MARION ENERGY LIMITED
ABN 99 000 031 292

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

MARION ENERGY LIMITED

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MARION ENERGY LIMITED

DIRECTORS' REPORT

Your Directors present their report on the Consolidated Entity for the half-year ended 31 December 2013.

Directors

The names of Directors who held office during or since the end of the half-year are:

Director	Position Held	Date Appointed	Date Ceased
Jeffrey Clarke	Non executive Director	12 December 2004	-
Peter Collery	Managing Director & Company Secretary	12 December 2004	28 February 2014
Karel Louman	Executive Director & Chief Financial Officer	12 December 2004	-
Nicholas Stretch	Non executive Director & Company Secretary	8 May 2013	-
Stephen Watts	Chairman	2 September 2013	-

Operating Results

The loss of the Consolidated Entity after providing for income tax for the half year amounted to $6,213,428 (half year to 31 December 2012 - $4,567,067 loss).

Principal Activities

The principal continuing activity of the Consolidated Entity during the half year was the management and operation of oil and gas properties in the USA. No significant changes in the nature of the activities of the Consolidated Entity occurred during the half year.

Interests Held in Projects

- Clear Creek Project, Utah (Marion 100% working interest, subject to a contingent 25% net profits interest);
- Helper Project, Utah (Marion 100% working interest); and
- Jester-Bloomington Project, Oklahoma (Marion 100% working interest).

OVERVIEW

The 2011 through 2013 years have been very challenging for the Company due to its capital constraints. These constraints resulted in the Company not being able to complete and lodge its 2011 Annual Financial Report with the ASX by the due date of September 30, 2011 and as a result, on October 3, 2011, the Company's securities were suspended by the ASX and have remained suspended since that date. Following this suspension, the Board resolved to focus on addressing these capital constraints and to this end pursued a number of strategies aimed at major debt reduction and recapitalisation of the Company whilst at the same time positioning it to fully pursue its operational plan into the future. These strategies were focussed around the possible farmout and/or sale of a portion of one or more of the Company's assets with a major financial refinancing of the company being pursued. The Company undertook a major scaling back of its USA office and staffing to a level appropriate to the pared back scale of operations.

Whilst the process of restructuring was far more complex and time consuming than originally anticipated, in June 2013 the Company closed a new credit facility and thereby successfully completed a major restructuring of its balance sheet on very advantageous terms which will be of significant value to the Company and its shareholders (ASX Announcement July 31, 2013) as the Company proceeds to bring its wells on stream.

Prior to the suspension of the Company's securities in October 2011, the Company had commenced work on certain wells at its Clear Creek, Utah project with a view to bringing them into production. The capital constraints meant it also had to suspend these operations in September 2011.

However, the work undertaken up to the time of suspending operations produced results which were encouraging and management formed the firm view that recommencement and completion of the this work program will ultimately result in the Clear Creek wells producing at the levels originally anticipated and generate strong revenue and cash flows.

Following the successful restructuring of its finances in June 2013, the Company recommenced operations at the Clear Creek project and to date the results have been most encouraging. All the wells are connected to gathering and pipeline infrastructure, and have been cleaned out and refurbished where necessary. The aim is to complete the current operations and successfully bring all available wells on stream, thus generating significant production revenue and cash flow into the future. The focus for the next twelve months will largely be on successfully exploiting the Clear Creek asset involving workover operations on up to twelve wells.

The Company secured permits in 2011 to utilise two of its wells as water disposal wells at Clear Creek. This will assist the company to vigorously pursue its workover program but also importantly will significantly reduce the costs of disposing of water that is recovered from the producing wells.

The Company commissioned Denver, Colorado based MHA Petroleum Consultants LLC to undertake a new assessment of its Clear Creek reserves in late 2011. As a result the Company was able to report via ASX Release in December 2011 that its natural gas reserves were as follows: 1P reserves of 134 Bcfe and 3P reserves of 223 Bcfe with a NPV of US$307 million. Since that time, there has been a significant increase in the wellhead sale price for gas which will positively impact the aforementioned value of the reserves. These assessments highlight the significant assets that the Company has at its Utah projects.

Once the Clear Creek well program is satisfactorily advanced, it is anticipated the Company will also turn its attention to finalising the workover program at its Helper field, where the Company has already performed certain workovers.

The Company is now in a position where the foundation blocks for success have been considerably strengthened. In conclusion, we remain cautiously confident that our future strategy will lead to us ultimately achieving our stated goals of establishing a significant level of gas production from the Company's assets and in turn realise value for shareholders.

REVIEW OF OPERATIONS

Clear Creek Project – Utah

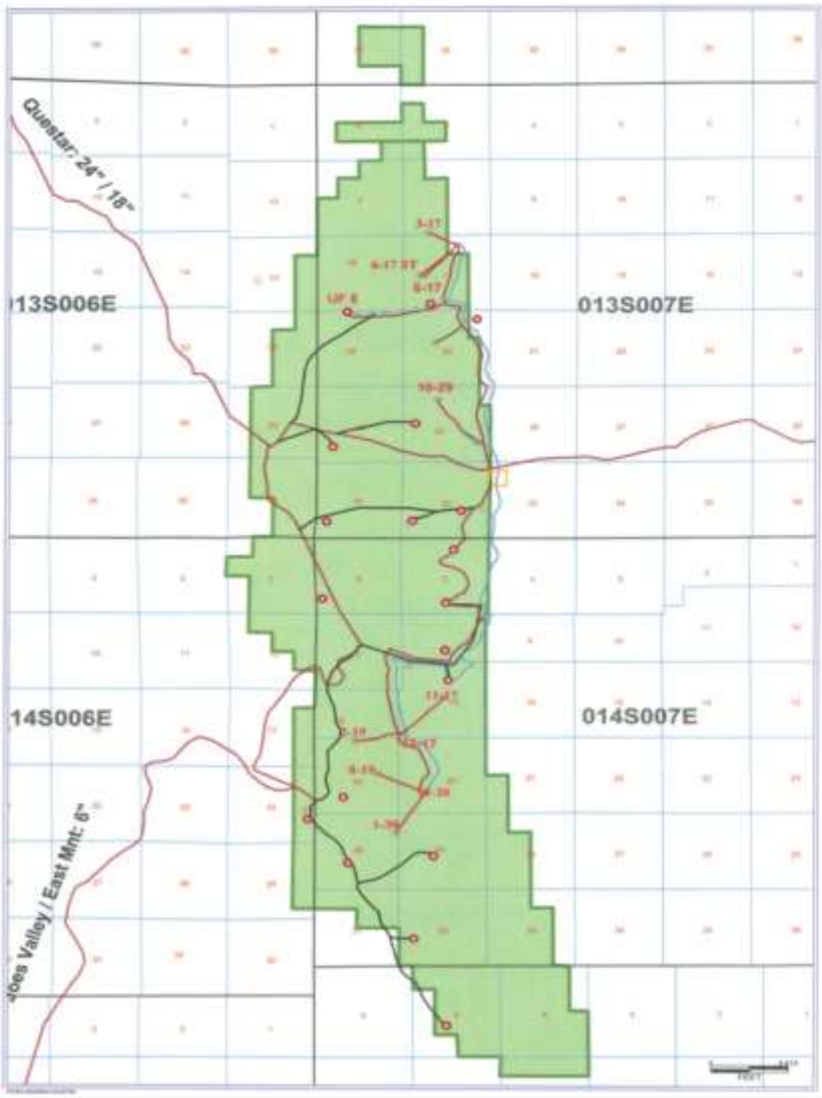
The Clear Creek Unit is located in Carbon and Emery counties approximately 12 miles west of the Drunkards Wash field in the Uinta Basin in central Utah. The field was drilled in the 1950's and mostly produced through to the early 1970's through wells that were drilled on approximately 1,000 acres spacing. To date it has produced 137 billion cubic feet ("Bcf") of natural gas from conventional reservoirs. In the Company's opinion the spacing was not sufficiently tight to drain all the gas in place. Each individual well has likely only drained 40 to 80 acres, leaving behind a significant amount of gas in the reservoirs located in the undeveloped acreage. Independent engineers have estimated significant potential reserves in the Ferron sands in addition to the Ferron, Blackhawk and Emory coals.

