MARENICA ENERGY LIMITED

ACN 001 666 600

HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2019

Contents

Corporate Information

DIRECTORS
A Bantock
(Independent Non-executive Chairman)
M Hill (Managing Director and CEO)
N Chen (Non-executive Director)

COMPANY SECRETARY
S McBride

REGISTERED OFFICE
Office C1
1139 Hay Street
West Perth WA 6005
Tel: 61 8 6555 1816

BUSINESS OFFICE
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WEB SITE
www.marenicaenergy.com.au

AUDITOR
Rothsay Auditing
Level 1, Lincoln House
4 Ventnor Ave
West Perth WA 6005

STOCK EXCHANGES
Australian Securities Exchange – MEY
Namibian Stock Exchange – MEY

HOME EXCHANGE
Perth

SHARE REGISTRY
Advanced Share Registry Services
110 Stirling Highway
Nedlands WA 6009
Tel: 61 8 9389 8033
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ASX CODE
MEY

Directors' Report

Your Directors submit their report together with the consolidated financial report of Marenica Energy Limited ("Marenica" or "Company") and entities it controlled ("the consolidated entity") at the end of, or during the half-year ended 31 December 2019.

Directors

The Directors of the Company during or since the end of the half-year, unless otherwise stated, are:

Name	
Andrew Bantock	Independent Non-Executive Chairman
Murray Hill	Managing Director and CEO
Nelson Chen	Non-Executive Director

Principal activities

The principal activities of the Group during the period was exploration and evaluation of its mineral tenements in Namibia and the potential application of the Company's patented ***U-pgrade™*** uranium beneficiation process to its mineral tenements. During the period, the Company also completed the acquisition of uranium tenements and mineral resources in Australia.

Operating and Financial Review

Result of Operations

The loss from ordinary activities of the Group for the half-year ended 31 December 2019 attributable to members was $803,847 (31 December 2018 – $648,458).

Review of Activities

Marenica has eight active exclusive prospecting licences ("EPL") and six in application with the Ministry of Mines and Energy in Namibia. The EPL's are in the Erongo Region of Namibia with five active EPL's and four EPL applications in the Namib Area, two active EPL's in the Marenica area, and one active EPL and two EPL applications in the Mile 72 area. Marenica's EPL's cover the largest area for nuclear fuels (uranium) in Namibia.

Marenica continued exploration activities at Koppies (EPL 6987), in the Namib area of Namibia.

During the reporting period, the Company completed the acquisition of tenements and mineral resources in Australia. These assets are contained in the Angela, Thatcher Soak, Oobagooma and Minerva uranium projects, and joint venture holdings in the Bigrlyi, Malawiri, Walbiri and Areva joint ventures.

Significant changes in the state of affairs

On 4 July 2019, the Company announced that it executed a binding term sheet with Optimal Mining Limited ("Optimal") for the acquisition of Optimal's Australian uranium tenements ("Acquisition Assets"). Following shareholder approval from both Marenica and Optimal shareholders, on 13 December 2019, the Company acquired three Australian subsidiaries of Optimal ("Acquisition Entities"), which own the Acquisition Assets, by paying cash of $250,000 and issuing 27,500,000 convertible preference shares ("CPS"). On 16 December 2019, Optimal in-specie distributed the CPS to its shareholders, at which time the CPS automatically converted into ordinary shares in Marenica. The total cost of Acquisition Assets at the reporting date was $3,173,554.

Other than the changes mentioned above, there were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on the next page and forms part of the Directors' Report for the half-year ended 31 December 2019.

Signed in accordance with a resolution of the directors.

Andrew Bantock
Chairman

Dated at Perth this 11th Day of March 2020

ROTHSAY
Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

The Directors
Marenica Energy Ltd
Suite C1
1139 Hay Street
West Perth WA 6005

Dear Directors

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

i) no contraventions of the auditor independence requirements of the Act in relation to the audit review of the 31 December 2019 interim financial statements; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham R Swan FCA (Lead Auditor)

Rothsay Auditing

Dated 11TH March 2020

Directors' Declaration

The Directors of Marenica Energy Limited declare that in their opinion:

(a) the financial statements and notes, set out on pages 7 to 19, are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and

  (ii) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting", the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Andrew Bantock
Chairman

