ACN 001 666 600

HALF-YEAR FINANCIAL REPORT 31 DECEMBER 2014

Half-Year Financial Report – 31 December 2014

Contents

Corporate Information	2
Directors' Report	3
Auditor's Independence Declaration	8
Directors' Declaration	9
Consolidated Statement of Profit or Loss and Other Comprehensive Income	10
Consolidated Statement of Financial Position	11
Consolidated Statement of Cash Flows	12
Consolidated Statement of Changes in Equity	13
Condensed Notes to the Financial Statements	14
Auditors Review Report to Members	20

Half-Year Financial Report – 31 December 2014

Corporate Information

DIRECTORS

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

COMPANY SECRETARY

S Hunter

CHIEF EXECUTIVE OFFICER

M Hill

REGISTERED OFFICE

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

OPERATIONS 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 Ave 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

Directors' Report

Your Directors submit their report together with the consolidated financial report of Marenica Energy Ltd ("Marenica" or "Company") and entities it controlled ("the consolidated entity") at the end of, or during the half-year ended 31 December 2014.

Directors

The Directors of the Company during or since the end of the half-year, unless otherwise stated, are:

Name

Alan Douglas (Doug) Buerger Non-executive Director (appointed Chairman 3

November 2014)

Robert Pearce Non-executive Chairman (resigned as Director 3 November 2014)

David G Sanders

Gavin Becker

Non-executive Director

Non-executive Director

Non-executive Director

Lou Guo Qing Non-executive Director (appointed 3 November 2014)

Principal activities

The principal activity of the Company during the period was improved processing of Uranium bearing mineral ores.

Operating and Financial Review

Result of Operations

The loss from ordinary activities of the Group for the half-year ended 31 December 2014 attributable to members was \$622,809 (31 December 2013 – \$377,184).

Review of Operations

U-pgrade[™] Commercialisation Progress

During the half year the Company was focused on progressing the commercialisation of the **U-pgradeTM** process. At the commencement of the half year Marenica's strategy was to obtain agreements with three resource owners to provide ore to the pilot plant, with a third party funding the pilot plant construction and operation. Commercialisation deals were to be negotiated after successful pilot plant completion. Marenica believed it appropriate to change its strategy in order to accommodate the needs of investors who were seeking a more definitive path to commercialisation. The new strategy involved Marenica attaching the **U-pgradeTM** intellectual property (IP) to resources first and investors then being introduced to participate in that specific project only.

As part of the new strategic direction the rights to the **U-pgradeTM** IP were assigned from MEY to MEY's wholly owned subsidiary Uranium Beneficiation Pty Ltd (UB) to provide a special purpose vehicle for investment in the IP.

This commercialisation strategy will rely on Marenica being able to raise a smaller amount of capital in UB and provides three different levels of investment:

- > The ASX listed parent company Marenica Energy Limited
- ➤ The wholly owned subsidiary UB (holder of the **U-pgrade™** intellectual property)

Directors' Report

> The Project level following signing of agreements with resource owners

Technology investors holding a long-term strategic interest in the uranium industry have identified UB as the preferred investment option. It is expected that the selected technology investor(s) will fund pilot plant construction and other commercialisation costs in return for an interest in UB. Discussions are at an advanced stage with a number of interested parties.

These investors typically hold a more long term and strategic view of the Uranium industry and have expressed their desire to be involved across many assets rather than the one project.

The Company initially explored a wide range of funding options including Private Equity, Capital Markets, Private Investor Groups and Industry Groups. Over the half year the Company reduced that list to a select group of potential investors and are now well advanced at both investment levels.

Marenica has provided access to the **U-pgrade**TM process detail to a select number of investors for due diligence purposes, with all parties seeing potential benefits. This is a significant vote of confidence in, and paves the way for, successful commercialisation of **U-pgrade**TM.

The company's strong belief that its proprietary **U-pgradeTM** process has a much broader application than the Marenica deposit has been supported by investors' due diligence teams. Furthermore, the current low uranium price environment provides an additional incentive / business opportunity for **U-pgradeTM**.

