

# **MARENICA ENERGY LTD**

**ACN 001 666 600**

**HALF-YEAR FINANCIAL REPORT  
31 DECEMBER 2016**

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## **Corporate Information**

### **DIRECTORS**

M Hill (Managing director)  
J Sestan (Executive director)  
D Buerger (Non-executive chairman)  
D Sanders (Non-executive director)  
N Chen (Non-executive director)  
L Qing (Non-executive director)

### **COMPANY SECRETARY**

S Hunter

### **CHIEF EXECUTIVE OFFICER**

M Hill

### **REGISTERED OFFICE**

AMRC Building  
7 Conlon Street  
Waterford WA 6152  
Tel: 61 8 6555 1816

### **OPERATIONS OFFICE**

AMRC Building  
7 Conlon Street  
Waterford WA 6152  
Tel: 61 8 6555 1816

### **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

### **WEB SITE**

[www.marenicaenergy.com.au](http://www.marenicaenergy.com.au)

## Directors' Report

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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 2016.

### 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
David G Sanders	Non-executive Director
Nelson Chen	Non-executive Director
Lou Guo Qing	Non-executive Director
Murray Hill	Managing Director
John Sestan	Executive Commercial Director (appointed 6 October 2016)

### 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 2016 attributable to members was \$844,533 (31 December 2015 – \$617,488).

### Review of Operations

#### Marenica Uranium Project – Namibia (75%)

The Marenica Uranium Project ("Project") is located within Mineral Deposit Retention Licence (MDRL) 3287, covering an area of 321 km<sup>2</sup> in Namibia. It adjoins the similar Trekkopje Deposit which was acquired by Areva in 2007 as a part of the Uramin acquisition for US\$2.5 billion.

The Project has a total mineral resource (JORC) of 61 Mlbs.

Total Mineral Resources as at 30 June 2016 and 30 June 2015 (at a 50ppm U3O8 cut-off grade)			
Resource Category	Tonnes (millions)	U <sub>3</sub> O <sub>8</sub> Grade (ppm)	U <sub>3</sub> O <sub>8</sub> Mlbs
<b>Marenica</b>			
Indicated	26.5	110	6.4
Inferred	249.6	92	50.9
<b>Total</b>	<b>276.1</b>	<b>94</b>	<b>57.3</b>
<b>MA7</b>			
Inferred	22.8	81	4.0
<b>Total</b>	<b>22.8</b>	<b>81</b>	<b>4.0</b>

## Directors' Report

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Marenica has commenced a revised Scoping Study on its 75% owned Marenica Project in Namibia. A Scoping Study was completed on the Project in 2011. Since then the company has developed its processing technology, **U-pgrade™**, providing the potential to halve process operating and capital costs of the Project. In addition, mining development costs have reduced significantly since the original Scoping Study was conducted. These factors, together with expectations for a recovery in the uranium sector over the medium term have encouraged the Board to update the economics of the Project.

The revised Scoping Study follows Marenica being granted an MDRL over the Project from the Minister of Mines and Energy of the Namibian Government during the half year. The MDRL replaces the current EPL (Exclusive Prospecting Licence). The MDRL shall endure for a period of five (5) years from the date of issue (December 2016) with no exploration expenditure obligations.

This provided the Company certainty and confidence to move forward with the project over the next five years.

The revised Scoping Study is expected to be completed within 3 months, and will create a platform to consider a more detailed Feasibility Study later in 2017. External consultants DRA (processing and infrastructure) and Orelogy (resource, mining and mine-plan) have been engaged to complete the work. DRA are a South African based engineering group with extensive uranium experience, and together with Perth based Orelogy have experience working on uranium projects in Namibia.

The Project would involve shallow mining of the surficial deposit followed by initial processing through an **U-pgrade™** plant which, based on testwork to date, could produce a concentrate with a grade in excess of 5,000ppm U<sub>3</sub>O<sub>8</sub>.

The concentrate could be processed into yellowcake on site or transported a short distance by road to one of three existing processing plants for toll treatment or outright sale.

