



**MARION ENERGY LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 000 031 292**

NOTICE OF GENERAL MEETING

A General Meeting of the Company will be held at the offices of Chartered Accountants Australia and New Zealand, Level 3, 600 Bourke Street, Melbourne on Wednesday, 30 September 2015 at 10.30am (AEST).

In considering the Resolutions, Shareholders must bear in mind the current financial circumstances of the Company.

If Shareholders do not approve the Recapitalisation Proposal, then the Deed Administrator will, in absence of any other deed of company arrangement proposal or a variation to the terms of the DOCA, have no other option but to recommend to the creditors that the Company be put into liquidation. In those circumstances, it is unlikely that there will be any return to shareholders.

The Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Deed Administrator by telephone on +61 3 9642 2811.

Shareholders are urged to attend or vote by lodging the proxy form attached to the Notice

MARION ENERGY LIMITED (SUBJECT TO DEED OF COMPANY ARRANGEMENT)

ACN 000 031 292

NOTICE OF GENERAL MEETING

Notice is hereby given that the general meeting of Shareholders of Marion Energy Limited (Subject to Deed of Company Arrangement) (**Company**) will be held at the offices of Chartered Accountants Australia and New Zealand, Level 3, 600 Bourke Street, Melbourne, on Wednesday, 30 September 2015 at 10.30am (AEST) (**Meeting**).

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Monday, 28 September 2015 at 10.30am (AEST).

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

AGENDA

1. Resolution 1 - Consolidation of capital

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That, subject to each of the other Recapitalisation Resolutions being passed, pursuant to and in accordance with section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that:

- (a) *every 100 Shares be consolidated into 1 Share; and*
- (b) *every 100 Options be consolidated into 1 Option,*

and, where this Consolidation results in a fraction of a Share or an Option being held, the Company be authorised to round that fraction up to the nearest whole Share or Option (as the case may be)."

2. Resolution 2 - Approval to issue Creditor Shares

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That, subject to each of the other Recapitalisation Resolutions being passed, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 10,000,000 Shares (on a post-Consolidation basis) to the Creditors' Trust established under the DOCA on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this Resolution is passed, and any associates of those persons.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. Resolution 3 - Approval to distribute Creditor Shares to related party - Nick Stretch Legal

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, subject to each of the other Recapitalisation Resolutions being passed, pursuant to and in accordance with Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 1,710,401 Shares (on a post-Consolidation basis) to the Creditors' Trust established under the DOCA, to be distributed to Nick Stretch Legal on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Mr Nick Stretch and any of his associates.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. Resolution 4 - Approval to issue Placement Shares

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, subject to each of the other Recapitalisation Resolutions being passed, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of 50,000,000 Shares (on a post-Consolidation basis) on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this Resolution is passed, and any associates of those persons.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. Resolution 5 - Approval to issue Placement Options

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, subject to each of the other Recapitalisation Resolutions being passed, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of 25,000,000 Options (on a post-Consolidation basis) on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this Resolution is passed, and any associates of those persons.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. Resolution 6 - Election of Director - Mr Faldi Ismail

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, subject to each of the other Recapitalisation Resolutions being passed, Mr Faldi Ismail, being eligible and offering himself for election, be elected as a Director."

7. Resolution 7 - Election of Director - Mr Nicholas Young

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, subject to each of the other Recapitalisation Resolutions being passed, Mr Nicholas Young, being eligible and offering himself for election, be elected as a Director."

8. Resolution 8 - Election of Director - Mr Steven Bryson Haynes

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, subject to each of the other Recapitalisation Resolutions being passed, Mr Steven Bryson Haynes, being eligible and offering himself for election, be elected as a Director."

9. Resolution 9 - Removal of auditor

To consider and, if thought fit, to pass as an ordinary resolution the following:

"That, pursuant to and in accordance with section 329(1) of the Corporations Act and for all other purposes, approval is given for the removal of Grant Thornton Audit Pty Ltd as the current auditor of the Company effective from the date of the Meeting."

10. Resolution 10 - Appointment of auditor

To consider, and if thought fit to pass as a special resolution the following:

"That, subject to Resolution 9 being passed, pursuant to and in accordance with section 327D of the Corporations Act and for all other purposes, Ernst & Young, being qualified and having been nominated and consented in writing to act in the capacity of auditor of the Company, be appointed as auditor of the Company effective from the date of the Meeting and the Directors be authorised to agree the remuneration of Ernst & Young."

11. Resolution 11 - Replacement of Constitution

To consider, and if thought fit to pass as a special resolution the following:

"That, pursuant to and in accordance with section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to repeal its existing Constitution and adopt a new constitution in its place in the form as signed by the Chair for identification purposes."

FOR AND ON BEHALF OF THE DEED ADMINISTRATOR

James Patrick Downey
Deed Administrator
Dated: 28 August 2015

MARION ENERGY LIMITED (SUBJECT TO DEED OF COMPANY ARRANGEMENT)

ACN 000 031 292

EXPLANATORY MEMORANDUM

1. Introduction

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at the offices of Chartered Accountants Australia and New Zealand, Level 3, 600 Bourke Street, Melbourne on Wednesday, 30 September 2015 at 10.30am (AEST).

The Explanatory Memorandum forms part of the Notice, which should be read in its entirety. The Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

The Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2	Action to be taken by Shareholders
Section 3	Overview
Section 4	Resolution 1 - Consolidation of capital
Section 5	Resolutions 2 and 3 - Approval to issue Creditor Shares
Section 6	Resolution 4 - Approval to issue Placement Shares
Section 7	Resolution 5 - Approval to issue Placement Options
Section 8	Resolution 6 - Election of Director - Mr Faldi Ismail
Section 9	Resolution 7 - Election of Director - Mr Nicholas Young
Section 10	Resolution 8 - Election of Director - Mr Steven Bryson Haynes
Section 11	Resolution 9 - Removal of auditor
Section 12	Resolution 10 - Appointment of auditor
Section 13	Resolution 11 - Replacement of Constitution
Schedule 1	Definitions
Schedule 2	Terms and Conditions of Placement Options
Annexure A	Nomination of auditor

A Proxy Form is located at the end of the Explanatory Memorandum.

2. Action to be taken by Shareholders

Shareholders should read the Notice including the Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

The Chair intends to exercise all available proxies in favour of all Resolutions.