There are potentially up to 100 well locations that could be drilled to develop the Ferron sandstone horizons with successful wells having the potential to produce in the range of 1 to 3 mmcf/day and with a reserve potential per well of 3 Bcf of gas. It is unlikely that the Company will drill all 100 wells, thereby increasing the recoveries per well to over 3 Bcf. A number of secondary targets also exist in the project.

In the second half of 2013 the Company commenced its workover program at Clear Creek. Initially this mostly involved cleaning out and refurbishing the previously completed wells in the gas field and conducting testing and where appropriate upgrading infrastructure associated with the production and gathering facilities. These activities needed to be undertaken as a precursor to putting the wells into production and also to gauge the appropriate size of compression capacity needed as an interface between Marion's production pipeline and the main transmission line.

The Company fracture stimulated the Oman 2-20 well in December 2013 and new, upgraded compression capacity has also been installed at the Clear Creek field. The Company is currently bringing eight of its wells at Clear Creek into production. Pumping units have been cleaned up and a new pump installed where necessary on seven of these wells, and an eighth pumping unit is currently being installed and a ninth well, the Oman 10-29 is yet to be fracture stimulated. As noted in previous announcements, the fluid levels in these wells will have to be drawn down to enable the Company to maximize production rates. Although gas production has commenced and gas is flowing into the sales line, ongoing flow rates cannot presently be determined, but should become more apparent over time. In addition, Marion is currently conducting workover operations at the Utah Fuel #8 well, with a view to installing a pumping unit and bringing it into production.

Figure 1 - Clear Creek Map showing infrastructure and most Clear Creek Wells



Significant Changes in State of Affairs

The following significant changes in the state of affairs of the company occurred during the half year:

- On 23 December 2013, 8,000,000 Mid-Power/Calder options were extinguished by formal agreement.

Subsequent Events

With the exception of the details provided below, there has not been any matter, or circumstance occurring subsequent to the end of the reporting period that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

The following equity instruments have been issued post year end:

- 73,072,217 shares on 18 March 2014 to KM Custodians Pty Ltd, the proceeds of which were used to settle a liability owed to La Jolla Cove of US$395,010. Due to this share placement being made outside the company's 15 % placement capacity, ASX will likely place some restriction on further issues without shareholder approval. This will not affect any current plans of the Company and is not considered likely to have any financial impact.

- 179,231,112 unlisted options were issued on 10 May 2013 in relation to emergency funding agreements dated 19 April 2012, however the ASX release advising of this issue was made on
 31 January 2014 (see below for further details).

The Company intends to convene a meeting of shareholders in the near future to consider and, if thought fit, pass a number of resolutions including the following:

Consolidation of Shares

That the issued capital of the Company be consolidated on the basis that every 10 shares, and options to shares, in the capital of the Company be consolidated into one ordinary share or one option. The adoption of this resolution would result in a reduction of the shares on issue, as at 31 December 2013, from 1,194,464,080 to 119,446,408.

Ratification of Prior Issue of Options to KM Custodians Pty Ltd (KM Custodians)

To ratify the previous issue of 43,449,967 unlisted options with an exercise price of $0.003 and an expiry date which is two years from the date the Company is re-listed on ASX as announced to the ASX on 31 January 2014. These were options issued, pursuant to an agreement dated 19 April 2012, in relation to $1,653,500 of emergency funding provided by KM Custodians to facilitate the financial restructuring of the Company completed in June 2013. It should be noted that, if shareholders approve the share consolidation, the number of unlisted options to which this resolution relates will be 4,344,997 convertible at $0.03.

Issue of Options to KM Custodians

To issue to KM Custodians 221,055,405 unlisted options with an exercise price of $0.003 and an expiry date which is two years from the date the Company is re-listed on ASX. These options are also to be issued in relation to the emergency funding referred to above. It should be noted that, if shareholders approve the share consolidation, the number of unlisted options that may be issued if this resolution is approved will be 22,105,541 convertible at $0.03.

Ratification of Prior Issue of Options to Nick Stretch Legal Pty Limited (NSL)

To ratify the previous issue of 135,781,145 unlisted options, with an exercise price of $0.006 and an expiry date which is two years from the date the Company is re-listed on ASX, to NSL, as bare trustee for investors in the Company as announced to the ASX on 31 January 2014. These were options issued, pursuant to an agreement dated 19 April 2012, in relation to $1,250,000 of emergency funding provided by NSL to facilitate the financial restructuring of the Company completed in June 2013. It should be noted that, if shareholders approve the share consolidation, the number of unlisted options to which this resolution relates will be 13,578,115 convertible at $0.06.

