MARENICA ENERGY LIMITED

ABN 71 001 666 600

ANNUAL FINANCIAL REPORT

30 JUNE 2015

Contents

DIRECTORS
D Buerger (Independent Non-executive Chairman)
D Sanders (Independent Non-executive director)
G Becker (Independent Non-executive director)
N Chen (Non-executive director)
L Qing (Non-executive director)

CHIEF EXECUTIVE OFFICER
M Hill

COMPANY SECRETARY
S Hunter

REGISTERED OFFICE
C/- Bennett + Co
Ground Floor, BGC Centre
28 The Esplanade
Perth WA 6000

BUSINESS OFFICE
AMRC Building, 7 Conlon Street
Waterford WA 6152
Tel: +61 8 6555 1816

WEB SITE
www.marenicaenergy.com.au

AUDITOR
Rothsay Chartered Accountants
Level 1, Lincoln House
4 Ventnor Avenue
West Perth WA 6005
Tel: +61 8 9486 7094

STOCK EXCHANGES
Australian Securities Exchange Limited – MEY
Namibia Stock Exchange – MEY
German Exchanges - Frankfurt, Stuttgart, Munich, Düsseldorf, Berlin and Tradegate

HOME EXCHANGE
Perth

SHARE REGISTRY
Advanced Share Registry Services
110 Stirling Highway
Nedlands WA 6009
Tel: +61 8 9389 8033
Fax: +61 8 9262 3723

ASX CODE
MEY

Your Directors present their report on the group consisting of Marenica Energy Limited and the entities it controlled at the end of, or during, the year ended 30 June 2015 ("Group").

DIRECTORS

The following persons were Directors of Marenica Energy Limited during or since the end of the financial year and up to the date of this report. Directors were in office for the entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Douglas Buerger – B.Sc., M.Phil. (London), FAusIMM, MAICD

Independent Non-executive Chairman

Appointed 23 September 2010.

Re-appointed for further 3 years on 21 November 2013.

Mr. Buerger has over 40 years' experience in the minerals resources industry. He has extensive industry experience in project management, general management and executive management roles. He was the Managing Director and CEO of Bendigo Mining Limited from 1994 until his retirement in 2007. He holds a BSc and an M.Phil. degree. He is a Fellow of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Company Directors.

During the last three years, Mr. Buerger has been a director of the following listed company:

- Moly Mines Limited – appointed 17 January 2014, retired 1 July 2014

Gavin Becker – ARSM, B.Sc.Eng (London), MBA (Bond), FAusIMM, CP (Met), GAICD

Independent Non-executive Director

Chair of the Remuneration and Nomination Committee and Member of the Audit and Risk Management Committee

Appointed 19 August 2010.

Re-appointed for a further 3 years on 21 November 2013.

Mr. Becker is a metallurgist and resources industry consultant with over 40 years of professional experience. During his career he has worked in senior operational, R&D, feasibility study and consulting roles on mines and/or projects in lead/zinc, gold/silver, uranium, copper, nickel/cobalt and scandium. He holds a Bachelor of Science (Engineering) degree from the University of London (1974) and completed his MBA at Bond University (1998). Mr. Becker is a Chartered Professional (Metallurgy), Fellow of the Australasian Institute of Mining and Metallurgy, an Associate of the Royal School of Mines (UK), a Member of the Australian Institute of Company Directors, and a Member of the CEO Institute.

Directorships in the past 3 years: None

David Sanders – BComm, BJuris, LLB (Hons) (all UWA) and Graduate Diploma of Applied Finance

Independent Non-executive Director

Chair of the Audit and Risk Management Committee and Member of the Remuneration and Nomination Committee

Appointed 4 August 2008.

Re-appointed for a further 3 years on 3 November 2014

Mr. Sanders is a lawyer with over 15 years of experience in corporate and resources law. He advises numerous ASX listed companies, including companies in the resources sector, on capital raising, mergers and acquisitions, Corporations Act and ASX Listing Rules compliance and corporate governance. He holds Bachelor of Law and Bachelor of Commerce degrees from the University of Western Australia and a Graduate Diploma of Applied Finance and Investments from the Securities Institute of Australia.

During the last three years, Mr. Sanders has been a director of the following listed companies:

- Eclipse Metals Limited – appointed 18 March 2013, retired 29 November 2013
- Quickflix Limited* – appointed 30 November 2012
- Tungsten Mining NL - appointed 2 April 2014, retired 31 March 2015
- Malapa Energy Limited – appointed 19 December 2014, retired 27 August 2015

* Denotes current directorship

Nelson Chen – Master of Applied Finance, CA

Non-executive Director

Member of the Audit and Risk Management Committee and the Remuneration and Nomination Committee

Appointed 29 November 2011.

Re-appointed for further 3 years on 30 November 2012.

Mr. Chen is a Director of Hanlong Mining Investment Pty Ltd and a Chartered Accountant in Australia. He holds postgraduate degrees in finance and accounting. Prior to joining Hanlong, Mr. Chen spent over 11 years with PricewaterhouseCoopers, Sydney office in their audit and M&A advisory practice. Mr. Chen has served on the board of Australia China Business Council, NSW for over six years.

During the last three years, Mr. Chen has been a director of the following listed companies:

- Moly Mines Limited* – appointed 23 April 2010
- General Moly Inc. (USA)* – appointed 14 September 2011

* Denotes current directorship

Lou Guo Qing – BA

Non-executive Director

Appointed for 3 years on 3 November 2014.

Mr. Lou is the Managing Director of Hanlong Group. He was formerly the president of China Construction Bank, Panzhihua Municipality branch in Sichuan province and has over 26 years of experience in credit management and financial investment. Mr Lou holds a Bachelor of Economics degree from Wuhan University and a Postgraduate Diploma in business administration from Sichuan University.

During the last three years, Mr. Lou has been a director of the following listed companies:

- Moly Mines Limited* – appointed 22 August 2014

* Denotes current directorship

Robert Pearce – CA

Resigned 3 November 2014.

Mr. Pearce has been an Australian Chartered Accountant for over 49 years and has over 30 years of experience in the resource sector. Over that time, he has been a director (in some cases chairman) and held senior executive positions in several resource and industrial companies listed on the Australian, Canadian, UK and US stock exchanges.

Directorships in the last three years: None

Directors' interests

The interests of Directors in securities of the Company are:

Director	Fully Paid Ordinary Shares		Options
	At 30 June 2015	At 11 September 2015	
D Buerger	117,334	117,334	136,980
G Becker	133,750	133,750	136,980
N Chen	19,720	19,720	108,421
G Lou	-	-	13,350
D Sanders	112,917	112,917	136,980

The Directors and Management have a strong belief in the effectiveness of the Company’s new strategy in providing value for Marenica shareholders. This was demonstrated by the Australian Directors taking up their full entitlement in the Share Purchase Plan undertaken during the financial year. The support from the Directors of Marenica also extends to their fees which have been only partially paid since mid-2013.

CHIEF EXECUTIVE OFFICER

Murray Hill – B.Sc. (Metallurgy), FAusIMM

Mr. Hill has 30 years’ experience in the mining industry. He is a very well respected metallurgist with extensive experience in the design, operation and commissioning of gold, uranium and base metal process plants. To complement this he has also managed a metallurgical testwork laboratory, has been a senior process engineer in a Perth based engineering group and is well experienced in uranium metallurgy. For the 10 years prior to joining the Company, Mr. Hill operated his own business providing metallurgical consulting services to the mining industry world-wide. Mr. Hill is a Fellow of the Australasian Institute of Mining and Metallurgy.

COMPANY SECRETARY

Susan Hunter – BCom, ACA, F Fin, GAICD, AGIA

Ms. Hunter has 20 years' experience in the corporate finance industry and is founder and Managing Director of consulting firm Hunter Corporate Pty Ltd which specialises in the provision of corporate governance and company secretarial advice to ASX listed companies. Ms. Hunter holds a Bachelor of Commerce degree from the University of Western Australia majoring in accounting and finance, is a Member of the Australian Institute of Chartered Accountants, a Fellow of the Financial Services Institute of Australasia, a Member of the Governance Institute of Australia and is a Member of the Australian Institute of Company Directors.

