Activities Report for the Quarter Ended 31st December 2010

HIGHLIGHTS

- **A$3M raised through funding agreement and strategic alliance with China's Hanlong Energy Limited –** *including immediate funding through a $2M convertible note and $1M share placement at A$0.07 per share.*

- **A$2M rights issue to existing shareholders completed** at A$0.07 per share, underwritten by Hanlong.

- **Memorandum of Understanding signed with Hanlong** – *encompassing further funding support, development financing, uranium off-take and support for strategic acquisitions during a period up to December 2011*.

- **Experienced businessman and Hanlong representative Mr Calvin Zhu** appointed to the Marenica Board effective from December 2010.

- **MARENICA URANIUM PROJECT, NAMIBIA (75%-owned) EPL3287** has been renewed to November 2012 – with Marenica retaining 100% of the tenement.

- **Positive results received from reconnaissance RC drilling at Target MA7**, located 7km south-west of the Marenica uranium deposit, with two separate mineralized trends outlined and best results including:

    - 6.3m @ 125ppm eU_3O_8 from 10.9m in MAR1639
    - 3.6m @ 176ppm eU_3O_8 from 21.7m in MAR1647
    - 5.0m @ 210ppm eU_3O_8 from 25.6m in MAR1651
    - 1.8m @ 620ppm eU_3O_8 from 35.5m in MAR1660
    - 8.8m @ 320ppm eU_3O_8 from 2.70m in MAR1661

- **Metallurgical testwork continues at AMMTEC Laboratories** to assess the amenability of the ore to heap-leaching, over a range of beneficiation, blending and agglomeration process parameters

OVERVIEW

During the December 2010 Quarter, Marenica's exploration and management team continued to progress development plans for the Company's 75%-owned **Marenica Uranium Project**, located in Namibia, Southern Africa.

After receiving positive results from the interim Scoping Study completed in the September 2010 Quarter, the Company's key focus was to secure funding for the next stage of evaluation and development of the Marenica Project.

Following discussions with several groups, the Company entered into a strategic funding arrangement and alliance with Hanlong Energy Limited (a subsidiary of the privately-owned China-based Sichuan Hanlong Group Co). This agreement encompassed a maximum of $5 million dollars of debt and equity funding through;

- a convertible note,
- a direct placement and
- the underwriting of a $2 million rights issue to existing shareholders.

In addition, Marenica and Hanlong have entered into a Memorandum of Understanding ("MOU") encompassing longer-term feasibility and development funding, off-take arrangements and potential cooperation on future strategic acquisitions in the uranium sector.

Exploration drilling recommenced during the Quarter with a small reconnaissance drilling program undertaken at the MA7 Target Area, located 7km south-west of the main resource, with a selection of targets based on the EM survey completed in the previous Quarter.

Results from this limited Reverse Circulation (RC) program have outlined two new prospective mineralised zones, each two kilometres long and up to 400 metres wide, with anomalous intercepts up to 8.8m thick. Drilling is on wide spacings of 600m by 200m and will require in-fill drilling during 2011.

Metallurgical test work is continuing at AMMTEC laboratories in Australia to confirm the heap leach process route and to assess the amenability of the ore to heap-leaching, and a range of beneficiation, blending and agglomeration process parameters.

Subsequent to the end of the Quarter, the Company received a letter of intention to grant its application for renewal of the tenement covering the Marenica Project from the Namibian Ministry of Mines and Energy with the retention of 100% of the existing tenure. This secures Marenica's 75% interest in the Project for a further two years.

MARENICA URANIUM PROJECT, NAMIBIA (Marenica Energy – 75%)

Renewal EPL 3287

The Exclusive Exploration Licence (EPL) covering the Company's 75%-owned **Marenica Uranium Project** in Namibia, southern Africa, has been renewed for two years from November 2010 by the Ministry of Mines and Energy. The renewal ensures security of tenure for Marenica as the Company completes the current phase of pre-feasibility work, with the aim of embarking on a full Definitive Feasibility Study during 2011.