Issue of Options to NSL

To issue to NSL, as bare trustee for investors in the Company, 50,734,824 unlisted options with an exercise price of $0.006 and an expiry date which is two years from the date the Company is re-listed on ASX. These options are also to be issued in relation to the emergency funding referred to above. It should be noted that, if shareholders approve the share consolidation, the number of options that may be issued if this resolution is approved will be 5,073,482 convertible at $0.06.

Issue of Shares to Jeffrey Clarke or a Nominee

To issue, in lieu of payment of $540,000 of remuneration entitlements, 90,000,000 fully paid ordinary shares to Jeffrey Clarke or a nominee. It should be noted that, if shareholders approve the share consolidation, the number of shares that may be issued if this resolution is approved will be 9,000,000.

Issue of Shares to Peter Collery or a Nominee

To issue, in lieu of payment of $540,000 of remuneration entitlements, 90,000,000 fully paid ordinary shares to Peter Collery or a nominee. It should be noted that, if shareholders approve the share consolidation, the number of shares that may be issued if this resolution is approved will be 9,000,000.

Issue of Shares to Karel Louman or a Nominee

To issue, in lieu of payment of $540,000 of remuneration entitlements, 90,000,000 fully paid ordinary shares to Karel Louman or a nominee. It should be noted that, if shareholders approve the share consolidation, the number of shares that may be issued if this resolution is approved will be 9,000,000.

Issue of Options to Jeffrey Clarke or a Nominee

To issue, as consideration for deferral for 12 months from the date of the shareholder meeting of the payment of $273,849 of entitlements, to Jeffrey Clarke or a nominee, 45,641,556 unlisted options with a nil exercise price and an expiry date of 13 months from the date of issue. The options can only be exercised for the remaining amount if the Company has not fully paid the $273,849 of entitlements within 12 months from the date of the shareholder meeting, On the exercise of each of these options the deferred entitlement liability due to J Clarke will be reduced by $0.006 per option. It should be noted that, if shareholders approve the share consolidation, the number of unlisted options that may be issued if this resolution is approved will be 4,564,156 and which will reduce the deferred entitlement liability by $0.06 for each option exercised.

Issue of Options to Peter Collery or a Nominee

To issue, as consideration for deferral for 12 months from the date of the shareholder meeting of the payment of $398,379 of entitlements, to Peter Collery or a nominee, 66,396,500 unlisted options with a nil exercise price and an expiry date of 13 months from the date of issue. The options can only be exercised for the remaining amount if the Company has not fully paid the $398,379 of entitlements within 12 months from the date of the shareholder meeting, On the exercise of each of these options the deferred entitlement liability due to P Collery will be reduced by $0.006 per option. It should be noted that, if shareholders approve the share consolidation, the number of unlisted options that may be issued if this resolution is approved will be 6,639,650 and which will reduce the deferred entitlement liability by $0.06 for each option exercised.

Issue of Options to Karel Louman or a Nominee

To issue, as consideration for deferral for 12 months from the date of the shareholder meeting of the payment of $85,833 of entitlements, to Karel Louman or a nominee, 14,305,550 unlisted options with a nil exercise price and an expiry date of 13 months from the date of issue. The options can only be exercised for the remaining amount if the Company has not fully paid the $85,833 of entitlements within 12 months from the date of the shareholder meeting, On the exercise of each of these unlisted options the deferred entitlement liability due to K Louman will be reduced by $0.006 per option. It should be noted that, if shareholders approve the share consolidation, the number of options that may be issued if this resolution is approved will be 1,430,555 and which will reduce the deferred entitlement liability by $0.06 for each option exercised.

Issue of Shares and Options to Holders of Convertible Notes

To issue up to a total of 202,591,583 shares and a total of 91,449,167 unlisted options, convertible at $0.01 for a period of two years after the date on which the notes are converted into shares, to the persons listed as holders of $1,097,390 of convertible notes issued on 2 August 2013. The number of shares reflect the principal and a certain amount of interest.

These convertible notes have a maturity of 2 August 2014. It should be noted that, if shareholders approve the share consolidation, the number of shares and options that may be issued if this resolution is approved will be 20,259,158 shares and 9,144,917 options convertible at $0.10.

Issue of Shares and Options to Entities Associated with Mr Stephen Watts in Respect of Convertible Notes

To issue up to a total of 16,615,098 Shares and a total of 7,500,000 unlisted options, convertible at $0.01 for a period of two years after the date on which the notes are converted into shares, to entities associated with Mr Stephen Watts in respect of $90,000 of the 2 August 2013 convertible note issue referred to above. It should be noted that, if shareholders approve the share consolidation, the number of shares and options that may be issued if this resolution is approved will be 1,661,510 shares and 750,000 options convertible at $0.10.

Issue of New Listed Options to Existing Option Holders

To issue 139,326,777 listed options, convertible at $0.015 anytime up to 15 months from the date the Company is re-listed on ASX, to the persons listed as holders of Marion Energy Limited listed options denoted by the ASX symbol MAEOA, other than to Directors of the Company (refer below), which expired on 10 December 2012 for no consideration. It should be noted that, if shareholders approve the share consolidation, the number of new listed options that may be issued if this resolution is approved will be 13,932,678 convertible at $0.15.

Issue of New Listed Options to an Entity Controlled by Stephen Watts

To issue to the trustee of the Watts Family Trust 4,260,909 new listed options, convertible at $0.015 anytime up to 15 months from the date the Company is re-listed on ASX, replacing listed options which expired on 10 December 2012 for no consideration. It should be noted that, if shareholders approve the share consolidation, the number of new listed options that may be issued if this resolution is approved will be 426,091 convertible at $0.15.

Issue of New Listed Options to Karel Louman or a Nominee

To issue to Karel Louman or a nominee 16,742,200 new listed options, convertible at $0.015 anytime up to 15 months from the date the Company is re-listed on ASX, replacing listed options which expired on 10 December 2012 for no consideration. It should be note that, if shareholders approve the share consolidation, the number of new listed options that may be issued if this resolution is approved will be 1,674,220 convertible at $0.15.

Issue of New Listed Options to Peter Collery or a Nominee

To issue to Peter Collery or a nominee 16,903,400 new listed options, convertible at $0.015 anytime up to 15 months from the date the Company is re-listed on ASX, replacing listed options which expired on 10 December 2012 for no consideration. It should be noted that, if shareholders approve the share consolidation, the number of new listed options that may be issued if this resolution is approved will be 1,690,340 convertible at $0.15.