U-pgrade™ Summary

The Company has previously demonstrated in bench scale testwork that it can concentrate the uranium from its low grade calcrete hosted uranium deposit in Namibia (Marenica). In summary, **U-pgrade**TM

- Reduces operating costs by 50-70% and capital costs by 30-50% compared to conventional processing
- > Rejects ~98% of the mass prior to leaching
- Concentrates the uranium by a factor of 50
- ➤ Produces a high grade concentrate in a low mass of ~2% (leach feed)
- Rejects acid consumers

U-pgradeTM testwork has been completed to date using samples from a number of other surficial deposits and conclusions from these tests support the results on the Marenica ore.

Marenica's **U-pgradeTM** process is a major breakthrough for processing surficial uranium deposits. Whilst the continued low uranium price is a major problem for much of the uranium industry, with many of the world's uranium producers reporting a loss at current spot prices, these low prices provide an opportunity for Marenica to commercialise the **U-pgradeTM** process because of the expected lower operating and capital costs. A number of resource companies have stated that they require a uranium price of at least \$75/lb before they can develop new projects. Marenica believes that the application of **U-pgradeTM** to surficial uranium projects provides a means for these to be developed and operated at significantly lower costs than would otherwise be the case, and well below current project development trigger prices. Also **U-pgradeTM** provides an opportunity for existing producing mines to lower their costs and improve their margins, as well as make adjacent satellite deposits viable.

The potential application of U-pgradeTM to surficial uranium deposits is the Company's primary target.

Toro Energy Ltd Agreement

Marenica announced on 15 January 2015 that Toro Energy Limited has agreed to provide a

Directors' Report

sample of Western Australian calcrete hosted uranium ore from its Wiluna project to conduct testwork using the proprietary *U-pgrade***TM** technology.

The purpose of the testwork programme, fully funded by Toro, is to determine the amenability of **U-pgradeTM** to the Toro ore sample, and if successful, may lead to follow up proof of concept pilot plant trials. The substantial testwork programme commenced mid-January and is expected to be completed within 6 months.

This is an exciting opportunity to demonstrate the application of $\textbf{U-pgrade}^{TM}$ on Western Australian ores.

Pilot Plant

An independent capital cost estimate for design and construction of the pilot plant was prepared during the half year. The estimate was based on Design Criteria, Process Flow Diagrams, Mass Balance and Equipment List prepared by the Company and its consultants.

The cost estimate was in line with expectations.

General

The annual research and development tax return was lodged in early July 2014 with the \$367,591 refund received in early August 2014, increasing the cash position of the company.

Pacific American Coal Limited (PAK) - formerly Texas & Oklahoma Coal Company Limited

The Company holds 2,833,334 shares and 850,001 options in PAK.

On 5 August 2014 TOCC informed its shareholders they had signed a non-binding Heads of Agreement with Metals Finance Corporation Limited ("MFC") providing for a merger by way of MFC acquiring all the shares in TOCC in exchange for shares and options in MFC. MFC is a public company limited listed on the Australian Stock Exchange (ASX).

The merger was ratified at a meeting of shareholders of TOCC held on 18 August 2014 and also received approval by the shareholders of MFC.

MFC changed its name to Pacific American Coal Limited and re-listed on the ASX 16 February 2015 under ASX code "PAK".

Corporate

At the Company's Annual General Meeting, held on Monday 3 November 2014, the following resolutions were passed:

- The Directors were granted options to replace the obligation of the Company to pay outstanding Director's fees to 31 October 2014 owed to the Directors with an obligation for the Company to fund the exercise price of Options in the future should the directors choose to exercise the Options. The issue of Options provides a means by which the Company can satisfy the outstanding Directors' fees owed to the Directors to 31 October 2014 in the future thereby preserving the Company's cash resources for application in other areas. This is seen as another vote of confidence by the Board in Marenica's current **U-pgrade**TM commercialisation initiatives.
- > A 1:100 share consolidation. The Directors considered that the share consolidation would reduce volatility of the stock, whilst increasing trading liquidity.
- Mr Robert Pearce retired as a Director and Chairman of Marenica and was replaced with Mr Doug Buerger. Mr Pearce had been Chairman of the Company since 2010 and we thank him for his input. Mr Buerger has also been a director of the Company since 2010 and brings a wealth of knowledge and experience to the Chairman's role. We welcome Mr Buerger into the role of Chairman and we look forward to a successful future

Directors' Report

under his guidance.