### **U-pgrade™ Process Technology**

#### **Deep Yellow Limited**

During September 2016 a Technology Licence Agreement (TLA) was executed with Deep Yellow Limited (ASX:DYL) over the Tumas Uranium Project in Namibia. Under the TLA, Marenica will provide its **U-pgrade™** process technology and expertise to Deep Yellow for development of the Tumas Project in Namibia in return for a Licence Fee for the life of the project.

Subsequent to the TLA execution DYL appointed a new Managing Director. DYL announced in its December 2016 Quarterly Report.

*"Following a detailed review of the company, carried out as a result of the changeover of management as announced on 24 October 2016, a decision was made to terminate all testwork related to the Marenica involvement in the Tumas Project. The active engagement with Marenica has ceased, to accommodate the new priorities that have arisen with the strategic growth plan developed for DYL."*

A highly successful **U-pgrade™** amenability program was completed on a bulk sample of DYL ore (refer DYL 1 July 2016 ASX announcement) and following execution of the TLA the companies planned to complete an extensive variability program prior to further bulk work and studies. The comments made by DYL in its December 2016 Quarterly Report refer to cessation of the proposed variability program, the TLA itself remains on foot.

## Directors' Report

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Marenica believes that **U-pgrade™** provides substantial benefits to DYL by providing a unique development opportunity for the Tumas project in the short-medium term. The TLA was arrived at to connect the technology with the resource thereby providing a secure alternative development path for the Tumas project.

### **U3O8 Corp. Limited**

Marenica reached agreement with U3O8 Corp. to complete an **U-pgrade™** amenability program on the Laguna Salada surficial uranium deposit in Argentina. The samples arrived in Perth in February and the testwork program is expected to be completed within three months.

### **General**

Discussions continue with other resource owners to demonstrate the benefits of **U-pgrade™** and enter into agreements for future testwork and eventually license and commercialisation agreements. The Company is encouraged by the strong interest shown in the technology throughout the industry.

With all commercialisation discussions, it is Marenica's priority to make the technology available on terms where its shareholders receive a fair share of the benefits derived by resource owners using **U-pgrade™** while ensuring that the resource owner enjoys significant benefits from the application of the technology.

### **Corporate**

Marenica made an important change to the Board composition in October 2016 with the appointment of John Sestan to the role of Executive Director. John Sestan has been working with Marenica in a commercial consulting role since April, 2014, and recently being appointed to the position of Chief Commercial Officer. John has led the company's commercial activities including the restructure of the Convertible Note earlier this year, various capital raisings undertaken on behalf of the company and most recently the completion of Marenica's first commercialisation agreement with DYL. John's commercial capability will be a valuable addition to the existing skill sets available on the Board. Marenica remain committed to further Board renewal.

The Company also announced the appointment of Dr John Farrow as Chairman of Marenica's Technical Steering Committee (TSC). John has been a member of the TSC since its inception in 2012 and is well placed to take over from the current Chairman, Gavin Becker.

John has considerable technical knowledge relevant to **U-pgrade™**, as well as experience as to how technology owners can maximise the commercial benefits from new technologies via patents and other means. It is pleasing that John will play an increasing role in Marenica's current and future successes.

Gavin Becker has stepped down as TSC Chairman due to growing commitments in his other business interests, but will remain an active member of the TSC.

The TSC has been a very successful formula for Marenica but changes are being made as the company evolves. The development of **U-pgrade™** was the sole focus of the TSC for many years, but with the technology now developed and well understood, the TSC is being asked to look at application of **U-pgrade™** to other ore sources and assessment of projects for acquisition.