Issue of New Listed Options to Jeffrey Clarke or a Nominee

To issue to Jeffrey Clarke or a nominee 17,554,400 new listed options, convertible at $0.015 anytime up to 15 months from the date the Company is re-listed on ASX, replacing listed options which expired on 10 December 2012 for no consideration. It should be noted that, if shareholders approve the share consolidation, the number of new listed options that may be issued if this resolution is approved will be 1,755,440 convertible at $0.15.

Issue of Options to Employees and Contractors

To issue to employees and contractors of the Company up to 93,000,000 unlisted options (in total) with an exercise price of $0.006 and an expiry date two years from the date of issue. It should be noted that, if shareholders approve the share consolidation, the number of options that may be issued if this resolution is approved will be 9,300,000 convertible at $0.06.

Ratification of Prior Issue of Shares in Settling La Jolla Cove Convertible Note

To ratify the previous issue of 73,072,217 fully paid ordinary shares that were issued to KM Custodians Pty Ltd as part of settling the US$395,010 La Jolla Cove Convertible Note. It should be noted that, if shareholders approve the share consolidation, the number of shares to which this resolution relates will be 7,307,222.

If all the resolutions relating to share capital are passed at the shareholder meeting, and taking into account the affect of all the above resolutions and the share consolidation, the Company would then have issued share capital of 175,674,298 ordinary shares and 100,160,182 options for the issue of ordinary shares.

Further details relating to the above resolutions to be voted on at a forthcoming meeting of shareholders will be contained in an explanatory memorandum which will be sent to shareholders along with the notice of that meeting and which will have been lodged with the ASX.

Future Developments

The primary focus of the company for the next twelve months will be on further strengthening the company's balance sheet and capital structure to place it on a sound financial footing with future financial flexibility, on implementing the Clear Creek production program and on undertaking some well workover operations at Helper.

Other than future developments described above, further information on likely developments in the operations of the consolidated entity and the expected results have not been included in this report because the directors believe information of this nature to be commercially sensitive.

Auditor's Independence Declaration

The auditor's independence declaration under section 307C of the *Corporations Act* 2001 is set out on page 8 for the half-year ended 31 December 2013.

Signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the directors.

Nick Stretch
Director

Dated at Melbourne this 7 day of April 2014

Grant Thornton Audit Pty Ltd
ACN 130 913 594

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration
To The Directors of Marion Energy Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Marion Energy Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Adrian Nathanielsz
Partner - Audit & Assurance

Melbourne, 7 April 2014

MARION ENERGY LIMITED

DIRECTORS' DECLARATION

In the opinion of the directors of Marion Energy Limited:

a) The consolidated financial statements and notes of Marion Energy Limited are in accordance with the *Corporations Act 2001*, including:

   (i) Giving a true and fair view of its financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

   (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting*; and

b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors

Nick Stretch

Director

Dated the 7 day of April 2014

MARION ENERGY LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Note	Consolidated Entity Half Year Ended 31.12.2013 $	31.12.2012 $
Revenue from sale of goods		26,165	-
Interest income	2	4,551	664
Gain on re-measurement of royalty liability		599,277	-
Other income		-	2,061
Total		629,993	2,725
Salaries and employee benefits expense		(1,136,609)	(589,740)
Production expenses		(904,213)	(232,753)
Depreciation and amortisation expense	2	(14,047)	(19,348)
Legal and professional fees		(982,903)	(458,480)
Secretarial and listing fees		(30,345)	(14,947)
Insurance expense		(109,838)	(69,071)
Loss on disposal of plant and equipment		-	(158,217)
Exchange gain/(loss)		(69,978)	3,746
Finance costs	2	(3,475,136)	(3,029,358)
Other expenses		(120,352)	(1,624)
Loss before tax		(6,213,428)	(4,567,067)
Income tax expense		-	-
Loss for the period		(6,213,428)	(4,567,067)
Other comprehensive income			
Items that may be reclassified subsequently through profit or loss:			
Exchange differences arising on translation of foreign operations		1,467,063	(808,452)
Other comprehensive income for the period		1,467,063	(808,452)
Total comprehensive income for the period, net of tax		(4,746,365)	(5,375,519)
Loss per share			
Basic (cents per share)		(0.4)	(0.4)
Diluted (cents per share)		(0.4)	(0.4)

The accompanying notes form part of these financial statements.

MARION ENERGY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	**31.12.2013** **$**	**30.6.2013** **$**
CURRENT ASSETS			
Cash and cash equivalents		4,576,114	8,603,372
Trade and other receivables		98,576	9,020
Other current assets		109,464	181,884
TOTAL CURRENT ASSETS		4,784,154	8,794,276
NON CURRENT ASSETS			
Plant and equipment		57,960	6,837
Oil and gas properties		171,557,538	167,940,048
Other		1,097,298	1,070,766
TOTAL NON CURRENT ASSETS		172,712,796	169,017,651
TOTAL ASSETS		177,496,950	177,811,927
CURRENT LIABILITIES			
Trade and other payables		4,756,567	4,372,611
Borrowings	3	32,437,781	1,225,491
Provisions		164,623	157,353
TOTAL CURRENT LIABILITIES		37,358,971	5,755,455
NON-CURRENT LIABILITIES			
Trade and other payables		9,318,491	9,093,175
Borrowings	3	-	27,442,224
Provisions		747,990	703,210
TOTAL NON-CURRENT LIABILITIES		10,066,481	37,238,609
TOTAL LIABILITIES		47,425,452	42,994,064
NET ASSETS		130,071,498	134,817,863
EQUITY			
Issued capital	4	212,645,805	212,645,805
Reserves		3,998,729	2,531,666
Accumulated losses		(86,573,036)	(80,359,608)
TOTAL EQUITY		130,071,498	134,817,863

The accompanying notes form part of these financial statements.

MARION ENERGY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Ordinary Share Capital $	Capital Profit $	Option Reserve $	Foreign Currency Reserve $	Accumulated Losses $	Total $
Balance at 1.7.2012	212,645,805	277,610	14,400,481	(20,340,148)	(126,781,297)	80,202,451
Other comprehensive income for period	-	-	-	(808,452)	-	(808,452)
Loss for the period	-	-	-	-	(4,567,067)	(4,567,067)
Total comprehensive income for the period	-	-	-	(808,452)	(4,567,067)	(5,375,519)
Balance at 31.12.2012	212,645,805	277,610	14,400,481	(21,148,600)	(131,348,364)	74,826,932
Balance at 1.7.2013	212,645,805	277,610	17,621,295	(15,367,239)	(80,359,608)	134,817,863
Other comprehensive income for period	-	-	-	1,467,063	-	1,467,063
Loss for the period	-	-	-	-	(6,213,428)	(6,213,428)
Total comprehensive income for the period	-	-	-	1,467,063	(6,213,428)	(4,746,365)
Balance at 31.12.2013	212,645,805	277,610	17,621,295	(13,900,176)	(86,573,036)	130,071,498

The accompanying notes form part of these financial statements.

