

MARENICA ENERGY LTD

ACN 001 666 600

**HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2017**

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Corporate Information

DIRECTORS

A Bantock (Chairman)
M Hill (Managing director and CEO)
D Buerger (Independent Non-executive director)
N Chen (Non-executive director)

COMPANY SECRETARY

S McBride

**MANAGING DIRECTOR and
CHIEF EXECUTIVE OFFICER**

M Hill

REGISTERED OFFICE

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

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 Ave
West Perth WA 6005
Tel: 61 8 9486 7094

STOCK EXCHANGES

Australian Securities Exchange – MEY
Namibia Stock Exchange – MEY

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 2017.

Directors

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

Name

Andrew Bantock	Independent Non-Executive Chairman – appointed 1 February 2018
Murray Hill	Managing Director
Alan Douglas Buerger	Independent Non-Executive Director
Nelson Chen	Non-Executive Director
David Sanders	Independent Non-Executive Director - retired 22 November 2017
Lou Guo Qing	Non-Executive Director - retired 22 November 2017
John Sestan	Non-Executive Director - resigned 18 December 2017

Principal activities

To create value from potential uranium mining and production assets, through exploration, evaluation and development of both owned projects and projects owned by others; including through the development and commercial application of the Company's patented **U-pgrade™** uranium beneficiation process.

Operating and Financial Review

Result of Operations

The loss from ordinary activities of the Group for the half-year ended 31 December 2017 attributable to members was \$628,103 (31 December 2016 – \$844,533).

Review of Operations

The Company was granted two certified Australian innovation Patents, three standard Australian Patents and a United States Patent over the **U-pgrade™** process. The grant of these Patents confirmed Marenica's long held belief that the process and knowhow is unique, inventive and represents a valuable commercial advance within the uranium extraction industry. Importantly, the Patents give the Company the sole and exclusive rights to the use or license of **U-pgrade™** and puts the Company in a strong strategic position to benefit from the future use of **U-pgrade™** in commercial applications.

The Company continued to explore opportunities to commercialise the **U-pgrade™** beneficiation process through contact with owners of surficial calcrete orebodies. Of note is the testwork conducted on the Langer Heinrich uranium project in Namibia, which confirmed the significant production volume and unit cost benefits that could be expected from implementation of **U-pgrade™** on the ore. Marenica and Paladin (75% owner of Langer Heinrich) are working towards developing a pathway for the potential application of **U-pgrade™** at Langer Heinrich.

The Company continues to conduct due diligence on projects to which **U-pgrade™** could be utilised to gain an advantage for Marenica and that could allow Marenica to generate value from ownership of uranium projects, by purchase, joint venture, farm-in or through other ownership or royalty structures.

The Company's Marenica Project in Namibia remains in readiness to be further advanced for evaluation and development, subject to a sustained improvement in the uranium price.

Directors' Report

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 2017.

Signed in accordance with a resolution of the directors.



Andrew Bantock
Chairman

Dated at Perth this 8th Day of March 2018



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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 2017 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 8th March 2018



Chartered Accountants

MARENICA ENERGY LTD

Directors' Declaration

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

- (a) the financial statements and notes, set out on pages 7 to 15, 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 2017 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



Andrew Bantock
Chairman

Dated at Perth this 8th Day of March 2018

MARENICA ENERGY LTD

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2017**

	Note	31 December 2017 \$	31 December 2016 \$
Continuing Operations			
Financial income	3	3,004	2,848
Activity-based income	3	47,200	15,785
Research and development tax refund	3	103,403	101,681
		<u>153,607</u>	<u>120,314</u>
Expenses			
Activity-based costs		59,909	276,300
Employee expenses		459,167	329,631
Administration expenses		162,466	241,623
Depreciation expense		1,982	2,613
Finance expense		98,186	114,680
Total expenses		<u>781,710</u>	<u>964,847</u>
Loss before income tax expense		<u>(628,103)</u>	<u>(844,533)</u>
Income tax expense		-	-
Loss from continuing operations		<u>(628,103)</u>	<u>(844,533)</u>
Other comprehensive income			
<i>Items that maybe reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		-	-
Total other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss		<u>(628,103)</u>	<u>(844,533)</u>
Loss for the period is attributed to:			
Owners of the parent		(628,103)	(844,533)
Non-controlling interest		-	-
		<u>(628,103)</u>	<u>(844,533)</u>
Total comprehensive loss for the period is attributed to:			
Owners of the parent		(628,103)	(844,533)
Non-controlling interest		-	-
		<u>(628,103)</u>	<u>(844,533)</u>
Earnings per share			
Basic and diluted loss per share (cents per share)		(1.43)	(3.27)