3. Overview

3.1 Background

The Company was incorporated on 14 November 1935 and admitted to the Official List of ASX on 3 July 1986. The Company is an ASX-listed oil and gas exploration and production company. Its principal activities in the past were the development of oil and gas properties located in Utah, USA.

The Company's securities were suspended from official quotation on 3 October 2011 due to the non-lodgement of its financial report for the year ended 30 June 2011, and have remained suspended since that date.

Notwithstanding encouraging operational results, the Company was obliged to scale back field operations at its Clear Creek Utah project in September 2011 due to capital constraints. Following this, the then Board resolved to pursue a number of strategies aimed at achieving a financial restructuring through targeting a major debt reduction and recapitalisation of the Company. The Company also undertook a major scaling back of its USA office and staffing to a level appropriate to the scale of its operations.

In June 2013 the Company successfully completed a major restructuring of its external financing with TCS II Funding Solutions, LLC (**Castlelake**) which enabled the Company to restart and ramp up its well production operations at Clear Creek in the second half of the 2013 calendar year.

Pursuant to a loan agreement for US\$25 million, Castllake held a first registered charge over all the assets of the Company's wholly owned subsidiary Marion Energy Inc (**MEI**), which includes its Clear Creek and Helper oil and gas assets, and a charge over all the assets of the Company's wholly owned subsidiary OEL Operating (USA) Inc, which includes its Jester-Bloomington oil and gas assets.

On 31 October 2014, MEI filed for bankruptcy protection under the US Bankruptcy Code after being unable to find replacement funding for Castllake. On 5 December 2014 the US Federal Bankruptcy Court refused of an application by Castllake to set aside the bankruptcy of MEI. Following this, Castllake and MEI came to an agreement under which Castllake subsequently elected to purchase substantially all of MEI's assets by way of a credit bid. As announced by the Company on 28 May 2015, it was anticipated that Castllake's decision would be ratified by the US Federal Bankruptcy Court at a hearing on 28 May 2015 and the transaction closed with an effective date of 1 June 2015.

Also in October 2014, the Company entered into a \$2.55 million facility agreement with a substantial shareholder, KM Custodians Pty Ltd (**KM Custodians**), to cover its short term working capital requirements. Under the agreement the Company paid \$532,229 of the outstanding loans by way of a share issue to KM Custodians on 28 October 2014. The agreement also provided 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 Castllake) from the sale of the Company's Clear Creek assets in the event of a successful sale.

On 2 February 2015, the Company announced that the Board resolved to appoint Mr James (Jim) Downey of JP Downey & Co as voluntary administrator of the Company.

On 19 March 2015, the Company announced that at a meeting of creditors of the Company, the creditors resolved that the Company execute a deed of company arrangement (**Original DOCA**) and that Mr James Downey be appointed as administrator of the deed of company arrangement (**Deed Administrator**). The purpose of the Original DOCA was to put in place a moratorium on all unsecured debts until the end of a further creditors' meeting which was required to be called after conclusion of the US bankruptcy process or by 19 March 2016 (whichever was the later).

The Deed Administrator estimates that the claims of the Company's creditors are as follows:

- (a) approximately \$1,053,016 owing to unsecured creditors (including approximately \$180,108 owing to Nick Stretch Legal (an entity associated with current Director Mr Nick Stretch)); and
- (b) approximately \$2,674,000 owing to KM Custodians.

3.2 Otsana Recapitalisation Proposal

A recapitalisation proposal typically involves an injection of new cash into a company that is either in financial distress or has been placed into voluntary administration. In the ordinary course, the entity will retain some or all of its assets and seek reinstatement to trading following completion of the recapitalisation.

On 6 August 2015, the creditors of the Company resolved that the Company vary the Original DOCA. The following day the Company, the Deed Administrator, KM Custodians and Otsana Capital (**Otsana**) executed a varied deed of company

arrangement (**DOCA**), which embodied a proposal by Otsana for the recapitalisation of the Company (**Recapitalisation Proposal**).

If the Recapitalisation Proposal is approved and the DOCA completes, all claims of creditors against the Company will be extinguished, discharged and released.

A summary of the material terms of the Recapitalisation Proposal is set out below:

- (a) the Company and the Deed Administrator will establish the Creditors' Trust, with the Deed Administrator acting as trustee;
- (b) the assets of the Company will be transferred to the Creditors' Trust, including an amount of \$150,000 to be comprised of:
 - (i) \$10,000 (**Deposit**), paid by Otsana upon execution of the DOCA and receipt of the Deed Administrator of an irrevocable undertaking from KM Custodians for the release and discharge of its security and to vote in favour of the Recapitalisation Resolutions; and
 - (ii) \$140,000 (**Recapitalisation Payment**), to be paid by the Company upon Shareholder approval of the Recapitalisation Resolutions. If the Company lacks sufficient funds to make the Recapitalisation Payment, Otsana will loan the Company necessary funds, with such funds to be repaid to Otsana upon reinstatement of the Company's securities to the Official List;
- (c) the Company will issue 10,000,000 Creditor Shares to the Deed Administrator for the benefit of the Creditors (to be distributed to the admitted creditors pro rata);
- (d) all creditors will be required to prove debts against the Trustee of the Creditors' Trust as if they were Company and payment will be made in accordance with the DOCA and the Creditors' Trust Deed;
- (e) upon completion of the DOCA, the funds in the Creditors' Trust will be distributed as follows:
 - (i) first, to the Deed Administrator and Trustee for administering the DOCA and the Creditors' Trust;
 - (ii) second, to any priority Creditors pro rata according to the amount for which each creditor shall be admitted to proof pursuant to the Creditors' Trust Deed;
 - (iii) third, to KM Custodians as secured Creditor, up to \$2,674,000; and
 - (iv) fourth, the remainder (if any) to be returned to the Company for distribution to unsecured Creditors;
- (f) the Deed Administrator will cause the current Directors of the Company to be removed and appoint nominees of Otsana Capital as Directors of the Company;
- (g) all security over the Company's assets will be discharged and released;
- (h) the Company will undertake the Consolidation;
- (i) the Company will raise \$750 (before costs) via the following capital raisings:

- (i) \$500 from the issue of 50,000,000 Placement Shares to clients of Otsana; and
- (ii) \$250 from the issue of 25,000,000 Placement Options to clients of Otsana; and
- (j) the Company will issue such other securities as are required by Otsana.