Mr Lou Guo Qing was appointed to the role of Non-Executive Director. Mr Lou is the Managing Director of Hanlong Group. Mr Lou replaces Mr Simon Yang, who resigned in May 2014, and we welcome Mr Lou to the Board and look forward to his contribution.

Marenica Uranium Project

The Marenica Uranium Project is located within Exclusive Prospecting Licence (EPL) 3287 which covers 527km² and lies in the same uranium province as the Rossing, Husab and Langer Heinrich uranium mines and immediately north of the large Trekkopje Mine, Namibia. Resource Area EPL 3287 was initially granted in November 2005 for Base and Rare Metals, Precious Metals and Nuclear Fuel Groups of Minerals.

Marenica previously submitted an application to the Minister of Mines in Namibia for a Mineral Deposit Retention Licence to replace the current EPL. Marenica await the outcome of this application.

In November 2011, Optiro Pty Ltd (Optiro) completed a Mineral Resource estimate for the Company. The resource totals 276Mt grading 94ppm U_3O_8 comprising an Indicated Mineral Resource of 26.5Mt grading 110ppm U_3O_8 and an Inferred Mineral Resource of 249.6 Mt grading 92ppm U_3O_8 , for a combined total of 57Mlbs of contained U_3O_8 (at a 50ppm cut-off grade). In addition, an Inferred Mineral Resource was determined at the adjacent MA7 deposit of 22.8Mt grading 81ppm U_3O_8 for a total of 4.0Mlbs of contained U_3O_8 (at 50ppm cut-off grade). EPL3287 remains highly prospective for additional secondary uranium deposits.

The Future

The next stage in the evolution of **U-pgrade™** towards full commercialisation includes finalisation of a funding agreement for UB. The Company is working on this and expects to finalise the funding during Quarter 4. As soon as funding is received the construction of the pilot plant will commence with operation soon after.

The Company is also working on agreements with resource owners. The first of these agreements has seen commencement of a detailed testwork programme on Toro ore.

Tenements

The Group holds the following mineral tenements at the end of December 2014.

Namibia – Marenica Minerals (Pty) Ltd

➤ EPL3287

Australia – Marenica Energy Ltd

- ➤ Vic Loc 118
- ➤ Vic Loc 119
- ➤ Vic Loc 833

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

Directors' Report

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on the next page and forms part of the Directors' Report for the half-year ended 31 December 2014.

Signed in accordance with a resolution of the directors.

Doug Buerger Chairman

Dated at Perth this 16th Day of March 2015

Notes

The information in this report which relates to Mineral Resources is based upon information compiled by Ian Glacken, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Ian Glacken is an employee of Optiro Pty Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration 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. Ian Glacken consents to the inclusion in the report of a summary based upon his information in the form and context in which it appears.



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The Directors Marenica Energy Ltd 6 Kings Park Road West Perth WA 6005

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:

- no contraventions of the auditor independence requirements of the Act in relation to the audit review of the 31 December 2014 financial statements;
- no contraventions of any applicable code of professional conduct in relation to the audit.

Rolf Garda (Lead auditor)

Rothsay Chartered Accountants

Dated // MARCH DOIS



Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

Directors' Declaration

The Directors of Marenica Energy Ltd declare that in their opinion:

- (a) the financial statements and notes, set out on pages 10 to 19, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting", the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Doug Buerger

Director

Dated at Perth this 16th Day of March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the half-year ended 31 December 2014

