



Quarterly Activities Report

For the Period Ended 31 December 2014

HIGHLIGHTS

- ✓ Marenica and Toro signed agreement to undertake extensive testwork using Marenica's proprietary **U-pgrade™** process technology
- ✓ *Funding and partnering* discussions with potential investors are in an advanced stage
- ✓ Discussions continued with resource owners to secure agreement for pilot testing of their resources in exchange for a pathway to commercialisation
- ✓ Completed a 1:100 share consolidation
- ✓ Marenica appointed new Chairman (Doug Buerger) after the retirement of Robert Pearce

U-PGRADE™ COMMERCIALISATION UPDATE

The commercialisation strategy adopted last quarter to link **U-pgrade™** to resources and provide three different levels of investment is proving to be successful with potential investors looking at each of the following:

- The ASX listed parent company Marenica Energy Limited
- The wholly owned subsidiary Uranium Beneficiation Pty Ltd (holder of the **U-pgrade™** intellectual property)
- The Project level following signing of agreements with resource owners

Technology investors holding a long-term strategic interest in the uranium industry have identified Uranium Beneficiation Pty Ltd as the preferred investment option. It is expected that the selected technology investor(s) will fund pilot plant construction and other commercialisation costs in return for an interest in Uranium Beneficiation Pty Ltd. Discussions are at an advanced stage with a number of interested parties. Investors seeking exposure to a publicly listed entity have expressed a preference for an investment directly in Marenica.

Marenica has provided access to the **U-pgrade™** process detail to a select number of investors for due diligence purposes, with all parties seeing potential benefits. This is a significant vote of confidence in, and paves the way for, successful commercialisation of **U-pgrade™**.

The company's strong belief that its proprietary **U-pgrade™** process has a much broader application than the Marenica deposit has been supported by investors' due diligence teams. Furthermore, the current low uranium price environment provides an additional incentive / business opportunity for **U-pgrade™**.

The Company has previously 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™**

- Reduces operating costs by 50-70% and capital costs by 30-50% compared to conventional processing

- 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

U-pgrade™ testwork has been completed to date using samples from a number of other surficial deposits and conclusions from these tests support the results from the Marenica ore.

Marenica's **U-pgrade™** process is a major breakthrough for processing surficial uranium deposits. Whilst the continued 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 than would otherwise be the case, and 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 Company's primary target.

TORO ENERGY LTD AGREEMENT

Marenica announced on 15 January 2015 that Toro Energy Limited has agreed to provide a of Western Australian calcrete hosted uranium ore from its Wiluna project to conduct testwork using the proprietary **U-pgrade™** technology.

The purpose of the testwork programme, fully funded by Toro, is to determine the amenability of **U-pgrade™** to the Toro ore sample, and if successful, may lead to follow up proof of concept pilot plant trials. The substantial testwork programme commenced mid-January and is expected to be completed within 6 months.

This is an exciting opportunity to demonstrate the application of **U-pgrade™** on Western Australian ores.

GENERAL

Texas & Oklahoma Coal Company Limited (incorporated in the Virgin Islands) ("TOCC")

TOCC merged with Metals Finance Corporation Limited ("MFC") by way of MFC acquiring all the shares in TOCC in exchange for shares and options in MFC. MFC changed its name to Pacific American Coal Limited and has lodged a Third Supplementary Prospectus with ASIC 2 January 2015. The offer closes on 2 February 2015 with the shares expected to list on the ASX 16 February 2015 as ASX code "PAK". MEY holds 2,833,334 shares and 850,001 options in PAK.

CORPORATE

At the Company's Annual General Meeting, held on Monday 3 November 2014, the following resolutions were passed:

- The Directors were granted options to replace the obligation of the Company to pay outstanding Director's fees to 31 October 2014. This is seen as another vote of confidence by the Board in Marenica's current **U-pgrade™** commercialisation initiatives.
- A 1:100 share consolidation. The Directors considered that the share consolidation would reduce volatility of the stock, whilst increasing trading liquidity.
- Mr Robert Pearce retired as a Director and Chairman of Marenica and was replaced with Mr Doug

Buerger. Mr Pearce had been Chairman of the Company since 2010 and we thank him for his input. Mr Buerger has also been a director of the Company since 2010 and brings a wealth of knowledge and experience to the Chairman's role. We welcome Mr Buerger into the role of Chairman and we look forward to a successful future under his guidance.

- Mr Lou Guo Qing was appointed to the role of Non-Executive Director. Mr Lou is the Managing Director of Hanlong Group. Mr Lou replaces Mr Simon Yang, who resigned in May 2014, and we welcome Mr Lou to the Board and look forward to his contribution.

TENEMENTS

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

Namibia – Marenica Minerals (Pty) Ltd

- EPL3287

Australia – Marenica Energy Ltd

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

ENDS

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