Key conditions precedent for completion of the DOCA include:

- (k) payment of the Deposit and Recapitalisation Payment;
- (l) discharge and release of all security over the Company's assets;
- (m) all subsidiaries (other than those advised by Otsana) being excised from the Company;
- (n) termination or repudiation of existing employment and service contracts; and
- (o) Shareholder approval being obtained to give effect to the Recapitalisation Proposal.

For the avoidance of doubt, upon completion of the DOCA the Company will be debt free and no security will exist over it or any of its assets.

The conditions precedent must be satisfied by 31 October 2015 or such later date as may be agreed in writing between the Deed Administrator and Otsana.

From termination of the DOCA, control of the Company reverts to the officers of the Company.

3.3 Creditors' Trust Deed

A creditors' trust is a mechanism used to accelerate a company's exit from external administration. Under the terms of a deed of company arrangement, a trust is created and the company's obligations to creditors which are bound by the deed of company arrangement are then compromised and transferred to the trust. Creditors become beneficiaries of the trust. The purpose of the trust is to deal with the debts and claims against the Company that, but for the release of claims under the deed of company arrangement, would have been payable by the Company.

The deed of company arrangement terminates upon creation of the trust. When the deed of company arrangement terminates, the company ceases to be externally administered and the directors regain full control of the company.

The DOCA provides for the creation of a creditors' trust to which the assets of the Company will be transferred and realised in satisfaction of Creditors' claims. The assets of the Creditors' Trust will comprise the Deposit, the Recapitalisation Payment, the Creditor Shares and any remaining assets of the Company that are realised by the Deed Administrator or Trustee.

Distribution of the fund by the Trustee is first, to satisfy the Deed Administrator's and Trustee's costs in administering the DOCA and the Creditors' Trust, next to satisfy any priority Creditors who have had their claims accepted by the Deed Administrator or Trustee, rateably, next to satisfy KM Custodians up to the secured amount owed and lastly, any remainder is to unsecured Creditors.

3.4 New directors

As noted above, it was a term of the DOCA that the existing directors are removed and nominees of Otsana be appointed to the Board. Accordingly, the Company seeks Shareholder approval of Resolutions 6, 7 and 8 for the appointment of Mr Faldi Ismail, Mr Nicholas Young and Mr Steven Bryson Haynes as Directors of the Company. Following Shareholder approval, the Deed Administrator will remove the incumbent directors Mr Jeffrey Clarke, Mr Karel Louman, Mr Nicholas Stretch and Mr Stephen Watts as Directors.

3.5 Indicative capital structure

The current capital structure of the Company is as follows:

Security	Number
Shares	192,505,978
Quoted Options ¹	19,220,586
Unquoted Options ²	72,942,644
Convertible Notes ³	1,900

Notes:

- The quoted Options consist of 19,220,586 quoted Options exercisable at \$0.15 each and expiring 19 October 2015.
- The unquoted Options consist of:
 - 26,450,538 unquoted Options exercisable at \$0.03 each and expiring on the date which is 2 years from the relisting of the Company's Securities;
 - 8,870,475 unquoted Options exercisable at \$0.05 each and expiring on 22 December 2016 (being the date which is 2 years from the date of issue);
 - 9,800,000 unquoted Options exercisable at \$0.06 each and expiring 18 September 2016;
 - 18,651,598 unquoted Options exercisable at \$0.06 each and expiring on the date which is 2 years from the relisting of the Company's Securities; and
 - 9,170,033 unquoted Options exercisable at \$0.10 each and expiring on 31 July 2016.
- The Convertible Notes consist of 1,900 Convertible Notes with face value of \$100 convertible into Shares on or before 15 March 2016 at \$0.06 per Share.

Upon completion of the Recapitalisation Proposal (including the Consolidation), the Company's indicative capital structure will be as follows:

Shares	Number	%
Existing Shares (post-Consolidation and subject to rounding)	1,925,060	3.12
Creditor Shares (Resolution 2)	10,000,000	16.15
Placement Shares (Resolution 4)	50,000,000	80.74
Total Shares	61,925,060	100.00
Options	Number	%
Existing quoted Options (post-Consolidation and subject to rounding)	192,206	0.74

Existing unquoted Options (post-Consolidation and subject to rounding)	729,426	2.81
Placement Options (Resolution 5)	25,000,000	96.44
Total quoted Options	192,206	0.74
Total unquoted Options	25,911,227	99.26

No party, alone or by association, will have a relevant interest of more than 20% of the voting power of the Company upon effectuation of the DOCA.

3.6 Reinstatement to official quotation

The Company's securities have been suspended from official quotation since 3 October 2011.

Completion of the DOCA and exit from external administration will not place the Company in a position to seek reinstatement of its securities to the Official List; the Company will first be required to re-comply with Chapters 1 and 2 of the Listing Rules.

Pursuant to Guidance Note 33 to the ASX Listing Rules, any company that has been in continuous suspension for more than 3 years, as the Company has been, will be automatically delisted on 1 January 2016 if it is still suspended on 31 December 2015. Accordingly, the Company has until 1 January 2016 to implement a transaction that will result in the resumption of trading in its securities before it will be automatically removed from the Official List.

ASX may agree to a short extension of this deadline if the Company can demonstrate to ASX's satisfaction that it is in the final stages of implementing a transaction that will lead to the resumption of trading in its securities within a reasonable period. For these purposes, ASX defines "final stages" as:

- (a) having announced the transaction to the market;
- (b) having signed definitive legal agreements for the transaction (including any financing required in respect of the transaction);
- (c) if the transaction requires a prospectus or product disclosure statement to be lodged with ASIC, having lodged that document with ASIC; and
- (d) if the transaction requires security holder approval, having obtained that approval.

The Company will focus on assessing and acquiring a new project or projects following completion of the DOCA. The Company will initially operate with a very broad mandate and consider businesses and assets at various stages of development. Otsana, as proponent of the Recapitalisation Proposal, has already commenced reviewing and entered into negotiations to acquire various businesses and assets with the aim of recommending the acquisition of a new undertaking to the Company shortly following completion of the DOCA.

The acquisition of a new undertaking will first require shareholder approval, following which the Company will be required to re-comply with Chapters 1 and 2 of the Listing Rules as if were being admitted for the first time.

As part of this process, the Company will likely be required to undertake a further capital raising prior to reinstatement of its securities to the Official List and/or issue securities to vendors of the new undertaking. Shareholders should therefore expect their holdings to be further diluted as part of the re-compliance process.

3.7 Effect of the Recapitalisation Proposal

For the purposes of this Explanatory Memorandum, the information below is provided for the consideration of Shareholders.

