

Quarterly Activities Report

For the Period Ended 30 September 2016

SUMMARY

- ✓ Landmark execution of first commercialisation agreement on Marenica's **U-pgrade™** process technology.
- ✓ Technology Licence Agreement signed with Deep Yellow on the Tumas Uranium Project.
- ✓ **U-pgrade™** amenability program to be completed on U₃O₈ Corp samples.
- ✓ Strengthened Board of Directors.

Landmark **U-pgrade™** Commercialisation Agreement

This quarter was a landmark quarter for Marenica with execution of a Technology Licence Agreement (TLA) with Deep Yellow Limited (ASX:DYL) over the Tumas Uranium Project in Namibia. Under the TLA, Marenica will provide its **U-pgrade™** technology and expertise to Deep Yellow for development of the Tumas Project in Namibia in return for a Licence Fee for the life of the project.

Both parties sought to formalise the TLA after the successful **U-pgrade™** amenability program recently completed by Marenica on the Tumas ore and DYL's strong belief in the benefits that application of **U-pgrade™** provides to the Tumas Project.

Marenica's **U-pgrade™** technology can potentially deliver significant project and operating cost savings to fundamentally impact the competitiveness of projects with suitable ores, such as Tumas. Under the TLA the two parties share the potentially considerable value created by combining the resource with the technology.

This is exciting news for both companies. This agreement is a milestone for Marenica, being the first commercialisation transaction for the breakthrough **U-pgrade™** technology. Although Marenica has been confident for some time in the capacity of the technology to dramatically transform the economics of surficial uranium deposits, this agreement demonstrates that resource owners can see the technology's value proposition, strengthening the prospects for further licence agreements commercialising the **U-pgrade™** technology to follow. For DYL the agreement provides a strong pathway for development of the Tumas project at a significantly lower trigger price than through application of conventional technology. It also provides the catalyst to expand the Tumas resource base and add to the project life.

Other Commercialisation Opportunities

Marenica have reached agreement with U₃O₈ Corp. to complete an **U-pgrade™** amenability program on the Laguna Salada surficial uranium deposit in Argentina. The testwork program will commence upon receipt of the sample in Perth later this quarter.

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.

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.

Corporate

Marenica announced an important change to the Board composition after the end of the quarter with the appointment of John Sestan to the role of Executive Director. John Sestan has been working with Marenica in a commercial consulting role since April, 2014, and recently being appointed to the position of Chief Commercial Officer. John has led the company's commercial activities including the restructure of the Convertible Note earlier this year, various capital raisings undertaken on behalf of the company and most recently the completion of Marenica's first commercialisation agreement with DYL. John's commercial capability will be a valuable addition to the existing skill sets available on the Board. Marenica remain committed to further Board renewal.

The Company is also pleased to announce the appointment of Dr John Farrow as Chairman of Marenica's Technical Steering Committee (TSC). John has been a member of the TSC since its inception in 2012 and is well placed to take over from the current Chairman, Gavin Becker.

John has considerable technical knowledge relevant to **U-pgrade™**, as well as experience as to how technology owners can maximise the commercial benefits from new technologies via patents and other means. It is pleasing that John will play an increasing role in Marenica's current and future successes.

Gavin Becker has stepped down as TSC Chairman due to growing commitments in his other business interests, but will remain an active member of the TSC.

The Company is strengthening its 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 September 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, 01/05/13, 01/09/16

Name of entity

MARENICA ENERGY LIMITED

ABN

71 001 666 600

Quarter ended ("current quarter")

30 September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(120)	(120)
(b) development	-	-
(c) production	-	-
(d) staff costs	(128)	(128)
(e) administration and corporate costs	(166)	(166)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(412)	(412)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	558	558
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(412)	(412)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	146	146

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	6	28
5.2 Call deposits	140	530
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	146	558

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	118
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Payments of director fees and salary/super to managing director.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	1,651	1,651
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

The Company has Convertible Notes with Hanlong Mining Ltd with maturity date of 14 November 2018. The key terms of the Convertible Notes are a conversion price of \$0.58 per share, and a coupon interest rate of 8% per annum. The Company has the right to repay the debt at maturity in shares issued at \$0.58 per share or cash.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	45
9.2 Development	-
9.3 Production	-
9.4 Staff costs	138
9.5 Administration and corporate costs	91
9.6 Other	-
9.7 Total estimated cash outflows	274

The Company received an R&D Tax Refund of \$101k after the end of the quarter. The Company is planning a capital raising to provide sufficient funds to cover the costs and provide working capital.

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	N/A			

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 
(Managing Director)

Date: 31 October 2016

Print name: Murray 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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.