TECHNICAL STEERING COMMITTEE

In early 2012, Marenica formed a Technical Steering Committee (‘TSC’) of world class independent industry experts and Marenica personnel, who have led development of the ***U-pgrade***^{TM} process.

Marenica personnel

Gavin Becker – ARSM, B.Sc.Eng (London), MBA (Bond), FAusIMM, CP (Met)

Marenica non-executive Director and TSC Chairman – Gavin is a metallurgist with extensive experience in operations, project development and R&D – he is a former Mintek and Yeelirrie Uranium Project employee

Douglas Buerger – B.Sc., M.Phil. (London), FAusIMM

Marenica non-executive Director – Doug is a Namibian born geologist with extensive experience in exploration and project development

Murray Hill – B.Sc. (Metallurgy), FAusIMM

Marenica CEO – Murray is the champion of the ***U-pgrade***^{TM} process technology and has extensive experience in operations, design and project development with recent experience on a number of uranium projects around the world, including Namibia

Independent Consultants

Gary Johnson – MAusIMM, TMS, AICD

Strategic Metallurgy – Gary developed and commercialised Activox® nickel leach technology and he is a former employee of Rossing Uranium Mine, Namibia

John Farrow – B.Sc. (Hons), PhD, FAusIMM

John has extensive industry experience and is a world leader in fines processing. John is a former CSIRO employee.

Grenvil Dunn – B.Sc.ChemEng (Cape Town), PrEng (RSA), C Eng (UK), FIChemE (UK)

Hydromet – Grenvil has extensive worldwide uranium experience and is a consultant to the United Nations and International Atomic Energy Agency

Peter Austin – B.Sc. (Hons)

CSIRO – Peter has extensive industry experience and is an expert in the field of mineralogy

DIVIDENDS

No dividends have been provided for or paid by the Group in respect of the year ended 30 June 2015 (30 June 2014: Nil).

PRINCIPAL ACTIVITIES

The principal activity of the Group during the course of the financial year was the evaluation of the beneficiation potential of the Marenica Project ore and the application of Marenica's proprietary ***U-pgrade™*** process to other surficial ore sources. There was no exploration or evaluation of the mineral tenements in Namibia for the year. There were no other significant changes in the nature of the Group's principal activities during the year.

OPERATING RESULTS FOR THE YEAR

The total loss of the Group attributable to the owners of Marenica Energy Limited for the financial year was $1,228,964 (2014: $1,439,739).

FINANCIAL POSITION AND SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The net assets of the Group decreased by $241,982 as a result of expenditure on the beneficiation program and maintaining the mineral tenements in Namibia.

Cash on hand at 30 June 2015 totalled $335,208 (2014: $111,284).

During June through August 2014, a total of $545,500 was raised from a Share Purchase Plan and subsequent placement under ASX Listing Rules 7.1 and 7.1A. ($41,250 of which was included in the 2013/14 year cash on hand).

A further amount of $367,591 was received on 11 August 2014 for the Research and Development tax refund for the 2013/14 year.

During May 2015 $356,000 was raised from a share placement of 1,500,000 shares to Hong Kong based Mingsun Technology Co. Ltd.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 14 September 2015, the Company held an EGM and resolved to grant 13,350 options to both Mr Nelson Chen and Mr Lou Guo Qing with an obligation for the Company to fund the exercise price of the options in the future should the recipients choose to exercise them. These options were granted in payment of a success fee for the introduction of Hong Kong based Chinese company, Mingsun Technology Co Limited, who subscribed for 1,500,000 shares at an issue price of $0.2373 per share to raise approximately $356,000 in May 2015. These options vested immediately and have an exercise price $0.40 each with an expiry date of 17 September 2019.

Other than the matter mentioned above, there have been no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect:

(i) the Group's operations in future years; or

(ii) the results of those operations in future years; or

(iii) the Group's state of affairs in future years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company intends to continue the ***U-pgrade™*** program, including pilot plant testwork, and maintain the mineral tenements of the Marenica Uranium project in Namibia.

VALUE OF EPL3287 AND *U-pgrade™* TECHNOLOGY

Consistent with past years, all costs on EPL3287 has been expensed. The current estimate of the mining and processing costs of the Marenica ore (approx. US$39/lb U_3O_8) using our patented ***U-pgrade™*** process technology are relatively close to the current market spot price of uranium.

As regards the value of the ***U-pgrade™*** process technology, the Directors have decided that whilst the bench scale testing to date has been overwhelmingly positive, until the pilot plant and other resource testing (apart from Marenica) phases have been completed, it is inappropriate to capitalise any expenditure to date or ascribe an arbitrary value to ***U-pgrade™***.

ENVIRONMENTAL REGULATIONS

The Company's environmental obligations are regulated by the Laws of Namibia. The Company has complied with its environmental performance obligations. No environmental breaches have been notified by any Government agency to the date of this Directors' Report.

SHARE OPTIONS

At the date of this report, the unissued ordinary shares of the Company under option are as follows:

Expiry Date	Exercise Price	Number under Option
26 November 2018	$0.355	721,059
17 September 2019	$0.400	26,700

The Options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

During or since the end of the financial year the Company has not issued any shares as a result of the exercise of options.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company resolved that it would indemnify its current Directors and officers. Coverage in respect of this indemnity has been provided via a Directors and Officers insurance policy negotiated at commercial terms. The premium paid during the year was $8,471 (2014: $10,217).

Excluding the matter noted above the Company has not, during or since the financial year-end, in respect of any person who is, or has been an officer or auditor of the Company or a related body corporate:

- Indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or

- Paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

DIRECTORS' MEETINGS

The number of meetings attended by each Director during the year is as follows:

	Directors		Audit & Risk Management Committee		Remuneration & Nomination Committee	
Director	**Number of meetings held while in office**	**Number of meetings attended**	**Number of meetings held while in office**	**Number of meetings attended**	**Number of meetings held while in office**	**Number of meetings attended**
R Pearce[1]	3	3	-	-	-	-
G Becker	10	9	1	1	1	1
D Sanders	10	10	1	1	1	1
D Buerger	10	10	-	-	-	-
N Chen	10	10	1	1	1	1
G. Lou[2]	7	5	-	-	-	-

1 Resigned on 3 November 2014

2 Appointed on 3 November 2014

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The auditor's independence declaration for the year ended 30 June 2015 has been received and can be found on the next page.

NON-AUDIT SERVICES

No non-audit services have been provided by the Company's auditor.

ROTHSAY

Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

The Directors
Marenica Energy Ltd
AMRC Building
7 Conlon St
Waterford WA 6152

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2015 financial statements; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Rolf Garda (Lead auditor)

Rothsay Chartered Accountants

Dated 21st September 2015

Chartered Accountants

This remuneration report for the year ended 30 June 2015 outlines remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the parent company, and including the executives in the Parent and the Group receiving the highest remuneration.

For the purposes of this report, the term “executive” includes the Chief Executive Officer (CEO), executive Directors, senior management and company secretaries of the Parent and the term “Director” refers to non-executive Directors only.

A. Individual key management personnel disclosures

Details of KMP including the top five remunerated executives of the Parent and Group are set out below:

Key management personnel

(i) Directors

R Pearce	Non-executive chairman (resigned 3 November 2014)
D Sanders	Non-executive director
G Becker	Non-executive director
D Buerger	Non-executive chairman (appointed chairman 3 November 2014)
N Chen	Non-executive director
G.Lou	Non-executive director (appointed 3 November 2014)

(ii) Executives

M Hill	Chief Executive Officer
S Hunter	Company Secretary

B. Principles used to determine the nature and amount of remuneration

The objective of the Company's reward framework is to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors and executives of the highest calibre whilst maintaining a cost which is acceptable to shareholders

Non-executive Directors

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed by the Board. The Chairman's fees are determined independently to the fees of non-executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his remuneration.

Directors’ fees

Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $300,000 in aggregate. This amount is separate from any specific tasks the Directors may take on for the Company in the normal course of business, which are charged at normal commercial rates.