The evolution of the TSC has dictated the inclusion of expertise with a focus on project development, what can be done about optimising the mining process on the Marenica ore,

## Directors' Report

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and also evaluation of other deposits for acquisition and/or application of **U-pgrade™**. As a result new additions to the TSC are more project acquisition, mining and business development focused. Recent additions to the TSC are:

- Charles Butt – former CSIRO employee and the author of the surficial calcrete bible in Western Australia. Charles has vast experience in the geology of surficial calcrete deposits and has been extremely valuable in assessing deposits within WA. Charles experience will be used for assessing new projects worldwide.
- Peter McCarthy – co-founder of AMC Mining Consultants, a member of the CSIRO Mineral Resources Flagship Advisory Council and former President of the Australasian Institute of Mining and Metallurgy. Peter has a reputation of thinking outside of the box. Peter's expertise will be used to explore possibilities of reducing the mining cost at the Marenica Uranium Project and assessment of new projects.

The Company is strengthening its technical and commercial expertise to help realise Marenica's vision to commercialise **U-pgrade™** and earn its fair share of the value add that **U-pgrade™** can deliver to resource owners.

### Financial

In November 2016, Marenica announced a commitment from sophisticated investors to participate in a A\$500,000 placement. The placement resulted in the issue of a total of 5,000,000 new Marenica shares at A\$0.10 per share (Placement). A\$100,000 was placed to existing shareholders in November 2016 from the Company's available placement capacity. A\$400,000 was placed to clients of Patersons Securities Limited (Patersons) following approval by shareholders on 19 December 2016 at a General Meeting.

Funds raised from the Placement, together with existing cash reserves, will be used to complete a Scoping Study, continue the commercialisation activities of Marenica's **U-pgrade™** technology, focusing on new uranium resource targets and fund working capital. To enable the Company to focus on these activities the Company's largest shareholder, Hanlong Energy Limited, has agreed to extend the date for payment of interest on Hanlong's convertible notes from 14 November 2016 to 30 April 2017 at a revised interest rate of 12% per annum (up from 8%). The Company and Hanlong are exploring options where some or all of this interest is converted into equity.

The effect of this placement is shown in the following table:

Shareholder	Post Placement		Pre Placement	
	No of Shares	% of Total	No of Shares	% of Total
Hanlong Energy Limited	3,745,806	11.9	3,745,806	14.2
MingSun Technology Co. Limited	2,040,251	6.5	2,040,251	7.7
Management & Directors	5,501,305	17.5	5,501,305	20.9

## Directors' Report

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### Tenements

The Group holds the following mineral tenements at the end of December 2016.

Namibia – Marenica Minerals (Pty) Ltd (Marenica 75%)

- MDRL3287

Australia – Marenica Energy Ltd

- Vic Loc 118; Vic Loc 119 and Vic Loc 833

### What is *U-pgrade*<sup>TM</sup>

Marenica has previously developed a beneficiation process, as described in patent number WO 2014/059461, for upgrading uranium from low grade uranium ores. Marenica has developed this potentially disruptive technology on ore samples from the Marenica Project in Namibia. The Company has demonstrated in bench scale testwork that it can concentrate the uranium from its low grade calcrete hosted uranium deposit in Namibia (Marenica). In summary, on that ore, *U-pgrade*<sup>TM</sup> has demonstrate that it;

- 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
- Reduces operating costs by 50-70% and capital costs by 30-50% compared to conventional processing

### Competent Persons Statement

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.

## Directors' Report

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### 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.

### 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 2016.

Signed in accordance with a resolution of the directors.



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**Doug Buerger**  
Chairman

Dated at Perth this 27<sup>th</sup> Day of February 2017



Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005  
P.O. Box 8716, Perth Business Centre WA 6849  
Phone 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 review of the 31 December 2016 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham R Swan FCA (Lead auditor)

Rothsay Auditing

Dated 27<sup>th</sup> February 2017



Chartered Accountants

## MARENICA ENERGY LTD

### Directors' Declaration

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

- (a) the financial statements and notes, set out on pages 11 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 2016 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



