

Marenica Energy Limited

ACN 001 666 600

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY MEMORANDUM

Date of General Meeting: Thursday, 29 November 2012
Time of General Meeting: 4.00pm (WST)
**Place of General Meeting: Celtic Club, 48 Ord Street,
West Perth, WA 6005**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders of Marenica Energy Limited (**Company**) will be held at the Celtic Club, 48 Ord Street, West Perth, Western Australia on Thursday, 29 November 2012 at 4.00pm (WST).

An Explanatory Memorandum containing information in relation to each of the following matters to be considered at the meeting accompanies and forms part of this Notice.

AGENDA

FINANCIAL, DIRECTORS' AND AUDITOR'S REPORT

To receive and consider the Financial Report, Directors' Report and Auditor's Report of the Company and its controlled entities for the financial year ended 30 June 2012.

RESOLUTION 1 - ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

"That for the purposes of section 250R(2) of the Corporations Act, the Remuneration Report for the financial year ended 30 June 2012 be adopted."

The Company will disregard any votes cast on this Resolution by Key Management Personnel or their Closely Related Parties. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form.

RESOLUTION 2 - ELECTION OF DIRECTOR – NELSON CHEN

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

"That Mr Nelson Chen, who was appointed as a Director of the Company on 30 November 2011, be elected as a Director of the Company."

RESOLUTION 3 – ELECTION OF DIRECTOR – BO (SIMON) YANG

To consider and if thought fit, pass the following resolution as an **ordinary resolution**:

"That Mr Bo Yang, who was appointed as a Director of the Company on 1 June 2012, be elected as a Director of the Company."

RESOLUTION 4 – RATIFICATION OF ISSUE OF OPTIONS TO ASSOCIATES OF MURRAY HILL, CHIEF EXECUTIVE OFFICER

To consider and if thought fit, pass the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.4, Shareholders ratify the issue by the Company of 18,000,000 unlisted Options in the Company to associates of Mr Murray Hill on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Annual General Meeting.”

The Company will disregard any votes cast on this resolution by a person who participated in the issue and any associates of that person.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 5 – RATIFICATION OF ISSUE OF CONVERTIBLE NOTES TO HANLONG ENERGY LIMITED

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 7.4, Shareholders ratify the issue by the Company of 2,000,000 convertible notes in the Company to Hanlong Energy Limited on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Annual General Meeting.”

The Company will disregard any votes cast on this resolution by a person who participated in the issue and any associates of that person.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 6: APPROVAL OF ISSUE OF SHARES – PROPOSED CAPITAL RAISING

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 7.1, approval is given for the Company to issue up to 200,000,000 fully paid ordinary shares in the Company to investors entitled to subscribe for securities pursuant to section 708 of the Corporations Act on the terms and conditions set out in the Explanatory Statement accompanying this Notice of General Meeting.”

The Company will disregard any votes cast on this resolution by a person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of an ordinary security holder (if the resolution is passed) and any associates of that person.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

VOTING ENTITLEMENT

In accordance with Regulation 7.11.37 of the Corporations Regulations, the Directors have set a date to determine the identity of those entitled to attend and vote at the AGM. For the purposes of determining voting entitlements at the AGM, Shares will be taken to be held by the persons who are registered as holding them as at 4:00pm (WST) on Tuesday 27 November 2012. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the AGM.

QUESTIONS AND COMMENTS

The Chairman will allow a reasonable opportunity for shareholders at the meeting to ask questions about or make comments on the management of the Company.

DATED THIS 24th DAY OF OCTOBER 2012

BY ORDER OF THE BOARD



Michael van Uffelen
Company Secretary

PROXY INSTRUCTIONS

Members are advised that:

- each member has a right to appoint a proxy to attend and vote for them;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint either 1 or 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the appointment is for 2 proxies and does not specify the proportion or number of votes each proxy may exercise, then, in accordance with section 249X(3) of the *Corporations Act*, each proxy may exercise half of the votes.