The Company's shares were last traded on ASX on 2 October 2011 and a voluntary administrator was appointed to the Company on 31 January 2015. Accordingly, historic ASX share trading prices for the Company are not considered a reliable basis to assess the value of the new Shares issued pursuant to the Recapitalisation Proposal.

Due to the Company's current state of affairs, the lack of profit history and the immediate lack of a reliable future cash flow from remaining assets, maintainable earnings are not considered a reliable basis to assess the value of the Company's shares.

The Deed Administrator estimates that, on a liquidation basis, there is a deficiency of funds and the Creditors may receive a nil return if the Recapitalisation Proposal does not proceed (and no alternative proposal is received or the DOCA varied). Therefore, on a liquidation basis, the Shareholders' return from the Company is most likely to be nil. Accordingly, the current implicit value of the Company's Shares as at the date of this Notice is nil.

The advantages of passing the Resolutions and subsequent completion of the Recapitalisation Proposal include:

- (a) a cash injection of \$150,750;
- (b) the provable debts of the Company to its creditors being forgiven. This will leave the Company with negligible liabilities; and
- (c) the Company's ability to seek reinstatement of its shares to quotation on ASX being enhanced. Once the Company obtains reinstatement to trading Shareholders will be offered liquidity to sell their post-Consolidation shareholdings on the ASX.

The principal disadvantage of the Recapitalisation Proposal is that existing Shareholders will have their holdings diluted following the Consolidation on a 100 for 1 basis and the issue of the Creditor Shares and the Placement Shares pursuant to Resolutions 2 and 4. However, this must be balanced with the fact that the existing Shares currently have nil value and, should the Recapitalisation Proposal not proceed, the Company may be placed into liquidation. Following completion of the Recapitalisation Proposal, the existing Shareholders' reduced holdings will have value based on the cash injection to the Company. Once the Company's securities are reinstated to trading on ASX (following re-compliance with Chapters 1 and 2 of the Listing Rules), existing Shareholders' reduced holdings will also return to liquidity.

If Shareholders do not approve the Recapitalisation Proposal, then the Deed Administrator will, in the absence of any other deed of company arrangement proposal or a variation to the terms of the DOCA, have no other option but to recommend to Creditors that the Company be put into liquidation.

4. Resolution 1 - Consolidation of capital

4.1 Legal requirements

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

4.2 Fractional entitlements

Not all Security holders will hold that number of Shares or Options (as the case may be) which can be evenly divided by 100. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole Security.

4.3 Taxation

It is not considered that any taxation implications will exist for Security holders arising from the Consolidation. However, Security holders are advised to seek their own tax advice on the effect of the Consolidation and neither the Company, nor the Deed Administrator (nor the Deed Administrator's advisers), accept any responsibility for the individual taxation implications arising from the Consolidation.

4.4 Holding statements

From the date of the Consolidation, all holding statements for Securities will cease to have any effect, except as evidence of entitlement to a certain number of Securities on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements for Securities to be issued to holders of those Securities.

It is the responsibility of each Security holder to check the number of Securities held prior to disposal or exercise (as the case may be).

4.5 Effect on capital structure

The approximate effect which the Consolidation will have on the Company's current capital structure is set out in the table below. All numbers are subject to rounding. A table of the indicative capital structure of the Company post-completion of the Recapitalisation Proposal is set out in Section 3.4 of this Explanatory Memorandum.

Security	Current	Post-Consolidation
Shares	192,505,978	1,925,060
Quoted Options exercisable on or before 19 October 2015	19,220,586 (exercisable at \$0.15 each)	192,206 (exercisable at \$15.00 each)
Unquoted Options exercisable on or before the date which is 2 years from relisting of the Company's Securities	26,450,538 exercisable at \$0.03 each)	264,505 (exercisable at \$3.00 each)

Security	Current	Post-Consolidation
Unquoted Option exercisable on or before 22 December 2016	8,870,475 (exercisable at \$0.05 each)	88,705 (exercisable at \$5.00 each)
Unquoted Options exercisable on or before 18 September 2016	9,800,000 (exercisable at \$0.06)	98,000 (exercisable at \$6.00 each)
Unquoted Options exercisable on or before the date which is 2 years from relisting of the Company's Securities	18,651,598 (exercisable at \$0.06 each)	186,516 (exercisable at \$6.00 each)
Unquoted Options exercisable on or before 31 July 2016	9,170,033 (exercisable at \$0.10 each)	91,700 (exercisable at \$10.00 each)

4.6 Consolidation timetable

If Resolution 1 is passed, the Consolidation will take effect in accordance with the following timetable (as set out in Appendix 7A (paragraph 8) of the Listing Rules). There will be no deferred trading of post-Consolidation securities as the Company's securities will remain suspended throughout the consolidation process:

Action	Date
Company announces Consolidation and sends out Notice	28 August 2015
Company informs ASX that Shareholders have approved the Consolidation	30 September 2015
Last day for Company to enter transfers on a pre-Consolidation basis	7 October 2015
First day for Company to: <ul style="list-style-type: none"> - send notice to each Security holder of the change in their details of Security holdings - register Securities on a post-Consolidation basis 	8 October 2015
Issue Date Last day for Company to send notice to each Security holder	14 October 2015

5. Resolutions 2 and 3 - Approval to issue Creditor Shares

5.1 General

As required under the DOCA, the Company intends to undertake a placement of 10,000,000 Shares (on a post-Consolidation basis) at a deemed issue price of \$0.02

per Share (**Creditor Shares**) to the Deed Administrator for the benefit of the Creditors (including current Company director Mr Nick Stretch). The Trustee of the Creditors' Trust will hold the Creditor Shares on behalf of the Creditors for distribution to them in exchange for a release of their claims against the Company under the terms of the DOCA.

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period without shareholder approval.

The effect of Resolution 2 will be to allow the Company to issue the Creditor Shares pursuant to the DOCA during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As a portion of the Creditor Shares will ultimately be distributed to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is sought. The Creditor Shares the subject of Resolution 3 are from the pool of up to 10,000,000 Creditor Shares that will be issued if Resolution 2 is approved, such that the total number of Creditor Shares being issued pursuant to the DOCA and Resolutions 2 and 3 is limited to 10,000,000.

Resolutions 2 and 3 are ordinary resolutions and are subject to each of the other Recapitalisation Resolutions being passed.

