

MARENICA ENERGY LTD

ACN 001 666 600

**HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2009**

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Your directors submit their report together with the consolidated financial report for the half-year ended 31 December 2009 and the review report thereon.

Directors

The Directors of the company during or since the end of the half-year are:

Name	Period of directorship
Graham Woolford	Non-Executive Chairman
David G Sanders	Non-Executive Director
Neil Biddle	Non-Executive Director
Paul Ingram	Non-Executive Director (appointed 20 July 2009 retired 7 December 2009)

Operating and Financial Review

Result of Operations

The consolidated loss from ordinary activities of the Group for the half -year ended 31 December 2009 attributable to members was \$5,413,464 (31 December 2008 - \$4,143,735).

Review of Operations

During the half year ended 31 December 2009 a number of significant milestones have been achieved for Marenica Energy Limited (formally West Australian Metals Ltd) as the Company moves towards the completion of Scoping Studies at its flagship 551km² Marenica Uranium Project. The highlight was the 120% increase in contained pounds of U₃O₈.

Highlights

MARENICA URANIUM PROJECT – NAMIBIA

- Experienced geological advisors SRK Consulting (UK) Ltd (CSA) appointed as resource consultant and scoping Study manager and advisor to the Company's flagship Marenica Uranium Project.
- 14,000 metres of reverse circulation (RC) drilling during the half year.
- Successful bulk metallurgical test work indicates 375% increase in U₃O₈ grade achieved. Calcrete ores when screened and scrubbed from a head grade of 232ppm U₃O₈ to a final product grade of 871ppm U₃O₈. This testwork resulted in showing that 90% of the uranium can be retained in 37% of the ore. Recoveries in bottle roll leach testwork achieved a 96% extraction of uranium from both calcrete and oxidised bedrock.
- Since 31 December 2009 independent geological consultants SRK completed a re estimation of the Marenica resource in accordance with the JORC Code this upgraded the November 2009 resource by 102% to 85 million pounds lbs U₃O₈.

DIRECTORS' REPORT

- The Inferred and Indicated Mineral Resources now total 227 million tonnes averaging 170 ppm at a cut-off grade of 80ppm U₃O₈, significantly 94% of the resource is less than 40 metres deep.
- EPL3289 renewed to Nov 2010.
- Strong balance sheet – underpins \$5M exploration budget for 2010.
- Exploration has indicated that there is potential upside from hard rock and palaeo-channel uranium exploration. A new radiometric airborne survey was completed over the Marenica Exploration Licences in November, resulting in the identification of 16 new targets. This new data combined with the results of mapping completed throughout 2009 will provide a solid platform for exploration activities to be conducted in 2010.
- Global nuclear giant AREVA acquires strategic 10.6% interest

SCADDAN PROJECT - WESTERN AUSTRALIA

- A total of 1460m of air core drilling was conducted on WME's combined exploration licences E63/1033 and E63/1037 at Scaddan.
- The drilling was aimed at scoping the potential for a significant lignite deposit of economic value from the completion of 32 holes for an average 45m depth penetrating to either basement or to thick saprolitic clays beneath the lignitic zone.
- The results of composite assays from the aircore drilling have outlined a large area of lignite material that is potentially suitable for coal- to- liquids conversion technology.

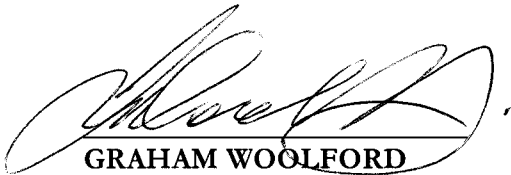
NORTHAMPTON BASE METAL PROJECT - WESTERN AUSTRALIA

- The Northampton copper-lead-zinc province near Geraldton, holds potential for small to medium size high-grade lead and copper deposits.
- A detailed aeromagnetic survey was flown by UTS Geophysics over the Northampton tenement during the Quarter to assist with regional exploration targeting under cover. This survey also assisted in deciding which blocks should be relinquished under the fourth year compulsory reduction of the EL in November 09.
- A coincident magnetic and EM target occurs in Block 370w which requires follow-up field investigation. This block also includes the mineralisation of the historical Mendip and Cow Rock workings.

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 2009.

Signed in accordance with a resolution of the directors

A handwritten signature in black ink, appearing to read 'Graham Woolford', written over a horizontal line.

GRAHAM WOOLFORD

Director

Dated at Perth this 15th day of March 2010.