Dated at Perth this 11th Day of March 2020

MARENICA ENERGY LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2019

	Note	31 December 2019 $	31 December 2018 $
Continuing Operations			
Financial income	3	4,245	6,204
Activity-based income	3	22,208	-
Research and development tax refund	3	106,362	101,654
		132,815	107,858
Expenses			
Exploration and evaluation expenses		238,177	49,634
Employee expenses		379,612	265,099
Employee expenses - Share Based Payments		27,184	167,425
Administration expenses		269,156	199,405
Depreciation expense		21,457	1,647
Finance expense		1,076	73,106
Total expenses		936,662	756,316
Loss before income tax expense		(803,847)	(648,458)
Income tax expense		-	-
Loss from continuing operations		(803,847)	(648,458)
Other comprehensive income			
Items that maybe reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		-	-
Total other comprehensive income		-	-
Total comprehensive loss		(803,847)	(648,458)
Loss for the period is attributed to:			
Owners of the parent		(803,847)	(648,458)
Non-controlling interest		-	-
		(803,847)	(648,458)
Total comprehensive loss for the period is attributed to:			
Owners of the parent		(803,847)	(648,458)
Non-controlling interest		-	-
		(803,847)	(648,458)
Earnings per share			
Basic and diluted loss per share (cents per share)		(0.90)	(1.01)

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
As at 31 December 2019

	Note	31 December 2019 $	30 June 2019 $
Current Assets			
Cash and cash equivalents		1,094,965	487,862
Trade and other receivables	4	86,034	283,026
Total Current Assets		1,180,999	770,888
Non-Current Assets			
Trade and other receivables	4	-	7,290
Plant & equipment		20,276	20,886
Right-of-use asset	5	31,948	-
Tenement acquisition cost	6	3,173,554	-
Total Non-Current Assets		3,225,778	28,176
Total Assets		4,406,777	799,064
Current Liabilities			
Trade and other payables	7	477,023	170,276
Lease liability		32,859	-
Employee benefits	8	98,715	91,053
Total Current Liabilities		608,597	261,329
Non-Current Liabilities			
Employee benefits	8	36,375	33,985
Total Non-Current Liabilities		36,375	33,985
Total Liabilities		644,972	295,314
Net Assets/(Liabilities)		3,761,805	503,750
Equity			
Issued capital	9	55,048,774	51,030,575
Reserves	10	454,204	409,674
Accumulated losses		(51,741,173)	(50,936,499)
Total Equity Attributable to the Owners of Marenica Energy Limited		3,761,805	503,750
Non-controlling interests		-	-
Total Equity		3,761,805	503,750

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
For the half-year ended at 31 December 2019

	31 December 2019 $	31 December 2018 $
Cash flows from operating activities		
Payments to suppliers and employees	(901,192)	(581,106)
Research and development tax refund	106,362	101,654
Interest received	4,245	6,204
Interest paid	-	(13,205)
Net cash used in operating activities	(790,585)	(486,453)
Cash flows from investing activities		
Acquisitions of plant and equipment	(1,677)	(6,050)
Payments for tenement acquisition costs	(73,120)	-
Payment for controlled entity	-	(671)
Net cash used in investing activities	(74,797)	(6,721)
Cash flows from financing activities		
Proceeds from issue of equity securities	1,601,562	1,178,200
Expenses from issue of equity securities	(108,918)	(107,094)
Repayment of lease liabilities	(20,160)	-
Net cash provided by financing activities	1,472,484	1,071,106
Net increase/(decrease) in cash and cash equivalents	607,102	577,932
Cash and cash equivalents at beginning of half-year	487,862	847,824
Effects of exchange rate changes on cash and cash equivalents	1	99
Cash and cash equivalents at end of half year	1,094,965	1,425,855

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

MARENICA ENERGY LIMITED

Consolidated Statement of Changes in Equity
For the half-year ended at 31 December 2019

	Issued Capital	Accumulated Losses	Reserves	Total	Non-controlling Interests	Total Equity
At 1 July 2019	**51,030,575**	**(50,936,499)**	**409,674**	**503,750**	**-**	**503,750**
Adjustment for change in accounting policy	-	(827)	-	(827)	-	(827)
At 1 July 2019 – restated	**51,030,575**	**(50,937,326)**	**409,674**	**502,923**	**-**	**502,923**
Loss for the period	**-**	(803,847)	-	(803,847)	-	(803,847)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	(803,847)	-	(803,847)	-	(803,847)
Transactions with owners in their capacity as owners:						
Options exercised	31,105	-	(31,105)	-	-	-
Issue of options/performance rights vesting	320	-	75,635	75,955	-	75,955
Issue of Shares Note 9	4,156,241	-	-	4,156,241	-	4,156,241
Share issue costs Note 9	(169,467)	-	-	(169,467)	-	(169,467)
At 31 December 2019	**55,048,774**	**(51,741,173)**	**454,204**	**3,761,805**	**-**	**3,761,805**