If Resolution 2 or 3 (together with the other Recapitalisation Resolutions) are not passed, then the Deed Administrator shall, in the absence of an alternative proposal, have no other option but to recommend to the Creditors that the Company be placed into liquidation.

5.2 Technical information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of the Creditor Shares:

- (a) the maximum number of Creditor Shares to be issued is 10,000,000 (on a post-Consolidation basis);
- (b) the Creditor Shares will be issued no later than three months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated they will be issued on one date;
- (c) the deemed issue price will be \$0.02 per Creditor Share. No cash consideration will be received for the Creditor Shares, instead the beneficiaries of the Creditors' Trust (being the Creditors) will release their claims against the Company;
- (d) the Creditor Shares will be issued to the Deed Administrator, for eventual distribution to the Creditors through the Creditors' Trust in exchange for a release of their claims against the Company. Other than Nick Stretch Legal (an entity controlled by current director Nick Stretch and for which separate

approval is sought in Resolution 3), none of these creditors are related parties of the Company. Further, no party, alone or by association, will have a relevant interest of more than 20% of the voting power of the Company;

- (e) the Creditor Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) no funds are being raised from the issue of the Creditor Shares; and
- (g) a voting exclusion statement is included in the Notice.

5.3 Technical information required by Listing Rule 10.11

Pursuant to and in accordance with Listing Rule 10.11, the following information is provided in relation to the issue of that portion of the Creditor Shares that may be distributed to Nick Stretch Legal:

- (a) the Creditor Shares will be issued to the Deed Administrator, for eventual distribution to Nick Stretch Legal through the Creditors' Trust;
- (b) based on the current claims of unsecured Creditors only (as set out in section 3.1), the maximum number of Creditor Shares to be distributed is 1,710,401 (on a post-Consolidation basis);
- (c) the Creditor Shares will be issued no later than one month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (d) the deemed issue price will be \$0.02 per Creditor Share. No cash consideration will be received for the Creditor Shares, instead Nick Stretch Legal will release its claims against the Company; and
- (e) the Creditor Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

If Resolution 3 is approved the issue of Creditor Shares to Nick Stretch Legal will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

6. Resolution 4 - Approval to issue Placement Shares

6.1 General

As required under the DOCA and the Recapitalisation Proposal, the Company intends to undertake a placement of 50,000,000 Shares (on a post-Consolidation basis) at an issue price of \$0.00001 per Share (**Placement Shares**) to sophisticated or professional investors who are clients of Otsana to raise \$500 (before costs).

A summary of Listing Rule 7.1 is set out in Section 5.1 above.

The effect of Resolution 4 will be to allow the Company to issue the Placement Shares during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

Resolution 4 is an ordinary resolution and is subject each of the other Recapitalisation Resolutions being passed.

If Resolution 4 (together with the other Recapitalisation Resolutions) is not passed, then the Deed Administrator shall, in the absence of an alternative proposal, have no other option but to recommend to the Creditors that the Company be placed into liquidation.

6.2 Technical information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of the Placement Shares:

- (a) the maximum number of Placement Shares to be issued is 50,000,000 (on a post-Consolidation basis);
- (b) the Placement Shares will be issued no later than three months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (c) the issue price will be \$0.00001 per Placement Share;
- (d) the Placement Shares will be issued to clients of Otsana, each of whom is a sophisticated or professional investor who is not a related party of the Company;
- (e) the Placement Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) the Company intends to use the funds raised from the issue of the Placement Shares for general working capital;
- (g) the issue of the Placement Shares may occur progressively subject to Section 5.2(b); and
- (h) a voting exclusion statement is included in the Notice.

7. Resolution 5 - Approval to issue Placement Options

7.1 General

As required under the DOCA and the Recapitalisation Proposal, the Company intends to undertake a placement of 25,000,000 Options (on a post-Consolidation basis) at an issue price of \$0.00001 per Option (**Placement Options**) to sophisticated or professional investors who are clients of Otsana to raise \$250 (before costs).

A summary of Listing Rule 7.1 is set out in Section 5.1 above.

The effect of Resolution 5 will be to allow the Company to issue the Placement Options during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

Resolution 5 is an ordinary resolution and is subject each of the other Recapitalisation Resolutions being passed.

If Resolution 5 (together with the other Recapitalisation Resolutions) is not passed, then the Deed Administrator shall, in the absence of an alternative proposal, have no other option but to recommend to the creditors that the Company be placed into liquidation.

7.2 Technical information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of the Placement Options:

- (a) the maximum number of Placement Options to be issued is 25,000,000 (on a post-Consolidation basis);
- (b) the Placement Options will be issued no later than three months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (c) the issue price will be \$0.00001 per Placement Option;
- (d) the Placement Options will be issued to clients of Otsana, each of whom is a sophisticated or professional investor who is not a related party of the Company;
- (e) the Placement Options will each be exercisable at \$0.02 on or before the date that is 4 years after their issue on the terms and conditions set out in Schedule 2;
- (f) the Company intends to use the funds raised from the issue of the Placement Options for general working capital;
- (g) the issue of the Placement Options may occur progressively subject to Section 5.2(b); and
- (h) a voting exclusion statement is included in the Notice.

8. Resolution 6 - Election of Director - Mr Faldi Ismail

It is proposed to appoint Mr Faldi Ismail as a Director.

Mr Ismail has significant experience working as a corporate advisor specialising in the restructure and recapitalisation of a wide range of ASX-listed companies having many years of investment banking experience covering a wide range of sectors. He has significant cross-border experience, having advised on numerous overseas transactions including capital raisings, structuring of acquisitions and joint ventures in numerous countries.

Mr Ismail is also a Director of dual listed Kalimantan Gold Corporation Limited (TSX-V/AIM listed - Ticker Code "KLG") and in addition is also the founder and operator of Otsana, a boutique advisory firm specialising in mergers & acquisitions, reverse takeovers, capital raisings and initial public offerings.

Mr Ismail is currently a non-executive director of the following ASX-listed companies: BGD Corporation Limited, Emergent Resources Limited, Galicia Energy Corporation Limited, WHL Energy Limited and Advanced Engine Components Limited.

Resolution 6 is an ordinary resolution and is subject to each of the Recapitalisation Resolutions being passed.

If Resolution 6 (together with the other Recapitalisation Resolutions) is not passed, then the Deed Administrator shall, in the absence of an alternative proposal, have no other option but to recommend to the creditors that the Company be placed into liquidation.