	31	31
	December	December
	2014	2013
	\$	\$
Continuing Operations		
Financial income	5,737	15,340
Profit on sale of assets	2,087	-
Government grant received	367,591	599,931
	375,415	615,271
Expenses		
Metallurgical testwork	23,569	308,279
Employee expenses	283,811	285,455
Administration expenses	511,423	303,045
Depreciation expense	4,019	21,009
Loss on extension of convertible notes	67,758	-
Finance expense	107,644	79,375
Total expenses	998,224	997,163
Loss before income tax expense	(622,809)	(381,892)
Income tax expense		
Loss from continuing operations	(622,809)	(381,892)
Other comprehensive income Items that maybe reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	-	4,708
Total other comprehensive income		4,708
Total comprehensive loss	(622,809)	(377,184)
P	[022,007]	(377,104)
Loss for the period is attributed to:		
Owners of the parent	(622,809)	(377,184)
Non-controlling interest	(022,007)	(3//,104)
	(622,809)	(377,184)
	(022,007)	(377,104)
Total comprehensive loss for the period is attributed to: Owners of the parent	(622,809)	(377,184)
Non-controlling interest		
	(622,809)	(377,184)
Earnings per share		
Basic and diluted loss per share (cents per share)	(4.64)	(3.99)

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position As at 31 December 2014

31 December 2014 2014 Note 2014 2014 \$ \$ Current Assets \$ Cash and cash equivalents 317,342 111,294 Other receivables 17,095 9,626 Total Current Assets 334,437 120,910	<u> </u>
Note \$ \$	<u> </u>
Current Assets \$ Cash and cash equivalents 317,342 111,294 Other receivables 17,095 9,626 Total Current Assets	<u> </u>
Cash and cash equivalents 317,342 111,294 Other receivables 17,095 9,626 Total Current Assets	<u> </u>
Other receivables 17,095 9,626 Total Current Assets	<u> </u>
Total Current Assets	
Total Current Assets 334,437 120,910	<u> </u>
Non-Current Assets	
Plant & equipment 31,059 32,859	
Available-for-sale financial asset 10,000 10,000	l
Total Non-Current Assets 41,059 42,859	l
Total Assets 375,496 163,769	
Current Liabilities	
Trade and other payables 391,144 391,606	,
Borrowings - 3,874	
Employee benefits 5,613 5,723	
Total Current Liabilities 396,757 401,203	· · · · · · · · · · · · · · · · · · ·
Non-Current Liabilities	
Borrowings 1,595,414 1,642,695	!
Total Non-Current Liabilities 1,595,414 1,642,695	!
Total Liabilities 1,992,171 2,043,898	
Net Assets/(Liabilities) (1,616,675) (1,880,129))
Equity	
Issued capital 6 42,935,319 42,422,609	ı
Reserves 443,636 238,912	
Accumulated losses (44,995,630) (44,541,650	
Total Equity Attributable to the Owners of Marenica	
Energy Limited (1,616,675) (1,880,129))
Non-controlling interests	
Total Equity (1,616,675) (1,880,129))

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

Condensed Notes to the Financial Statements For the half-year ended at 31 December 2014

Cash flows from operating activities	31 December 2014 \$	31 December 2013 \$
. •		
Payments to suppliers and employees	(679,408)	(835,652)
Government grant received	367,591	599,931
Interest received	5,737	15,340
Interest paid	- _	(151,654)
Net cash used in operating activities	(306,080)	(372,035)
Cash flows from investing activities		
Acquisitions of plant and equipment	(2,217)	(2,040)
Proceeds from sale of plant and equipment	1,888	
Net cash used in investing activities	(329)	(2,040)
Cash flows from financing activities		
Proceeds from issue of equity securities	510,593	1,019,806
Repayment of Borrowings		(349,329)
Net cash provided by financing activities	510 500	/70 /77
, ,	510,593	670,477
Net increase/(decrease) in cash and cash equivalents Cash and cash equivalents at beginning of half-year	204,184 111,294	296,402 416,187
Effects of exchange rate changes on cash and cash	111,274	410,107
equivalents	1,864	-
•		
Cash and cash equivalents at end of half year	317,342	712,589

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Condensed Notes to the Financial Statements For the half-year ended at 31 December 2014