The member may specify the manner in which the proxy is to vote on each resolution or may allow the proxy to vote at his or her discretion.

In accordance with section 250BA of the *Corporations Act*, the Company specifies that the proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be:

- delivered or posted to the registered office of the Company at Bennett + Co, Level 10, BGC Centre, 28 The Esplanade, Perth WA 6000 AUSTRALIA;
- sent to the registered office by facsimile on (08) 6316 2211 (within Australia) or +61 8 6316 2211 (outside Australia).

Those documents must be received by the Company at least 48 hours before the time for holding the Annual General Meeting, or adjourned Annual General Meeting as the case may be, at which the individual named in the proxy form proposes to vote.

The proxy form must be signed by the Shareholder or his/her attorney duly authorised in writing or, if the Shareholder is a body corporate, in a manner permitted by the *Corporations Act*. In the case of Shares jointly held by two or more persons, all joint holders must sign the proxy form.

Any issues in relation to validity of a proxy forms and any powers of attorney under which a proxy form is signed will be determined by the Chairman of the meeting.

A proxy form (together with instructions for completion) is enclosed with this Notice.

DEFINITIONS

For assistance in considering the Notice and accompanying Explanatory Memorandum, the following words are defined here:

AGM or Annual General Meeting means the 2012 annual general meeting of the Company.

ASX means ASX Limited (ACN 008 624 691).

Auditor's Report means the auditor's report on the Financial Report.

Board means the board of Directors of the Company.

Chairman means the chairman of the Annual General Meeting.

Company means Marenica Energy Limited (ACN 001 666 600).

Constitution means the constitution of the Company.

Convertible Notes means notes convertible into Shares on the terms and conditions set out in Annexure B.

Corporations Act means the *Corporations Act 2001* (Commonwealth).

Corporations Regulations means the *Corporations Regulations 2011* (Commonwealth).

Director means a director of the Company.

Directors' Report means the annual directors' report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.

Explanatory Memorandum means the explanatory memorandum enclosed with, and comprising part of, this Notice.

Financial Report means the 2012 annual financial report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.

Key Management Personnel means those persons details of whose remuneration are included in the Remuneration Report having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise), as defined in the Corporations Act.

Listing Rules means the ASX Listing Rules.

Notice means this notice of annual general meeting.

Option means an option to acquire a Share on the terms and conditions set out in Annexure A.

Proxy Form means the proxy form enclosed with the Notice.

Remuneration Report means the remuneration report of the Company contained in the Directors' Report.

Resolutions means the resolutions proposed in the Notice.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

WST means Australian Western Standard Time.

MARENICA ENERGY LIMITED

ABN 71 001 666 600

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide Shareholders with information to assess the merits of the resolutions contained in the accompanying Notice.

The Directors recommend Shareholders read this Explanatory Memorandum in full before making any decision in relation to the resolutions.

The following information should be noted in respect of the various matters contained in the accompanying Notice.

Financial, Directors' and Auditors Report

The Financial Report, Director's Report and Auditor's Report for the Company for the year ending 30 June 2012 will be laid before the AGM.

There is no requirement for the Shareholders to approve these reports. However, the Chairman will allow a reasonable opportunity for Shareholders to ask questions or make comments about those reports. Shareholders will also be given a reasonable opportunity to ask the auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the AGM, written questions to the Company's auditors about:

- the preparation and content of the Auditor's Report;
- the conduct of the audit;
- accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the AGM date to the Company's registered office at Bennett + Co, Level 10, BGC Centre, 28 The Esplanade, Perth WA 6000 or sent by facsimile to the registered office on (08) 6316 2211 (within Australia) or +61 8 6316 2211 (outside Australia).

Resolution 1: Adoption of Remuneration Report

The Company is required to include in its Directors' Report a detailed Remuneration Report relating to Directors' and executives' remuneration. Section 300A of the Corporations Act sets out the information required to be included in the Remuneration Report. A copy of the Remuneration Report is included in the Company's Annual Report.