Fees for Directors are not linked to the performance of the Group however, to align all Directors’ interests with shareholders’ interests; Directors are encouraged to hold shares in the Company and may receive options. This effectively links Directors’ performance to the share price performance and therefore to the interests of shareholders. There have been no performance conditions imposed prior to the grant of options which act as an incentive to increase the value for all shareholders.

The Directors have strongly supported the company, with the Australian Directors taking up their full entitlement in the Share Purchase Plan during the financial year and the Directors have been only partially paid since mid-2013.

Executive remuneration

The Company aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Reward executives for Company performance;
- Align the interest of executives with those of shareholders; and
- Ensure total remuneration is competitive by market standards.

Fixed remuneration is reviewed annually or upon renewal of fixed term contracts by the Board and the process consists of a review of Company and individual performance, relevant comparative remuneration in the market and internal policies and practices. Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

The objective of variable remuneration provided is to reward executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. Variable remuneration may be delivered in the form of share options granted with or without vesting conditions and/or employee performance shares granted subject to the successful completion, within an appropriate timeframe, of various key tasks.

C. Executive contractual arrangements

M Hill – *Chief Executive Officer*

A formal written service agreement is in place. Details of Mr Hill's employment agreement are:

- Base salary, exclusive of superannuation, effective 1 May 2012 is $260,000 per annum, reviewable on an annual basis.
- Payment of a termination benefit on early termination by the Company, other than for grave misconduct or long term incapacity, equal to six (6) months' salary.

S Hunter – Company Secretary

Ms Hunter's remuneration is based on a fixed monthly retainer with a 2 month notice period for either party.

D. Remuneration of Key Management Personnel ("KMP")

30-Jun-2015	Fees & Consulting Paid	Super-annuation Paid	Fees & Consulting Accrued	Super-annuation Accrued	Share-based Payments	Total	% of Equity Based Payments
Directors							
R Pearce – resigned 3/11/14	-	-	20,000	-	-	20,000	-
D Sanders	-	-	41,096	3,904	-	45,000	-
G Becker	19,875	-	45,000	-	-	64,875	-
D Buerger	1,500	-	55,000	-	-	56,500	-
N Chen	-	-	41,096	3,904	-	45,000	-
G Lou	-	-	27,078	2,572	-	29,650	-
Total Directors	21,375	-	229,270	10,380	-	261,025	-

30-Jun-2015	Fees & Consulting Paid	Super-annuation Paid	Fees & Consulting Accrued	Super-annuation Accrued	Share-based Payments	Total	% of Equity Based Payments
Other KMP							
M Hill (Salary)	260,000	24,700	-	-	18,432	303,132	6.08
S Hunter	52,264	-	-	-	-	52,264	-
Total executive KMP	312,264	24,700	-	-	18,432	355,396	5,19
Totals	333,639	24,700	229,270	10,380	18,432	616,421	2.99

No non-monetary benefits, share based payments or performance related payments were paid during the 2014 year.

30-Jun-2014	Fees & Consulting Paid	Super-annuation Paid	Fees & Consulting Accrued	Super-annuation Accrued	Share-based Payments	Total	% of Equity Based Payments
Directors							
R Pearce	20,000	-	40,000	-	-	60,000	-
D Sanders	13,730	1,270	27,460	2,540	-	45,000	-
G Becker	34,950	-	30,000	-	-	64,950	-
D Buerger	28,500	-	30,000	-	-	58,500	-
N Chen	24,027	2,223	17,163	1,587	-	45,000	-
B Yang - resigned 2/5/14	24,028	2,222	10,297	953	-	37,500	-
Total Directors	145,235	5,715	154,920	5,080	-	310,950	-
Other KMP							
M Hill (Salary)	260,000	24,050	-	-	-	284,050	-
S Hunter – commenced 1/8/13	39,063	-	-	-	-	39,063	-
M van Uffelen - resigned 31/7/13	6,750	-	-	-	-	6,750	-
Total executive KMP	305,813	24,050	-	-	-	329,863	-
Totals	451,048	29,765	154,920	5,080	-	640,813	-

E. Value of options issued, exercised and expired during the year

Details of vesting profile of options vested or expired during the year and those options unexercised at balance date granted as remuneration to current key management personnel of the Company are detailed below:

Year ended 30 June 2015

During the 2015 financial year, the following options expired:

Expiry Date	Exercise Price	Number under Option
30 April 2015[1]	$2.70	180,000

1 These options were consolidated on a 1:100 basis on 3 November 2014.

The following options were issued during the year:

Expiry Date	Exercise Price	Number under Option
26 November 2018	$0.355	721,059

These options were fair valued at $0.1969 using the Black Schoelles option pricing model.

Year ended 30 June 2014

During the 2014 financial year, the following options expired, there were no options issued.

Expiry Date	Exercise Price	Number under Option
15 December 2013	$0.21	12,500,000
31 October 2013	$0.13	6,500,000

F. Shareholdings for Key Management Personnel

30 June 2015	Balance at 1 July 2014	Purchased/ (Sold) during the year	Consolidation	Granted as remuneration	Balance at 30 June 2015
Directors					
R Pearce[1]	10,564,584	9,375,000	(19,740,188)	-	199,396
D Sanders	1,916,667	9,375,000	(11,178,750)	-	112,917
G Becker	4,000,000	9,375,000	(13,241,250)	-	133,750
D Buerger	2,358,334	9,375,000	(11,616,000)	-	117,334
N Chen	1,972,000	-	(1,952,280)	-	19,720
L Guo Qing[2]	-	-	-	-	-
Chief Executive Officer:					
M Hill[3]	18,000,000	26,975,000	(44,525,250)	106,313[4]	556,063
	38,811,585	64,475,000	102,253,718	106,313	1,139,180

1 Resigned 3 November 2014. These holdings are at the date of resignation.

2 Appointed 3 November 2014

3 Mr M Hill's holdings are held in the names of Mrs C A Hill and Carmu Super Fund.

4 These shares were issued in lieu of salary and superannuation for December 2014 – January 2014.

30 June 2014	Balance at 1 July 2013	Granted as remunera-tion	Purchased/ (Sold) during the year	Other	Balance at 30 June 2014
Directors					
R Pearce	5,618,750	-	4,985,834	-	10,564,584
D Sanders	1,150,000	-	766,667	-	1,916,667
G Becker	1,675,000	-	2,325,000	-	4,000,000
D Buerger	1,415,000	-	943,334	-	2,358,334
N Chen	1,000,000	-	972,000	-	1,972,000
B Yang[1]	-	-	-	-	-
Chief Executive Officer:					
M Hill[2]	1,015,000	-	16,985,000	-	18,000,000
	38,811,585	-	26,937,835	-	38,811,585

1 Resigned 2 May 2014.

2 Mr M Hill's holdings are held in the names of Mrs C A Hill and Carmu Super Fund.

G. Option holdings for Key Management Personnel

30 June 2015	Balance at 1 July 2014	Expired	Issued	Balance at 30 June 2015	Vested at 30 June 2015		
					Total	Exercisable	Not exercisable
Directors							
R Pearce[1]	-	-	-	-	-	-	-
D Sanders	-	-	136,980	136,980	136,980	136,980	-
G Becker	-	-	136,980	136,980	136,980	136,980	-
D Buerger	-	-	136,980	136,980	136,980	136,980	-
N Chen	-	-	95,071	95,071	95,071	95,071	-
L Guo Qing[2]	-	-	-	-	-	-	-
Other KMP							
M Hill	18,000,000	(18,000,000)	-	-	-	-	-
	18,000,000	(18,000,000)	506,011	506,011	506,011	506,011	-

1 Resigned 3 November 2014. These holdings are at the date of resignation.

2 Appointed 3 November 2014

30 June 2014	Balance at 1 July 2013	Expired	Issued	Balance at 30 June 2014	Vested at 30 June 2014		
					Total	Exercisable	Not exercisable
Directors							
R Pearce	2,000,000	(2,000,000)	-	-	-	-	-
D Sanders	1,500,000	(1,500,000)	-	-	-	-	-
G Becker	1,500,000	(1,500,000)	-	-	-	-	-
D Buerger	1,500,000	(1,500,000)	-	-	-	-	-
N Chen	-	-	-	-	-	-	-
B Yang[1]	-	-	-	-	-	-	-
Other KMP							
M Hill	18,000,000	-	-	18,000,000	18,000,000	18,000,000	-
	18,000,000	-	-	18,000,000	18,000,000	18,000,000	-

1 Resigned 2 May 2014.

In the event of exercise of the Directors options the Company will fund the exercise price.

