



Quarterly Activities Report

For the Period Ended 30 June 2014

HIGHLIGHTS

The Company embarked on a strategy to commercialise the **U-pgrade™** process. This is aimed at allowing **U-pgrade™** to be used on third party Uranium resources, higher grade than the Marenica deposit. As part of this the Company has:

- ✓ Raised \$536,000, for working capital, through a Share Purchase Plan and Share Placement.
- ✓ Submitted an application for a Research and Development tax refund of \$367,591 which is expected in September 2014
- ✓ Transferred the **U-pgrade™** intellectual property into a wholly owned subsidiary, Uranium Beneficiation Pty Ltd (“UB”)
- ✓ Commenced fund raising for the pilot plant which is the next step in the technical development of **U-pgrade™** to an operational process.
- ✓ Appointed a uranium focused Strategic Advisor to assist with the fund raising
- ✓ Obtained agreement with 3 separate resource owners to participate in the pilot plant

COMMERCIALISATION OF U-PGRADE™

The decision to commercialise **U-pgrade™** follows the company’s strong belief that its proprietary **U-pgrade™** process has a much broader application than the Marenica deposit. Furthermore, the current low uranium price environment provides an additional incentive / business opportunity for **U-pgrade™**.

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 (<3% of the mined mass), which in turn increases the grade of leach feed by 30-50 times. Internal cost estimates have indicated a potential significant 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 alkaline heap leach technology on this style of deposit.

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

The potential application of **U-pgrade™** to surficial uranium deposits is the primary target for the process.

As part of the **U-pgrade™** commercialisation the Company intends to;

- ✓ Prove the process by completing significant pilot plant processing of three different applicable ores, and
- ✓ Enter into Commercialisation Agreements with resource owners to apply **U-pgrade™** to currently sub-economic resources.

The Directors of Marenica have approved a business plan for **U-pgrade™** which was detailed in the Company Announcement dated 4th June, 2014. Since then the company is pleased to advise that the following milestones have been reached;

- ✓ Transferring the intellectual property of **U-pgrade™** to the wholly-owned subsidiary UB
- ✓ Obtaining the support of at least three resource companies to provide representative samples from their deposits for processing in the pilot plant
- ✓ Raising working capital in Marenica to fund the creation and financing of UB

Management is currently focused on the following

- ✓ 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

The Company is exploring a wide range of funding options including Private Equity, Capital Markets, Private Investor Groups and Industry Groups. The Company has received positive responses from many investors attracted to the business opportunity presented by **U-pgrade™**.

CAPITAL RAISING

A capital raising by way of a Share Purchase Plan ("Plan") and subsequent Placement in Marenica Energy Limited was announced in June, 2014 and completed in July 2014. The funds raised in this process totalled \$536,000. The funds are required to provide working capital for the implementation of the new strategy of raising capital into UB to establish the subsidiary as a self-contained company with the single focus of commercialising **U-pgrade™**.

The Directors are pleased to advise that in spite of the difficult capital markets for resource juniors, Marenica's capital raising has been a success. The fund raising was supported by:

- ✓ Existing shareholders
- ✓ Directors and Management of the Company
- ✓ New shareholders in the Company

The amounts raised from the various shareholder groups are as follows;

Funds Raised	Total
Plan - Existing shareholders	\$302,500
Plan - Management and Directors	\$75,000
Placement - New and Existing Shareholders	\$158,500
Total	\$536,000

The Company's cash position will be further strengthened when it receives the 2013/14 Research and Development (R&D) tax refund in relation to its expenditures during the last Financial Year. The company has lodged its annual R&D tax return and expects to receive a refund of \$367,591 from the Australian Taxation Office during September 2014.

The Company forecasts ongoing expenditure of around \$100,000 per month for the current quarter and until the funding of UB is complete. Thereafter, it is anticipated that the majority of day to day management costs and future financial obligations related to the commercialisation of **U-pgrade™** will pass to UB and will be met by the financing raised in the current process.

THE EXECUTION TEAM

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 took up their full entitlement in the Plan. The support from the Directors of Marenica also extends to their fees which have been only partially paid since mid-2013.

During the quarter the Directors approved the appointment of a strategic advisor and a European representative to assist management in the fund raising process. Salamander Business Services (SBS) and its key principal, John Sestan, have extensive uranium resource funding experience. SBS' fee is largely performance based and is linked to Marenica's **U-pgrade™** process being successfully commercialised. Philip Holbeche, European representative, is located close to potential funders in London. Philip has extensive capital raising and business development experience and is a valuable addition to the team.

MARENICA URANIUM PROJECT – 75% owned

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), to allow short to medium term focus on process development.

Using **U-pgrade™** with the Marenica deposit remains an ongoing option available to the Company once uranium prices improve.

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 have been securely stored and unwanted capital equipment sold.

CORPORATE

The Company wishes to advise that Simon (Bo) Yang resigned as a Director of Marenica Energy Limited on 2 May 2014. Mr Yang has not been replaced at this point in time.

Following the capital raising Marenica Energy Limited's major shareholder, Hanlong Energy Limited, percentage of the issued capital has reduced from 36.9% to 27.3%. At the same time the Directors and Management percentage of issued capital has increased to 7.5%.

TENEMENTS

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

Namibia – Marenica Minerals (Pty) Ltd

- EPL3287

Australia – Marenica Energy Ltd

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

Australia – Ausgold Exploration Pty Ltd

- M70/210; M70/211 and M70/488

ENDS

For further information contact Marenica Energy Limited:

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Marenica Energy Ltd

ABN

71 001 666 600

Quarter ended ("current quarter")

30 June 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(91) (111)	(797) (700)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	1	20
1.5 Interest and other costs of finance paid		(120)
1.6 Income taxes paid - R & D Grant		600
1.7 Other (provide details if material)		
	(201)	(997)
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets		(2)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
	0	(2)
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(201)	(999)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(201)	(999)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc	41	1111
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		(349)
1.18	Dividends paid		
1.19	Other (provide details if material)	(60)	(95)
	Net financing cash flows	(19)	667
	Net increase (decrease) in cash held	(220)	(332)
1.20	Cash at beginning of quarter/year to date	295	407
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter#	75	75
	#The company completed a capital raising in June-July with proceeds totalling \$536k, of which \$41k is included in 1.14		
	A\$36k held in Namibia in N\$ not included		

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	0
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	1,651	1,651
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	55
4.2 Development	
4.3 Production	
4.4 Administration	273
Total	328

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	9	4
5.2 Deposits at call	66	291
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	75	295

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements and petroleum tenements acquired or increased			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference			
	+securities			
	<i>(description)</i>			
7.2	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	1,015,615,086	1,015,615,086	
7.4	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through returns of capital, buy-backs			

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.5	+Convertible debt securities <i>(description)</i>	1,650,671 Convertible notes - Convertible at 2.626c on or before 14 November 2015.			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>	18,000,000		<i>Exercise price</i> 2.7 cents	<i>Expiry date</i> 30/4/2015
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter			<i>Exercise price</i>	<i>Expiry date</i>
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:

Date: 31 July 2014
 Print name: Robert Ashley Pearce
 Chairman

+ See chapter 19 for defined terms.

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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