9. Resolution 7 - Election of Director - Mr Nicholas Young

It is proposed to appoint Mr Nicholas Young as a Director.

Mr Young holds a Bachelor of Commerce, majoring in Accounting and Finance, is a Chartered Accountant and has completed the Insolvency Education Program at the Australian Restructuring Insolvency and Turnaround Association.

Nicholas commenced his career in the Corporate Restructuring division of an accounting firm and has gained valuable experience in Australia and Southern Africa, across a wide range of industries, including mining and exploration, mining services, renewable energy, professional services, manufacturing and transport.

Mr Young has been involved in the recapitalisation of various ASX-listed companies and is currently a non-executive director of ASX-listed company Advanced Engine Components Limited.

Resolution 7 is an ordinary resolution and is subject to each of the Recapitalisation Resolutions being passed.

If Resolution 7 (together with the other Recapitalisation Resolutions) is not passed, then the Deed Administrator shall, in the absence of an alternative proposal, have no other option but to recommend to the creditors that the Company be placed into liquidation.

10. Resolution 8 - Election of Director - Mr Steven Bryson Haynes

It is proposed to appoint Mr Steven Bryson Haynes as a Director.

Mr Bryson-Haynes holds a Bachelor of Commerce degree, majoring in accounting, from Latrobe University. Steven has experience in corporate advisory, specialising in due diligence, M&A financial analytics and company restructures and recapitalisations on the ASX.

Steven's family background in the technology sector has enabled him to build upon and expand his knowledge of science and technology with particular interest in the creation of new products and services. More recently he has worked to bring together the discipline of corporate finance analytics to the evaluation of potential technology projects and their capacity to create shareholder wealth.

Resolution 8 is an ordinary resolution and is subject to each of the Recapitalisation Resolutions being passed.

If Resolution 8 (together with the other Recapitalisation Resolutions) is not passed, then the Deed Administrator shall, in the absence of an alternative proposal, have no other option but to recommend to the creditors that the Company be placed into liquidation.

11. Resolution 9 - Removal of auditor

Under section 329 of the Corporations Act, an auditor of a company may be removed from office by resolution at a general meeting of which 2 months' notice of intention to move the resolution has been given.

The notice of intention to remove Grant Thornton Audit Pty Ltd was served on the Company and the Company has sent a copy of the notice of intention to Grant Thornton Audit Pty Ltd and ASIC in accordance with section 329(2) of the Corporations Act.

It should be noted that under section 329 of the Corporations Act, if a company calls a meeting after the notice of intention has been given, the meeting may pass the resolution even though the meeting is held less than 2 months after the notice of intention is given.

Resolution 9 is an ordinary resolution seeking the approval of the Shareholders to remove Grant Thornton Audit Pty Ltd as the Company's auditor. This Resolution is not conditional on any other resolution also being passed. Accordingly, if this Resolution is passed, the removal of Grant Thornton Audit Pty Ltd as the Company's auditor will take effect at the close of the Meeting. If this Resolution is not passed, Grant Thornton Audit Pty Ltd will remain the Company's auditor.

12. Resolution 10 - Appointment of auditor

Under section 327D of the Corporations Act, the Company in a general meeting may appoint an auditor to replace an auditor removed under section 329 of the Corporations Act, provided that a copy of the notice of nomination of the auditor has previously been sent to the proposed replacement auditor and to each person entitled to receive a notice of meeting.

Further, section 328A of the Corporations Act provides that a company must not appoint an auditor unless the auditor has first consented to act as auditor and has not withdrawn that consent before the appointment is made.

The Company has received a nomination from one of the Company's members for Ernst & Young to be appointed as the new auditor of the Company, and a copy of the nomination has been sent to Ernst & Young. A copy of the nomination is also attached to this Notice of Meeting at Annexure A.

Ernst & Young is a registered company auditor, has had previous experience in conducting audits of public listed companies, and is a well-known and respected firm. Ernst & Young has given its written consent to act as the Company's auditor pursuant to section 328A(1) of the Corporations Act, subject to this resolution being approved by Shareholders at the Meeting. As at the date of this Notice, Ernst & Young has not withdrawn that consent.

The purpose of Resolution 10 is to appoint Ernst & Young as the Company's auditor, pursuant to either section 327D(2) or section 327B(1) of the Corporations Act. Resolution 10 is conditional on Resolution 9 also being passed.

Accordingly, the proposed appointment of Ernst & Young will only occur if Grant Thornton Audit Pty Ltd is removed as auditor by Resolution 9.

If this Resolution is passed, the appointment of Ernst & Young as the Company's auditor will take effect at the close of the Meeting.

Resolution 10 is a special resolution and as such requires approval of at least 75% of the votes cast by Shareholders present and eligible to vote at the Meeting (by proxy, attorney or otherwise).

13. Resolution 11 - Replacement of Constitution

13.1 General

A company may modify or repeal its constitution or a provision of its constitution by special resolution of Shareholders.

Resolution 11 is a special resolution which will enable the Company to repeal its existing Constitution and adopt a new constitution (**Proposed Constitution**) which is of the type required for a listed public company limited by shares updated to ensure it reflects the current provisions of the Corporations Act and the Listing Rules.

This will incorporate amendments to the Corporations Act and the Listing Rules since the current Constitution was adopted in 2004.

The Directors believe that it is preferable in the circumstances to replace the existing Constitution with the Proposed Constitution rather than to amend a multitude of specific provisions.

The Proposed Constitution is broadly consistent with the provisions of the existing Constitution. Many of the proposed changes are administrative or minor in nature including but not limited to:

- (a) updating references to bodies or legislation which have been renamed (e.g. references to the Australian Settlement and Transfer Corporation Pty Ltd, ASTC Settlement Rules and ASTC Transfer); and
- (b) expressly providing for statutory rights by mirroring these rights in provisions of the Proposed Constitution.

The Directors believe these amendments are not material nor will they have any significant impact on Shareholders. It is not practicable to list all of the changes to the Constitution in detail in this Explanatory Memorandum, however, a summary of the proposed material changes is set out below.

A copy of the Proposed Constitution is available for review by Shareholders at the Company's website (www.marionenergy.com.au) and at the office of the Company. A copy of the Proposed Constitution can also be sent to Shareholders upon request to the Deed Administrator (+61 3 9629 8687). Shareholders are invited to contact the Company if they have any queries or concerns.

