MARION ENERGY LIMITED

21 OCTOBER 2009

ASX Release

Recapitalisation to Strengthen Balance Sheet and Drive Operational Strategy

- **Oversubscribed placement to raise $6.50 million through placement of 43.33 million shares at $0.15, with attaching options to sophisticated and institutional investors**
- **Non-renounceable rights issue to raise up to $29.0 million**
- **Banking facility extended until 31 March 2010**
- **Funds to drive production from target wells and strengthen balance sheet through repayment of debt.**

The Board of Marion Energy Limited (ASX: MAE, Marion) is pleased to announce that it has received commitments of a $6.5m for a placement (before costs) to a range of sophisticated and institutional investors. Participants in the Placement will also be issued with an option to subscribe for ordinary shares on the basis of 1 option for every share subscribed for in the Placement. These options will have an exercise price of 25 cents and a two year exercise period and will be issued to subscribers at the same time as the options attaching to the rights issue are issued. Application will then be made for all the options to be listed.

The shares will be issued in two tranches with 28.08 million issued under the Company's existing 15% placement capacity under ASX Listing Rule 7.1 with the balance to be completed in conjunction with the rights issue.

The placement was heavily oversubscribed by institutional and sophisticated investors in Australia, Asia and Europe and is a clear indication of both the markets support to the Company's refocussed operational strategy recently announced and the increasingly positive outlook for the North American energy sector and gas prices in particular which have risen from US$1.70/Mcf earlier to the year to current spot and 3 month future prices of US$4.60/Mcf and US$6.00/Mcf respectively.

The successfully completed placement is the first step of a recapitalisation strategy aimed at raising up to $35.5 million, which will also include a rights issue to existing shareholders to be completed by the end of the year and for which the Company is in discussions with several financial institutions to have the issue underwritten.

Eligible shareholders will be invited to participate in a 1:2 non renounceable rights issue at 15 cents per share (with a 1 for 2 option attached) to raise an additional $29 million (before costs).

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Managing Director Jeff Clarke said the proceeds from the placement be used to strengthen the Company's balance sheet and support working capital costs associated with the commencement of production and gas sales from several wells at its Clear Creek and Helper projects in Utah.

"As we announced earlier this year, we are focusing on bringing four to six target wells back into production through a prudent, staged approach that will utilise the extensive gathering, pipeline and compression infrastructure that we successfully commissioned and constructed last year.

"We've had early success with this strategy and expect that this will translate into cash flow in the coming months," he said.

"This improved risk profile, combined with strengthening global equity markets, provides us with an opportunity to recapitalise with the aim of restructuring and refinancing our existing debt facility on more favourable terms."

"Completion of the rights issue will assist us in implementing our operational strategy and allow us to achieve a sustainable and profitable production profile from as many as 16 wells over the next 12 months. Strengthening our balance sheet and restructuring our debt facilities will ensure that the Company's assets obtain maximum value and exposure with the current Goldman Sachs sale process ongoing".

Further information on the rights issue, which will offer 1 new share for every 2 held at $0.15 cents, will be provided to shareholders over the coming weeks. Shareholders will also be offered free attaching two year A$0.25 listed options on a 1 for 2 basis.

"In light of the recapitalisation strategy, our existing financiers have extended our US$46 million credit facility until March 2010 subject to final documentation," Mr. Clarke said.

"Following completion of the rights issue, we will repay some of that debt and seek to restructure the debt facilities to longer dated maturity."

"The completion of the placement and the interest shown gives us great confidence in the support for the Company and its improved production outlook.

"We look forward to offering shareholders the opportunity to participate in the recapitalisation strategy and the upside we believe it will deliver."

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