

2 January 2015

Agreement reached with Castllake

As previously announced, on Friday 5 December 2014 the US Federal Bankruptcy Court refused an application by Castllake LP to set aside the bankruptcy of Marion Energy, Inc. However, the Court also refused an application by Marion Energy Inc ("**MEI**") to allow super-priority for working capital funding during the bankruptcy period. The Court ordered that Marion Energy Inc would have bankruptcy protection from its creditors until 1 June 2015.

Since that time, the board of Marion Energy Inc had been in discussion with Castllake LP ("**Castllake**") in relation to funding the working capital requirements of MEI during the bankruptcy period but those discussions did not result in agreement. That left MEI with no option, but to bring the matter back to the US Federal Bankruptcy Court on Wednesday 17 December 2014. At that time, as previously announced, the Judge refused to vary his earlier orders, leaving the parties in a continuing impasse.

Since that time, further discussions have taken place with Castllake. Those discussions were protracted, but have now resulted in a workable agreement. This agreement is subject to approval by the US Federal Bankruptcy Court. The key points of the agreement are as follows:

- Castllake will provide working capital funding to MEI in the short term by means of a DIP loan governed by an agreed budget (containing restrictions on uses for funds).
- Marion and Castllake will jointly engage Riviera-Ensley Advisers (REA) to run a sale process of the Clear Creek and Helper fields.
- REA will collect any non-binding offers by 25 February 2015.
- On March 2nd, REA will determine if there is sufficient interest in the Clear Creek field such that it is "more likely than not" that a sale can be finalized by 1st June 2015 ("Viable Sale Determination").
- Simultaneously, the Company and MEI will continue to attempt to refinance the Castllake credit facility.
- If by March 2nd 2015 one or more refinancing term sheets have been received, subject only to final documentation, a pre-agreed objective third party, Gil Miller, will determine if a refinancing is "more likely than not" to close before May 4. If so, the parties will continue to pursue the refinance with the approval of the court ("Viable Refinancing Determination")



- If there is insufficient interest in a sale or refinancing, Castllake will take possession of the Clear Creek field by credit bidding its outstanding debt amount by 6th March 2015.
- MEI and Castllake have also agreed to engage Pat Merritt to oversee all aspects of operations at the Clear Creek field.
- Doug Flannery will continue to be retained by MEI as the Vice President in control of Marion's budget and cash disbursements.
- Castllake will stay any action against Marion Energy Limited during this process

A further announcement will be made following application to the US Federal Bankruptcy Court for approval of this agreement.

Marion Energy Limited

Per:

A handwritten signature in blue ink, appearing to read "Nick Stretch".

Nick Stretch
Company Secretary