13.2 Summary of material proposed changes

- (a) Minimum Shareholding (clause 2.6 and schedule 3)

Clause 2.6 and schedule 3 of the Constitution outlines how the Company can manage shareholdings which represent an "unmarketable parcel" of shares, being a shareholding that is less than \$500 based on the closing price of the Company's Shares on ASX as at the relevant time.

The Proposed Constitution is in line with the requirements for dealing with "unmarketable parcels" outlined in the Corporations Act and the Listing Rules such that where the Company elects to undertake a sale of unmarketable

parcels, the Company is only required to give one notice to holders of an unmarketable parcel to elect to retain their shareholding before the unmarketable parcel can be dealt with by the Company, saving time and administrative costs incurred by otherwise having to send out additional notices.

Schedule 3 of the Proposed Constitution continues to outline in detail the process that the Company must follow for dealing with unmarketable parcels.

(b) Fee for registration of off market transfers (clause 4.6)

On 24 January 2011, ASX amended Listing Rule 8.14 with the effect that the Company may now charge a "reasonable fee" for registering paper-based transfers, sometimes referred to "off-market transfers".

Clause 4.6 of the Proposed Constitution is being made to enable the Company to charge a reasonable fee when it is required to register off-market transfers from Shareholders. The fee is intended to represent the cost incurred by the Company in upgrading its fraud detection practices specific to off-market transfers.

Before charging any fee, the Company is required to notify ASX of the fee to be charged and provide sufficient information to enable ASX to assess the reasonableness of the proposed amount.

(c) Dividends (clause 10)

Section 254T of the Corporations Act was amended effective 28 June 2010.

There is now a three-tiered test that a company will need to satisfy before paying a dividend replacing the previous test that dividends may only be paid out of profits.

The amended requirements provide that a company must not pay a dividend unless:

- (i) the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- (ii) the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and
- (iii) the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

The existing Constitution reflects the former profits test and restricts the dividends to be paid only out of the profits of the Company. The Proposed Constitution is updated to reflect the new requirements of the Corporations Act. The Directors consider it appropriate to update the Constitution for this amendment to allow more flexibility in the payment of dividends in the future should the Company be in a position to pay dividends.

(d) Partial (proportional) takeover provisions

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares.

Pursuant to section 648G of the Corporations Act, the Company has included in the Proposed Constitution a provision whereby a proportional takeover bid for Shares may only proceed after the bid has been approved by a meeting of Shareholders held in accordance with the terms set out in the Corporations Act.

This clause of the Proposed Constitution will cease to have effect on the third anniversary of the date of the adoption of last renewal of the clause.

13.3 Information required by section 648G of the Corporations Act

(a) Effect of proposed proportional takeover provisions

Where offers have been made under a proportional off-market bid in respect of a class of securities in a company, the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under such a proportional off-market bid is prohibited unless and until a resolution to approve the proportional off-market bid is passed.

(b) Reasons for proportional takeover provisions

A proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all their Shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest. Shareholders are exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium. These amended provisions allow Shareholders to decide whether a proportional takeover bid is acceptable in principle, and assist in ensuring that any partial bid is appropriately priced.

(c) Knowledge of any acquisition proposals

As at the date of this Notice, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company. However, as discussed in section 3.6 above, Otsana, as proponent of the Recapitalisation Proposal, has already commenced reviewing and entered into negotiations to acquire various businesses and assets with the aim of recommending the acquisition of a new undertaking to the Company shortly following completion of the DOCA. This has not influenced the decision in proposing to include proportional takeover provisions in the proposed new Constitution.

(d) Potential advantages and disadvantages of proportional takeover provisions

The Directors consider that the proportional takeover provisions have no potential advantages or disadvantages for them and that they remain free to make a recommendation on whether an offer under a proportional takeover bid should be accepted.

The potential advantages of the proportional takeover provisions for Shareholders include:

- (i) the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- (ii) assisting in preventing Shareholders from being locked in as a minority;

- (iii) increasing the bargaining power of Shareholders which may assist in ensuring that any proportional takeover bid is adequately priced; and
- (iv) each individual Shareholder may better assess the likely outcome of the proportional takeover bid by knowing the view of the majority of Shareholders which may assist in deciding whether to accept or reject an offer under the takeover bid.

The potential disadvantages of the proportional takeover provisions for Shareholders include:

- (v) proportional takeover bids may be discouraged;
- (vi) lost opportunity to sell a portion of their Shares at a premium; and
- (vii) the likelihood of a proportional takeover bid succeeding may be reduced.

(e) Recommendation of the Board

The Directors do not believe the potential disadvantages outweigh the potential advantages of adopting the proportional takeover provisions and as a result consider that the proportional takeover provision in the Proposed Constitution is in the interest of Shareholders and unanimously recommend that Shareholders vote in favour of Resolution 11.

Schedule 1 - Definitions

In the Notice, words importing the singular include the plural and vice versa.

A\$ or \$ means Australian dollars.

AEST means Australian Eastern Standard Time, being the time in Melbourne, Victoria.

ASIC means the Australian Securities and Investments Commission.

ASX means the ASX Limited ACN 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

Board means the board of Directors.

Business Day has the meaning given in the Listing Rules.

Chair means the person appointed to chair the Meeting.

Company means Marion Energy Limited (Subject to Deed of Company Arrangement) ACN 000 031 292.

Consolidation means the proposed 100 for 1 consolidation of the Company's Securities as set out in Resolution 1.

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Cth).

Creditor means any creditor whose claim against the Company is admitted by the Trustee under the Creditors' Trust Deed.

Creditor Shares means the Shares to be issued to the Deed Administrator, for eventual distribution to the Creditors through the Creditors' Trust in exchange for a release of their claims against the Company.

Creditors' Trust means the creditors' trust established under the Creditors' Trust Deed.

Creditors' Trust Deed means the trust deed to be entered into by the Deed Administrator as Trustee, pursuant to the terms of the DOCA, for and on behalf of the Company's creditors.

Deed Administrator means Mr James Downey of JP Downey & Co in his capacity as administrator of the DOCA.

Director means a director of the Company.

DOCA means the deed of company arrangement dated 7 August 2015 between the Company, the Deed Administrator, Otsana and KM Custodians Pty Ltd ACN 143 388 176.

Equity Security has the meaning given in the Listing Rules.

Explanatory Memorandum means the explanatory memorandum which forms part of the Notice.

Listing Rules means the listing rules of ASX.

Meeting has the meaning given in the introductory paragraph of the Notice.

Notice means this notice of general meeting.

Official List means the official list of ASX.

