



## ASX RELEASE

31 January 2017

### About Marenica Energy

- Marenica Energy Limited (ASX: MEY) is a minerals exploration company holding a portfolio of mineral tenements in Namibia and Australia.
- Marenica's principal project is the 75% owned Marenica Uranium Project in Namibia.
- Marenica is currently focused on the development of its propriety *U-pgrade*<sup>TM</sup> technology.

### Investment Summary

- 75% interest in the Marenica Uranium Project in Namibia.
- *U-pgrade*<sup>TM</sup>
- Marenica has the entitlement to receive 1.125% of the gross production of gold and other minerals in the Katanning Gold Project in Western Australia.

### Directors

**Douglas Buerger** – Non-Executive Chairman  
**Murray Hill** – Managing Director & CEO  
**John Sestan** – Executive Director  
**Nelson Chen** – Non-Executive Director  
**Lou Guo Qing** – Non-Executive Director  
**David Sanders** – Non-Executive Director

### Share Structure

Shares on Issue: 31,359,062  
Options on Issue: 1,038,714  
Performance Rights: 202,500  
Last Price (18 January 2017): [\$0.16]  
Market Capitalisation: circa \$5.0 million

### Substantial Shareholders

Hanlong Energy Limited: 11.9%  
Mingsun Technology Co Limited: 6.5%  
Chris Retzos: 6.4%  
Murray Hill & Associates: 5.3%

### Contact

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## Quarterly Activity Report For the period ending 31 December 2016

### Summary

#### Marenica Uranium Project – Namibia

- Mineral Deposit Retention Licence granted over Marenica Uranium Project in Namibia
- Scoping Study commenced to update economics and determine trigger price for project development

#### *U-pgrade*<sup>TM</sup> Process Technology

- U3O8 Corp sample in transit from Argentina
- Discussion progressing well with other resource owners
- DYL Tumas testwork suspended whilst DYL focus on strategic plan

#### Corporate & Financial

- A\$500,000 raised through placement to sophisticated investors
- Hanlong agrees to delayed interest payment

## **Marenica Uranium Project – Namibia (75%)**

The Marenica Uranium Project (“Project”) is located within Mineral Deposit Retention Licence (MDRL) 3287, covering an area of 321 km<sup>2</sup> in Namibia. It adjoins the similar Trekkopje Deposit which was acquired by Areva in 2007 as a part of the Uramin acquisition for US\$2.5 billion.

The Project has a total mineral resource (JORC) of 61 Mlbs.

<b>Total Mineral Resources as at 30 June 2016 and 30 June 2015 (at a 50ppm U<sub>3</sub>O<sub>8</sub> cut-off grade)</b>			
<b>Resource Category</b>	<b>Tonnes (millions)</b>	<b>U<sub>3</sub>O<sub>8</sub> Grade (ppm)</b>	<b>U<sub>3</sub>O<sub>8</sub> Mlbs</b>
<b>Marenica</b>			
Indicated	26.5	110	6.4
Inferred	249.6	92	50.9
<b>Total</b>	<b>276.1</b>	<b>94</b>	<b>57.3</b>
<b>MA7</b>			
Inferred	22.8	81	4.0
<b>Total</b>	<b>22.8</b>	<b>81</b>	<b>4.0</b>

Marenica has commenced a revised Scoping Study on its 75% owned Marenica Project in Namibia. A Scoping Study was completed on the Project in 2011. Since then the company has developed its processing technology, **U-pgrade™**, providing the potential to halve process operating and capital costs of the Project. In addition, mining development costs have reduced significantly since the original Scoping Study was conducted. These factors, together with expectations for a recovery in the uranium sector over the medium term have encouraged the Board to update the economics of the Project.

The revised Scoping Study follows Marenica being granted an MDRL over the Project from the Minister of Mines and Energy of the Namibian Government during the quarter. The MDRL replaces the current EPL (Exclusive Prospecting Licence). The MDRL shall endure for a period of five (5) years from the date of issue (December 2016) with no exploration expenditure obligations.

This provided the Company certainty and confidence to move forward with the project over the next five years.

The revised Scoping Study is expected to be completed within 3 months, and will create a platform to consider a more detailed Feasibility Study later in 2017. External consultants DRA (processing and infrastructure) and Orelogy (resource, mining and mine-plan) have been engaged to complete the work. DRA are a South African based engineering group with extensive uranium experience, and together with Perth based Orelogy have experience working on uranium projects in Namibia.

The Project would involve shallow mining of the surficial deposit followed by initial processing through an **U-pgrade™** plant which, based on testwork to date, could produce a concentrate with a grade in excess of 5,000ppm U<sub>3</sub>O<sub>8</sub>.