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**Doug Buerger**  
Director

Dated at Perth this 27<sup>th</sup> Day of February 2017

**MARENICA ENERGY LTD**

**Consolidated Statement of Profit or Loss and Other Comprehensive Income  
For the half-year ended 31 December 2016**

	Note	31 December 2016 \$	31 December 2015 \$
<b>Continuing Operations</b>			
Financial income	3	2,848	2,998
Profit on sale of assets		-	14,612
Activity-based income	3	15,785	-
Government grant received	3	101,681	127,497
		<u>120,314</u>	<u>145,107</u>
<b>Expenses</b>			
Metallurgical testwork		31,083	20,444
Activity-based costs		245,217	-
Employee expenses		329,631	338,860
Administration expenses		241,623	272,828
Depreciation expense		2,613	3,433
Loss on extension of convertible notes		-	-
Finance expense		114,680	127,030
Total expenses		<u>964,847</u>	<u>762,595</u>
<b>Loss before income tax expense</b>		<u>(844,533)</u>	<u>(617,488)</u>
Income tax expense		-	-
<b>Loss from continuing operations</b>		<u>(844,533)</u>	<u>(617,488)</u>
<b>Other comprehensive income</b>			
<i>Items that maybe reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		-	-
<b>Total other comprehensive income</b>		-	-
<b>Total comprehensive loss</b>		<u>(844,533)</u>	<u>(617,488)</u>
<b>Loss for the period is attributed to:</b>			
Owners of the parent		(844,533)	(617,488)
Non-controlling interest		-	-
		<u>(844,533)</u>	<u>(617,488)</u>
<b>Total comprehensive loss for the period is attributed to:</b>			
Owners of the parent		(844,533)	(617,488)
Non-controlling interest		-	-
		<u>(844,533)</u>	<u>(617,488)</u>
<b>Earnings per share</b>			
Basic and diluted loss per share (cents per share)		(3.27)	(3.96)

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

**MARENICA ENERGY LTD**

**Consolidated Statement of Financial Position  
As at 31 December 2016**

	Note	31 December 2016 \$	30 June 2016 \$
<b>Current Assets</b>			
Cash and cash equivalents		439,781	558,326
Trade and other receivables		19,948	14,314
<b>Total Current Assets</b>		<u>459,729</u>	<u>572,640</u>
<b>Non-Current Assets</b>			
Plant & equipment		19,938	22,548
Available-for-sale financial asset		-	-
<b>Total Non-Current Assets</b>		<u>19,938</u>	<u>22,548</u>
<b>Total Assets</b>		<u>479,667</u>	<u>595,188</u>
<b>Current Liabilities</b>			
Trade and other payables	4	429,299	669,064
Borrowings	5	433,453	375,116
Employee benefits		43,220	41,840
<b>Total Current Liabilities</b>		<u>905,972</u>	<u>1,086,020</u>
<b>Non-Current Liabilities</b>			
Borrowings	5	<u>1,550,316</u>	<u>1,501,695</u>
<b>Total Non-Current Liabilities</b>		<u>1,550,316</u>	<u>1,501,695</u>
<b>Total Liabilities</b>		<u>2,456,288</u>	<u>2,587,715</u>
<b>Net Assets/(Liabilities)</b>		<u>(1,976,621)</u>	<u>(1,992,527)</u>
<b>Equity</b>			
Issued capital	6	45,308,928	44,266,058
Reserves		330,439	512,870
Accumulated losses		<u>(47,615,988)</u>	<u>(46,771,455)</u>
<b>Total Equity Attributable to the Owners of Marenica Energy Limited</b>		<u>(1,976,621)</u>	<u>(1,992,527)</u>
Non-controlling interests		-	-
<b>Total Equity</b>		<u>(1,976,621)</u>	<u>(1,992,527)</u>

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

**MARENICA ENERGY LTD**

**Consolidated Statement of Cash Flows  
For the half-year ended at 31 December 2016**

	31 December 2016 \$	31 December 2015 \$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(699,260)	(331,479)
Government grant received	101,681	127,497
Interest received	2,848	2,998
Interest paid	-	-
<b>Net cash used in operating activities</b>	<u>(594,731)</u>	<u>(200,984)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of financial assets	-	67,406
Acquisitions of plant and equipment	-	-
Proceeds from sale of plant and equipment	-	-
<b>Net cash used in investing activities</b>	<u>-</u>	<u>67,406</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of equity securities	476,000	-
Repayment of Borrowings	-	-
<b>Net cash provided by financing activities</b>	<u>476,000</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	(118,731)	(133,578)
Cash and cash equivalents at beginning of half-year	558,326	335,208
Effects of exchange rate changes on cash and cash equivalents	186	(280)
<b>Cash and cash equivalents at end of half year</b>	<u>439,781</u>	<u>201,350</u>

