



4th June 2014

New Corporate Strategy and Capital Raising

Key Points:

- Marenica is embarking on an exciting new strategy aimed at commercialising its proven *U-pgrade™* process. The new strategy is a direct and positive response to the dramatic deterioration in uranium price expectations for the short to medium term.
- *U-pgrade™* process is expected to provide Marenica with the leverage to earn commercial interests in new and existing mines that urgently require the efficiency improvements offered by this new process.
- The Marenica Board has approved the transfer of its proprietary *U-pgrade™* beneficiation technology to a wholly owned subsidiary, Uranium Beneficiation Pty Ltd (“UB”).
- UB provides an exciting opportunity for new investors to participate in the funding and commercialisation of *U-pgrade™* alongside existing Marenica shareholders.
- Financing from new investors in UB to construct a pilot plant and assess three separate ore sources is progressing positively.
- Marenica to undertake a Share Purchase Plan this month to raise funds for working capital purposes.
- The Capital Raising is to be supported by the Directors and underwritten by Management.

International uranium company Marenica Energy Limited (ASX: MEY – “Marenica” or “the Company”) is pleased to provide an update of its corporate strategy developed for the commercialisation of its proprietary *U-pgrade™* process.

U-pgrade™ Benefits

Marenica’s *U-pgrade™* process is a major breakthrough for processing surficial uranium deposits. Whilst the current low uranium price is a major problem for much of the uranium industry at present, with many of the world’s uranium producers reporting a loss at these prices, the low prices expected in the short to medium term provide an opportunity for Marenica to commercialise the *U-pgrade™* process. Internal cost estimates have indicated a potential reduction in process operating costs using *U-pgrade™* of between 50% and 70% and a reduction in capital costs of between 30% and 50% compared to conventional heap leach technology on this style of deposit. Marenica has identified a substantial number of resource companies that are waiting for the

uranium price to increase to >\$75/lb before developing their projects. However, with the application of the ***U-pgrade™*** process the required uranium price to develop these styles of resources can be greatly reduced. Marenica believes that the application of ***U-pgrade™*** will revolutionise processing of surficial uranium by providing a means for these projects to be developed at significantly lower costs and well below current project development trigger prices. In addition, existing producing mines or near term producers will be able to substantially increase their margins as a result of implementing the ***U-pgrade™*** process.

The potential application of ***U-pgrade™*** to these sub-economic and low grade resources is the primary target for commercialisation of ***U-pgrade™***.

The *U-pgrade™* Process

Substantial ***U-pgrade™*** testwork has been completed to date using samples from a number of surficial deposits. Conclusions from these tests are that the process concentrates the uranium into a very low mass for leaching (<2% of the mined mass), which in turn increases the grade of leach feed by 30-50 times.

Plan to Commercialise

The Directors of Marenica have approved the following plan to commercialise ***U-pgrade™*** for the benefit of the shareholders of Marenica:

- Transferring the intellectual property of ***U-pgrade™*** to the wholly owned subsidiary Uranium Beneficiation Pty Ltd (“UB”)
- Obtaining the support of at least three resource companies to provide representative samples from their deposits for processing in the Pilot Plant (this has already occurred)
- Raising capital in UB to progress the commercialisation strategy
- Constructing a pilot plant for ***U-pgrade™*** subject to raising sufficient capital in UB
- Completing the pilot plant trials by processing at least three ore types
- Entering into negotiations with various resource owners to apply ***U-pgrade™*** in their operations

A Share Purchase Plan (“Plan”) in Marenica is required to provide working capital while the capital raising for UB is undertaken to establish the subsidiary as a self-contained company with the single focus of commercialising ***U-pgrade™***.

Progress to date

The Directors are pleased to advise that a very positive start has been made and the Company is well down the path of the corporate restructure and capital raising in UB. Progress to date can be summarised as follows;

1. Marenica is engaged with a number of resource owners with deposits/resources suitable for the ***U-pgrade™*** process. The Company has entered into Memoranda of Understanding with three resource companies in relation to providing their ore for processing in the pilot plant.
2. Marenica has received a very positive response from a range of finance sources for UB.

3. Marenica's Technical Steering Committee continues to prepare for construction and operation of the pilot plant so that it is ready to move quickly once UB financing is in place. The plan is to locate the pilot plant at CSIRO's facilities in Perth.