MARION ENERGY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Half-year ended 31.12.2013 $	Half-year ended 31.12.2012 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	26,165	34,468
Payments to suppliers and employees	(3,100,429)	(1,039,676)
Interest received	4,551	664
Finance costs	-	(6,976)
Net cash used in operating activities	(3,069,713)	(1,011,520)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditure on plant and equipment	(58,062)	-
Expenditure on gas projects	(1,222,612)	(25,420)
Net cash used in investing activities	(1,280,674)	(25,420)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	255,390	919,182
Repayment of borrowings	(4,646)	(3,104)
Net cash provided by financing activities	250,744	916,078
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,099,643)	(120,862)
Effects of exchange rate changes on the balance of cash held in foreign currencies	72,385	-
Cash and cash equivalents at 1 July	8,603,372	219,863
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	4,576,114	99,001

The accompanying notes form part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting". The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2013 annual financial report for the financial year ended 30 June 2013.

(a) Going concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the reasons described below, there is significant uncertainty whether the consolidated entity will continue as a going concern:

- The consolidated entity's current liabilities exceeded its current assets by $32,574,817 as at
  31 December 2013, which includes the reclassification of $30,952,197 of debt from current to non-current due to technical breach of covenants (refer below)..
- For the half year ended 31 December 2013 the consolidated entity incurred losses of $6,213,428. The consolidated entity used cash flows in operations of A$3,069,713.
- As at 31 December 2013, the consolidated entity had a US$27,606,265 (A$30,952,197) principal loan account with its financier. The facility is subject to various loan covenants, some of which were breached as at 31 December 2013. While the Directors have not received a formal waiver relating to the breaches, they have been in contact with the financier and are confident that the financier will continue to support the consolidated entity. Refer to Note 3 for further details.
- Six gas wells have recommenced production in January 2014 at a low level of capacity. Four more wells are expected to resume production in the near future.
- Cash balances as at 31 December 2013 are A$4,576,114. The current Approved Development Program contemplated positive cash flows from the Clear Creek project by 28 February 2014. Positive net cash flows from Clear Creek have not yet been achieved as at the date of this report.
- One of the conditions of refinancing was that the funds provided could only be used by Marion Energy Inc. for its operating expenditure. The balance of unrestricted cash and cash equivalents held by the parent entity as at 31 December 2013 is $257,031.

The ability of the consolidated entity to pay its creditors on an ongoing basis and continue as a going concern is dependent on its ability to achieve a combination of the following, for which the directors have a reasonable expectation of success:

- The continuing support of the major financier, TCS, through to the originally envisaged maturity date of 24 June 2016 despite current breaches of covenants and the obtaining of a formal waiver of the events of default (refer Note 3).
- Maximise revenue and cash flow from operations by bringing up to 16 wells into production over the next twelve months, and meeting the Approved Development Plan under the current credit facility with TCS. The consolidated entity has a program designed to work over the wells with the objective to establish sustained production over the next six months which can then be built upon in the following six months.
- Generate positive net cash flows under the proposed work plan prior to the depletion of current cash reserves, and in light of any future capital raisings.

- Shareholders approving the issue of equity instruments to settle current liabilities to directors (as detailed in Note 7).
- Successful re-listing of the Group.
- The Board is currently reviewing a number of alternatives with regard to capital management aimed at strengthening the balance sheet through reduction of debt and provision of working capital.
- Obtaining continuing support of its unsecured creditors.

At the date of this report and having considered the above factors, the directors are confident that the consolidated entity will be able to continue as a going concern for the foreseeable future and therefore it is appropriate to prepare the financial report on a going concern basis. Notwithstanding these factors, there remains significant uncertainty whether the consolidated entity will continue as a going concern and, therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

2. RESULTS FOR THE PERIOD

	Half-year ended 31.12.2013 $	Half-year ended 31.12.2012 $
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
— Interest received – other persons	4,551	664
— Depreciation	(14,047)	(19,348)
— Finance costs – other persons	(3,475,136)	(3,029,358)

3. BORROWINGS

	As at 31.12.2013 $	As at 30.6.2013 $
Current		
Secured borrowings		
Lease liability	-	4,684
TCS facility (b)	30,952,197	-
Unsecured borrowings		
Convertible notes (a)	1,485,584	1,220,807
Total current borrowings	32,437,781	1,225,491
Non-current		
TCS facility (b)	-	27,442,224
Total non-current borrowings	-	27,442,224

(a)The Group's convertible note facilities are as follows:

- The Group entered into a convertible note agreement with La Jolla Cove Investors on 27 October 2010 to subscribe for convertible notes for up to a total amount of US$6 million. Amounts drawn down and converted will be converted in accordance with a volume weighted average formula determined at the date of receipt of the notice of conversion from the note holder. No drawdowns have been made since 30 June 2011 and no further drawdowns will be made. The balance of the facility at 31 December 2013 was $388,194 and it was paid on 14 March 2014.

—In June and July 2013 unsecured convertible notes were issued raising a total of A$1,097,390 to fund the cost of relisting on the ASX and to provide working capital.

These convertible notes mature on 2 August 2014. The conversion date is at: the time Marion Energy Ltd is readmitted to the boards of the ASX, six months after the date of issue, or, twelve months after the date of issue.

The note holders will be able to convert all of the original principal amount of the notes into fully paid ordinary shares at $0.006 per share. If fully converted this would result in the issue of 202,591,583 ordinary shares.

On conversion to shares the note holders will acquire an option to further ordinary share at $0.01 per share on the basis of an option to one share for each two shares issued on conversion of the original convertible notes. If fully converted this would result in the issue of a further 101,295,792 ordinary shares. These options will expire two years from date of issue.

The original convertible notes incur interest at the rate of 12% on the principal outstanding. Interest will be paid monthly with the dollar equivalent of the interest amount paid in the form of shares at a price of $0.006 per share.