Under the normal conditions of a renewal, a mandatory reduction in the EPL of 50% is required at the end of the second term. Marenica has successfully applied to retain 100% of the existing tenure for this renewal period.

Exploration – MA7 Drilling

RC drilling was carried out at Target Area MA7, located 7km south-west of the Marenica deposit, to test targets defined by the recently completed HLEM survey. A total of 67 holes were drilled for 1,980m, comprising (*see Figure 1*):

Area A: 58 holes for 1,456m
Area B: 9 holes for 524m

Preliminary scintillometer readings were taken for each metre drilled. Down-hole gamma probing of all drill-holes was subsequently undertaken by Terratec Geophysical Services.

Area A

A total of 58 holes were drilled for 1,456m on six, 600m-spaced lines, with holes on 200m centres. All holes were drilled vertical and most were designed to intersect the base of the channel-fill sequence.

The drilling identified two N-S-trending tributary channels to the main Southern Palaeochannel, which broadly conformed to the HLEM interpretation (*see Figure 1*). In the upper reaches of the system, channels are narrow (300-400m) and widen to the south, where they join to form a single, second order palaeochannel approximately 1,300m wide. Channel fill comprises variably calcretised, moderately consolidated gravels, with some grit and clay bands. Basement is predominately weathered biotite schist with minor leucogranite.

In the western tributary, mineralisation was defined in four adjacent lines, representing approximately 2,000m strike and 200-300m width. In the upper reaches of the channel, mineralisation occurs within weathered basement underlying and adjacent to the channel, and remains open to the north.

In the eastern tributary, mineralisation was defined in four adjacent lines, representing about 2,000m strike and 200-300m width, and remains open to the north and south. Mineralisation along

this trend is broadly concentrated along the western margin of a north□south trending palaeo-high / ridge feature. A significant mineralised zone, previously defined by air□core drilling during March 2010, occurs along the eastern margin of this feature (see Figure 2).

Better intercepts from the drilling programme in Area A included:

- 6.3m @ 125ppm eU_3O_8 from 10.9m in MAR1639
- 3.6m @ 176ppm eU_3O_8 from 21.7m in MAR1647
- 5.0m @ 210ppm eU_3O_8 from 25.6m in MAR1651
- 1.8m @ 620ppm eU_3O_8 from 35.5m in MAR1660
- 8.8m @ 320ppm eU_3O_8 from 2.70m in MAR1661

Area B

Nine vertical holes were drilled for a total of 524m on a single, N-S traverse, with holes drilled to 60m, on 200m centres (Figure 1). The target was a low-order tributary channel adjacent to an interpreted palaeo-ridge feature, defined by the HLEM survey.

Channel-fill sequences, comprising variably calcretised, moderately consolidated gravels, were deep (most holes terminated at 60m, prior to intercepting the base of the channel) and no significant drill intercepts were returned.

All significant results (>100ppm U_3O_8) from the drilling program are presented in Table 1 below:

Table 1: Significant intercepts from Marenica RC drilling at Southern Palaeochannel Target, MA7

Hole _ID	UTM_East	UTM_North	Dip	Azim	Hole Depth (m)	From (m)	To (m)	Intercept (m)	eU3O8 (ppm)
MAR1631	500400	7572500	-90	0	35	3.2	7.1	3.9	116.0
MAR1639	498800	7572500	-90	0	24	10.9	17.2	6.3	124.9
MAR1640	498600	7572500	-90	0	25	14.0	15.6	1.6	109.0
MAR1644	498800	7571900	-90	0	34	8.3	9.8	1.5	162.3
MAR1645	499000	7571900	-90	0	40	5.8	8.2	2.4	102.1
MAR1647	499400	7571900	-90	0	51	21.7	25.3	3.6	175.6
MAR1651	500200	7571900	-90	0	58	2.7	3.7	1.0	131.4
MAR1651	500200	7571900	-90	0	58	6.0	8.6	2.6	102.4
MAR1651	500200	7571900	-90	0	58	10.3	12.1	1.8	177.2
MAR1651	500200	7571900	-90	0	58	25.6	30.6	5.0	210.3
MAR1655	500373	7571361	-90	0	14	4.0	5.0	1.0	113.7
MAR1660	499400	7571300	-90	0	60	35.5	37.3	1.8	619.7
MAR1661	499200	7571300	-90	0	60	2.7	11.5	8.8	319.6
MAR1687	500200	7573100	-90	0	19	10.3	15.3	5.0	132.3
MAR1688	500000	7573100	-90	0	14	8.5	10.7	2.2	113.5
MAR1693	499000	7573100	-90	0	15	2.3	6.0	3.7	126.0
MAR1693	499000	7573100	-90	0	15	9.7	11.0	1.3	127.8