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

**MARENICA ENERGY LTD**
**Consolidated Statement of Changes in Equity  
For the half-year ended at 31 December 2016**

	Issued Capital	Accumulated Losses	Reserves	Total	Non- controlling Interests	Total Equity
<b>At 1 July 2016</b>	<b>44,266,058</b>	<b>(46,771,455)</b>	<b>512,870</b>	<b>(1,992,527)</b>	-	<b>(1,992,527)</b>
Loss for the period	-	(844,533)	-	(844,533)	-	(844,533)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	(844,533)	-	(844,533)	-	(844,533)
<i>Transactions with owners in their capacity as owners:</i>						
Options/Performance Rights exercised	532,370	-	(253,411)	278,959	-	278,959
Performance Rights vesting as share- based payments	-	-	70,980	70,980	-	70,980
Issue of Shares	534,500	-	-	534,500	-	534,500
Share issue costs	(24,000)	-	-	(24,000)	-	(24,000)
<b>At 31 December 2016</b>	<b>45,308,928</b>	<b>(47,615,988)</b>	<b>330,439</b>	<b>(1,976,621)</b>	-	<b>(1,976,621)</b>
	Issued Capital	Accumulated Losses	Reserves	Total	Non- controlling Interests	Total Equity
<b>At 1 July 2015</b>	<b>43,337,888</b>	<b>(45,531,702)</b>	<b>383,113</b>	<b>(1,810,701)</b>	-	<b>(1,810,701)</b>
Loss for the period	-	(617,488)	-	(617,488)	-	(617,488)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	(617,488)	-	(617,488)	-	(617,488)
Movement in Convertible Note Reserve	-	-	-	-	-	-
Issue of options as share-based payments	-	-	178,901	178,901	-	178,901
Issue of Shares	30,111	-	-	30,111	-	30,111
Share issue costs	(3,498)	-	-	(3,498)	-	(3,498)
<b>At 31 December 2015</b>	<b>43,364,501</b>	<b>(46,149,190)</b>	<b>562,014</b>	<b>(2,222,675)</b>	-	<b>(2,222,675)</b>

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 2016

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### 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 2016 was authorised for issue in accordance with a resolution of the Directors on 27 February 2017.

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 2016 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 2016.

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 2016 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 \$1,976,621, as at 31 December 2016 and incurred a loss of \$844,533 and net operating cash outflow of \$594,731 for the six month period ended 31 December 2016.

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; and
- 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 2016**

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**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.

**3. Loss before income tax expense**

The following revenue and expense items are relevant in explaining the financial performance for the half-year:

	<b>31 December 2016</b>	<b>31 December 2015</b>
	\$	\$
<b>Revenue:</b>		
Interest revenue	2,848	2,998
Government grants received	101,681	127,497
Activity-based income	15,785	-
Profit on sale of plant and equipment	-	-
Profit on sale of available for sale assets	-	14,612
<b>Expenses:</b>		
Defined contribution superannuation expense	16,839	19,596
Depreciation	2,613	3,433
Rental expense relating to operating leases	5,526	5,286

Condensed Notes to the Financial Statements  
For the half-year ended at 31 December 2016

4. Payables	31 December 2016 \$	30 June 2016 \$
Trade payables	135,014	43,861
Accrued charges	294,285	625,203
	429,299	669,064

Included in Accrued charges is the sum of \$281,838 (2016: \$513,710) relating to unpaid non-executive Directors fees (inclusive of superannuation) at reporting date. Of this amount \$267,348 (2016: \$513,710) relates to the Company's obligation to fund the exercise price of options issued to Directors should the Directors exercise the options.