	Issued Capital	Accumulated Losses	Reserves	Total	Non- controlling Interests	Total Equity
At 1 July 2014	42,422,609	(44,541,650)	238,912	(1,880,129)	-	(1,880,129)
Loss for the period	-	(622,809)	-	(622,809)	-	(622,809)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	622,809)	-	(622,809)	-	(622,809)
Transactions with owners in their capacity as owners: Movement in						
Convertible Note Reserve Issue of options as	-	168,829	53,854	222,683	-	222,683
share-based payments	-	-	150,870	150,870	-	150,870
Issue of Shares	580,700	-	-	580,700	-	580,700
Share issue costs	(67,990)	-	-	(67,990)	-	(67,990)
At 31 December 2014	42,935,319	(44,995,630)	443,636	(1,616,675)	-	(1,616,675)
	Issued Capital	Accumulated Losses	Reserves	Total	Non- controlling Interests	Total Equity
At 1 July 2013	41,356,406	(44,503,624)	1,509,072	(1,638,146)	-	(1,638,146)
Loss for the period	-	(377,184)	-	(377,184)	-	(377,184)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	-	-
Foreign Currency Reserve	-	-	(5,460)	(5,460)	-	(5,460)
Transactions with owners in their capacity as owners:						
Movement in Convertible Note Reserve	-	250,175	(155,899)	94,276	-	94,276
Issue of Shares	1,019,806	-	-	1,019,806	-	1,019,806
At 31 December 2013	42,376,212	(44,630,634)	1,347,713	(906,709)		(906,709)

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Notes to the Financial Statements For the half-year ended at 31 December 2014

1. Corporate Information

The financial statements cover Marenica Energy Ltd as a consolidated entity consisting of Marenica Energy Ltd and its subsidiaries. The financial statements are presented in Australian dollars, which is Marenica Energy Ltd's functional and presentation currency.

The financial report of the Company for the half-year ended 31 December 2014 was authorised for issue in accordance with a resolution of the Directors on 16 March 2015.

The Company is limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange, the Namibian Stock Exchange and German Exchanges - Frankfurt, Stuttgart, Munich, Düsseldorf, Berlin and Tradegate.

The principal activity of the Company during the period was improved processing of Uranium bearing mineral ores.

2. Basis of Preparation and Accounting Policies

Basis of Preparation

These general purpose condensed consolidated financial statements for the half-year ended 31 December 2014 have been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting as issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001, as appropriate for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting'.

The half-year financial report does not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the company as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of the Company as at 30 June 2014.

It is also recommended that the half-year financial report be considered together with any public announcements made by the Company during the half-year ended 31 December 2014 and to the date of this report in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Going concern

The Company has net deficiency in assets \$1,616,675, as at 31 December 2014 and incurred a loss of \$622,809 and net operating cash outflow of \$306,080 for the six month period ended 31 December 2014.

The Company'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™** 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.

Condensed Notes to the Financial Statements For the half-year ended at 31 December 2014

2. Basis of Preparation and Accounting Policies (Continued)

The financial report has been prepared on a going concern basis. In arriving at this position the Directors have had regard to the fact that the Company has, or in the Directors' opinion will have access to, sufficient cash to fund administrative and other committed expenditure for a period of not less than 12 months from the date of this report.

Should the Company not achieve the matters set out above, there is significant uncertainty whether it will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

Adoption of new or revised accounting standards and interpretations

The consolidated entity 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.

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

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

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

The consolidated entity 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 consolidated entity 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.

Condensed Notes to the Financial Statements For the half-year ended at 31 December 2014

AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C) The consolidated entity 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.

3. Loss before income tax expense	31 December 2014	31 December 2013
The following revenue and expense items are relevant in explaining the financial performance for the half-year:	\$	\$
Revenue:	5,737	15,340
Interest revenue	367,591	599,931
Government grants received Profit on sale of plant and equipment	2,087	-
Expenses:		
Defined contribution superannuation expense	16,117	18,132
Depreciation	4,019	21,009
Rental expense relating to operating leases	12,000	9,000
4.Payables	31 December 2014 \$	30 June 2014 \$
Trade payables	84,940	139,890
Accrued charges	306,205	251,716
	391,145	391,606

Included in Accrued charges is the sum of \$295,626 (30 June 2014: \$175,976) relating to the Company's obligation to fund the exercise price of options issued to Directors' should the Directors' exercise the options.

Condensed Notes to the Financial Statements For the half-year ended at 31 December 2014

5. Borrowings

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 \$150,296 for accrued 8% coupon interest on the Hanlong Convertible Notes to 31 December 2014 (30 June 2014: \$82,488).