H. Performance Rights for Key Management Personnel

30 June 2015	Balance at 1 July 2014	Issued	Consolidation	Balance at 30 June 2015	Vested at 30 June 2015 Total	Exercisable	Not exercisable
Directors							
R Pearce[1]	-	-	-	-	-	-	-
D Sanders	-	-	-	-	-	-	-
G Becker	-	-	-	-	-	-	-
D Buerger	-	-	-	-	-	-	-
N Chen	-	-	-	-	-	-	-
L Guo Qing[2]	-	-	-	-	-	-	-
Other KMP							
M Hill	-	67,500,000	(66,825,000)	675,000	675,000	-	675,000
	-	67,500,000	(66,825,000)	675,000	675,000	-	675,000

The Company has issued Mr Hill 675,000 performance rights (post consolidation) with the following hurdles:

- 270,000 (post consolidation) – successful raising of capital for pilot plant construction and operation
- 202,500 (post consolidation) – successful completion of the initial pilot plant programme proving ***U-pgrade***^{TM} works on samples tested
- 202,500 (post consolidation) – first commercialisation deal on ***U-pgrade***^{TM}

Any unvested performance rights will automatically vest on the occurrence of any of the following events:

- the sale by UB of the Intellectual Property comprising the ***U-pgrade***^{TM} process.
- the sale by Marenica of all of its shares in UB.
- A change of control in Marenica by virtue of any person or entity obtaining a relevant interest within the meaning of the Corporations Act in more than 50% of the voting shares in Marenica

In the event of Mr Hill ceasing to be an employee of Marenica or a subsidiary of Marenica, any unvested performance rights will lapse unless the Board of Marenica otherwise determines, at its discretion, that all or any of the unvested performance rights shall vest.

Signed in accordance with a resolution of the Directors.

Douglas Buerger
Chairman

21 September 2015

This Mineral Resource estimate has been compiled by Ian Glacken in accordance with the guidelines of the JORC Code (2004). Ian Glacken is a full-time employee of Optiro Pty Ltd and has sufficient experience relevant to the style of mineralisation and type of deposit represented by the Marenica orebodies and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Ian Glacken consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

	Note	2015 $	2014 $
Continuing operations			
Revenue			
Interest received	4	8,583	19,746
Government grant received	4	367,591	599,931
Profit on sale of investments	4	166,756	--
Profit on sale of assets	4	2,087	76,614
		545,017	696,291
Expenses			
Exploration and evaluation expenditure		(47,415)	(783,838)
Employee benefit expense		(488,682)	(317,228)
Foreign exchange loss/(gain)	5	1,355	(8,600)
Administration expenses		(608,724)	(652,216)
Investment impairment	9	(70,943)	-
Depreciation expense	5	(8,649)	(26,230)
Capital raising costs		(250,563)	(133,164)
Loss on extension of convertible note		(67,758)	-
Finance expense	5	(232,602)	(214,754)
Total expenses		(1,773,981)	(2,136,030)
Loss before income tax expense		(1,228,964)	(1,439,739)
Income tax (expense)/benefit	6	-	-
Net loss for the year		(1,228,964)	(1,439,739)
Other comprehensive income		-	-
Total comprehensive loss for the year		(1,228,964)	(1,439,739)
Loss for the year is attributable to:			
Owners of Marenica Energy Limited		(1,228,964)	(1,439,739)
Non-controlling interests		-	-
		(1,228,964)	(1,439,739)
Total comprehensive loss for the year is attributable to:			
Owners of Marenica Energy Limited		(1,228,964)	(1,439,739)
Non-controlling interests		-	-
		(1,228,964)	(1,439,739)
Earnings per share			
Basic loss per share (cents per share)	22	(8.93)	(14.18)

Diluted losses per share are not disclosed as they are not materially different to basic losses per share.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the Financial Statements.

	Note	2015 $	2014 $
ASSETS			
Current Assets			
Cash and cash equivalents	20	335,208	111,284
Trade and other receivables	7	47,864	9,626
Total Current Assets		383,072	120,910
Non-Current Assets			
Plant & equipment	8	29,371	32,859
Available-for-sale financial assets	9	52,795	10,000
Total Non-Current Assets		82,166	42,859
TOTAL ASSETS		465,238	163,769
LIABILITIES			
Current Liabilities			
Trade and other payables	10	520,057	391,606
Borrowings	11	8,958	3,874
Employee benefits	12	26,551	5,723
Total Current Liabilities		555,566	401,203
Non-Current Liabilities			
Borrowings	11	1,720,373	1,642,695
TOTAL LIABILITIES		2,275,939	2,043,898
NET LIABILITIES		(1,810,701)	(1,880,129)
EQUITY			
Contributed equity	13	43,337,888	42,422,609
Reserves	14	383,113	238,912
Accumulated losses	15	(45,531,702)	(44,541,650)
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO THE OWNERS OF MARENICA ENERGY LIMITED		(1,810,701)	(1,880,129)
Non-controlling interests		-	-
TOTAL EQUITY		(1,810,701)	(1,880,129)

The Consolidated Statement of Financial Position should be read in conjunction with the notes to the Financial Statements.

30 June 2015	Notes	Issued Capital	Accumulated Losses	Reserves	Total	Non-controlling Interests	Total Equity
Balance at beginning of year		42,422,609	(44,541,650)	238,912	(1,880,129)	-	(1,880,129)
Loss for the year	15	-	(1,228,964)	-	(1,228,964)	-	(1,228,964)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive loss for the year		-	(1,228,964)	-	(1,228,964)	-	(1,228,964)
Transactions with owners in their capacity as owners:							
Issue of shares		970,345	-	-	970,345	-	970,345
Share issue costs		(55,066)	-	-	(55,066)	-	(55,066)
Transfer on exercise or expiry of options	14, 15	-	70,083	(70,083)	-	-	-
Convertible note adjustment	14, 15	-	168,829	53,854	222,683	-	222,683
Options issued during year	14			141,998	141,998		141,998
Performance Rights vesting	14			18,432	18,432		18,432
Balance at end of year		**43,337,888**	**(45,531,702)**	**383,113**	**(1,810,701)**	**-**	**(1,810,701)**

30 June 2014	Notes	Issued Capital	Accumulated Losses	Reserves	Total	Non-controlling Interests	Total Equity
Balance at beginning of year		41,356,405	(44,503,624)	1,509,072	(1,638,147)	-	(1,638,147)
Loss for the year		-	(1,439,739)	-	(1,439,739)	-	(1,439,739)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive loss for the year	15	-	(1,439,739)	-	(1,439,739)	-	(1,439,739)
Transactions with owners in their capacity as owners:							
Issue of shares		1,111,321	-	-	1,111,321	-	1,111,321
Share issue costs		(45,117)	-	-	(45,117)	-	(45,117)
Transfer on exercise or expiry of options	14, 15	-	1,151,538	(1,151,538)	-	-	-
Convertible note adjustment	14, 15	-	250,175	(118,622)	131,553		131,533
Balance at end of year		**42,422,609**	**(44,541,650)**	**238,912**	**(1,880,129)**	**-**	**(1,880,129)**

The Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the Financial Statements.

	Note	2015 $	2014 $
Cash flows from operating activities			
Payments to suppliers and employees		(1,051,975)	(1,568,280)
Research and development refund received		367,591	599,931
Interest received		8,583	19,746
Interest paid		-	(151,654)
Net cash outflow from operating activities	21	(675,801)	(1,100,257)
Cash flows from investing activities			
Sale of listed investments		53,018	-
Sale of plant and equipment		1,900	80,519
Purchase of plant and equipment		(5,159)	(2,040)
Cash generated / (used) in investing activities		49,759	78,479
Cash flows from financing activities			
Proceeds from issue of equity		868,710	1,111,321
Costs of raising equity		(20,866)	(45,117)
Part repayment of convertible note		-	(349,330)
Cash generated / (used) in financing activities		847,844	716,874
Net increase/(decrease) in cash and cash equivalents		221,802	(304,904)
Cash and cash equivalents at the beginning of the financial year		111,284	416,188
Effects of foreign exchange changes on cash and cash equivalents		2,122	-
Cash at the end of the financial year	20	335,208	111,284

The Consolidated Statement of Cash flows should be read in conjunction with the notes to the Financial Statements.