#### 5. Borrowings

	31 December 2016 \$	30 June 2016 \$
<i>Current Liabilities</i>		
Insurance funding loan	-	7,722
Convertible note – accrued interest	433,453	367,394
	433,543	375,116
<i>Non-Current Liabilities</i>		
Convertible note	1,533,312	1,501,695
Convertible note - accrued interest	17,004	-
	1,550,316	1,501,695

On 9 February 2016 the Company reached agreement with Hanlong for the extension of the Convertible Notes from its maturity date of 14 November 2016 to 14 November 2018. The key terms of the amended Convertible Notes are a revision of the conversion price from \$1.80 per share to \$0.58 per share, an unchanged coupon interest rate of 8% per annum with the interest being payable on 14 November 2016. Interest subsequent to 14 November 2016 will be accrued and payable annually. The amendments came into effect from 5 April 2016 after obtaining shareholder approval at the general meeting. As a consequence of the changes the debt and equity components of the convertible note have been revalued.

On 9 November 2016 the Company reached agreement with Hanlong to extend the date for payment of interest on the convertible notes from 14 November 2016 to 30 April 2017 at a revised interest rate of 12% per annum for the interest component previously due on 14 November 2016. 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 2018.

Condensed Notes to the Financial Statements  
For the half-year ended at 31 December 2016

## 6. Contributed Equity

	31-Dec 2016	30-Jun 2016
	\$	\$
(a) Issued and fully paid shares		
Fully paid ordinary shares	46,022,620	44,955,750
Less: capital issue costs net of tax	<u>(713,692)</u>	<u>(689,692)</u>
	<b><u>45,308,928</u></b>	<b><u>44,266,058</u></b>
(b) Movements in issued and fully paid shares	Number of shares	\$
Balance at the beginning of the period	<b>24,329,061</b>	<b>44,266,058</b>
<i>Shares issued:</i>		
- via private placement	5,000,000	500,000
- in lieu of consultant services	300,000	34,500
- options exercised	1,257,501	278,959
- value transferred from share-based payment reserve upon options being exercised	-	158,911
- performance rights vested	472,500	94,500
Less: capital issue costs		<u>(24,000)</u>
Balance at the end of the period	<u>31,359,062</u>	<u>45,308,928</u>

## 7. Share-based Payment Reserve

	31-Dec 2016	30-Jun 2016
	\$	\$
Share-based payments reserve	<u>166,513</u>	<u>348,944</u>
(i) Share Options		
	Number of options	Weighted average exercise price
		\$
<i>Movements in share options</i>		
Balance at the beginning of the period	2,296,215	311,181
Options exercised	<u>(1,257,501)</u>	<u>(158,911)</u>
Balance at the end of the period	<u>1,038,714</u>	<u>152,270</u>
(ii) Performance Rights		
<i>Movements in performance rights</i>		
Balance at the beginning of the period		37,763
Rights vesting		70,980
Transfer to equity upon meeting performance conditions		<u>(94,500)</u>
Balance at the end of the period		<u>14,243</u>
<b>Total (i) - (ii)</b>		<b><u>166,513</u></b>

**Condensed Notes to the Financial Statements  
For the half-year ended at 31 December 2016**

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**7. Share-based Payment Reserve (Cont'd)**

As at reporting date, 472,500 performance rights have vested and converted into shares upon fulfilling the relevant performance conditions. There are 202,500 performance rights remaining which have not yet 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.

**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.

**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 95,625 shares 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 2016 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 2016.

The Company's directors are responsible for the preparation and fair presentation of the consolidated financial report in accordance with Australian Accounting Standard AASB 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 2016 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.

#### **Independence**

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

#### **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the 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 2016 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*.



Chartered Accountants



**Emphasis of Matter regarding Continuation as a Going Concern**

Without qualifying our conclusion, we draw attention to Note 2 in the financial statements wherein the Directors' conclude that there is a significant 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 Auditing**

*G R Swan*

**Graham R Swan FCA  
Partner**

Dated 27th February 2017



Chartered Accountants