Sections 249L(2) and 250(2) of the Corporations Act require that a resolution that the Remuneration Report be adopted be put to a vote of Shareholders at the Company's AGM. The vote on this resolution is advisory only and does not bind the Board.

Under section 250SA of the Corporations Act, Shareholders must be given a reasonable opportunity to ask questions about, or make comment on, the Remuneration Report.

Under changes to the Corporations Act that came into force on 1 July 2011, the resolution must now be the subject of a voting exclusion statement precluding Key Management Personnel and their Closely Related Parties from voting on the resolution, except as proxies for Shareholders entitled to vote. Any undirected proxies in favour of the Chairman concerning this resolution will be voted in favour of the resolution.

The changes also afford shareholders the opportunity to replace a company's board of directors if the resolution to approve the company's Remuneration Report receives "no" votes of 25% or more at two successive AGMs of the Company.

A summary of the process as it applies to the Company is as follows:

- (a) If a "no" vote of 25% or more is cast on Resolution 1 to adopt the Remuneration Report, the Remuneration Report in 2013 must outline the Board's proposed action in response to the "no" vote (or state the reasons for any inaction);
- (b) If a "no" vote of 25% or more is cast on the resolution to adopt the Remuneration Report at the 2013 AGM, the Shareholders must then vote on a resolution that a general meeting be convened to consider the election of directors;
- (c) If the resolution is carried by ordinary majority (more than 50% of those present and voting), then the general meeting must be held within 90 days. All directors (other than any managing director who is permitted to hold office indefinitely without being re-elected under the Listing Rules) cease to hold office immediately before the end of the general meeting and may offer themselves for re-election;
- (d) The Corporations Act contains provisions to ensure that there are at least three directors following such a general meeting. These three positions will be occupied by:
 - (i) the managing director (if any); and
 - (ii) the two (or three) people who receive the highest proportion of votes in favour of their appointment at the meeting (even if less than 50% of the votes cast on their election are in favour of their re-appointment).

Resolution 2: Election of Nelson Chen as Director

Under the Constitution, any Director appointed to fill a casual vacancy (other than a Managing Director) holds office only until the conclusion of the next AGM and is eligible for election at that meeting.

Mr Nelson Chen was appointed on 30 November 2011. Mr Chen is offering himself for election at the AGM.

Mr Chen has served as Chief Operating Officer of Hanlong (Australia) Resources Pty Ltd since March 2010. Mr Chen has served as a director of Hanlong (Australia) Resources Pty Ltd since June 2010 and has served on the board of Moly Mines Limited as an alternative director to the principal of Hanlong Group since April 2010. Prior to joining Hanlong, Mr Chan was an Associate Director at the Sydney, Australia office of PricewaterhouseCoopers with experience in audit and M&R transaction advisory experience.

Resolution 3: Election of Bo (Simon) Yang as Director

Under the Constitution, any Director appointed to fill a casual vacancy (other than a Managing Director) holds office only until the conclusion of the next AGM and is eligible for election at that meeting.

Mr Bo Yang was appointed on 1 June 2012. Mr Yang is offering himself for election at the AGM.

Mr Yang is the Chief Financial Officer of Hanlong Resources Limited. He graduated from Si Chuan University in China with a bachelor's degree in physics and holds master degree of business and administration from the University of Queensland. Mr Yang is a member of the Australian Institute of Company Directors and has 15+ years business experience in Australia across a number of industries including marketing, mining and finance.

Resolution 4 – Ratification of issue of options to associates of Murray Hill, Chief Executive Officer

Background

On 26 June 2012, the Company announced the issue of a total of 18,000,000 Options to associates of Mr Murray Hill, Chief Executive Officer of the Company as part of Mr Hill's employment with the Company.

Listing Rule 7.4 provides that an issue of securities made without approval under Listing Rule 7.1 may be treated as having made with such approval if the holders of ordinary securities of the company subsequently approve it.