	Issued Capital	Accumulated Losses	Reserves	Total	Non-controlling Interests	Total Equity
At 1 July 2018	**48,072,158**	**(49,702,722)**	**423,299**	**(1,207,265)**	**-**	**(1,207,265)**
Loss for the period	**-**	(648,458)	-	(648,458)	-	(648,458)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	(648,458)	-	(648,458)	-	(648,458)
Transactions with owners in their capacity as owners:						
Options lapsed	-	63,084	(63,084)	-	-	-
Issue of options/performance rights vesting	200	-	210,516	210,716	-	210,716
Conversion of convertible notes and related interest	1,933,445	-	(163,925)	1,769,520	-	1,769,520
Issue of Shares Note 10	1,178,000	-	-	1,178,000	-	1,178,000
Share issue costs Note 10	(153,228)	-	-	(153,228)	-	(153,228)
At 31 December 2018	**51,030,575**	**(50,288,096)**	**406,806**	**1,149,285**	**-**	**1,149,285**

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

1. Corporate Information
The financial statements cover Marenica Energy Limited as a consolidated entity consisting of Marenica Energy Limited and its subsidiaries. The financial statements are presented in Australian dollars, which is Marenica Energy Limited's functional and presentation currency.

The financial report of the Company for the half-year ended 31 December 2019 was authorised for issue in accordance with a resolution of the Directors on 11th March 2020.

The Company is limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange and the Namibian Stock Exchange.

The nature of operations and principal activities of the Group are described in the Directors' Report.

2. Basis of Preparation and Accounting Policies

Basis of Preparation
These general purpose condensed consolidated financial statements for the half-year ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting as issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001, as appropriate for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The half-year financial report does not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the company as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of the Company as at 30 June 2019.

It is also recommended that the half-year financial report be considered together with any public announcements made by the Company during the half-year ended 31 December 2019 and to the date of this report in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Going concern
The Company had net assets $3,761,805, as at 31 December 2019, incurred a loss of $803,847 and net operating cash outflow of $790,585 for the six-month period ended 31 December 2019.

The Company's ability to continue as a going concern and meet its debts and future commitments as and when they fall due is dependent on a number of factors, including:

- the ability of the Group to obtain financing through equity, debt or hybrid financing, joint ventures or other financing arrangements.
- the ability of the Group to sell assets as required.

The financial report has been prepared on a going concern basis. In arriving at this position, the Directors have had regard to the fact that the Company has, or in the Directors' opinion will have access to, sufficient cash to fund administrative and other committed expenditure for a period of not less than 12 months from the date of this report.

Should the Company not achieve the matters set out above, there is significant uncertainty whether it will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

Adoption of new or revised accounting standards and interpretations

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases
The consolidated entity has adopted AASB 16 from 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption
AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

	1 July 2019 $
Operating lease commitments as at 1 July 2019 (AASB 117)	78,889
Operating lease commitments discount based on the weighted average incremental borrowing rate of 5% (AASB 16)	(2,149)
Short-term leases not recognised as a right-of-use asset (AASB 16)	(66)
Accumulated depreciation as at 1 July 2019 (AASB 16)	(25,558)
Right-of-use assets (AASB 16)	51,116
Lease liabilities - current (AASB 16)	(38,639)
Lease liabilities - non-current (AASB 16)	(13,304)
Tax effect on the above adjustments	-
Reduction in opening retained profits as at 1 July 2019	(827)

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

3. Loss before income tax expense	**31 December 2019**	**31 December 2018**
The following revenue and expense items are relevant in explaining the financial performance for the half-year:	**$**	**$**
Revenue:		
Interest revenue	4,245	6,204
Research and development tax refund	106,362	101,654
Activity-based income	22,208	-
Expenses:		
Defined contribution superannuation expense	32,934	19,504
Depreciation	21,457	1,647
Rental expense relating to operating leases	4,871	16,702

4. Trade and other receivables

	31 December 2019	**30 June 2019**
Current Assets	**$**	**$**
GST and VAT refundable	53,940	33,026
Trade receivables	24,429	-
Other receivables	4,305	-
Rental & Security Bonds	3,360	-
Loans to other entities	-	250,000
	86,034	283,026

The Company provided Optimal Mining Limited a bridge loan of $250,000 to provide funding for Optimal while it was completing the sale of its Australian Uranium Assets to Marenica. On 13 December 2019, this amount became the cash portion of the purchase price of $250,000 of the Australian Uranium Assets and is recognised as part of the tenement acquisition costs capitalised as a non-current asset during the period (refer to note 6).