The concentrate could be processed into yellowcake on site or transported a short distance by road to one of three existing processing plants for toll treatment or outright sale.

## **U-pgrade™ Process Technology**

During the September quarter a Technology Licence Agreement (TLA) was executed with Deep Yellow Limited (ASX:DYL) over the Tumas Uranium Project in Namibia. Under the TLA, Marenica will provide its **U-pgrade™** process 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.

Subsequent to the TLA execution DYL appointed a new Managing Director. DYL announced in its December 2016 Quarterly Report.

*“Following a detailed review of the company, carried out as a result of the changeover of management as announced on 24 October 2016, a decision was made to terminate all testwork related to the Marenica involvement in the Tumas Project. The active engagement with Marenica has ceased, to accommodate the new priorities that have arisen with the strategic growth plan developed for DYL.”*

A highly successful **U-pgrade™** amenability program was completed on a bulk sample of DYL ore (refer DYL 1 July 2016 ASX announcement) and following execution of the TLA the companies planned to complete an extensive variability program prior to further bulk work and studies. The comments made by DYL in its December 2016 Quarterly Report refer to cessation of the proposed variability program, the TLA itself remains on foot.

Marenica believes that **U-pgrade™** provides substantial benefits to DYL by providing a unique development opportunity for the Tumas project in the short-medium term. The TLA was arrived at to connect the technology with the resource thereby providing a secure alternative development path for the Tumas project.

In the September Quarterly report Marenica advised that it had reached agreement with U3O8 Corp. to complete an **U-pgrade™** amenability program on the Laguna Salada surficial uranium deposit in Argentina. U3O8 Corp. has advised that the sample has been dispatched from Argentina and is expected in Australia shortly. The testwork program will commence upon receipt of the sample in Perth.

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. The Company is encouraged by the strong interest shown in the technology throughout the industry.

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 and Financial**

In November 2016, Marenica announced a commitment from sophisticated investors to participate in a A\$500,000 placement. The placement resulted in the issue of a total of 5,000,000 new Marenica shares at A\$0.10 per share (Placement). A\$100,000 was placed to existing shareholders in November 2016 from the Company's available placement capacity. A\$400,000 was placed to clients of Patersons Securities Limited (Patersons) following approval by shareholders on 19 December 2016 at a General Meeting.

Funds raised from the Placement, together with existing cash reserves, will be used to complete a Scoping Study, continue the commercialisation activities of Marenica's **U-pgrade™** technology, focusing on new uranium resource targets and fund working capital. To enable the Company to focus on these activities the Company's largest shareholder, Hanlong Energy Limited, has agreed to extend the date for payment of interest on Hanlong's convertible notes from 14 November 2016 to 30 April 2017 at a revised interest rate of 12% per annum (up from 8%). The Company and Hanlong are exploring options where some or all of this interest is converted into equity.

The effect of this placement is shown in the following table:

Shareholder	Post Placement		Pre Placement	
	No of Shares	% of Total	No of Shares	% of Total
Hanlong Energy Limited	3,745,806	11.9	3,745,806	14.2
MingSun Technology Co. Limited	2,040,251	6.5	2,040,251	7.7
Management & Directors	5,501,305	17.5	5,501,305	20.9

## **Tenement Schedule**

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

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

- EPL3287

Australia – Marenica Energy Ltd

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

## **Competent Persons Statement**

This Mineral Resource estimate has been compiled by Ian Glacken in accordance with the guidelines of the JORC Code (2004). Ian Glacken is a full-time employee of Optiro Pty Ltd and has sufficient experience relevant to the style of mineralisation and type of deposit

represented by the Marenica orebodies and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Ian Glacken consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

### ***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

End

## 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")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(15)	(135)
(b) development	-	-
(c) production	-	-
(d) staff costs	(109)	(237)
(e) administration and corporate costs	(161)	(327)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	102	102
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(182)</b>	<b>(594)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	500	500
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	(24)	(24)
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)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>476</b>	<b>476</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	146	558
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(182)	(594)
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)	476	476
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of period</b>	<b>440</b>	<b>440</b>

5. <b>Reconciliation of cash and cash equivalents</b> 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	5	6
5.2 Call deposits	435	140
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>440</b>	<b>146</b>

6. <b>Payments to directors of the entity and their associates</b>	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	115
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. <b>Payments to related entities of the entity and their associates</b>	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

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	1,651	1,651
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	1,651	1,651
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 an 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.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	92
9.2 Development	
9.3 Production	
9.4 Staff costs	139
9.5 Administration and corporate costs	96
9.6 Other (provide details if material)	
<b>9.7 Total estimated cash outflows</b>	<b>327</b>

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
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: .....  
(Director/Company secretary)

Date: 31 January 2017

Print name: Susan Hunter

**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.