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 2017

	Note	31 December 2017 \$	30 June 2017 \$
Current Assets			
Cash and cash equivalents		343,112	473,117
Trade and other receivables		62,607	37,653
Total Current Assets		405,719	510,770
Non-Current Assets			
Plant & equipment		15,344	17,325
Total Non-Current Assets		15,344	17,325
Total Assets		421,063	528,095
Current Liabilities			
Trade and other payables	4	280,383	332,543
Borrowings	5	1,613,034	82,488
Employee benefits		50,212	52,942
Total Current Liabilities		1,943,629	467,973
Non-Current Liabilities			
Borrowings	5	-	1,564,414
Total Non-Current Liabilities		-	1,564,414
Total Liabilities		1,943,629	2,032,387
Net Assets/(Liabilities)		(1,522,566)	(1,504,292)
Equity			
Issued capital	6	47,248,471	46,678,105
Reserves		314,691	275,227
Accumulated losses		(49,085,728)	(48,457,624)
Total Equity Attributable to the Owners of Marenica Energy Limited		(1,522,566)	(1,504,292)
Non-controlling interests		-	-
Total Equity		(1,522,566)	(1,504,292)

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 2017**

	31 December 2017 \$	31 December 2016 \$
Cash flows from operating activities		
Payments to suppliers and employees	(571,348)	(699,260)
Receipts from customers	47,200	-
Research and development tax refund	103,403	101,681
Interest received	3,004	2,848
Interest paid	(13,205)	-
Net cash used in operating activities	<u>(430,946)</u>	<u>(594,731)</u>
Cash flows from investing activities		
Acquisitions of plant and equipment	-	-
Proceeds from sale of plant and equipment	-	-
Net cash used in investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from issue of equity securities	182,161	476,000
Expenses from issue of equity securities	(63,174)	-
Proceeds from convertible loan	180,000	-
Net cash provided by financing activities	<u>298,987</u>	<u>476,000</u>
Net increase/(decrease) in cash and cash equivalents	(131,959)	(118,731)
Cash and cash equivalents at beginning of half-year	473,117	558,326
Effects of exchange rate changes on cash and cash equivalents	1,954	186
Cash and cash equivalents at end of half year	<u><u>343,112</u></u>	<u><u>439,781</u></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 2017**

	Issued Capital	Accumulated Losses	Reserves	Total	Non- controlling Interests	Total Equity
At 1 July 2017	46,678,105	(48,457,625)	275,227	(1,504,293)	-	(1,504,293)
Loss for the period	-	(628,103)	-	(628,103)	-	(628,103)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	(628,103)	-	(628,103)	-	(628,103)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of options/performance rights vesting	-	-	39,464	39,464	-	39,464
Issue of Shares Note 6	576,510	-	-	576,510	-	576,510
Share issue costs Note 6	(6,144)	-	-	(6,144)	-	(6,144)
At 31 December 2017	47,248,471	(49,085,728)	314,691	(1,522,566)	-	(1,522,566)
	Issued Capital	Accumulated Losses	Reserves	Total	Non- controlling Interests	Total Equity
At 1 July 2016	44,266,058	(46,771,455)	512,870	(1,992,527)	-	(1,992,527)
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)
At 31 December 2016	45,308,928	(47,615,988)	330,439	(1,976,621)	-	(1,976,621)

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 2017

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 2017 was authorised for issue in accordance with a resolution of the Directors on 8th March 2018.

The Company is limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange and the Namibian Stock Exchange.

The principal activity of the Company during the period was to create value from potential uranium mining and production assets, through exploration, evaluation and development of both owned projects and projects owned by others; including through the development and commercial application of the Company's patented **U-pgrade™** uranium beneficiation process

2. Basis of Preparation and Accounting Policies

Basis of Preparation

These general purpose condensed consolidated financial statements for the half-year ended 31 December 2017 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 2017.

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 2017 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 \$1,522,566, as at 31 December 2017 having incurred a loss of \$628,103 and net operating cash outflow of \$430,946 for the six month period ended 31 December 2017.

