorn, Victoria, 3122

Marion Energy Inc

— Oil and Gas Division
Suite 200, 119 South Tennessee, McKinney, Texas, USA

DIRECTORS' DECLARATION

The Directors of the Company declare that -

a. in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

b. in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity and the company; and

c. the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295 (5) of the Corporations Act 2001.

On behalf of the Directors.

P.T. Collery

Peter Collery
Director

Dated this 30th day of September 2009

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the Members of Marion Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of Marion Energy Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 26 to 65.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Member of
Deloitte Touche Tohmatsu

Deloitte.

Auditor's Opinion

In our opinion:

(a) the financial report of Marion Energy Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2 in the financial report which indicates that the consolidated entity and the company incurred a net loss of $22,392,235 and $1,864,048 respectively during the year ended 30 June 2009, and as of that date, the consolidated entity and company's current liabilities exceeded their current assets by $58,527,797 and $425,171 respectively. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's and company's ability to continue as going concerns and whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 23 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Marion Energy Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

Yours sincerely

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu

Ian Sanders

Ian Sanders
Partner
Chartered Accountants
Melbourne, 30 September 2009

SHAREHOLDER INFORMATION

The following additional information is required by the Australian Stock Exchange Ltd in respect of listed public companies only.

1. **Shareholding**

a. **Distribution of Shareholders Number**

Category (size of Holding)	Ordinary
1 – 1,000	735
1,001 – 5,000	1,503
5,001 – 10,000	788
10,001 – 100,000	1,707
100,001 – and over	457
	5,190

b. The number of shareholdings held in less than marketable parcels is 1,548.

c. The names of the substantial shareholders listed in the holding company's register as at 18 September 2009 are:

Shareholder	Number Ordinary Shares
Odyssey Energy Limited	27,500,000

d. **Voting Rights**

The voting rights attached to each class of equity security are as follows:

Ordinary shares

— Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

SHAREHOLDER INFORMATION

e. **20 Largest Shareholders — Ordinary Shares**

Name		Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	Odyssey Energy Limited	27,500,000	8.00
2.	ANZ Nominees Limited (Cash Income A/C)	16,372,255	4.76
3.	JP Morgan Nominees Australia Limited	12,670,714	3.69
4.	National Nominees Limited	11,227,486	3.27
5.	Mid-Power Resource Corporation	11,100,000	3.23
6.	Arredo Pty Ltd	9,050,000	2.63
7.	Citicorp Nominees Pty Ltd	7,299,314	2.12
8.	UBS Wealth Management Australia Nominees Pty Ltd	3,771,008	1.10
9.	AWJ Family Pty Ltd	3,101,960	0.90
10.	Wells Retirement Pty Ltd	2,701,327	0.79
11.	AGS & WM Gemmell (AGS Gemmell S/F Pension)	2,700,000	0.79
12.	Fetovu Pty Ltd	2,648,662	0.77
13.	Capponi Medical Services Pty Ltd	2,643,033	0.77
14.	DH Ronalds & CH Ronalds (Yemen Super Fund A/C)	2,465,000	0.71
15.	Uob Kay Hian Private Limited	2,268,000	0.66
16.	Labyrinth (Vic) Pty Ltd	2,109,000	0.61
17.	SC Stuart Watts	2,077,777	0.60
18.	Nefco Nominees Pty Ltd	2,000,000	0.58
19.	D J & C Nominees Pty Ltd	1,905,067	0.55
20.	A Lo & A Bridgeman	1,900,000	0.55
		127,510,603	**37.08**

SHAREHOLDER INFORMATION

2. The name of the company secretary is Peter Collery

3. The address of the principal registered office in Australia is:
   Level 3, Pacific Tower, 737 Burwood Road, Hawthorn, Victoria, 3122. Telephone +61 3 8862 6466

4. **Registers of securities are held at the following addresses**

   Computershare Investor Services Pty Limited
   Level 2, 45 St Georges Terrace — Telephone: +61 (8) 9323 2000
   Perth WA 6000 — Facsimile: +61 (8) 9323 2033

5. **Stock Exchange Listing**

   Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited.

6. **Unquoted Securities**

   Options over Unissued Shares

   A total of 31,000,000 options are on issue. 1,500,000 options are on issue to two non-executive directors and 5,000,000 are issued to 16 employees under the Marion Energy Limited incentive option plan. 19,500,000 options are on issue to Fortis Capital Corporation and 5,000,000 options are on issue to Mid-Power Resource Corporation.