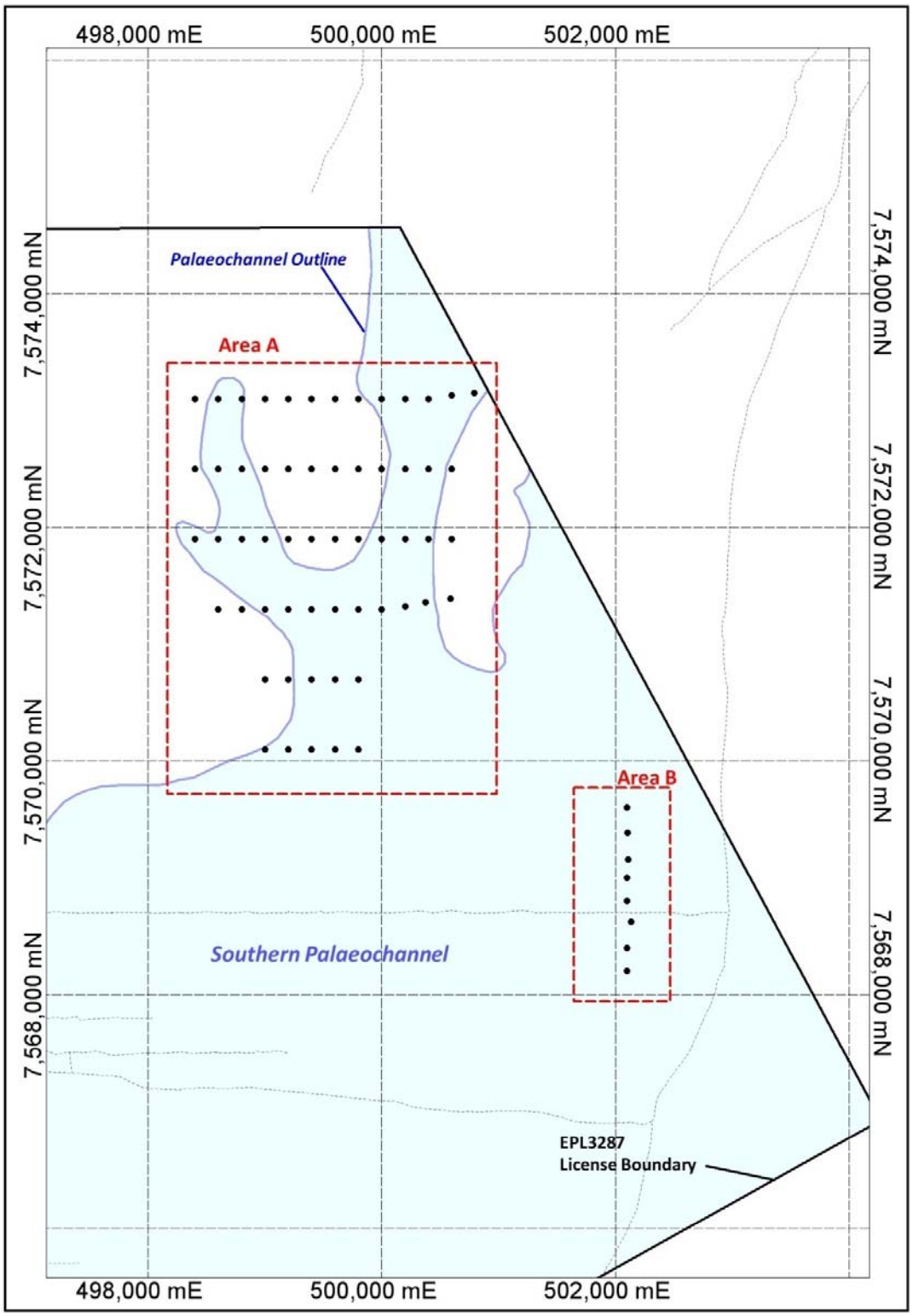

Figure 1: Location of RC drill-holes completed within Southern Palaeochannel Target Area MA7 during the reporting period