Non-Current Assets		
Amount receivable from sale of Marenica Minerals (Proprietary) Limited (incorporated in Namibia)	3,425,275	3,425,275
Provision for impairment	(3,425,275)	(3,425,275)
Other receivables	-	3,930
Rental & Security Bonds	-	3,360
	-	7,290

The recoverability of the amount receivable from the sale to the Company's Black Economic Empowerment partner Millennium Minerals Pty Ltd of a 5% interest in the Company's shareholding in Marenica Minerals (Proprietary) Limited (incorporated in Namibia) is subject to the successful exploitation and development of the Company's Marenica Uranium Project. As the project has not yet reached a stage at which this can be assured, the amount receivable from the purchaser is considered to be impaired.

5. Right-of-use asset

Land and buildings – right-of-use	51,116	-
Less: Accumulated depreciation	(19,168)	-
	31,948	-

The Company leases land and buildings for its office under a two-year agreement, on renewal, the terms of the lease are renegotiated. The Company also leases land and buildings under a separate agreement of less than two years and is either short-term or low-value, so has been expensed as incurred and not capitalised as a right-of-use assets.

6. Capitalised tenement acquisition costs

	31 December 2019 $	30 June 2019 $
Balance at beginning of period/year	-	-
Cash component of purchase price	250,000	-
Share-based consideration of purchase price	2,502,500	-
Acquisition costs	421,054	-
	3,173,554	-

During the period, the Company acquired the interests in three Australian subsidiaries of Optimal which collectively hold 16 mining tenements and joint venture interests in 28 mining tenements in Western Australia and the Northern Territory that are prospective for uranium. The Company provided cash of $250,000, as a bridge loan, during the previous year. On completion of the transaction during the period, the bridge loan converted to part of the purchase price and the Company issued 27,500,000 convertible preference shares ("CPS"), which Optimal distributed in-specie to its shareholders, at which time the CPS automatically converted into ordinary shares in the Company.

Capitalised tenement acquisition costs represent the accumulated cost of acquiring the assets. Ultimate recoupment of these costs is dependent on the successful development and commercial exploitation or alternatively, sale of the respective areas of interest.

7. Payables

	31 December 2019 $	30 June 2019 $
Trade payables	226,445	69,019
Accrued charges	250,578	101,257
	477,023	170,276

Included in Accrued charges is the sum of $45,000 (June 2019: $97,500) relating to unpaid non-executive Directors fees (inclusive of superannuation) at the reporting date. Of this amount, $45,000 (June 2019: $97,500) relates to the Company's obligation to fund the exercise price of options issued to Directors should the Directors exercise the options.

Included in Accrued Charges is the sum of $121,778 of outstanding tenement related payments which were not accounted for by Optimal, the previous owner of the Australian subsidiaries acquired by the Company during the reporting period.

8. Provisions

Current Liabilities		
Provision for annual leave	98,715	91,053
	98,715	91,053
Non-Current Liabilities		
Provision for long service leave	36,375	33,985
	36,375	33,985

9. Contributed Equity

(a) Issued and fully paid shares		
Fully paid ordinary shares	56,496,511	52,308,844
Less: capital issue costs net of tax	(1,447,736)	(1,278,269)
	55,048,774	**51,030,575**
(b) Movements in issued and fully paid shares		
Balance at the beginning of the period	**51,030,575**	**48,072,158**
Shares issued:		
- share placements	1,601,242	1,178,200
- repayment of interest on convertible loan	-	118,849
- repayment of convertible notes	-	1,650,671
- on exercise of options	83,604	-
- to acquire tenements	2,502,500	-
Transfer from convertible notes reserve	-	163,925
Options issued	320	-
Less: capital issue costs	(169,467)	(153,228)
Balance at the end of the period	55,048,774	51,030,575

10. Share-based Payment Reserve

	31 December 2019 $	30 June 2019 $
Share-based payments reserve	454,204	409,674

(i) Share Options

	Number of options	$	Weighted average exercise price
Movements in share options			
Balance at the beginning of the period	23,512,929	380,996	0.1708
Options exercised	(290,698)	(31,105)	0.1700
Options attached to share placement	16,012,417	-	-
Options issued (refer (a) following)	10,802,403	72,718	0.1700
Balance at the end of the period	50,037,131	422,610	0.1703

(ii) Performance Rights

	$
Movements in performance rights	
Balance at the beginning of the period	28,678
Rights vesting	2,916
Balance at the end of the period	31,594
Total (I)-(II) Share Based Payments Reserve	**454,204**

(a) On 28 November 2019, 7,600,000 options were granted and exercisable at $0.17 each on or before 28 November 2023, to directors and management of the Company. The fair value of these options is $0.036867 per option for a total value of $280,189. The vesting condition attached to these options is continuous employment of directors and management of the Company to 13 December 2020. At the reporting period date, the amount vested was $24,268. In valuing these options the Company used the following inputs in the Black Scholes option valuation model.