(b)On 24 June 2013, MEI entered into a loan agreement with TCS II Funding Solutions LLC (TCS), receiving cash funding of US$25,000,000 (A$27,442,224). The facility has a maturity date of 24 June 2016 and is subject to an interest rate of 20%. Interest is paid-in-kind by capitalising into the principal of the loan quarterly. TCS holds a first registered charge over all the assets of the wholly owned subsidiary, Marion Energy Inc. which includes the Clear Creek and Helper oil & gas assets, and holds a charge over all the assets of the wholly-owned subsidiary OEL Operating (USA) Inc. which includes the Jester-Bloomington oil & gas assets.

The TCS agreement specifies a number of positive and negative covenants, including target production volumes for the Clear Creek project and target financial results & financial restrictions for MEI. In addition, the agreement specifies that any capital raising performed by Marion Energy Limited can only be used in connection with the Clear Creek development plan, for expenses in the United States and Australia in the ordinary course of business and for limited expenditures at the Helper and Oklahoma projects. However the Group may also invest up to US$3,000,000 in other projects, so long as the ratio of 'NPV of Proved Developed Producing Resources' to 'Total Indebtedness' is greater than 3:1 for 4 consecutive fiscal quarters.

Marion is currently in technical breach of a number of operational and reporting covenants under the TCS credit facility. In the main These breaches relate to are certain production and consequential EBIT covenants for the wholly owned subsidiary Marion Energy, Inc. as well as the requirement to provide a reserve report from an approved petroleum engineer as of 31 December 2013 on or before 28 February 2014 to the lender, and were not rectified within 30 days of arising and therefore constitute technical default under the facility. The defaults are mainly due to following delays in gas production caused, for the most part, by unseasonably bad weather in North America.

The production related covenants were in breach prior to 31 December 2013, and the Company had not sought and the Lender therefore not provided a formal waiver of these prior to 31 December 2013. As a consequence and in accordance with the requirements of AASB 101, the entire facility has been classified as a current liability despite an envisaged maturity date of 24 June 2016.

The Company has been in regular contact with its lender who has taken no action and has given no indication of planning to do so, and therefore the directors believe that the lender is still supportive of providing the facility through to the original maturity date. It is Marion's intention to seek formal waivers in the near future.

4. ISSUED CAPITAL

	Half-year ended 31.12.2013		Half-year ended 31.12.2012	
	Number	**$**	**Number**	**$**
Issued Shares				
Balance at 1 July	1,194,464,080	212,645,805	1,194,464,080	212,645,805
Shares issued during the period	-	-	-	-
Balance at period end	1,194,454,080	212,645,805	1,194,454,080	212,645,805
Issued Options				
Balance at 1 July	216,731,112	-	444,075,372	-
Options issued during the period	-	-	-	-
Options expired during the period	-	-	(406,575,372)	-
Balance at period end	216,731,112	-	37,500,000	-

During the half year, the Company did not issue any shares.

Terms of the options on issue as at 31 December 2013 are:

— 37,500,000 unlisted options are exercisable at $0.006 on or before 13 December 2014.

— 179,231,112 unlisted options which were issued on 10 May 2013 and which are exercisable at $0.006 per option with an expiry date of two years from the date that the company is relisted on the ASX. The company will seek ratification of these options at the shareholder meeting. The issue of these options is in settlement of $3,220,814 of facility fees.

Mid-Power/Caldera Options

As set out in note 17 to the 30 June 2013 financial statements, the Group entered into an agreement during 2007, relating to Clear Creek providing Mid-Power/Calder with options to shares if certain proved and probable resource targets were met. On 23 December 2013 the rights to these options were extinguished by formal agreement.

5. CONTINGENT LIABILITIES

The contingent liabilities disclosed in the Annual Report for the year ended 30 June 2013 remain unchanged.

6. SEGMENT INFORMATION

The Group identifies its operating segments on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group's reportable segment is as follows:

— Gas development, production and sales in Oklahoma and Utah, USA.

Information regarding this segment is presented below. The accounting policies of the reportable segment are the same as the Group's accounting policies.

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review.

	Revenue from External Customers Half-year ended		Segment profit/(loss) Half-year ended	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
Continuing Operations				
Gas	26,165	-	(2,700,079)	(1,007,993)
	26,165	-	(2,700,079)	(1,007,993)
Interest received			4,551	664
Other income			-	2,061
Gain on re-measurement of royalty liability			599,277	-
Corporate expenses			(642,041)	(532,441)
Finance costs			(3,475,136)	(3,029,358)
Loss before tax			(6,213,428)	(4,567,067)
Income tax expense			-	-
Consolidated segment revenue and loss for the period	26,165	-	(6,213,428)	(4,567,067)

The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the period.

Segment loss represents the loss incurred by the segment without allocation of central administration costs and directors' salaries, share of profits of associates, investment revenue and finance costs, income tax expense, and gains or losses on disposal of associates and discontinued operations. This is the measure reported to the Managing Director for the purposes of resource allocation and assessment of segment performance.

The following is an analysis of the Group's assets by reportable operating segment.

	As at 31.12.2013 $	As at 30.6.2013 $
Continuing operations		
Segment Assets		
Gas assets	177,196,134	177,389,363
Other – Corporate assets	300,816	422,564
Total segment assets	177,496,950	177,811,927
Unallocated assets	-	-
Consolidated assets	177,496,950	177,811,927
Segment Liabilities		
Gas liabilities	42,086,360	38,391,105
Other – Corporate liabilities	5,339,092	4,602,959
Total segment liabilities	47,425,452	42,994,064
Unallocated liabilities	-	-
Consolidated liabilities	47,425,452	42,994,064

7. EVENTS SUBSEQUENT TO REPORTING DATE

With the exception of the details provided below, there has not been any matter, or circumstance occurring subsequent to the end of the reporting period that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

The following equity instruments have been issued post year end:

- 73,072,217 shares on 18 March 2014 to KM Custodians Pty Ltd, the proceeds of which was used to settle a liability owed to La Jolla Cove of US$395,010 Due to this share placement being made outside the company's 15 % placement capacity, this placement will require shareholder approval at a shareholder meeting.

- 179,231,112 unlisted options were issued on 10 May 2013 in relation to emergency funding agreements dated 19 April 2012, however the ASX release advising of this issue was made on 31 January 2014 (see below for further details).

The Company intends to convene a meeting of shareholders in the near term to consider and, if thought fit, pass a number of resolutions including the following:

Consolidation of Shares

That the issued capital of the Company be consolidated on the basis that every 10 shares, and options to shares, in the capital of the Company be consolidated into one ordinary share or one option. The adoption of this resolution would result in a reduction of the shares on issue, as at 31 December 2013, from 1,194,464,080 to 119,446,408.