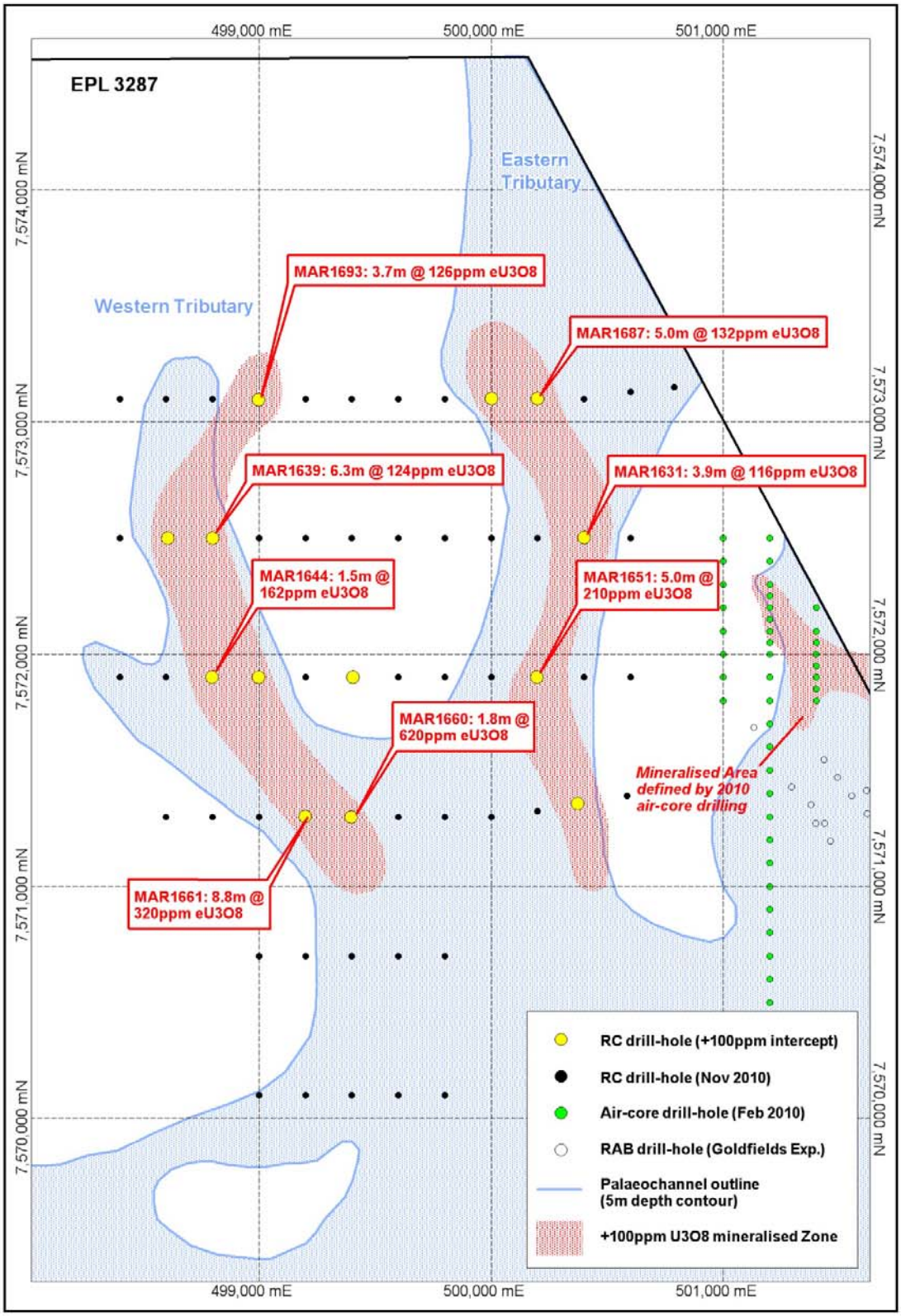

Figure 2: Results of November 2010 RC drilling at target MA7, showing newly defined mineralised channel systems

Down-hole Probing of Historic Drill-holes

During the reporting period, a number of historic Gold Fields drill-holes were gamma-probed by Terratec Geophysical Services. Two areas were investigated (Target areas MA7 and MA11) and a total of 14 holes were probed, comprising 246.8m of down-hole logging. Details of the gamma-probe activities are presented in Table 2.

At target area MA7, 10 historic drill-holes were probed in the south-western part of the Southern Palaeochannel system (*see Figure 3*). The area represents a constriction zone in the palaeochannel, representing a zone of potential uranium accumulation. While a number of weakly anomalous zones were encountered, no significant intercepts over 100ppm U_3O_8 were returned.

At target area MA11, four historic drill-holes were probed (*see Figure 4*). The area comprises thin calcrete cover highlighted by a moderate tenor airborne radiometric anomaly. A number of anomalous zones were encountered, with anomalous intercepts listed in Table 3.