Resolution 4 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue by the Company of the Options to Mr Hill's associates.

Information required by the Listing Rules

In compliance with the information requirements of Listing Rule 7.5 that relate to the seeking of approval, Shareholders are advised of the following particulars in relation to the issue of Options the subject of Resolution 4:

- (a) *Number of securities allotted:*
18,000,000 Options
- (b) *The price at which the securities were issued:*
No monetary consideration, issued pursuant to employment as CEO.
- (c) *The terms of the securities:*
The Options were issued on the terms set out in Annexure A.
- (d) *The names of the allottees and the basis upon which allottees were determined:*
Nominees of Mr Murray Hill, the Company's CEO
- (e) *Intended use of funds raised:*
No funds were raised from the issue of Options.
- (f) *Date of allotment:*
The Options were issued on 15 June 2012.

Resolutions 5 – Ratification of issue of convertible notes to Hanlong Energy Limited

Background

On 5 April 2012 the Company announced that in consideration for Hanlong Energy Limited agreeing to underwrite the Company's entitlement issue the Company had also agreed to redeem the existing Convertible Notes held by Hanlong Energy Limited and issue new Convertible Notes to Hanlong Energy Limited with the same face value, interest rate and maturity date and a conversion price of 2.674 cents per share.

Listing Rule 7.4 provides that an issue of securities made without approval under Listing Rule 7.1 may be treated as having made with such approval if the holders of ordinary securities of the company subsequently approve it.

Resolution 5 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue by the Company of the Convertible Notes to Hanlong Energy Limited.

Information required by the Listing Rules

In compliance with the information requirements of Listing Rule 7.5 that relate to the seeking of approval, Shareholders are advised of the following particulars in relation to the issue of Convertible Notes the subject of Resolution 5:

(a) *Number of securities allotted:*

2,000,000 Convertible Notes

(b) *The price at which the securities were issued:*

\$2,000,000

(c) *The terms of the securities:*

The Convertible Notes were issued on the terms set out in Annexure B.

(d) *The names of the allottees and the basis upon which allottees were determined:*

Hanlong Energy Limited, allotted in repayment of existing convertible notes.

(e) *Use of funds raised:*

The funds raised from the issue of the Convertible Notes were used to redeem the previously issued convertible notes held by Hanlong Energy Limited.

(f) *Date of allotment:*

The Convertible Notes were issued on 5 April 2012.

Resolutions 6 - Approval of issue of shares – proposed capital raising

Background

The Company is seeking approval for a capital raising to raise additional capital at an issue price of at least 80% of the average market price for Shares traded on ASX over the last five days on which sales of Shares are recorded before the date on which the issue is made.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

Resolution 6 seeks Shareholder approval for the Company to issue up to 200,000,000 Shares.

Information required by ASX Listing Rules

In compliance with the information requirements of ASX Listing Rule 7.3 Shareholders are advised of the following particulars in relation to the proposed issue of Shares the subject of Resolution 6:

(a) *Maximum number of securities proposed for issue:*

200,000,000 Shares

(b) *Date by which the Company will issue and allot securities:*

No later than three months after Shareholder approval.

(c) *Price at which the securities proposed for issue:*

No less than 80% of the average market price for Shares calculated over the last five days on which sales of Shares are recorded on ASX before the date(s) on which the issue is made.

(d) *Basis upon which allottees will be determined:*

The allottees will be sophisticated, professional and other investors who are entitled to receive exempt offers under Section 708 of the Corporations Act.

No related parties of the Company are entitled to participate in the proposed issue.

(e) *Terms of issue:*

The Shares will rank equally in all respects with the existing Shares on issue.

(f) *Intended use of funds raised:*

It is intended that the funds raised will be used to continue the development of the Company's Marenica Uranium Project including metallurgical test work and associated studies, and for working capital.

(g) *Dates of allotment:*

The Shares will be allotted progressively as the placement funds are received.