Inputs into the Model	
Grant date share price	$0.086
Exercise price	$0.170
Expected volatility	79.29%
Option life	4 years
Risk-free interest rate	0.640%

On 10 December 2019, 3,202,483 options were granted and exercisable at $0.17 each on or before 10 December 2021, to a broker as part of the fees relating to a placement of shares and options. In the period to 31 December 2019 no options were exercised.

10. Share-based Payment Reserve (continued)

The fair value of these options is $0.015129 per option (a subscription amount of $0.0001 was paid by the broker and this amount has been taken off the valuation) for a total value of $48,450. In valuing these options the Company used the following inputs in the Black Scholes option valuation model.

Inputs into the Model	
Grant date share price	$0.073
Exercise price	$0.170
Expected volatility	79.29%
Option life	2 years
Risk-free interest rate	0.730%

(b) As at the reporting date, 202,500 performance rights remain which have not yet vested, however, the expense relating to the fair value of these performance rights has been spread across their seven year life on the assumption that they will vest. If they do not vest the expense will be reversed.

11. Segment Reporting

Management has determined that the Company has one reportable segment, being exploration and development. As the Company is so focused, the Board monitors the Company based on actual versus budgeted expenditure. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Company and its ongoing activities, while also taking into consideration the results of work that has been performed to date and capital available to the Company.

12. Contingent Liabilities

Mallee Minerals Pty Limited
On 7 April 2006, the Company entered into an introduction agreement with Mallee Minerals Pty Limited in respect of the Marenica Project in Namibia mineral licence MDRL 3287 (Project). Upon the Company receiving a bankable feasibility study in respect of the Project or the Company delineating, classifying or reclassifying uranium resources in respect of the project, the Company will pay to Mallee Minerals Pty Limited:

(i) $0.01 per tonne of uranium ore classified as inferred resources in respect of the Project; and a further

(ii) $0.02 per tonne of uranium ore classified as indicated resources in respect of the Project; and a further

(iii) $0.03 per tonne of uranium ore classified as measured resources in respect of the Project.

Pursuant to this agreement no payments were made during the period ended 31 December 2019. In total $2,026,000 has been paid under this agreement.

12. Contingent Liabilities (continued)

Metals Australia Limited

In May 2018, the Company signed binding agreement to purchase the Mile 72 Uranium Project (EPL 3308) from Metals Australia Limited. The agreement includes a provision to pay a gross production preferential dividend of 1% on any production from EPL 3308.

Other than the above, the Directors are not aware of any material contingent liability as at the date of these financial statements.

Jackson Cage Royalties

On 13 December 2019, Marenica acquired Jackson Cage Pty Ltd ("Jackson Cage"), one of the Acquisition Entities acquired from Optimal Mining Limited. Jackson Cage is liable for a 1% gross royalty payable to Paladin Energy Limited and a 1% gross royalty payable to Areva Resources Australia Pty Ltd on any production from the Oobagooma Project in Western Australia (being tenement E04/2297) and a 1.5% gross royalty payable to Paladin NT Pty Ltd on any production from the Pamela/Angela Project in the Northern Territory (being tenement application EL25759 and tenement EL25758).

13. Subsequent Events

No matters or circumstances have arisen since 31 December 2019 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

ROTHSAY

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Independent Review Report to the Members of Marenica Energy Ltd

The financial report and directors' responsibility

The interim consolidated financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Marenica Energy Ltd for the half-year ended 31 December 2019.

The Company's directors are responsible for the preparation and fair presentation of the consolidated financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim consolidated financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated financial position as at 31 December 2019 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Marenica Energy Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Independence

In conducting our review we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim consolidated financial report of Marenica Energy Ltd is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the consolidated financial position as at 31 December 2019 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Rothsay

Rothsay Auditing

GR Swan

Graham R Swan FCA
Partner

Dated 17TH March 2020