Table 2: Historic Gold Fields drill-holes probed during the reporting period

Hole_ID	UTM_E	UTM_N	UTM_Azm	Dip	Logging Depth	Area
M2087	494917	7561889	0	-90	30.32	Target MA7
M2088	494877	7561939	0	-90	7.60	Target MA7
M2089	496589	7562869	0	-90	20.32	Target MA7
M2090	495990	7562870	0	-90	26.90	Target MA7
M2091	497035	7563539	0	-90	16.78	Target MA7
M2092	497472	7563539	0	-90	8.96	Target MA7
M2093	496464	7563906	0	-90	17.58	Target MA7
M2094	495740	7564024	0	-90	8.82	Target MA7
M2096	496852	7564305	0	-90	31.00	Target MA7
M2097	495872	7564676	0	-90	15.33	Target MA7
M2098	491584	7584774	0	-90	9.34	Target MA11
M2099	491609	7584675	0	-90	14.24	Target MA11
M2100	491625	7584574	0	-90	19.73	Target MA11
M2101	491625	7584574	0	-90	9.38	Target MA11

Table 3: Significant intercepts (>100ppm U3O8) derived from gamma logging of historic Gold Fields drill-holes

Hole_ID	UTM_E	UTM_N	UTM_Az	Dip	From(m)	To (m)	Interval (m)	eU_3O_8 (ppm)
M2099	491609	7584675	0	-90	1.54	3.84	2.30	138.8

