



Quarterly Activities Report

For the Period Ended 30 June 2016

SUMMARY

- ✓ Marenica's **U-pgrade™** metallurgical testwork program demonstrates excellent results on Deep Yellow Tumas samples.
- ✓ Because of the significant mass reduction possible with **U-pgrade™**, the Tumas project has the potential to have comparatively low capital and operating costs and an accelerated development timeline.
- ✓ Convertible Note restructure ratified at General Meeting.
- ✓ Capital raising completed, exceeding targets.
- ✓ Strengthened management team.

U-pgrade™ Commercialisation Update

Deep Yellow testwork program

Marenica completed a testwork program with its proprietary **U-pgrade™** process technology on uranium samples from Deep Yellow Limited's (ASX:DYL) Tumas project in Namibia. Tumas is located in the same region of Namibia as the Marenica project and shares many similar metallurgical characteristics.

The testwork program was successful, confirming the amenability of the **U-pgrade™** process to the Tumas samples. The parties are in discussions about the next stages of commercialising **U-pgrade™**.

Successful completion of the Tumas testwork is expected to build further industry credibility and generate momentum amongst resource owners to utilise this game changing technology.

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

Discussions continue with other resource owners to demonstrate the benefits of **U-pgrade™** and enter into agreements for future testwork and eventually license and commercialisation agreements.

Corporate Restructuring

During the March quarter Marenica reached agreement with Hanlong Energy Limited on revised terms for the outstanding Convertible Note ("Note").

The changes to the terms of the Note include;

- Extension of term until 14 November, 2018
- Conversion Price for Note reduced to \$0.58 per share
- Marenica now has the right to repay debt at maturity in shares issued at \$0.58 per share or cash

Although it is anticipated that the Note remains in place for the next 2.5 years, at maturity Marenica will have the option to repay the amount outstanding by issuing about 2.8 million shares to Hanlong or cash.

At the General Meeting conducted 5 April 2016 the restructure of the Note was unanimously approved by shareholders, a strong vote of confidence in the restructure outcome.

The agreement to the fixed terms of conversion removes the uncertainty at maturity and gives Marenica the confidence that the Note can be repaid by issuing a pre-determined number of new Marenica shares. This will provide certainty for present shareholders and new investors seeking to become involved in the development and commercialisation of **U-pgrade™**.

Marenica would like to acknowledge the support received from Hanlong, not just with this agreement but throughout its significant involvement with the Company. All parties realised that the Note in its previous form limited the Company accessing capital markets due to the overhang and uncertainty, and that restructuring was necessary to create an investment vehicle attractive to new investors and provide the business with a strong foundation on which to base future capital raisings for the Company to prosper.

Capital Raising

Late in the March quarter Marenica opened a Share Purchase Plan ("SPP") to allow existing eligible Shareholders to subscribe for new fully paid ordinary shares in the Company.

\$506,000 was raised from the SPP, easily exceeding the \$400,000 underwritten amount and the maximum that could be raised under ASX Listing Rules and Marenica's SPP authority. The SPP was closed on 15 April 2016 as per the schedule.

Reflecting the strong support for Marenica's patented **U-pgrade™** technology, offers for additional investments in Marenica were also received from existing and new investors.

As a result, a further \$241,008 was raised from share placements at an average subscription price of \$0.11 per share (\$191,400 at \$0.107 and \$49,608 at \$0.124). The placement was completed under the Company's existing placement capacity.

The placement and the SPP together raised \$747,008, well in excess of the target for the capital raising of \$500,000.

The SPP capital raising is intended to fund critical development activities during 2016 including:

- Completing significant bench scale testwork on third party ore;
- Strengthening patent protection of Marenica's core technology (**U-pgrade™**);
- Confirming funding for the Pilot Plant;
- Negotiating long term commercialisation agreements with resource owners; and
- Building applications and demand for the **U-pgrade™** technology outside of the traditional uranium resource owners.

Marenica expects many of the commercialisation discussions and Pilot Plant plans will reach maturity in 2017.

The strong support for and interest in Marenica is evidence of the difference between the potential value of **U-pgrade™** and Marenica's current market capitalisation. It also provides confirmation and significant external confidence that the restructure of the terms of the Note were viewed as a positive development for Marenica.

U-pgrade™ has gained real and tangible momentum with investors and shareholders clearly appreciating the potential value it can offer. The Company has a clear and achievable strategy to participate in the exciting future in store for Uranium producers.

