

Thursday, March 31, 2011

Dear Orion Shareholder,

I am writing to you, Orion's shareholders, to provide some background to Tuesday's announcement by Orion to the Australian Securities Exchange.

Since the resignation of Orion's Managing Director two weeks ago an opportunity has arisen to acquire a suite of oil and gas assets from Energetica Resources which include two near term wildcat drilling opportunities. Energetica is a private oil and gas exploration company which is actively exploring throughout Australia.

The Energetica assets being offered to Orion comprise most of its conventional oil and gas as well as coal seam gas (CSG) opportunities in Eastern Australia. One group of these assets in the Surat/Bowen Basins is adjacent to Orion's exploration licences in the same Basins which also contain both conventional oil and gas and CSG prospects.

The Energetica assets which best fit and compliment Orion's current portfolio include exploration licences in three geological basins. ATP837, ATP893 and ATP901 are located in the Surat/Bowen Basins. Three oil prospects have been identified in ATP 837 which have been matured for drilling by a recent 3D seismic survey. Preparations to drill one of these, the Hoadleys Prospect, are currently under way. PEL 154 and PEL 155 are in the onshore part of the Otway Basin in South Australia. In PEL 155 the Nangwarry Prospect, about 10 kilometres from the gas fields in the Katnook area, which were discovered from the mid 1980's onwards, has been matured for drilling by a recent 3D seismic survey and drilling preparations are also under way here. Both these wells and a third well yet to be confirmed will be partly funded by KEA Petroleum PLC under a farm-in agreement. PEL 472, PEL 473, PEL 474 and PELA 132 are in southwest NSW where a potential coal seam gas play is present in the Murray Basin/Griffith Trough/Oaklands Basin as well as having conventional gas potential at deeper levels within the underlying Darling Basin.

Energetica's two Directors are Messrs Len Diekman and Duncan Hardie. Mr Diekman is an oil and gas professional and Mr. Hardie has been a Director of several public and private companies. It is proposed that the Managing Director of Energetica, Mr Diekman, will become Managing Director of Orion at the time that the transaction is completed. He is eminently well qualified for this task, having 28 years of experience in the oil and gas industry within Australia and overseas and he is familiar with Orion's exploration permits. At that time I will stand down as Acting Chief Executive Officer.

The first step towards consummating this transaction is for Orion's Board to undertake due diligence, independent valuations and to settle the shareholding percentage in Orion which is to be issued to Energetica as the purchase price. The Board will then present to Orion's shareholders both the independent experts report and the transaction terms before seeking your approval at a Shareholder's meeting.

As you know Orion's current interests in the Surat/Bowen Basins are in PEL's 6, 427, 428 and 455 and in the Darling Basin it holds a 100% interest in PEL's 422, 424 and PEL 471. Orion has commitments this year for seismic acquisition in its licences in the Surat-Bowen and the Darling Basins. The Company is looking at accelerating plans to drill prospects in PEL 6 and 455 while continuing to find suitable joint venture partners for pursuit of this transaction. Orion is also evaluating the CSG potential of its four licences in the Surat-Bowen Basin through a farm-in agreement with Eastern Star Gas which has resulted in initial CSG resource estimates totalling 243.7 PJ of Recoverable Contingent Resource and 1,079.4 PJ of Recoverable Prospective Resource.

Shareholders will be pleased to know that we are pursuing a strategy which is consistent with that originally articulated by the Company.

I want to assure you that every effort is and will be made to finalise this transaction at the earliest possible time. I encourage you to contact me if you have any questions or concerns.

Yours sincerely,

Orion Petroleum Limited



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Chairman and Acting CEO

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