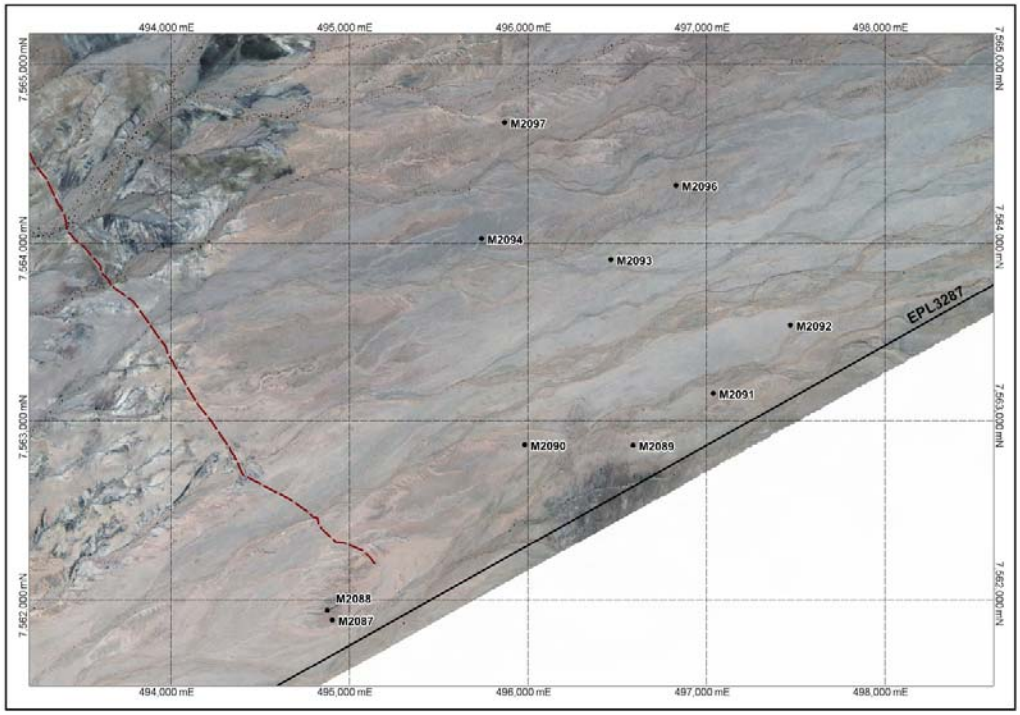

Figure 3: Location of historic holes probed overlying Quickbird Satellite Image, Target Area MA7

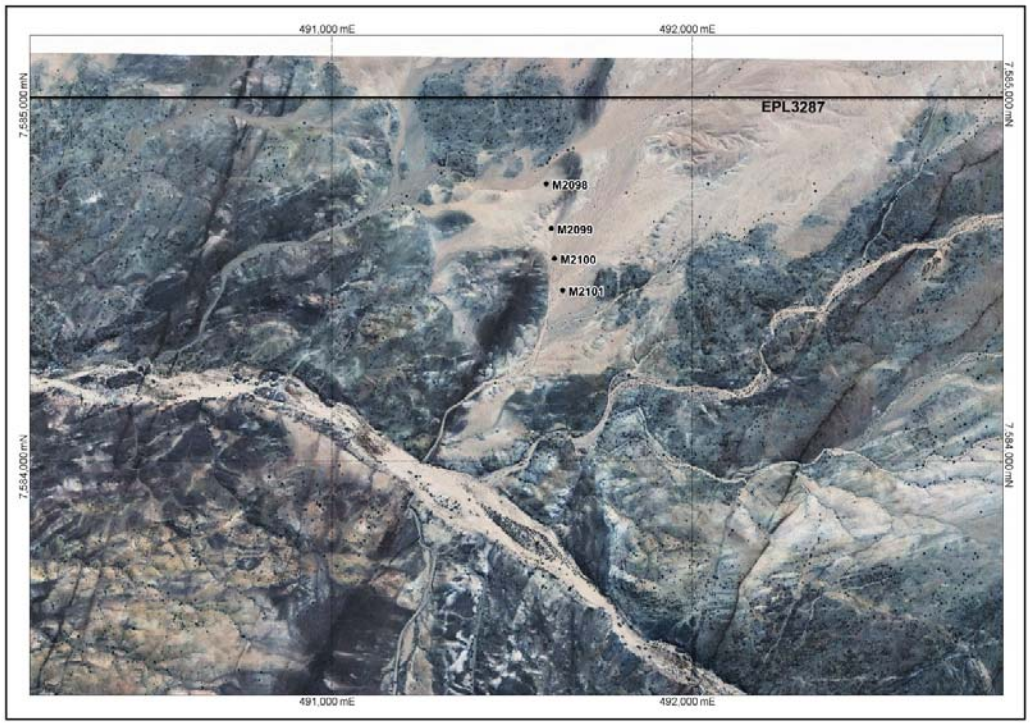

Figure 4: Location of historic holes probed overlying Quickbird Satellite Image, Target Area MA11

Metallurgical Testwork

Metallurgical work is underway at AMMTEC Laboratories in Perth, Western Australia to confirm the heap leach process route for the Marenica Project and to assess a range of beneficiation, blending and agglomeration process parameters.

