



## Quarterly Activities Report

For the Period Ended 31 December 2015

### SUMMARY

- ✓ New phase of testwork on Toro ore being planned for H1 2016
- ✓ Began testwork on Deep Yellow ore from its Namibian Uranium project
- ✓ Marenica is in discussions with Hanlong to restructure the outstanding debt
- ✓ Strong funding interest evident once Hanlong debt is restructured
- ✓ Marenica remains a low cost business, able to survive in tough times.

### ***U-PGRADE™*** COMMERCIALISATION UPDATE

#### ***Toro testwork program***

The first phase of the Toro Energy Limited (Toro) testwork program was finalised during the quarter. The testwork program aimed at determining the application of ***U-pgrade™*** to the Wiluna ore produced outstanding results. Toro and Marenica are now in discussion to plan the next phase of testwork which will focus on producing a concentrate containing less than 5% of the mass. This program is expected to be completed within 3-4 months. As in the first phase of testwork, Toro will meet the full cost incurred by Marenica during this phase.

Following the completion of this second phase the logical step will be to prepare for a more involved and expansive testwork program which could lead to a pilot plant phase through a pilot plant to be built and owned by Marenica, as well as agreement on commercial terms under which Marenica would provide the project access to the ***U-pgrade™*** technology.

#### ***Deep Yellow testwork program***

Late in 2015, Deep Yellow Limited (Deep Yellow) and Marenica agreed to undertake a bench scale testwork program in order to assess the amenability of Marenica's ***U-pgrade™*** technology on samples sourced from the Tumas project. The Tumas project is located in the same region of Namibia as the Marenica Project, a project with which it shares many metallurgical properties.

Marenica has now received the first bulk sample to use in the testwork program and has begun preliminary characterisation work on the sample provided.

The program is expected to be completed towards the middle of 2016, although interim milestone results will be released to the market as they become available. Deep Yellow will meet the total cost of the program including the extraction and delivery of the samples to Marenica's laboratories in Perth.

The parties have agreed in principle that commercialisation discussions will follow a successful outcome of this testwork program. These discussions will be aimed at combining the Tumas orebody and the ***U-pgrade™***

technology.

With all future 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™**.

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.

## Corporate Restructuring

Marenica is assessing opportunities to restructure the Company, including restructuring the debt currently outstanding to Hanlong. The creation of a fixed and certain pathway by which the Hanlong debt can be repaid and removed from the Marenica corporate structure remains the Company's most important objective. This is necessary to create an investment vehicle attractive to new investors, required to provide the business with a strong foundation on which to base future capital raisings.

We continue to engage productively with Hanlong to arrive at a balanced outcome, which acknowledges the significant historical support received from Hanlong in the past, while ensuring that current and prospective investors receive comfort and surety in the terms under which the debt will be repaid.

## Working Capital

Marenica continues to explore a range of funding options. A number of strategic and individual investors have expressed interest in participating in the company's next round of capital raising. A major pre condition for their participation is arriving at a revised agreement with Hanlong for the repayment of the outstanding debt. As referred to above, this remains a major priority for Marenica.

To conserve valuable capital in the meantime the company has taken the following steps which will not affect its ability to execute its short term plans;

- Maintain a flexible and low cost business model,
- All Board and Management to receive mix of cash and equity, and
- Third parties to fund all planned testwork

Marenica is also reviewing its Board composition with a focus on identifying an outcome that reduces the size and cost of the Board moving forward.

## Corporate

On 1 December 2015 the Company issued a total of 1,548,456 options exercisable at \$0.1806 each on or before 1 December 2019 ("Options") to the Directors of the Company in accordance with the Shareholder approval obtained at the Company's Annual General Meeting held on 30 November 2015. The Options were issued to replace the obligation of the Company to pay outstanding Directors' fees to 31 December 2015 owed to the Directors of the Company, with an obligation for the Company to fund the exercise price of the Options in the future should the recipients choose to exercise them. Full details of the purpose of the issue were included in the Notice of Annual General Meeting lodged on ASX on 29 October 2015.