Questions and Comments

The Chairman will allow a reasonable opportunity for Shareholders to ask questions about or make comments on the management of the Company.

Annexure A

Terms and Conditions of Options

- (a) Exercise price of 2.7 cents for each fully paid ordinary share in the Company.
- (b) Exercisable at any time after completion of probation period through to 30 April 2015.
- (c) The Options shall expire at 5.00pm (WST) 30 April 2015, unless Mr Hill's employment ceases earlier in which case they will lapse if not exercised within 3 months after cessation of employment (Expiry Date).
- (d) The Options were able to be registered in Mr Hill's name, or in the name of an associate of Mr Hill.
- (e) The Shares to which Mr Hill is entitled on exercise of the Options will be allotted and issued as soon as practicable after the exercise date.
- (f) The Company will not apply for quotation of the Options on ASX. However, subject to the Company being listed on the ASX, the Company will apply for quotation of all Shares allotted pursuant to the vesting of Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (g) There are no participation rights or entitlements inherent in the Options and holder will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten business days after the issue is announced. This will give the holder of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (h) If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):
 - (i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Option holder would have received if the Option holder had exercised the Option before the record date for the bonus issue; and
 - (ii) no change will be made to the Exercise Price.
- (i) If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of or in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = O - E \frac{[P - (S+D)]}{N+1}$$

O = the old Exercise Price of the Option.

E = the number of underlying Shares into which one (1) Option is exercisable.

P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one (1) new share.

- (j) If there is any reconstruction of the issued share capital of the Company, the rights of the Option holder may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

Annexure B

Terms and Conditions of Convertible Notes

Interest Rate:	8% per annum
Maturity Date:	14 November 2013
Conversion Price:	\$0.02674
Principal:	\$2,000,000
Interest Payment Dates:	14 November 2012 14 November 2013

Security

The Convertible Notes are unsecured. The Subscriber shall rank as an unsecured general creditor of the Issuer.

Interest

- (a) Interest will accrue on the Convertible Notes at the Interest Rate per annum from day to day prior to the Maturity Date and will be payable in arrears.
- (b) If all or part of the Convertible Notes are converted before the Maturity Date then, because interest is payable in arrears, the Issuer will pay to the Subscriber interest accrued in relation to that amount of the Principal converted no later than 2 Business Days after the issue of Shares on conversion.

Redemption

- (a) The Convertible Notes will only be redeemed at the first to occur of the following:
 - (i) the receipt by the Issuer of a Redemption Notice in respect of the Convertible Notes as a result of the exercise of the Subscriber's rights under the Convertible Note Terms;
 - (ii) the Maturity Date; or
 - (iii) the issue by the Issuer of an Early Redemption Notice and the amount payable upon the redemption shall be 150% of the Principal Amount Outstanding.
- (b) The Issuer must make payment of the Outstanding Monies to the Subscriber following redemption of the Convertible Notes:
 - (i) within 5 Business Days after receipt of Redemption Notice; or
 - (ii) within 5 Business Days after the Maturity Date.

Conversion by Subscriber

- (a) The Subscriber will be entitled to convert all or a portion of the Convertible Notes held by the Subscriber subject to a minimum conversion amount of \$500,000 at the Conversion Price by delivering a Conversion Notice to the Issuer at any time prior to the Maturity Date. To the extent that approval of the Issuer's shareholders is required to approve the conversion of the Convertible Notes under the Conversion Notice, the Issuer must take all reasonable steps to promptly convene a meeting of shareholders to obtain such approval, including commissioning any reports that may be required and despatching all necessary documentation to shareholders.