1. CORPORATE INFORMATION

The financial statements of Marenica Energy Limited (the "Company") for the year ended 30 June 2015 were authorised for issue in accordance with a resolution of the Directors on 21 September 2015.

Marenica Energy Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange, the Namibia Stock Exchange and various German exchanges.

The nature of operations and principal activities of the Group, comprising Marenica Energy Limited and its subsidiaries, ("Group") are described in the Directors' Report.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Critical Accounting Estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Functional and Presentation Currency
These consolidated financial statements are presented in Australian dollars, which are the Company's functional currency and the functional currency of the majority of the Group's current financial transactions.

(b) Going Concern

The Group incurred losses of $1,228,964 (2014: $1,439,739) and net operating cash outflows of $675,801 (2013: $1,100,257). These were offset by net cash inflows from financing activities of $847,844 (2014: $716,874).

The Group's ability to continue as a going concern and meet its debts and future commitments as and when they fall due is dependent on a number of factors, including:

- the ability as occurred in the past to raise sufficient working capital to ensure the continued implementation of the Company's business plan;
- the commercial viability of the Company's uranium project in Namibia.
- the commercial viability of the Company's ***U-pgrade***^{TM} process.
- the ability of the Company to realise their available equity in Pacific American Coal.
- the continued support from the convertible note holder and major shareholder, Hanlong Energy Limited.

Although the Directors believe they will be successful in these measures, if they are not, there is a material uncertainty that the Group may be unable to continue as a going concern and therefore may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the Financial Report.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Marenica Energy Limited ("Company" or "parent entity") as at 30 June 2015 and the results of all subsidiaries for the year then ended. Marenica Energy Limited and its subsidiaries together are referred to in these financial statements as the Group.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. The effects of all intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated in full.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent entity.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill (if any), liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(d) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(e) Exploration expenses

Exploration and evaluation costs represent intangible assets. Exploration, evaluation and development costs are expensed as incurred. Acquisition costs related to an area of interest are capitalised and carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the areas of interest are continuing.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed.

(f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Other receivables are recognised at amortised cost, less any provision for impairment

(h) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight line basis so as to write off the net cost of each asset during their expected useful life of 3 to 5 years.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

(i) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

(j) Provisions and employee benefits

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee leave benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

(k) Share based payments

The Company provides benefits to Directors, employees, consultants and other advisors of the Company in the form of share-based payments, whereby the directors, employees, consultants and other advisors render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the market price of the shares of the Company, if applicable.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant recipient becomes fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

(i) the extent to which the vesting period has expired and
(ii) the Company's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the recipient, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

(l) Earnings per share

Basic earnings per share is determined by dividing the profit (loss) after income tax attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

(m) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement. For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(n) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

(o) Trade and Other Payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

(q) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(s) Foreign currency translation

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(t) Segment reporting

The Group uses a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

(u) Income tax

The income tax expense or revenue for the year is the tax payable on the current year’s taxable income based on the notional income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

A deferred tax asset for unused tax losses is recognised only if it is probable that future taxable amounts will be available to utilise losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the assets and settle the liability simultaneously.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

(w) New accounting standards and interpretations

(i) New and amended standards adopted by the Company

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

The Group has applied AASB 2012-3 from 1 July 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied AASB 2013-3 from 1 July 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed.

AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)

The Group has applied Parts A to C of AASB 2014-1 from 1 July 2014. These amendments affect the following standards: AASB 2 'Share-based Payment': clarifies the definition of 'vesting condition' by separately defining a 'performance condition' and a 'service condition' and amends the definition of 'market condition'; AASB 3 'Business Combinations': clarifies that contingent consideration in a business combination is subsequently measured at fair value with changes in fair value recognised in profit or loss irrespective of whether the contingent consideration is within the scope of AASB 9; AASB 8 'Operating Segments': amended to require disclosures of judgements made in applying the aggregation criteria and clarifies that a reconciliation of the total reportable segment assets to the entity's assets is required only if segment assets are reported regularly to the chief operating decision maker; AASB 13 'Fair Value Measurement': clarifies that the portfolio exemption applies to the valuation of contracts within the scope of AASB 9 and AASB 139; AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets': clarifies that on revaluation, restatement of accumulated depreciation will not necessarily be in the same proportion to the change in the gross carrying value of the asset; AASB 124 'Related Party Disclosures': extends the definition of 'related party' to include a management entity that provides KMP services to the entity or its parent and requires disclosure of the fees paid to the management entity; AASB 140 'Investment Property': clarifies that the acquisition of an investment property may constitute a business combination

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Early adoption of standards

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(iii) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below. New standards and interpretations not mentioned are considered unlikely to impact on the financial reporting of the Company.

AASB 9: Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from reporting periods beginning on or after 1 January 2018)

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Company has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.
- New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity.
- New impairment requirements will use an expected credit loss (ECL) model to recognise an allowance.
- Impairment will be measured under a 12 month ECL method unless the credit risk on a financial instrument has increased significantly since the initial recognition in which case the lifetime ECL method is adopted.
- The standard introduces additional new disclosures.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 15: Revenue from Contracts with Customers

This Standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied.
- Credit risk will be presented separately as an expense rather than adjusted to revenue.
- For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.
- Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment.
- Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Significant accounting judgements

Determination of mineral resources

The determination of mineral resources impacts the accounting for asset carrying values. The Group estimates its mineral resources in accordance with the *Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004* (the 'JORC' Code). The information on mineral resources was prepared by or under the supervision of Competent Persons as defined in the JORC Code. The amounts presented are based on the mineral resources determined under the JORC Code.

There are numerous uncertainties inherent in estimating mineral resources and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may ultimately result in reserves being restated.

Significant accounting estimates and assumptions

Share based payment transactions

The Group measures the cost of equity-settled share based payment transactions with employees by reference to the fair value of the equity instruments at the grant date. The fair value is determined by using a recognised option valuation model, with the assumptions detailed in note 24. The accounting estimates and assumptions relating to equity-settled share based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

	2015	2014
	$	$
4. REVENUE FROM CONTINUING OPERATIONS		
Other revenues		
Net gain on disposal of plant and equipment	2,087	76,614
Net gain on disposal of investments	166,756	-
Government grants received	367,591	599,931
Financial income		
Interest received	8,583	19,746

Refer to note 9 for further details on the net gain on disposal of investments

5. EXPENSES

Loss before income tax includes the following specific expenses:

	2015	2014
Depreciation		
Plant and equipment	8,649	26,230
Finance costs		
Convertible notes	232,602	214,754
Net foreign exchange loss/(gain)	(1,355)	8,600
Rental expense relating to operating lease		
Minimum lease payments	17,969	45,560
Superannuation expense		
Defined contribution superannuation expense	37,101	37,637
Share-based payments expense		
Equity-settled share based payments	160,430	-

6. INCOME TAX

	2015 **$**	2014 $
Loss for year	(1,228,964)	(1,439,739)
Tax expense/(benefit) at tax rate of 30%	(368,689)	(431,921)
Tax effect of amounts that are not deductible/taxable in calculating taxable income	54,413	227,996
Deferred tax assets not brought to account	314,276	203,925
Income tax expense/(benefit)	-	-
Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	18,162,374	17,267,851
Potential tax benefit at 30%		
The Directors estimate that the potential deferred tax benefit, at the prevailing rate of 30% (2014: 30%), in respect of tax losses not brought to account is:	5,448,712	5,180,355

No income tax expense has been provided in the accounts because the Company has an operating loss for the year. No deferred tax asset attributable to tax losses has been brought to account as recovery is not certain or assured.

The benefit will only be obtained if the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised, continues to comply with the conditions for deductibility imposed by taxation legislation and there are no changes in tax legislation adversely affecting the Group in realising the benefit.