Option means an option which entitles the holder to subscribe for one Share.

Optionholder means the holder of an Option.

Otsana means Otsana Pty Ltd ACN 145 168 216.

Placement Options means the Options the subject of Resolution 5, to be issued on the terms and conditions in Schedule 2.

Placement Shares means the Shares the subject of Resolution 4.

Proxy Form means the proxy form attached to the Notice.

Recapitalisation Payment has the meaning provided in Section 3.2.

Recapitalisation Proposal means the proposal by Otsana for the recapitalisation of the Company as described in Section 3.2.

Recapitalisation Resolutions means Resolutions 1 to 8.

Resolutions means the resolutions referred to in the Notice or any one of them, as the context requires.

Schedule means a schedule to the Notice.

Section means a section of the Explanatory Memorandum.

Securities mean all Equity Securities of the Company.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means the holder of a Share.

Trustee means Mr James Downey of JP Downey & Co in his capacity as trustee of the Creditors' Trust Deed.

WST means Western Standard Time, being the time in Perth, Western Australia.

Schedule 2 - Terms and Conditions of Placement Options

The Options entitle the holder to subscribe for Shares on the following terms and conditions:

1. Entitlement

Each Placement Option (**Option**) gives the Optionholder the right to subscribe for one Share upon exercise of the Option.

2. Exercise Price and Expiry Date

Each Option has an exercise price of \$0.02 (**Exercise Price**) and will expire at 5.00pm (WST) on the date that is 4 years after their issue (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

3. Notice of Exercise

An Optionholder may exercise their Options by lodging with the Company, on or prior to the Expiry Date:

- (a) in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion;
- (b) a written notice of exercise of Options specifying the number of Options being exercised (**Exercise Notice**); and
- (c) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised. Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.

4. Timing of issue of Shares

Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.

5. Shares issues on exercise

All Shares issued upon the exercise of Options will upon issue rank equally in all respects with the then issued Shares.

6. Quotation of Shares on exercise

The Company will apply for official quotation on ASX of all Shares issued upon exercise of Options within 10 Business Days after the date of issue of those Shares.

7. Quotation of Options

The Options will be unlisted upon grant. No application for quotation of the Options will be made.

8. Options transferrable

The Options will be transferable subject to compliance with the Corporations Act.

9. Participation in new issues

There are no participation rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will give the holders of Options notice of the proposed issue prior to the date for determining entitlements to participate in any such issue.

10. Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

11. Adjustment for entitlement issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = \frac{O - E [P - (S+D)]}{N+1}$$

O = the old Exercise Price of the Option.

E = the number of underlying Shares into which one Option is exercisable.

P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one Share.

12. Adjustments for reorganisation

If there is any reorganisation of the issued share capital of the Company, the rights of the Optionholder may be varied to comply with the Listing Rules which apply to a reorganisation of capital at the time of the reorganisation.

Annexure A - Nomination of Auditor

28 August 2015

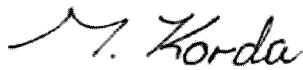
The Board of Directors - Marion Energy Limited (Subject to Deed of Company Arrangement)
(the *Company*)

Dear Sirs

NOMINATION OF ERNST AND YOUNG AS COMPANY AUDITOR

Pursuant to section 328B(3) of the Corporations Act, KM Custodians Pty Ltd of Level 24, 333 Collins Street, Melbourne, VIC 3000 being a member of the Company, nominates Ernst and Young of 11 Mounts Bay Road, Perth WA 6000 be appointed as auditor of the Company.

Signed by M Korda, Director

A handwritten signature in black ink, appearing to read 'M. Korda', is written over a horizontal line.

Marion Energy Limited (Subject to Deed of Company Arrangement)
ACN 000 031 292

Holder Number

Security Holder Appointment of Proxy – General Meeting

I/We being a Shareholder entitled to attend and vote at the Meeting, hereby appoint

OR

The Chair as my/our proxy

(Name of Proxy)

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the General Meeting to be held at 10:30am (AEST) on Wednesday, 30 September 2015 at the offices of Chartered Accountants Australia and New Zealand, Level 3, 600 Bourke Street, Melbourne and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Unless indicated otherwise by ticking the "for," "against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.

VOTING ON BUSINESS OF THE MEETING

Resolutions	For	Against	Abstain	Resolutions	For	Against	Abstain
1 Consolidation of capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7 Election of Director – Mr Nicholas Young	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Approval to issue Creditor Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8 Election of Director – Mr Steven Bryson Haynes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval to distribute Creditor Shares to related party – Nick Stretch Legal	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9 Removal of auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval to issue Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10 Appointment of auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Approval to issue Placement Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11 Replacement of Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Election of Director – Mr Faldi Ismail	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDER(S):

Individual or Shareholder 1

Sole Director / Company Secretary

Shareholder 2

Director

Shareholder 3

Director / Company Secretary

INSTRUCTIONS FOR COMPLETING 'APPOINTMENT OF PROXY' FORM

APPOINTING A PROXY

A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. The appointed proxy may be an individual or body corporate.

If a Body Corporate is appointed to act as your proxy then a representative of that Body Corporate must be appointed to act as its representative. When attending the meeting, the representative must bring a formal notice of appointment as per section 250D of the Corporations Act. Such notice must be signed as required by section 127 of the Corporations Act or the Body Corporate's Constitution.

If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll.

The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.

Note: If you wish to appoint a second proxy, you may copy this form but you must return both forms together.

VOTING ON BUSINESS OF MEETING

A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the number of votes that the proxy may exercise by writing the number of Shares next to the box marked for the relevant item of business.

Where a box is not marked the proxy may vote as they choose subject to the relevant laws.

Where more than one box is marked on an item the vote will be invalid on that item.

SIGNING INSTRUCTIONS

- **Individual:** Where the holding is in one name, the Shareholder must sign.
- **Joint holding:** Where the holding is in more than one name, all of the Shareholders should sign.
- **Power of attorney:** If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
- **Companies:** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.

ATTENDING THE MEETING

Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

LODGE MENT OF VOTES

To be effective, a validly appointed proxy must be received by the Company **not less than 48 hours** prior to commencement of the Meeting.

Proxy appointments can be lodged to the office of the Deed Administrator by:

- a) **Post /Hand Delivery** - Level 1, 22 William Street, Melbourne, Victoria 3000; or
- b) **Facsimile** - to +61 3 9642 8277.

Proxy Forms received later than this time will be invalid