- (b) Within 5 Business Days of receipt of a Conversion Notice (or to the extent that approval of the Issuer's shareholders is required, within 5 Business Days of receipt of such approval), the Issuer will proceed to issue to the Subscriber that number of Shares which is equal to the Conversion Amount stated in the Conversion Notice divided by the Conversion Price, rounded down to the nearest whole Share. The Issuer must lodge a notice with ASX that complies with section 708(A)(5) and 708A(6) of the Corporations Act as soon as practical and in any event no later than 5 Business Days after issuing the Shares the subject of the Conversion Notice.
- (c) The allotment and issue of Shares on conversion will be, and be deemed for all purposes to be, in full satisfaction and discharge of such amount of the Principal Amount Outstanding as is equal to the Conversion Amount the subject of the Conversion Notice, but the conversion will in no way affect any liability of the Issuer for unpaid interest accrued up to the Date of Conversion.
- (d) The Shares issued upon the conversion will rank equally in all respects with all issued fully paid ordinary shares in the capital of the Issuer at the Date of Conversion.
- (e) The Issuer will make application for Official Quotation by ASX of all Shares issued upon conversion as soon as reasonably practicable after the Shares are issued.
- (f) Within 5 Business Days after the issue of Shares to the Subscriber the Issuer will deliver to the Subscriber a holding statement in respect of the Shares.
- (g) If only a portion of the Principal Amount Outstanding under the Convertible Notes is converted, the Issuer will, within 5 Business Days after the issue of the Shares, deliver to the Subscriber a new certificate detailing the remaining Convertible Notes held by the Subscriber in respect of the remaining Principal Amount Outstanding.

Conversion by Issuer

- (a) The Issuer will be entitled to convert all (but not some) of the Convertible Notes by delivering an Issuer Conversion Notice to the Subscriber at any time after the first anniversary of the issue of the Convertible Notes if the VWAP for each of the 30 trading days ending not less than 5 trading days before the date of issue of the Issuer Conversion Notice is at least 130% of the Conversion Price.
- (b) Within 5 Business Days of issue of the Issuer Conversion Notice (or to the extent that approval of the Issuer's shareholders is required, within 5 Business Days of receipt of such approval), the Issuer will proceed to issue to the Subscriber that number of Shares as calculated at the Conversion Price. The Issuer must lodge a notice with ASX that complies with section 708(A)(5) and 708A(6) of the Corporations Act as soon as practical and in any event no later than 5 Business Days after issuing the Shares the subject of the Issuer Conversion Notice.
- (c) The allotment and issue of Shares on conversion will be, and be deemed for all purposes to be, in full satisfaction and discharge of the Principal Amount Outstanding to the Subscriber, but the conversion pursuant to this clause will in no way affect any liability of the Issuer for unpaid interest accrued up to the Date of Conversion.
- (d) The Shares issued upon the conversion will rank equally in all respects with all issued fully paid ordinary shares in the capital of the Issuer at the Date of Conversion.
- (e) The Issuer will make application for Official Quotation by ASX of all Shares issued upon conversion as soon as reasonably practicable after the Shares are issued.
- (f) Within 5 Business Days after the issue of Shares to the Subscriber the Issuer will deliver to the Subscriber a holding statement in respect of the Shares.

Reconstruction

If there is a reconstruction (including, consolidation, subdivision, reduction or return) of the issued capital of the Issuer, the basis for conversion of the Conversion Notes will be reconstructed in the same proportion as the issued capital of the Issuer is reconstructed and in a manner which will not result in any additional benefits being conferred on the Subscriber which are not conferred on the shareholders of the Issuer (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital), but in all other respects the terms for conversion of the

Convertible Notes will remain unchanged. The adjustments will, subject to the ASX Listing Rules, be determined by the Issuer.

Effect of Rights Issues

If there is a pro rata issue to the holders of Shares the Conversion Price will be reduced according to the following formula:

$$NCP = CP - \frac{(P - S)}{N + 1}$$

Where:

NCP = the new Conversion Price

CP = the old Conversion Price

P = the VWAP during the five trading days ending on the day before the ex-entitlements date.

S = the subscription price for Shares under the pro rata issue

N = the number of Shares that must be held to receive one new Share under the pro rata issue

Takeover, change in control, or sale of main undertaking

If there is a Change in Control of the Issuer then the Issuer will give the Subscriber written notice of the Change in Control and the Subscriber may elect within 10 Business Days to either:

- (a) issue a Conversion Notice; or
- (b) to issue a Redemption Notice.