7. TRADE AND OTHER RECEIVABLES

	2015 **$**	2014 $
Current Assets		
GST and VAT refundable	9,845	8,377
Other receivables	38,019	1,249
	47,864	9,626

None of the receivables are past due and are therefore not impaired.

	2015 **$**	2014 $
Non-Current Assets		
Amount receivable from sale of Marenica Minerals (Proprietary) Limited (incorporated in Namibia)	3,425,275	3,425,275
Provision for impairment	(3,425,275)	(3,425,275)
	-	-

The recoverability of the amount receivable from the sale to the Company's Black Economic Empowerment partner Millennium Minerals Pty Ltd of a 5% interest in the Company's shareholding in Marenica Minerals (Proprietary) Limited (incorporated in Namibia) is subject to the successful exploitation and development of the Company's Marenica Uranium Project. As the project has not yet reached a stage at which this can be assured, the amount receivable from the purchaser is considered to be impaired

	2015 $	2014 $
8. PLANT AND EQUIPMENT		
Cost	102,563	97,274
Less: Accumulated Depreciation	(73,192)	(64,415)
Net book value	29,371	32,859

Reconciliations:
Reconciliations of written down values at the beginning and end of the current and previous financial year are set out below:

	2015 $	2014 $
Opening net book amount	32,859	60,954
Additions	5,161	2,040
Disposals	(2,087)	(80,519)
Profit on sale	2,087	76,614
Depreciation charge	(8,649)	(26,230)
Closing net book amount	29,371	32,859

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 $	2014 $
Listed Shares		
Texas and Oklahoma Coal Company Limited	-	10,000
Pacific American Coal Limited	52,795	-
Net book value	52,795	10,000

Reconciliation
Reconciliation of the fair values at the beginning and end of the current financial year are set out below:

	2015 $	2014 $
At beginning of year	10,000	10,000
Additions	212,500	-
Disposals	(98,763)	-
Impairment	(70,942)	-
	52,795	10,000

(a) On 16 February 2015, the Company received 2,833,334 shares in Pacific American Coal Limited (PAK) for the remaining 3,400,000 shares it held in Texas and Oklahoma Coal Company Limited (TOCC). The fair value of these shares has been based on the closing share price of PAK on this date of 7.5 cents per share.

(b) In relation to the transaction in (a), the TOCC shares had a written down value of $10,000, however the fair value of the shares received in PAK as at 16 February 2015 was $212,500, resulting in a net gain on disposal of TOCC shares of $202,500. The company has since disposed of 1,183,500 shares in PAK for less than 7.5 cents per share up to reporting date, which have realised a loss on disposal of $35,744. These transactions have resulted in an overall net gain on disposal of $166,756. The remaining PAK shares have been valued at the reporting date resulting in an impairment charge.

Refer to note 30 for further information on fair value measurement.

	2015 $	2014 $
10. PAYABLES		
Trade payables	54,208	139,890
Accrued charges	465,849	251,716
	520,057	391,606

Included in Accrued charges is the sum of $420,370 (2014; $175,976) relating to unpaid non-executive Directors fees (inclusive of superannuation) at year end. The sum of $295,626 relates to the Company's obligation to fund the exercise price of options issued to Directors should the Directors exercise the options. The balance of directors fees are expected to be settled by the issue of shares subject to shareholder approval at the 2015 AGM thereby not depleting the Group cash reserves.

Refer to note 29 for further information on financial instruments.

11. BORROWINGS

Current Liabilities		
Insurance funding loan	8,958	3,874
Non-Current Liabilities		
Convertible note	1,720,373	1,642,695

On 3 November 2014 the Company reached agreement with Hanlong for the extension of the Convertible Notes from its maturity date of 15 November 2015 to 14 November 2016. The key terms of the amended Convertible Notes are a conversion price of $1.80 per share ($0.018 per share pre consolidation) (subject to adjustment for certain transactions that have a dilution impact on the conversion price), an unchanged coupon interest rate of 8% per annum with the interest being payable upon maturity. The amendments came into effect from 3 November 2014. As a consequence of the changes the debt and equity components of the convertible note have been revalued.

Accordingly, over the term of the Convertible Note, the debt component will increase to the face value of $1,650,671 at maturity date of 14 November 2016. Included in Convertible Notes is an amount of $220,861 for accrued 8% coupon interest on the Hanlong Convertible Notes to 30 June 2015 (30 June 2014: $82,488).

Refer to note 29 for further information on financial instruments.

12. PROVISIONS

Provision for annual leave	26,551	5,723

13. CONTRIBUTED EQUITY

(a) Ordinary Shares

Paid up capital – ordinary shares	43,974,829	43,004,484
Capital raising costs capitalised	(636,941)	(581,875)
	43,337,888	42,422,609

Movement during the year:	**Number of shares**	**$**
Balance at 1 July 2013	748,097,369	41,356,405
Issued during the year	267,517,717	1,111,321
Less: Share issue costs	-	(45,117)
Balance at 30 June 2014	1,015,615,086	42,422,609
Balance at 1 July 2014	1,015,615,086	42,422,609
Issued during the year		
Share purchase plan on 16 July 2014	272,000,000	433,940
In consideration for consultant work on 16 July 2014	1,875,000	7,500
Share placement on 29 July 2014	84,782,387	96,000
Share placement on 14 August 2014	5,459,770	9,470
Consolidation on 100:1 basis on 3 November 2014	(1,365,934,921)	-
In lieu of salaries and consulting fees on 28 May 2015	269,903	67,435
Share placement on 28 May 2015	1,500,000	356,000
Less: Share issue costs	-	(55,066)
Balance at 30 June 2015	15,567,325	43,337,888

CONTRIBUTED EQUITY (CONTINUED)

Ordinary shares participate in dividends and the proceeds on winding up of Marenica Energy Limited in proportion to the number of shares held. The fully paid ordinary shares have no par value.

At shareholder meetings, when a poll is called, each ordinary share is entitled to one vote otherwise each shareholder has one vote on a show of hands.

(b) Shares Options

Movements in share options:	**Unlisted, 2.7c Options 30/04/15**	**Unlisted, 21c Options 15/12/13**	**Unlisted, 13c Options 31/10/13**	**Unlisted 35.5c Options 26/11/18**
Balance at 1 July 2013	18,000,000	12,500,000	6,500,000	-
Expired during the year	-	(12,500,000)	(6,500,000)	-
Balance at 1 July 2014	18,000,000	-	-	-
Expired during year	(18,000,000)	-	-	
Issued during the year	-	-	-	721,059
Balance at 30 June 2015	-	-	-	721,059

14. RESERVES

	2015 $	**2014 $**
Share-based payments reserve	160,430	70,083
Convertible note reserve	222,683	168,829
	383,113	238,912

(a) Share-Based Payments Reserve

Balance at beginning of year:	70,083	1,221,621
Options expired during year	(70,083)	(1,151,538)
Options issued during year	141,998	-
Performance rights vesting (c)	18,432	-
Balance at end of year:	160,430	70,083

(i) Share Options

Movements in share options	Number of options	$	Weighted average exercise price $
Balance as at 1 July 2013	37,000,000	1,221,661	0.107
Options expired	(19,000,000)	(1,151,538)	0.183
Balance as at 30 June 2014	18,000,000	70,083	$0.027
Consolidation 100:1 (a)	(17,820,000)	-	2.70
Options expired	(180,000)	(70,083)	2.70
Options issued (b)	721,059	141,998	0.355
Balance as at 30 June 2015	721,059	141,998	$0.355

RESERVES (CONTINUED)

(ii) Performance Rights

Movements in performance rights	
Balance as at 1 July 2014	-
Rights vesting (c)	18,432
Balance as at 30 June 2015	18,432
Total (i) - (ii)	**160,430**

(a) On 3 November 2014, the shareholders approved the security consolidation on a one (1) for one hundred (100) basis at the Annual General Meeting.

(b) On 3 November 2014, shareholders approved the issue of 721,059 options exercisable at $0.355 each on or before 26 November 2018 to directors and past directors at the Annual General Meeting.

The fair value of these options granted is $0.1969 per option with a total allotment value of $141,997. In valuing these options the Company used the following inputs in the Black Scholes option valuation model.