A total of \$1,596,030 of the \$1,522,566 net asset deficiency is due to the debt created by the Convertible Notes. The Company holds the right to convert the Convertible Notes to equity at \$0.58 per share on 14 November 2018. The conversion will reduce the current borrowings by \$1,596,030 and materially improve the Company's financial position at that time.

**Condensed Notes to the Financial Statements
For the half-year ended at 31 December 2017**

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 has 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 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

	31 December 2017	31 December 2016
	\$	\$

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

Revenue:

Interest revenue	3,004	2,848
Research and development tax refund	103,403	101,681
Activity-based income	47,200	15,785

Expenses:

Defined contribution superannuation expense	20,413	16,839
Depreciation	1,982	2,613
Rental expense relating to operating leases	4,692	5,526

MARENICA ENERGY LTD

Condensed Notes to the Financial Statements For the half-year ended at 31 December 2017

4. Payables	31 December 2017 \$	30 June 2017 \$
Trade payables	44,236	142,181
Accrued charges	236,147	190,362
	<u>280,383</u>	<u>332,543</u>

Included in Accrued charges is the sum of \$211,220 (2017: \$157,224) relating to unpaid non-executive Directors fees (inclusive of superannuation) at reporting date. Of this amount \$211,220 (2017: \$157,224) 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 2017 \$	30 June 2017 \$
<i>Current Liabilities</i>		
Insurance funding loan	-	-
Convertible note – accrued interest	17,004	82,488
Convertible note	1,596,030	-
	<u>1,613,034</u>	<u>82,488</u>
<i>Non-Current Liabilities</i>		
Convertible note	-	1,564,414
Convertible note - accrued interest	-	-
	<u>-</u>	<u>1,564,414</u>

On 9 February 2016, the Company reached agreement with Hanlong Energy Ltd for the extension of the term of the Convertible Notes from 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 and an unchanged coupon interest rate of 8% per annum with the interest being payable on 14 November of 2016, 2017 and 2018. In addition, the Company has the right to repay the debt at maturity in shares issued at \$0.58 per share or cash. The amendments came into effect from 5 April 2016 after obtaining shareholder approval at the general meeting.

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.

MARENICA ENERGY LTD

Condensed Notes to the Financial Statements For the half-year ended at 31 December 2017

6. Contributed Equity

	31-December 2017 \$	30-June 2017 \$
(a) Issued and fully paid shares		
Fully paid ordinary shares	48,135,199	47,558,689
Less: capital issue costs net of tax	<u>(886,728)</u>	<u>(880,584)</u>
	<u>47,248,471</u>	<u>46,678,105</u>
(b) Movements in issued and fully paid shares	Number of shares	\$
Balance at the beginning of the period	42,383,616	46,678,105
Shares issued:		
- repayment of interest on convertible loan	914,218	118,848
- repayment of converting loan	1,384,616	180,000
- shares issued during the year	1,401,236	182,161
in lieu of directors fees and salaries	694,142	95,511
Less: capital issue costs		<u>(6,154)</u>
Balance at the end of the period	<u>46,777,828</u>	<u>47,248,471</u>

7. Share-based Payment Reserve

Share-based payments reserve	<u>150,765</u>	<u>111,301</u>
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(i) Share Options

	Number of options	\$	Weighted average exercise price
<i>Movements in share options</i>			
Balance at the beginning of the period	611,036	94,190	\$0.2720
Options issued	<u>422,233</u>	<u>36,547</u>	<u>\$0.2100</u>
Balance at the end of the period	<u>1,033,269</u>	<u>130,737</u>	<u>\$0.2467</u>

(ii) Performance Rights

<i>Movements in performance rights</i>	
Balance at the beginning of the period	17,111
Rights vesting	<u>2,917</u>
Balance at the end of the period	<u>20,028</u>

Total (I)-(II) Share Based Payments Reserve	<u>150,765</u>
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**Condensed Notes to the Financial Statements
For the half-year ended at 31 December 2017**

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

As at reporting date, 202,500 performance rights remain 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 exploration and development. 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 the Marenica Project in Namibia mineral licence MDRL 3287 (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 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.

Pursuant to this agreement no payments were made during the period ended 31 December 2017. In total \$2,026,000 has been paid under this agreement.

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 2017 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 2017.

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 2017 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 2017 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 Auditing

**Graham R Swan FCA
Partner**

Dated 8th March 2018



Chartered Accountants