



Quarterly Activities Report

For the Period Ended 30 September 2013

HIGHLIGHTS

- Further optimisation of the **U-pgrade™** process has been effected.
- Bench scale leach tests on the **U-pgrade™** concentrate extracted >99.5% of the uranium in <4 hours with low acid consumption.
- Process OPEX estimated to be US\$25/lb for 2.9Mlb/a U₃O₈ production.
- Samples sourced from 10 uranium resources (7 companies) for **U-pgrade™** proof of concept testing.

Marenica Uranium Project – 75% owned

The main activity in this quarter continued to be detailed metallurgical testwork on bulk samples, to upgrade the carnotite ahead of leaching, from the Company's 75% owned **Marenica Uranium ("Project")**, located in Namibia, Southern Africa.

The testwork programme included flowsheet optimisation work on bulk samples of Marenica ore.

Leach testing of the **U-pgrade™** concentrate produced the following results

- Uranium extraction of >99.5%
- Leach time of <4 hours
- Low acid consumption

Testwork has confirmed that **U-pgrade™** results in sea water were very similar to desalination water (represented by Perth tap water). The result of this is a significant reduction in estimated process OPEX (operating cost) in relation to the Marenica deposit. It also indicates that **U-pgrade™** results are not affected by water quality.

Internal financial modeling has indicated a

process operating cost (OPEX) of US\$25/lb at an annual production rate of 2.9Mlb/a of U₃O₈. Mining OPEX is expected to be US\$14/lb for a total mining and processing OPEX of US\$39/lb.

The **U-pgrade™** results achieved to date have been on low sulphate ore, which represents the majority of the Marenica resource. Testwork on the high sulphate ore during the quarter produced very encouraging results and it is apparent that **U-pgrade™** is likely to reject both the sulphate and calcite minerals.

This is significant because until now high sulphate bearing calcite hosted uranium ores have not been able to be processed due to:

- The sulphate in an alkali leach (adopted for calcite ores) consuming large quantities of alkali reagent, resulting in very high operating costs.
- The calcite in the calcite ore consuming large quantities of acid in an acid leach, resulting in very high operating costs.

The Marenica Project along with many other

surficial uranium deposits in Africa as well as Australia contains a high distribution of sulphate minerals nearest the surface. For some resources such as Marenica this high sulphate component represent a low distribution of the ore resource (10%) but for other resources the distribution of high sulphate ore can be as high as 100%.

This is seen as a further commercial opportunity for **U-pgrade™**.

To enable the **U-pgrade™** technology to be tested on uranium ore sources other than the Marenica Project, the Company has actively canvassed other uranium resource companies and has sourced samples from ten deposits from seven different resource companies. Two of these resource companies are Areva Mines and Deep Yellow Ltd. Ore Characterisation testwork on the Areva Mines Trekkopje deposit is well advanced. The Trekkopje project is in the adjacent mining lease to Marenica with a similar resource to Marenica but with a marginally higher grade. The Trekkopje project is a large scale heap leach operation which is currently under care and maintenance due to the current low uranium price and high operating costs. Successful application of the **U-pgrade™** technology to the Trekkopje ore will provide a basis for discussion with Areva Mines on application of **U-pgrade™** to Trekkopje.

CORPORATE

On 24 June 2013 Marenica announced a Capital Raising through an Entitlement Issue to raise up to approximately \$2,000,000. The Entitlement Issue closed on 29 July 2013 with \$875,427 raised. \$349,329 was used to reduce the convertible note from \$2.0M to \$1,650,671. 48,000,994 of the shortfall shares were placed on 11 October 2013 to raise an additional \$192,004. An additional 660,000 shortfall shares were placed on 29 October 2013 to raise a further \$2,640.

Following issue of the shortfall shares the total shares on issue for Marenica Energy Ltd is now 1,015,615,086.

Funds from this capital raising will be used to fund **U-pgrade™** flowsheet optimisation and testwork on other ore sources as well as debt

Deep Yellow Limited has supplied ore samples from Deep Yellow's surficial deposits in Australia and Namibia. Deep Yellow's surficial deposits are significantly higher grade than Marenica (at least 3 times on average) and successful application of **U-pgrade™** has the potential to result in very low operating costs, well below the current spot U₃O₈ price. Successful application of the **U-pgrade™** technology to either the Australian or Namibian ore samples will provide a basis for discussion with Deep Yellow on application of **U-pgrade™** to their projects.

The Company continues to work on optimising the concentrate upgrade ratio and on maximising the uranium recovery.

In the next six months work on optimising the process flowsheet and testwork on ten other ore sources from seven resource companies is planned to be completed.

Successful completion of this work will lead into design and costing of a transportable Pilot Plant that can be used at various locations around the world. Pilot Plant planning commenced during the quarter.

reduction and working capital.

During the quarter the company received \$599,931 from the 2012/13 Research and Development Tax Incentive Claim.

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 September 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3... 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	(262) (168)	(262) (168)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	5	5
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid – R & D Grant	600	600
1.7 Other (provide details if material)	66	66
Net Operating Cash Flows	242	244
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	2	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)		
Net investing cash flows	2	2
1.13 Total operating and investing cash flows (carried forward)	240	240

+ 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)	240	240
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	841	841
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	(381)	(381)
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	460	460
	Net increase (decrease) in cash held	700	700
1.20	Cash at beginning of quarter/year to date	416	416
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	1,116	1,116

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	24
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	1,619	1,619
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter^{1,101}

	\$A'000
4.1 Exploration and evaluation	445
4.2 Development	
4.3 Production	
4.4 Administration	100
Total	545

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	15	9
5.2 Deposits at call	1,101	407
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,116	416

+ 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	966,954,092	966,954,092	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	218,856,723	218,843,743	0.4 cents

+ 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>	12,500,000 6,500,000 18,000,000		<i>Exercise price</i> 21 cents 13 cents 2.7 cents	<i>Expiry date</i> 15/12/2013 31/10/2013 30/4/2015
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
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 /does not* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:  Date: 31 October 2013
 Director

Print name: Robert Ashley Pearce

+ 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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