Bonus issues

If a bonus share allotment is made by the Issuer to its ordinary shareholders prior to the issue of a Conversion Notice, the Issuer will issue to the Subscriber on terms and conditions that are the same as or correspond with or are no more favourable to the Subscriber than the terms and conditions on which such shares are issued to any ordinary shareholder of the Issuer:

- (a) shares in the capital of the Issuer of the same class as the shares the subject of the bonus share allotment; and
- (b) the number of shares so issued will be equal to the number of shares in the capital of the Issuer to which that Subscriber would have been entitled if the Conversion Notice had been issued prior to the making of the bonus share allotment,

and the Issuer shall ensure that such shares are capable of immediate on-sale under the Corporations Act.

Events of Default

- (a) **(default in payment)** if the Issuer makes default in the payment of any Outstanding Moneys in respect of the Convertible Notes;
- (b) **(default in issue of Shares)** if the Issuer makes default in the issue of any Shares or conversion of the Convertible Notes;
- (c) **(unremedied breach)** if the Issuer commits a breach of a covenant, condition or obligation imposed on it by these terms and conditions and that breach has not been remedied within 14 days of receiving notice of the breach from the Subscriber requiring that breach to be remedied;
- (d) **(insolvency)** if the Issuer enters Insolvency;
- (e) **(cross default)** if the Issuer makes default in the payment of any other obligations to which it is subject in any amount in excess of \$100,000;
- (f) **(revocation of licence for authorisation)** if any licence or authorisation required for the enforceability of the Convertible Notes or the Issuer's business is revoked;

- (g) **(unenforceability of deed)** if these terms and conditions are unenforceable by the Subscriber for any reason;
- (h) **(material litigation)** if any litigation is commenced against the Issuer other than by the Subscriber which if successful would have a material effect on the Issuer's ability to comply with its obligations pursuant to these terms and conditions; and
- (i) **(incorrect representation or warranty)** if any representation, warranty, undertaking or statement made by the Issuer in these terms and conditions shall prove to be materially incorrect as at the date it was made or given.

Action upon an Event of Default

The Subscriber will be entitled where an Event of Default has occurred:

- (a) to issue a Redemption Notice; or
- (b) to issue a Conversion Notice.

Definitions

In these terms and conditions the following definitions apply:

ASX means ASX Limited or the Australian Securities Exchange (as the context requires).

ASX Listing Rules means the Official Listing Rules of ASX from time to time with any modification or waivers in their application to the Issuer which ASX may grant.

Business Day means a day on which banks are open for general banking business in Perth and which is also a business day for the purposes of the ASX Listing Rules.

Change in Control means, in relation to the Issuer, a person other than the Subscriber acquiring a Voting Power in the Issuer's Shares in excess of 50% after the date of this Deed.

Conversion Notice means a notice in writing which may be given by the Subscriber.

Corporations Act means the Corporations Act 2001 (Cth).

Date of Conversion means the date on which fully paid ordinary Shares are issued to the Subscriber following the issue of a Conversion Notice or an Issuer Conversion Notice.

Early Redemption Notice means a notice in writing which may be given by the Issuer.

Insolvency includes winding up, dissolution, deregistration, administration, amalgamation, receivership, reconstruction, assignment for the benefit of creditors, arrangement or compromise with creditors or bankruptcy.

Issuer means Marenica Energy Limited (ACN 001 666 600).

Issuer Conversion Notice means a notice which may be given by the Issuer to the Subscriber.

Official Quotation means official quotation by ASX.

Outstanding Moneys means the Principal Amount Outstanding and any interest accrued on the Convertible Notes.

Principal Amount Outstanding means the principal amount outstanding from time to time under the Convertible Notes.

Redemption Notice means a notice in writing which may be given by the Subscriber.

Share means a fully paid ordinary share in the capital of the Issuer.