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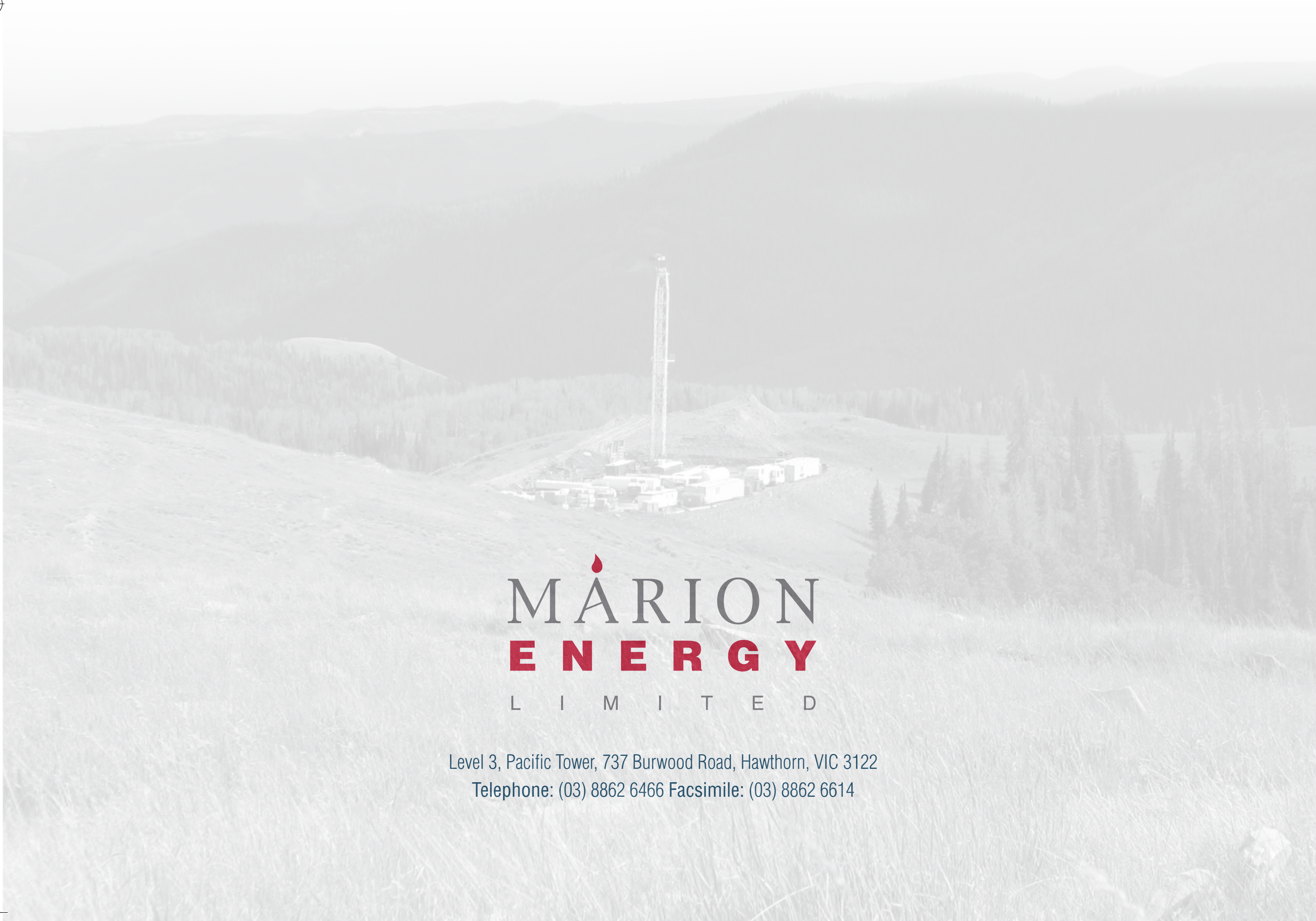

MARION ENERGY LIMITED

Level 3, Pacific Tower, 737 Burwood Road, Hawthorn, VIC 3122
Telephone: (03) 8862 6466 **Facsimile:** (03) 8862 6614