Ratification of Prior Issue of Options to KM Custodians Pty Ltd (KM Custodians)

To ratify the previous issue of 43,449,967 unlisted options with an exercise price of $0.003 and an expiry date which is two years from the date the Company is re-listed on ASX as announced to the ASX on 31 January 2014. These were options issued, pursuant to an agreement dated 19 April 2012, in relation to $1,653,500 of emergency funding provided by KM Custodians to facilitate the financial restructuring of the Company completed in June 2013. It should be noted that, if shareholders approve the share consolidation, the number of unlisted options to which this resolution relates will be 4,344,997 convertible at $0.03.

Issue of Options to KM Custodians

To issue to KM Custodians 221,055,405 unlisted options with an exercise price of $0.003 and an expiry date which is two years from the date the Company is re-listed on ASX. These options are also to be issued in relation to the emergency funding referred to above. It should be noted that, if shareholders approve the share consolidation, the number of unlisted options that may be issued if this resolution is approved will be 22,105,541 convertible at $0.03.

Ratification of Prior Issue of Options to Nick Stretch Legal Pty Limited (NSL)

To ratify the previous issue of 135,781,145 unlisted options, with an exercise price of $0.006 and an expiry date which is two years from the date the Company is re-listed on ASX, to NSL, as bare trustee for investors in the Company as announced to the ASX on 31 January 2014. These were options issued, pursuant to an agreement dated 19 April 2012, in relation to $1,250,000 of emergency funding provided by NSL to facilitate the financial restructuring of the Company completed in June 2013. It should be noted that, if shareholders approve the share consolidation, the number of unlisted options to which this resolution relates will be 13,578,115 convertible at $0.06.

Issue of Options to NSL

To issue to NSL**,** as bare trustee for investors in the Company, 50,734,824 unlisted options with an exercise price of $0.006 and an expiry date which is two years from the date the Company is re-listed on ASX. These options are also to be issued in relation to the emergency funding referred to above. It should be noted that, if shareholders approve the share consolidation, the number of options that may be issued if this resolution is approved will be 5,073,482 convertible at $0.06.

Issue of Shares to Jeffrey Clarke or a Nominee

To issue, in lieu of payment of $540,000 of remuneration entitlements, 90,000,000 fully paid ordinary shares to Jeffrey Clarke or a nominee. It should be noted that, if shareholders approve the share consolidation, the number of shares that may be issued if this resolution is approved will be 9,000,000.

Issue of Shares to Peter Collery or a Nominee

To issue, in lieu of payment of $540,000 of remuneration entitlements, 90,000,000 fully paid ordinary shares to Peter Collery or a nominee. It should be noted that, if shareholders approve the share consolidation, the number of shares that may be issued if this resolution is approved will be 9,000,000.

Issue of Shares to Karel Louman or a Nominee

To issue, in lieu of payment of $540,000 of remuneration entitlements, 90,000,000 fully paid ordinary shares to Karel Louman or a nominee. It should be noted that, if shareholders approve the share consolidation, the number of shares that may be issued if this resolution is approved will be 9,000,000.

Issue of Options to Jeffrey Clarke or a Nominee

To issue, as consideration for deferral for 12 months from the date of the shareholder meeting of the payment of $273,849 of entitlements, to Jeffrey Clarke or a nominee, 45,641,556 unlisted options with a nil exercise price and an expiry date of 13 months from the date of issue. The options can only be exercised for the remaining amount if the Company has not fully paid the $273,849 of entitlements within 12 months from the date of the shareholder meeting, On the exercise of each of these options the deferred entitlement liability due to J Clarke will be reduced by $0.006. It should be noted that, if shareholders approve the share consolidation, the number of unlisted options that may be issued if this resolution is approved will be 4,564,156 and which will reduce the deferred entitlement liability by $0.06 for each option exercised.

Issue of Options to Peter Collery or a Nominee

To issue, as consideration for deferral for 12 months from the date of the shareholder meeting of the payment of $398,379 of entitlements, to Peter Collery or a nominee, 66,396,500 unlisted options with a nil exercise price and an expiry date of 13 months from the date of issue. The options can only be exercised for the remaining amount if the Company has not fully paid the $398,379 of entitlements within 12 months from the date of the shareholder meeting, On the exercise of each of these options the deferred entitlement liability due to P Collery will be reduced by $0.006. It should be noted that, if shareholders approve the share consolidation, the number of unlisted options that may be issued if this resolution is approved will be 6,639,650 and which will reduce the deferred entitlement liability by $0.06 for each option exercised.

Issue of Options to Karel Louman or a Nominee

To issue, as consideration for deferral for 12 months from the date of the shareholder meeting of the payment of $85,833 of entitlements, to Karel Louman or a nominee, 14,305,550 unlisted options with a nil exercise price and an expiry date of 13 months from the date of issue. The options can only be exercised for the remaining amount if the Company has not fully paid the $85,833 of entitlements within 12 months from the date of the shareholder meeting, On the exercise of each of these unlisted options the deferred entitlement liability due to K Louman will be reduced by $0.006. It should be noted that, if shareholders approve the share consolidation, the number of options that may be issued if this resolution is approved will be 1,430,555 and which will reduce the deferred entitlement liability by $0.06 for each option exercised.

Issue of Shares and Options to Holders of Convertible Notes

To issue up to a total of 202,591,583 shares and a total of 91,449,167 unlisted options, convertible at $0.01 for a period of two years after the date on which the notes are converted into shares, to the persons listed as holders of $1,097,390 of convertible notes issued on 2 August 2013. The numbers of shares reflect the principal and a certain amount of interest. These convertible notes have a maturity of 2 August 2014. It should be noted that, if shareholders approve the share consolidation, the number of shares and options that may be issued if this resolution is approved will be 20,259,158 shares and 9,144,917 options convertible at $0.10.

Issue of Shares and Options to Entities Associated with Mr Stephen Watts in Respect of Convertible Notes

To issue up to a total of 16,615,098 Shares and a total of 7,500,000 unlisted options, convertible at $0.01 for a period of two years after the date on which the notes are converted into shares, to entities associated with Mr Stephen Watts in respect of $90,000 of the 2 August 2013 convertible note issue referred to above. It should be noted that, if shareholders approve the share consolidation, the number of shares and options that may be issued if this resolution is approved will be 1,661,510 shares and 750,000 options convertible at $0.10.