Inputs into the Model	
Grant date share price	$0.20
Exercise price	$0.355
Expected volatility	248.49%
Option life	4.07 years
Risk-free interest rate	2.77%

(c) On 16 July 2014, the Company approved 67,500,000 performance rights (675,000 post consolidation) to be issued to the CEO, Murray Hill, which are subject to the following performance hurdles:

(i) Successful raising of capital for Pilot Plant construction & operation	27,000,000
(ii) Successful completion of the initial Pilot Plant program proving ***U-pgrade***^{TM} works on samples tested	20,250,000
(iii) First commercialisation deal on ***U-pgrade***^{TM} process	20,250,000
Total	67,500,000

The second milestone is conditional on achieving a Pilot Plant uranium recovery to final concentrate of +/- 10% of the bench scale testwork result.

Any unvested performance rights will automatically vest on sale of the ***U-pgrade***^{TM} technology or change of control of the Company. In the event of the CEO ceasing to be an employee of the Company or its subsidiary any unvested performance rights will lapse unless the Company's Board otherwise determines, at its discretion, that all or any of the unvested performance rights shall vest. Any performance rights that have not vested within seven (7) years from the date of issue will lapse.

As at reporting date, none of the above performance rights have vested, however, the expense relating to the fair value of these performance rights has been spread across their seven year life on the assumption that they will vest. If they do not vest the expense will be reversed.

		2015 $	2014 $
(b)	**Convertible Note Reserve**		
	Balance at beginning of year:	168,829	287,451
	Transfer to accumulated losses upon extinguishment	(168,829)	-
	Fair value of equity portion on revised convertible note	222,683	(118,622)
	Balance at end of year:	222,683	168,829

RESERVES (CONTINUED)

Nature and purpose of reserves

(i) Share-based payments reserve

The share-based payments reserve represents the fair value of the actual or estimated number of unexercised equity instruments granted to management and consultants of the Company recognised in accordance with the accounting policy adopted for share-based payments and the cash price of rights/options issued to investors.

(ii) Convertible note reserve

The convertible note reserve represents the fair value of the option portion on the convertible note.

	2015 $	2014 $
15. ACCUMULATED LOSSES		
Accumulated losses at beginning of year	(44,541,650)	(44,503,625)
Net losses attributable to members of the parent entity	(1,228,964)	(1,439,739)
Transfer from share option reserve	70,083	1,151,538
Convertible note adjustment	168,829	250,176
Accumulated losses at the end of the year	(45,531,702)	(44,541,650)

16. SEGMENT INFORMATION

The Group operates predominately in the mineral exploration and development industry in Namibia. For management purposes, the Group is organised into one main operating segment which involves the exploration and evaluation of a uranium deposit in Namibia and beneficiation testwork in Australia. All of the Group's activities are inter-related and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial results of the Group as a whole.

17. RELATED PARTIES

(a) Subsidiaries

The consolidated financial statements include the financial statements of Marenica Energy Limited and the subsidiaries listed in the following table:

Name	Country of Incorporation	% Equity Interest 2015	% Equity Interest 2014
Marenica Energy Namibia (Pty) Ltd	Namibia	100%	100%
Marenica Minerals (Pty) Ltd	Namibia	75%	75%
Uranium Beneficiation Pty Ltd	Australia	100%	100%

(b) Ultimate parent

Marenica Energy Limited is the ultimate Australian parent entity and ultimate parent of the Group.

(c) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in note 24 and the audited remuneration report section of the Directors' report.

RELATED PARTIES (CONTINUED)

(d) Transaction with other related parties

A Director, Mr D Sanders, is a shareholder, director and employee of the legal firm Bennett + Co. This firm provided legal services to the Company on normal commercial terms and conditions. Total fees paid in the financial year ended 30 June 2015 was $21,532 (2014: $38,512).

18. INTEREST IN JOINT VENTURE

The Company has a 1.125% gross production income interest in Katanning Gold Project, a joint venture with Ausgold Limited.

19. COMMITMENTS FOR EXPENDITURE

Mineral Tenement Leases

In respect of the Namibia tenements, there is no minimum annual outlay required to maintain current rights of tenure which expire in November 2014. The Company has applied for a Mineral Deposit Retention Licence (MDRL) and if approved would effectively allow Marenica a period of 5 years grace with respect to exploration expenditure obligations (noting that all Marenica's environmental responsibilities are in order). Legally the Company retain the EPL during the MDRL application review process.

	2015 $	2014 $
Building Lease The Company leases offices in Perth from February 2015 for 1 year for $10,640 per annum. The Company has leased a secure storage shed in Namibia from August 2014 for 3 years at ~ $8,512 per annum		
Within one year	14,579	8,000
Between 1 and 5 years	9,221	16,086
	23,800	24,086

20. CASH AND CASH EQUIVALENTS

Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash at bank and on deposit	335,208	111,284
Balance per statement of cash flows	335,208	111,284

21. RECONCILIATION OF LOSS AFTER INCOME TAX TO CASH FLOWS USED IN OPERATING ACTIVITIES

	2015 $	2014 $
Operating Profit (Loss)	(1,228,964)	(1,439,739)
Add (less) non-cash items		
Depreciation	8,649	26,230
Profit on sale of assets	(2,087)	(76,614)
Profit on sale of investments	(166,756)	-
Impairment of investment	70,943	-
Share-based payments	227,865	-
Loss on extension of convertible note	67,758	-
Amortisation of convertible note	94,229	63,099
Unrealised foreign exchange	(977)	-
Decrease/increase in operating assets and liabilities:		
Receivables	(38,573)	58,494
Other assets	-	37,812
Trade and other payables	123,954	150,520
Insurance Funding	8,957	(7,629)
Provisions	20,828	5,723
Accrued interest	138,373	82,488
Net cash (outflow) from operating activities	**(675,801)**	**(1,100,257)**

22. EARNINGS PER SHARE

	2015	2014
(a) Basic earnings per share – cents per share		
Loss attributable to the ordinary equity holders of the Company	(8.93)	(14.17)
(b) Diluted earnings per share		
Diluted earnings per share are not disclosed as they are not materially different to basic earnings per share.		
(c) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	13,763,517	10,156,151

23. AUDITORS' REMUNERATION

During the year the following fees were paid or payable for services provided by the auditors:

	2015	2014
(a) Audit services		
Audit and review of financial reports under the Corporations Act 2001	24,000	20,500
Audit and review of financial reports of Namibian subsidiaries	5,913	4,614
(b) Other services		
Income tax return preparation	-	-
Total remuneration of auditors	29,913	25,114

24. KEY MANAGEMENT PERSONNEL

Compensation for Key Management Personnel
The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

Short term employee benefits	562,909	605,968
Post-employment benefits	35,080	34,845
Share-based payments	18,432	-
Total compensation	616,421	640,813

25. SHARE BASED PAYMENTS

Set out below are summaries of options granted during the year:

2015

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Expired/ forfeited/ other	Balance at the end of the year
3/11/2014	26/11/2018	$0.355	-	721,059	-	721,059

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2015 Number	2014 Number
3/11/2014	26/11/2018	721,059	-
31/07/2012	30/04/2015	-	18,000,000
		721,059	18,000,000

The weighted average share price during the financial year was $0.2313 (**2014:** $0.0297).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.41 years (**2014**: 0.83 years).

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Risk-free interest rate	Fair value at grant date
3/11/2014	26/11/2018	$0.20	$0.355	248.49%	2.77%	$0.1969

26. PARENT ENTITY FINANCIAL INFORMATION

(a) Information relating to Marenica Energy Limited

	2015 $	2014 $
Current Assets	378,278	90,166
Non-Current Assets	82,137	1,268,962
Total Assets	460,415	1,359,128
Current Liabilities	(542,457)	(390,843)
Non-Current Liabilities	(1,720,373)	(1,642,695)
Total Liabilities	(2,262,830)	(2,033,538)
NET ASSETS	(1,802,415)	(674,410)
EQUITY		
Issued capital	43,337,888	42,422,609
Reserves	383,113	238,912
Accumulated losses	(45,523,416)	(43,335,931)
TOTAL EQUITY	(1,802,415)	1,253,793
Loss for the year	(2,426,397)	(1,057,646)
Total comprehensive income	(2,426,397)	(1,057,646)

(b) Guarantees

No guarantees have been entered into by the Company in relation to the debts of its subsidiaries.