Subscriber means Hanlong Energy Limited.

Voting Power has the meaning ascribed to it in the Corporations Act.

VWAP means the volume weighted average price for Shares traded on ASX on a Business Day.

MARENICA ENERGY LIMITED

ACN 001 666 600

PROXY FORM

Name
Address

Appointment of a proxy

I/We being a member(s) of Marenica Energy Limited hereby appoint:

(Write here the name of the person you are appointing)

or failing the person named, or if no person is named, the Chairman as my/our proxy and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Marenica Energy Ltd to be held at the Celtic Club, 48 Ord Street, West Perth, Western Australia on Thursday, 29 November 2012 at 4.00pm (WST) and at any adjournment of that meeting.

Votes on items of business

(Voting directions to your proxy – please mark **X** to indicate your directions)

		FOR	AGAINST	ABSTAIN*
Item 1	- Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2	- Election of Director – Mr Nelson Chen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3	- Election of Director – Mr Bo (Simon) Yang	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4	- Ratification of issue of options to associates of Murray Hill, Chief Executive Officer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5	- Ratification of issue of convertible notes to Hanlong Energy Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6	- Approval of issue of shares – proposed capital raising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item.

Appointment of a second proxy

I/We wish to appoint a second proxy

mark with an "X" if you wish to appoint a second proxy AND % OR State the percentage of your voting rights or the number of shares for this Proxy Form

If the Chairman is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of a resolution, please place a mark in the box. By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of a resolution and that the votes cast by the Chairman for those resolutions other than as proxy holder will be disregarded because of that interest. The Chairman intends to vote any undirected proxies in favour of all resolutions. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman will not cast your votes on a resolution if the Chairman is a person whose votes are required to be disregarded on that resolution, and your votes will not be counted in calculating the required majority if a poll is called on that resolution.

Authorised signature(s)

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

INDIVIDUAL/SECURITY HOLDER 1
Individual/Sole Director and Sole
Company Secretary

SECURITY HOLDER 2
Director

SECURITY HOLDER 3
Director/Company Secretary

PRINT NAME

PRINT NAME

PRINT NAME

Contact details

Contact Email address

Contact Telephone Number

Voting By Proxy - How to complete the Proxy Form

11.1 Your Name and Address Details

Please complete your name and address as it appears on the share register of Marenica Energy Ltd.

11.2 Appointment of a Proxy

Please write the name of that person you wish to appoint as proxy in the space indicated. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman will be your proxy and vote on your behalf. A proxy need not be a shareholder of Marenica Energy Ltd.

11.3 Votes on Items of Business

You may direct your proxy how to vote by placing a mark one of the three boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy will vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

11.4 Appointment of a Second Proxy

If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company or you may copy this form.

To appoint a second proxy you must:

- indicate that you wish to appoint a second proxy by marking the box;
- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form; and
- return both forms together.

11.5 Authorised Signature/s

You must sign this form as follows in the spaces provided:

- Joint Holding in the case of joint holders the proxy form must be signed by all holders.
- Power of Attorney if signed under a Power of Attorney, you must have already lodged it with the Company, or alternatively, attach the Power of Attorney or a copy to this Proxy Form when you return it.
- Companies a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also the sole Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the meeting and a proxy form is not used, then an appropriate "Certificate of Appointment of Representative" should be produced prior to admission.

Lodgement of Proxy Form

This Proxy Form and any Power of Attorney or other authority under which it is signed (or a copy or facsimile which appears on its face to be an authentic copy of the proxy, power or authority) must be received no later than 48 hours before the commencement of the meeting. Any Proxy form received after that time will not be valid for the scheduled meeting. **Documents may be lodged by facsimile to the registered office on (08) 6316 2200 (within Australia) or +61 8 6316 2200 (outside Australia), or by mail or delivery to the registered office of the Company at Bennett + Co, Level 10, BGC Centre, 28 The Esplanade, Perth WA 6000 AUSTRALIA.**