The metallurgical test-work is proceeding under the supervision of consultant metallurgists Kappes, Cassidy and Associates. It is anticipated that results from the metallurgical testwork will be available during the early Q2 of 2011.

Other Projects

The Northhampton Project in Western Australia was relinquished during the Quarter.

CORPORATE

During the Quarter, Marenica secured $5 million of debt and equity funding through the support of China's Hanlong Energy Limited ("Hanlong") to progress ongoing Pre-Feasibility Study work on the Marenica Uranium Project.

In addition, Marenica and Hanlong have entered into a Memorandum of Understanding ("MOU") encompassing longer-term feasibility and development funding, off-take arrangements and potential cooperation on future strategic acquisitions in the uranium sector.

Hanlong Energy Limited is a subsidiary of the privately-owned China-based Sichuan Hanlong Group Co., Ltd, a large diversified group with a broad portfolio of investments in mining resource development, electricity production, infrastructure development and real estate. The Group has over 12,000 employees worldwide and annual revenues of more than US$2.5 billion.

Funding Agreement:

The initial agreement had Hanlong provide A$3 million in the form of:

- *a 3-year $2 million convertible note at 8% interest per annum, payable annually in arrears and convertible into shares at A$0.07 cents per share; and*
- *a share subscription for 14.26 million Marenica shares at A$0.07 per share to raise a further A$1 million.*

In addition, Hanlong agreed to fully underwrite a A$2 million rights issue at A$0.07 per share to existing shareholders, increasing the total raised to A$5 million, ensuring that the Company is fully funded for the next phase of work.

Hanlong has also been given the opportunity to appoint one representative to the Board of Marenica Energy Ltd. Mr Calvin Zhu was appointed as a non-executive Director during the Quarter.

Mr Zhu has over eight years of commercial experience spanning across Investment Banking, Management Consulting and Financial Analysis.

He currently works with the Sichuan Hanlong Group, a large privately held Chinese Company. Prior to joining Hanlong, he worked at Credit Suisse Australia where he specialised in Mergers & Acquisitions and Debt Capital Markets. He has been involved in over $5 billion of public market transactions, advising blue chip clients such as Commonwealth Bank of Australia, Woolworths, Australian Government and private equity firms.

Prior to commencing his career in Investment Banking, Mr Zhu was a consultant with PA Consulting Group and spent over three years with Proctor & Gamble. Calvin holds a Bachelor of Applied Finance from Macquarie University.

ENDS

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Notes

Information in this report that relates to exploration results is based on information compiled by Dr Erik van Noort, who is a Member of the Australian Institute of Geoscientists. Dr van Noort is a full-time employee of Marenica Energy Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration 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'. Dr van Noort consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Where eU3O8 is reported it relates to values attained from radiometrically logged boreholes. The probe has been calibrated at the Pelindaba Calibration facility in South Africa. Down-hole spectral gamma logging/probing of drill holes provides a powerful tool for uranium companies to explore for, and evaluate, uranium deposits. Such a method measures the natural gamma rays emitted from material surrounding a drill hole out to around 0.5 metre from its centre - the gamma probe is therefore capable of sampling a much larger volume than that which would normally be recovered from a core or RC hole. These measurements are used to estimate uranium concentrations, with the assumption being that the uranium is in (secular) equilibrium with its daughter products (or radio-nuclides) which are the principal gamma emitters. If uranium is not in equilibrium (viz. in disequilibrium) – as a result of the redistribution (depletion or enhancement) of uranium and/or its daughter products - then the true uranium concentration in the holes logged using the gamma probe will be higher or lower than those reported in the announcement. Preliminary testwork completed for the company by ANSTO Minerals indicates that the Marenica deposit is in secular equilibrium (viz. disequilibrium is not apparent).

Marenica Uranium Project, with location of RC drilling activities during November, 2010