(c) Commitments

Commitments of the Company as at reporting date are disclosed in note 19 to the financial statements.

27. CONTINGENT LIABILITIES

(a) Mallee Minerals Pty Ltd

On 7 April 2006, the Company entered into an introduction agreement with Mallee Minerals Pty Limited in respect of a mineral licence in Namibia (Project). Upon the Company receiving a bankable feasibility study in respect of the Project or the Company delineating, classifying or reclassifying uranium resources in respect of the project, the Company will pay to Mallee Minerals Pty Limited:

(i) $0.01 per tonne of uranium ore classified as inferred resources in respect of the Project; and a further

(ii) $0.02 per tonne of uranium ore classified as indicated resources in respect of the Project; and a further

(iii) $0.03 per tonne of uranium ore classified as measured resources in respect of the Project.

Pursuant to this agreement no payments were made during the year ended June 2015 (2014: nil). In total $2,026,000 has been paid under this agreement.

(b) Salamander Business Solutions (SBS) – John Sestan proprietor

(i) The Company has agreed to issue SBS, in return for SBS's efforts since April 2014 and ongoing, 150,000 ordinary shares in Marenica upon entry of the first binding commercialisation arrangement which confers any form of right to use the ***U-pgrade™*** technology to a third party. Within 120 days of this first commercialisation milestone, Marenica will also make a payment of $50,000 to SBS.

(ii) On completion of the initial financing via the subsidiary Uranium Beneficiation Pty Ltd, a separate 150,000 shares will be issued to Salamander, and the Company will make a top up payment of $50,000.

28. EVENTS AFTER THE REPORTING PERIOD

On 14 September 2015, the Company held an EGM and resolved to grant 13,350 options to both Mr Nelson Chen and Mr Lou Guo Qing with an obligation for the Company to fund the exercise price of the options in the future should the recipients choose to exercise them. These options were granted in payment of a success fee for the introduction of Hong Kong based Chinese company, Mingsun Technology Co Limited, who subscribed for 1,500,000 shares at an issue price of $0.2373 per share to raise approximately $356,000 in May 2015. These options vested immediately and have an exercise price $0.40 each with an expiry date of 17 September 2019.

Other than the matter mentioned above, there have been no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect:

(i) the Group's operations in future years; or

(ii) the results of those operations in future years; or

(iii) the Group's state of affairs in future years.

29. FINANCIAL INSTRUMENTS

Overview – Risk Management
This note presents information about the Group’s exposure to credit, liquidity and market risks, its objectives, policies and processes for measuring and managing risk and the management of capital.

The Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Company and the Group through regular reviews of the risks.

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group’s receivables from customers and investment securities. At 30 June 2015 there were no significant concentrations of credit risk.

Cash and cash equivalents
The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

Trade and other receivables
As the Group operates primarily in exploration activities, it does not have any signifcant trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

The Group where necessary establishes an allowance for impairment that represents its estimate of incurred losses in respect of other receivables and investments. Management does not expect any counterparty to fail to meet its obligations.

Exposure to credit risk
The carrying amount of the Group’s financial assets represents the maximum credit exposure. The Group’s maximum exposure to credit risk at the reporting date was:

	Note	2015 $	2014 $
Trade and other receivables	7	47,865	9,626
Cash and cash equivalents	20	335,208	111,284

Impairment Losses
None of the Group’s receivables are past due (2014: $ nil).

FINANCIAL INSTRUMENTS (continued)

Liquidity Risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual flows. Apart from the convertible note, the Group does not have any significant external borrowings.

The Group will need to raise additional capital in the next 12 months to meet forecast operational and development activities. The decision on when and how the Group will raise future capital will depend on market conditions existing at that time.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

30 June 2015

	Note	Carrying amount	Contractual cash flow	6 months or less	>12 months
Trade and other payables	10	104,431	104,431	104,431	-
Directors Fees	10	415,426	415,426	-	415,426
Borrowings	11	1,729,330	2,076,590	8,957	2,067,633

30 June 2014

	Note	Carrying amount	Contractual cash flow	6 months or less	>12 months
Trade and other payables	10	215,630	215,630	215,630	-
Directors Fees	10	175,976	175,976	-	175,976
Borrowings	11	1,642,695	1,906,802	-	1,906,802

Market Risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

Currency Risk
The Group's exposure to currency risk at 30 June 2015 on financial assets denominated in Namibian dollars was nil (2014: nil) which amounts are not hedged. The effect of future movements in the exchange rate for Namibian dollars on the Group's financial position and results of fully expensed exploration and evaluation activities is likely to be negligible.

Interest Rate Risk
The Group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures.

The Company adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents on short term deposit at interest rates maturing over 30 to 90 day rolling periods.

FINANCIAL INSTRUMENTS (continued)

Profile
At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying Amount	
	2015	2014
	$	$
Fixed rate instruments		
Financial assets – cash and cash equivalents	-	-
Financial liabilities – convertible notes	1,720,373	1,642,695
Variable rate instruments		
Financial assets – cash and cash equivalents	335,208	111,284

Fair value sensitivity analysis for fixed rate instruments
The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss or through equity, therefore a change in interest rates at the reporting date would not affect profit or loss or equity.

Cash flow sensitivity analysis for variable rate instruments
A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2014.

	Profit or loss		Equity	
	100bp increase	**100bp decrease**	**100bp increase**	**100bp Decrease**
30 June 2015				
Variable rate instruments	3,352	(3,352)	3,352	(3,352)
30 June 2014				
Variable rate instruments	1,113	(1,113)	1,113	(1,113)

Fair Value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Commodity Price Risk
The Group operates primarily in the exploration and evaluation phase and accordingly the Group's financial assets and liabilities are subject to minimal commodity price risk.

Capital Management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. The Group's focus has been to raise sufficient funds through equity or debt to fund its exploration and evaluation activities.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

The Group is not subject to externally imposed capital requirements.

30. FAIR VALUE MEASUREMENT

Fair value hierarchy
The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 2015	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Assets				
Ordinary shares available-for-sale	52,795	-	-	52,795
Total assets	52,795	-	-	52,795

Consolidated - 2014	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Assets				
Ordinary shares available-for-sale	10,000	-	-	10,000
Total assets	10,000	-	-	10,000

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The Directors of the Company declare that:

1. the financial statements, notes and additional disclosures included in the Directors' Report designated as audited, of the Company and of the Group are in accordance with the Corporations Act 2001, including:

   (a) complying with Accounting Standards and the Corporations Regulations 2001; and

   (b) giving a true and fair view of the Company's and Group's financial position as at 30 June 2015 and of their performance for the year ended on that date.

2. in the Directors' opinion there are reasonable grounds to believe that the Company and Group will be able to pay their debts as and when they become due and payable.

3. the financial report also complies with International Financial Reporting Standards.

4. this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2015.

This declaration is made in accordance with a resolution of the board of Directors.

On behalf of the board.

Douglas Buerger
Chairman
Perth
21 September 2015

ROTHSAY
Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF MARENICA ENERGY LTD

Report on the financial report

We have audited the accompanying financial report of Marenica Energy Ltd (the Company") which comprises the balance sheet as at 30 June 2015 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year.

Directors Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The Directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used in and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical requirements and the *Corporations Act 2001*.

Chartered Accountants

Audit opinion

In our opinion the financial report of Marenica Energy Ltd is in accordance with the *Corporations Act 2001*, including:

a) (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of their performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

b) the consolidated financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 (b) in the financial report which indicates the basis for preparing the accounts on a going concern basis. We note the consolidated entity incurred a net loss and net cash outflows from operating activities for the year ending 30 June 2015. We note the directors conclude that if they are not successful in the measures outlined in Note 2 (b) that there is a material uncertainty as to whether the consolidated entity could continue as a going concern and therefore it may be unable to realise its assets and extinguish its liabilities in the normal course of business and for the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Audit opinion

In our opinion the remuneration report of Marenica Energy Ltd for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Rolf Garda
Partner

Dated 21st September 2015

Chartered Accountants