

9 September 2014

Operations Update

Clear Creek

Marion Energy Limited (ASX: MAE) wishes to make this omnibus announcement to consolidate previously released information in relation to its operations at its Clear Creek gas field in Utah, USA.

In our 25 March 2014 release to the ASX, the Company stated that eight wells had been drilled or completed by Marion, and were tied into infrastructure and capable of production. A ninth well has subsequently been completed, tied into infrastructure and capable of production. This remains the case.

When announcing this, the Company observed that it would take time for the water levels in those wells to be pumped down for stable production levels to be achieved. The Company advised that it could not give guidance as to the time frame required for stable production levels to be achieved. This remains the case.

These wells are all currently capable of producing gas and have been doing so intermittently. There have been a number of issues with the collection system from those wells including inclement weather, leaking pipes, equipment breakdown and high moisture content (caused by moisture in a third party pipeline as the gas has always tested within spec as it leaves the control of Marion). The gas composition has been tested and is now within specification.

The Company has consistently advised the market that it would take some time for stable production levels to be achieved. The Company has announced that it would advise the market when such stable production levels *are* achieved. In the meantime, investors should assume that the position remains unchanged.

Publicly available information on various State of Utah websites reflects the gas which is sold. In addition to the amounts recorded with the state regulatory authorities, the wells have produced gas which has either:

- been used to generate electricity to fuel pumps and the compressor required for any production to take place; or
- been vented to atmosphere due to moisture content issues in the gathering line (which was outside of the Company's control).



The Company stands by the accuracy of its disclosures in this regard.

During the period of approximately 4 months since the Company made its first announcement regarding production, the Company has made 5 announcements pertaining to its operations. In addition, it has announced its intent to sell the Clear Creek gas assets.

Average gas produced at Clear Creek in July and August 2014 including amounts used in generators and compressors was 224 mcfg per day.

Investors should note that:

- The disclosures made by the Company are consistent with the publicly available information;
- Pending further announcements by the Company it should be assumed that there has been no material change in the status of operations.

In the context of its continuous disclosure obligations the Company will continue to inform the market concerning its operations.

Marion Energy Limited

Per:

A handwritten signature in blue ink, appearing to read "Nick Stretch", written over a faint horizontal line.

Nick Stretch
Company Secretary