Issue of New Listed Options to Existing Option Holders

To issue 139,326,777 listed options, convertible at $0.015 anytime up to 15 months from the date the Company is re-listed on ASX, to the persons listed as holders of Marion Energy Limited listed options denoted by the ASX symbol MAEOA, other than to Directors of the Company (refer below), which expired on 10 December 2012 for no consideration. It should be noted that, if shareholders approve the share consolidation, the number of new listed options that may be issued if this resolution is approved will be 13,932,678 convertible at $0.15.

Issue of New Listed Options to an Entity Controlled by Stephen Watts

To issue to the trustee of the Watts Family Trust 4,260,909 new listed options, convertible at $0.015 anytime up to 15 months from the date the Company is re-listed on ASX, replacing listed options which expired on 10 December 2012 for no consideration. It should be noted that, if shareholders approve the share consolidation, the number of new listed options that may be issued if this resolution is approved will be 426,091 convertible at $0.15.

Issue of New Listed Options to Karel Louman or a Nominee

To issue to Karel Louman or a nominee 16,742,200 new listed options, convertible at $0.015 anytime up to 15 months from the date the Company is re-listed on ASX, replacing listed options which expired on 10 December 2012 for no consideration. It should be note that, if shareholders approve the share consolidation, the number of new listed options that may be issued if this resolution is approved will be 1,674,220 convertible at $0.15.

Issue of New Listed Options to Peter Collery or a Nominee

To issue to Peter Collery or a nominee 16,903,400 new listed options, convertible at $0.015 anytime up to 15 months from the date the Company is re-listed on ASX, replacing listed options which expired on 10 December 2012 for no consideration. It should be noted that, if shareholders approve the share consolidation, the number of new listed options that may be issued if this resolution is approved will be 1,690,340 convertible at $0.15.

Issue of New Listed Options to Jeffrey Clarke or a Nominee

To issue to Jeffrey Clarke or a nominee 17,554,400 new listed options, convertible at $0.015 anytime up to 15 months from the date the Company is re-listed on ASX, replacing listed options which expired on 10 December 2012 for no consideration. It should be noted that, if shareholders approve the share consolidation, the number of new listed options that may be issued if this resolution is approved will be 1,755,440 convertible at $0.15.

Issue of Options to Employees and Contractors

To issue to employees and contractors of the Company up to 93,000,000 unlisted options (in total) with an exercise price of $0.006 and an expiry date two years from the date of issue. It should be noted that, if shareholders approve the share consolidation, the number of options that may be issued if this resolution is approved will be 9,300,000 convertible at $0.06.

Ratification of Prior Issue of Shares in Settling La Jolla Cove Convertible Note

To ratify the previous issue of 73,072,217 fully paid ordinary shares that were issued to KM Custodians Pty Ltd as part of settling the US$395,010 La Jolla Cove Convertible Note. It should be noted that, if shareholders approve the share consolidation, the number of shares to which this resolution relates will be 7,307,222.

If all the resolutions relating to share capital are passed at the shareholder meeting, and taking into account the affect of all the above resolutions and the share consolidation, the Company would then have issued share capital of 175,674,298 ordinary shares and 100,160,182 options to ordinary shares.

Further details relating to the above resolutions to be voted on at a forthcoming meeting of shareholders will be contained in an explanatory memorandum which will be sent to shareholders along with the notice of that meeting and which will have been lodged with the ASX.

8. PRIOR PERIOD RESTATEMENT

Emergency funding agreements were entered into on 19 April 2012 and subsequently settled as part of the financial restructure completed in June 2013. On 10 May 2013 unlisted options were issued to the providers of the emergency funding in settlement of facility fees of $3,220,814. Due to the suspension of the Company on ASX an expiry date for these options could not be established but subsequent to the half year end this was completed and advised to ASX on 31 January 2014. The issue of these options is still subject to the approval of shareholders at a meeting of shareholders. At 30 June 2013 a current other payable of $3,220,814 was accrued as a liability and treated in the profit and loss account as finance fees expense.

As the options have actually been issued (although yet to be ratified by shareholders) the treatment at 30 June 2013 should have been to reflect $3,220,814 as an increase in equity under Option Reserve rather than being treated as a liability.

Restated financial information for the financial year ended 30 June 2013 is presented below as if the error had not been made.

	Consolidated Entity		Consolidated Entity
	Reported $	Adjustment $	Restated $
Balance Sheet as at 30 June 2013			
CURRENT LIABILITIES			
Trade and other payables	7,593,425	(3,220,814)	4,372,611
TOTAL CURRENT LIABILITIES	8,976,269	(3,220,814)	5,755,455
TOTAL LIABILITIES	46,214,878	(3,220,814)	42,994,064
NET ASSETS	131,597,049	3,220,814	134,817,863
EQUITY			
Reserves	(689,148)	3,220,814	2,531,666
TOTAL EQUITY	131,597,049	3,220,814	134,817,863
Statement of Changes in Equity as at 30 June 2013			
Option Reserve	14,400,481	3,220,814	17,621,295
Total Equity	131,597,049	3,220,814	134,817,863

It is noted that the above adjustment has no impact on the consolidated operating profit for the year ended 30 June 2013 nor the consolidated operating loss for the half year ended 31 December 2013.

Grant Thornton Audit Pty Ltd
ACN 130 913 594

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Review Report
To the Members of Marion Energy Limited

We have reviewed the accompanying half-year financial report of Marion Energy Limited ("Entity"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Marion Energy Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Marion Energy Limited consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Marion Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Marion Energy Limited is not in accordance with the Corporations Act 2001, including:

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Material uncertainty regarding going concern

Without qualification to the conclusion expressed above, we draw attention to Note 1(a) to the financial statements which indicates that the disclosing entity incurred a net loss of $6,213,428 during the half-year ended 31 December 2013 and, as of that date, the disclosing entity's current liabilities exceeded its current assets by $32,574,817. Note 1(a) also indicates that the disclosing entity is dependent upon financiers and creditors to maintain sufficient funds for its operations and commitments, and that the disclosing entity is currently in breach of the covenants attached to the principal finance facility. Note 1(a) further indicates that the disclosing entity may need to raise additional capital to fund this and future development of its oil and gas properties.

These conditions, along with other matters as set forth in Note 1(a), indicate the existence of a material uncertainty which may cast significant doubt about the disclosing entity's ability to continue as a going concern and therefore, the disclosing entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Adrian Nathanielsz
Partner - Audit & Assurance

Melbourne, 7 April 2014