6. Contributed Equity

	31-Dec 2014	30-Jun 2014
	\$	\$
(a) Issued and fully paid shares Fully paid ordinary shares Less: capital issue costs net of tax	43,551,394 (616,075)	43,004,484 (581,875)
	42,935,319	42,422,609
(b) Movements in issued and fully paid shares	Number of shares	\$
Balance at the beginning of the period	1,015,615,086	42,422,609
Shares issued - Share Purchase Plan 16 July 2014 - In Consideration for consultant	272,000,000	433,940
- work 16 July 2014	1,875,000	7,500
- Share Placement 29 July 2014	84,782,387	96,000
- Share Placement 14 August 2014	5,459,770	9,470
Consolidation 100:1 basis Less: capital issue costs	(1,365,934,921) -	(34,200)
Balance at the end of the period	13,797,322	42,935,319

Condensed Notes to the Financial Statements For the half-year ended at 31 December 2014

7. Share-based Payment Reserve

		31-Dec 2014 \$	30-Jun 2014 \$
Share-based payments reserve		220,954	70,083
(i) Share Options			
	Number of options	\$	Weighted average exercise price
Movements in share options Balance at the beginning of the period Consolidation 100:1 Options issued:	18,000,000 (17,820,000)	70,083 -	\$0.027 2.70
- Directors option issue 3 November 2014	721,059	141,998	\$0.355
Balance at the end of the period	901,059	212,081	\$0.82
(ii) Performance Rights			
	Number of rights	\$	
Movements in performance rights Balance at the beginning of the period Rights vesting	-	-	
 CEO Performance rights vesting 16 July 2014 	67,500,000	8,873	
Consolidation 100:1 Balance at the end of the period	(66,825,000) 675,000	8,873	
Total (i) - (ii)		220,954	

8. Segment Reporting

Management has determined that the Company has one reportable segment, being mineral processing evaluation. As the Company is so focused, the Board monitors the Company based on actual versus budgeted expenditure. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Company and its ongoing activities, while also taking into consideration the results of work that has been performed to date and capital available to the Company.

Condensed Notes to the Financial Statements For the half-year ended at 31 December 2014

9. Contingent Liabilities

On 7 April 2006, the Company entered into an introduction agreement with Mallee Minerals Pty Ltd in respect of a mineral licence in Namibia. Upon the Company receiving a bankable feasibility study (defined as an independent study of all aspects of a proposed Uranium mining operation in respect of the Marenica Project, which study must include an estimate of the Uranium Resources of the Marenica Project prepared in accordance with the Australasian Code for Reporting Mineral Resources and Ore Resources) 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 Ltd:

- (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.

In total \$2,026,000 has been paid under this agreement.

Mallee Minerals Pty Ltd holds 9,562,500 shares (pre consolidation) in the Company.

Other than the above, the Directors are not aware of any material contingent liability as at the date of these financial statements.

10. Subsequent Events

No matters or circumstances have arisen since 31 December 2014 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.



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Independent Review Report to the Members of Marenica Energy Ltd

The financial report and directors' responsibility

The interim consolidated financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Marenica Energy Ltd for the half-year ended 31 December 2014.

The Company's directors are responsible for the preparation and fair presentation of the consolidated financial report in accordance with Australian Accounting Standard AASH 134 Interim Financial Reporting 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.

Review approach

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim consolidated financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated financial position as at 31 December 2014 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As auditor of Marenica Energy Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

In conducting our review we have complied with the independence requirements of the Corporations Acr 2001.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim consolidated financial report of Marenica Energy Ltd is not in accordance with the Corporations Act 2001, including:

- giving a true and fair view of the consolidated financial position as at 31 December 2014 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 Interim Financial Reporting and the Corporations Regulations 2001.



Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).



Emphasis of Matter regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1 in the financial statements wherein the Directors' conclude that there is a material uncertainty that the consolidated entity has the ability to continue as a going concern and the ability therefore to realise its assets and extinguish its liabilities in the ordinary course of business and at the amounts stated in the financial statements.

Rothsay Rothsay

Dated 16 March 2015

