

16 December 2010

ASX Release

MARION ENERGY LIMITED ANNOUNCES \$6 MILLION FINANCING AGREEMENT WITH LA JOLLA COVE INVESTORS

Marion Energy Limited (ASX:MAE) is pleased to announce it has entered into an agreement with La Jolla Cove Investors, a private U.S. based institutional investor to raise up to a maximum of US\$6 million via a line of capital in the form of a convertible note facility. La Jolla Cove Investors has a strong knowledge of the oil and gas industry in the USA. The capital will be used for capital expenditures and working capital purposes. This agreement is an important additional step in the restructuring of the company's balance sheet and the revitalization of its operating activities.

Financing Highlights:

Aggregate Funding

- US\$6 million, in four tranches of convertible notes of US\$1.5 million each, with the facility being able to be drawn down over a period of 20 months. Each tranche drawn down will have a maturity date of two years from date of the initial drawdown under each tranche.

No Fees

- La Jolla Cove charges no fees for its financings or advisory services. Additionally, should La Jolla Cove source additional, outside assets to aid Marion Energy's growth, La Jolla will absorb any associated costs and will not pass them on to the Company.

Coupon

- A low coupon of 4.75% allows Marion Energy to execute on its plan with minimal impact on cash flow.

Capital Raised at Discount to Future Price

- Marion Energy enjoys the benefits of raising capital at future, and presumably higher share prices, thus resulting in less dilution for current shareholders.

Conversion of notes into equity

- La Jolla has the right to convert its convertible notes into equity based on a volume weighted average price formula calculated at the time of serving notice of conversion. Conversion will also be subject to the requirements of ASX Listing Rule 7.1.

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“Marion is delighted to have La Jolla as a provider of this line of capital. The facility is well structured and will support Marion’s activities as it pursues its operational plan which is aimed at unlocking the value of its assets. Marion also views the understanding that La Jolla has of the oil and gas industry and of its involvement in the industry as very real advantages. Marion believes there will be a strong alignment of interests between the parties and looks forward to working closely with La Jolla in the future to realise value for all shareholders,” said **Peter Collery, CEO** of Marion Energy.

“Marion Energy pursues a low risk, high reward strategy in its development and production of natural gas assets in the Rocky Mountain and Mid-Continent region of the U.S. The Company occupies an excellent position from which to capitalize on the long term trends in support of American energy independence and minimal-carbon fossil fuels,” noted **Malcolm Thompson, Director** at La Jolla Cove. “Our geographic proximity to their projects and knowledge of the American energy markets will allow us to augment their growth efforts in North America.”

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