

**1 November 2014**

### Finance Update

#### US Subsidiary files for Bankruptcy Protection

Overnight, Marion Energy, Inc. ('MEI') a wholly owned subsidiary of Marion Energy Limited ('MEL'), filed in Salt Lake City, Utah for bankruptcy protection under the US Bankruptcy Code. While this is a regrettable step, it was rendered necessary in order to protect the value of the assets of the Company for the benefit of shareholders and creditors.

As previously announced, the Company has been working for the past two months to replace TCS II Funding Solutions, LLC ("Castlelake") as the principal funder of the operations in the US. This replacement funding has not been forthcoming at the current time.

Against this background, Castlelake has indicated that, in the absence achieving financial completion of the re-finance by the end of October 2014, it intended to enforce its security by appointing a receiver to the Clear Creek assets. The directors of Marion Energy, Inc took the view that this would not be in the best interests of the company because it would result in a sale process that would be unlikely to result in an optimal outcome.

The MEI board, acting in the best interests of the company ('MEI'), its creditors and its shareholder ('MEL'), was left with no choice other than to file for bankruptcy protection. It is important to note that, under US bankruptcy laws, it is likely that the assets will remain under the control of the Company during this process. The end strategy of selling the Clear Creek asset (as announced previously) remains unchanged.

#### Short term funding

Further, earlier in the week the Company entered into a \$2.55m Facility Agreement with KM Custodians Pty Ltd to cover its short-term working capital requirements.

The agreement with KM Custodians Pty Ltd provides that the Company can repay up to \$532,229 of the outstanding loans by way of a share issue, which was effected earlier in the week by the issue of 17,740,951 ordinary shares. This was the subject of a separate announcement on Tuesday 28 October 2014. The agreement also provides that, in consideration for the provision of finance to the Company, KM Custodians will be entitled to a fee of up to 20% (if the facility is fully drawn down) of net proceeds (i.e. post sale costs and creditors, including Castlelake) from the sale of the Company's Clear Creek assets in the event of a successful sale.



The directors of Marion Energy are grateful to KM Custodians for their continued support as the Company works towards achieving a successful outcome for the benefit of all stakeholders.

**Marion Energy Limited**

Per:

A handwritten signature in blue ink, appearing to read "Nick Stretch", written over the word "Per:".

Nick Stretch  
Company Secretary