On 1 December 2015 the Company also issued 196,495 fully paid ordinary shares ("Shares") to a nominee of Marenica's Chief Executive Officer Mr Murray Hill in lieu of 20% of gross salary owed to Mr Hill for the months of June to November 2015, inclusive, in accordance with Shareholder approval obtained at the Company's Annual General Meeting held on 30 November 2015 and the General Meeting of Shareholders held on 14 September 2015. These Shares were issued at various issue prices equal to the monthly volume weighted average share price for Marenica Shares for each relevant month that the payment relates.

## TENEMENTS

The Group holds the following mineral tenements at the end of the September 2015 quarter.

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

- EPL3287

Australia – Marenica Energy Ltd

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

## ENDS

For further information contact Marenica Energy Limited:

**Murray Hill, CEO**, Ph: (+61 8) 6555 1816

## 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*

## 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 LIMITED

ABN

71 001 666 600

Quarter ended ("current quarter")

31 December 2015

#### Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation	22	(3)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(137)	(328)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received		
1.5	Interest and other costs of finance paid	1	3
1.6	Income taxes paid	-	-
1.7	Other (R & D Rebate)		127
<b>Net Operating Cash Flows</b>		<b>(114)</b>	<b>(201)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	67	67
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
<b>Net investing cash flows</b>		<b>67</b>	<b>67</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(47)</b>	<b>(134)</b>

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+ 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)	(47)	(134)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(47)	(134)
1.20	Cash at beginning of quarter/year to date	248	335
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	201	201

**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	-
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  
Nil
- 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  
Nil.

**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	1,651	1,651
3.2 Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	26
4.2 Development (Related to Deep Yellow Ltd testwork program. Expenses on charged to Deep Yellow.)	50
4.3 Production	-
4.4 Administration	153
<b>Total</b>	<b>229</b>

### 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	6	5
5.2 Deposits at call	195	243
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>201</b>	<b>248</b>

### 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	N/A			
6.2 Interests in mining tenements and petroleum tenements acquired or increased	N/A			

### 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.*

**Appendix 5B**
**Mining exploration entity and oil and gas exploration entity quarterly report**

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference + securities</b>	-	-		
7.2	Changes during quarter				
	(a) Increases through issues	Nil			
	(b) Decreases through returns of capital, buy-backs, redemptions	Nil			
7.3	<b>+Ordinary securities</b>	15,763,820	15,763,820		
7.4	Changes during quarter				
	(a) Increases through issues				
	Issue of shares to M Hill (CEO) in lieu of salary	196,495	196,495		
	(b) Decreases through returns of capital, buy-backs				
7.5	<b>+Convertible debt securities</b>			<i>Conversion Price</i>	<i>Maturity Date</i>
	Convertible Note				
		16,507	-	\$1.80	On or before 14 November 2016
7.6	Changes during quarter				
	(a) Increases through issues	Nil			
	(b) Decreases through securities matured, converted	Nil			
7.7	<b>Options</b>			<i>Exercise Price</i>	<i>Expiry date</i>
	(description and conversion factor)	721,059	-	\$0.355	26/11/2018
		26,700	-	\$0.400	17/09/2019
		1,548,456	-	\$0.1806	1/12/2019
7.8	Issued during quarter	1,548,456	-	\$0.1806	1/12/2019
7.9	Exercised during quarter	Nil			
7.10	Expired during quarter	Nil			
7.11	<b>Debentures</b>	Nil			
	(totals only)				
7.12	<b>Unsecured notes (totals only)</b>	Nil			

+ See chapter 19 for defined terms.

7.13	<b>Performance Rights</b>	675,000	-
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## 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: 29 January 2016  
(Director/Company secretary)

Print name: Alan Douglas Buerger

## 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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