The funding of UB is expected to be completed in the second half of 2014.

Capital Raising

The Company is pleased to offer existing shareholders the opportunity to increase their investment in Marenica to assist in funding the new strategy of the Company by applying for new shares through the Plan. The Company will make a further announcement regarding the details of the offer in the coming days.

The Company is seeking to raise funds under the Plan to provide the working capital for Marenica (as a holding company), whilst

- the new corporate strategy and appropriate funding is finalised in UB;
- the design and construction of the pilot plant is completed by UB;
- the results of the operation of the pilot plant are made available; and
- negotiation of at least one commercialisation agreement with an appropriate significant resource owner in the uranium industry is finalised.

Marenica Directors

The Directors of Marenica have not been paid full fees since mid-2013. As a sign of the Directors' confidence in Marenica's new direction, all Australian based Directors will be taking up their maximum entitlement of shares in the Plan.

Strategic Advisor

The Directors have approved the appointment of a strategic advisor to assist management through this important transition and in the fund raising process. Salamander Business Services (SBS) and its key principal, John Sestan has extensive resources experience with a focus on servicing the uranium extraction industry. They are pleased and encouraged by the substantial contribution made by Mr Sestan to date. His remuneration is largely performance based and is linked to Marenica's *U-pgrade™* process being successfully commercialised.

Share Purchase Plan Underwriting

The Directors and Management have a strong belief in the effectiveness of this new strategy in providing value for Marenica shareholders. This is supported by the Australian Directors who are taking up their full entitlement in the Plan. Furthermore the Directors are pleased that the Chief Executive Officer and Strategic Advisor have committed to underwrite the Plan up to a value of \$300,000. This raising, together with the forecast Research and Development tax refund due in September 2014, is expected to provide the working capital required by Marenica to implement this new strategy.

Company Updates – Significant events

Major Shareholder

The Sichuan Hanlong Group (“Hanlong”) is currently Marenica’s largest shareholder with 36.9% of the total equity. Hanlong has also previously financed the Company in the form of a convertible note (“Note”) which has a balance outstanding of \$1,650,671. Hanlong executives have advised Marenica that Hanlong is not in a position at this point in time to support any fund raising by Marenica at any level.

However, Hanlong has agreed to delay the next interest payment (\$132,054) due on the Note by twelve months from 14 November 2014 until 14 November 2015, when the face value plus accrued interest for 2 years of the Note will be repayable. The Directors understand the difficult situation that Hanlong is currently faced with and appreciate Hanlong’s ongoing support by delaying the interest payment due later this year.

The Marenica deposit

Marenica has applied to the Minister of Mines in Namibia for a Mineral Deposit Retention Licence to replace the current Exclusive Prospecting Licence, which if approved would effectively allow Marenica a period of 5 years grace with respect to exploration expenditure obligations (noting that all Marenica’s environmental responsibilities are in order).

The Directors are confident that Marenica will receive a positive response from the Minister in this regard. Using **U-pgrade™** with the Marenica deposit remains an ongoing option available to the Company once prices become more attractive.

During this hiatus in the project in Namibia, it has unfortunately been necessary to retrench the site staff, and over the coming months the Swakopmund office will be closed and relocated to Windhoek. Samples and appropriate records will be securely stored and unwanted capital equipment sold.

Uranium Outlook

The Directors maintain their confidence in the long term uranium demand scenario put forward by most uranium market research groups, with growth expected to be driven by the unstoppable need for power by the developing economies with a growing focus being on the dependable and low carbon emission energy provided by nuclear power. Uranium prices in excess of \$75/lb are needed to provide the incentive for the market to be able to deliver the significant new production required to feed the growing global fleet of nuclear power stations. The Directors believe that the utilisation of **U-pgrade™** can deliver significant operating cost reductions that will be attractive to many surficial uranium projects at uranium prices well below these incentive prices.

Rather than being hampered by the current low prices in the uranium market, our new strategy responds to this near term negative price outlook. We believe that the strategy can be successful across all price ranges, especially at or below the current incentive prices for many of our target commercialisation partners. The value of **U-pgrade™** comes from an operating and capital cost reduction which is compelling for producers across a wide range of uranium prices.

For further information contact Murray Hill (CEO) on 08 6555 1816.