Corporate

On 27 April 2016 the Company issued the following shares:

- A total of 4,728,976 shares at \$0.107 each under the SPP.
- A further 1,788,786 shares under the Company's placement capacity at the same price as the SPP.
- 1,477,066 shares as approved at the Company's General Meeting of Shareholders held on 5th April 2016. These Shares were issued at various issue prices equal to the monthly volume weighted average share price for Marenica Shares for each relevant month that the payment relates.
- 170,349 shares in lieu of fees for consultants out of the Company's placement capacity.
- 400,064 shares under the Company's placement capacity at \$0.124 per share.

Full details of the purpose of the issues were included in the Appendix 3B lodged on ASX on 27 April 2016.

Marenica announced a number of important changes to its Management team during the quarter.

Murray Hill, Chief Executive Officer since May 2012 and the principal architect in the development and design of the Company's proprietary Uranium concentration process, **U-pgrade™**, was appointed to the Board of Marenica as Managing Director. His remuneration remains the same following this appointment to Managing Director.

The Board considered it time to strengthen the financial and commercial management of Marenica in the quest to commercialise **U-pgrade™**. To this end two experienced people were appointed to the management team, John Sestan as Chief Commercial Officer, and Riccardo Vittino as Chief Financial Officer. Their roles are part time and tailored to meet the Company's day to day needs while maintaining its low cost and flexible business model. The appointments are timely with increasing interest in **U-pgrade™** being evident from resource owners and potential investors.

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

Tenements

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

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

- EPL3287

Australia – Marenica Energy Ltd

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

ENDS

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What is U-pgrade™?

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

- *Rejects ~98% of the mass prior to leaching*
- *Concentrates the uranium by a factor of 50*
- *Produces a high grade concentrate in a low mass of ~2% (leach feed)*
- *Rejects acid consumers*
- *Reduces operating costs by 50-70% and capital costs by 30-50% compared to conventional processing*

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 LIMITED

ABN

71 001 666 600

Quarter ended ("current quarter")

30 June 2016

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	100	100
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(15) - - (474)	(16) - - (962)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	5
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (R & D Rebate)	-	127
Net Operating Cash Flows	(388)	(746)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- - -
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- 67 -
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	67
1.13 Total operating and investing cash flows (carried forward)	(388)	(679)

+ 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)	(388)	(679)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	882	902
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	882	902
	Net increase (decrease) in cash held	494	223
1.20	Cash at beginning of quarter/year to date	64	335
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	558	558

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	-
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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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

Nil

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

Nil.

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
3.2	Credit standby arrangements	-

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	180
4.2	Development	-
4.3	Production	-
4.4	Administration	240
Total		420

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	28	27
5.2	Deposits at call	530	37
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		558	64

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	N/A		
6.2	Interests in mining tenements and petroleum tenements acquired or increased	N/A		

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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	-	-		
7.2				
Changes during quarter				
(a) Increases through issues	Nil			
(b) Decreases through returns of capital, buy-backs, redemptions	Nil			
7.3				
+Ordinary securities	24,329,061	24,329,061		
7.4				
Changes during quarter				
(a) Increases through issues	8,565,241	8,565,241		
(b) Decreases through returns of capital, buy-backs				
7.5				
+Convertible debt securities			<i>Conversion Price</i>	<i>Maturity Date</i>
Convertible Note	16,507	-	\$0.58	On or before 14 November 2018
7.6				
Changes during quarter				
(a) Increases through issues	Nil			
(b) Decreases through securities matured, converted	Nil			
7.7				
Options			<i>Exercise Price</i>	<i>Expiry date</i>
(description and conversion factor)	721,059	-	\$0.355	26/11/2018
	26,700	-	\$0.400	17/09/2019
	1,548,456	-	\$0.1806	1/12/2019
7.8				
Issued during quarter	Nil			
7.9				
Exercised during quarter	Nil			
7.10				
Expired during quarter	Nil			

+ See chapter 19 for defined terms.

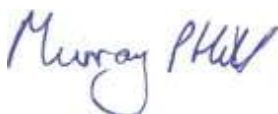
Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.11	Debentures <i>(totals only)</i>	Nil		
7.12	Unsecured notes (totals only)	Nil		
7.13	Performance Rights	675,000	-	

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 /does not* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: Date: 29 July 2016
(Director/Company secretary)

Print name: Murray Philip Hill

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.

+ See chapter 19 for defined terms.