ROTHSAY

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Phone (08) 9227 0552 www.rothsay.com.au

The Directors
Marenica Energy Ltd
47 Colin St
West Perth WA 6005

Dear Sirs

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 2009 interim financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Graham R Swan (Lead auditor)

Rothsay Chartered Accountants

Dated 15 March 2010



Chartered Accountants

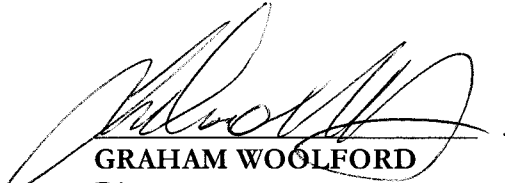
Liability limited by the Accountants Scheme, approved
under the Professional Standards Act 1994 (NSW).

DIRECTORS' DECLARATION

The directors of Marenica Energy Ltd declare that:

- (a) the financial statements and notes, set out on pages 7 to 13, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2009 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" and the Corporations Regulations Act 2001; 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



GRAHAM WOOLFORD
Director

Dated at Perth this 15th day of March 2010

Marenica Energy Limited
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the half-year ended 31 December 2009

	Consolidated	
	31 December 2009 \$	31 December 2008 \$
Continuing Operations		
Financial income	<u>55,513</u>	<u>39,988</u>
Expenses		
Exploration and evaluation expenditure written off	2,501,062	2,376,582
Payments on delineation of resource	320,000	350,000
Employee Expenses	498,712	429,827
Value of options granted	1,102,103	-
Foreign exchange loss	217,505	-
Administration expenses	855,705	1,012,709
Depreciation expense	38,605	14,605
Finance expense	13,453	-
Total expenses	<u>5,547,145</u>	<u>4,183,723</u>
Loss before income tax expense	(5,491,632)	(4,143,735)
Income tax expense	<u>-</u>	<u>-</u>
Net loss for the period	(5,491,632)	(4,143,735)
Minority interest	<u>78,168</u>	<u>-</u>
Total comprehensive income for the period attributable to members of Marenica Energy Limited	<u><u>(5,413,464)</u></u>	<u><u>(4,143,735)</u></u>
Earnings per share		
Basic and diluted loss per share (cents per share)	(1.20)	(1.30)

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Marenica Energy Limited
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2009

	31 December 2009	Consolidated	30 June 2009
Current Assets			
Cash and cash equivalents	5,242,744		10,484,143
Trade and other receivables	263,131		198,453
	<u>5,505,875</u>		<u>10,682,596</u>
Non-Current Assets			
Property, plant & equipment	323,189		129,388
Rental security bonds	26,934		39,875
Total Non-Current Assets	<u>350,123</u>		<u>169,263</u>
	<u>5,855,998</u>		<u>10,851,859</u>
Current Liabilities			
Trade and other payables	254,238		1,106,599
Borrowings	247,967		237,885
Employee benefits	12,655		48,073
Total Current Liabilities	<u>514,860</u>		<u>1,392,557</u>
Total Liabilities	<u>514,860</u>		<u>1,392,557</u>
Net Assets	<u>5,341,138</u>		<u>9,459,302</u>
Equity			
Issued capital	34,836,164		34,693,164
Reserves	1,456,145		464,368
Accumulated losses	(30,786,485)		(25,611,713)
Minority Interest	(164,686)		(86,517)
Total Equity	<u>5,341,138</u>		<u>9,459,302</u>

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

Marenica Energy Limited
CONSOLIDATED STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2009

	31 December 2009 \$	31 December 2008 \$
Cash flows from operating activities		
Payments to suppliers and employees	(2,463,723)	(1,369,047)
Exploration and evaluation expenditure	(2,432,370)	(2,148,949)
Payments on delineation of resource	(320,000)	(350,000)
Refundable VAT paid	-	(103,997)
Interest received	54,541	39,487
Interest paid	(3,371)	-
Net cash used in operating activities	<u>(5,164,923)</u>	<u>(3,959,506)</u>
Cash flows from investing activities		
Acquisitions of property, plant and equipment	(232,406)	(43,439)
Deposits Refunded	12,930	-
Net cash used in investing activities	<u>(219,476)</u>	<u>(43,439)</u>
Cash flows from financing activities		
Proceeds from issue of equity securities	143,000	2,071,931
Net cash provided by financing activities	<u>143,000</u>	<u>2,071,931</u>
Net increase/(decrease) in cash and cash equivalents	(5,241,399)	(1,931,014)
Cash and cash equivalents at beginning of half-year	10,484,143	2,393,965
Cash and cash equivalents at end of half year	<u>5,242,744</u>	<u>462,951</u>

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 31 December 2009

	Issued Capital	Accumulated Losses	Convertible Note Reserve	Foreign Exchange Translation Reserve	Minority Interest	Employee Benefit Reserve	Total Equity
Balance at 1 July 2009	34,693,164	(25,611,713)	121,145	(260,586)	(86,517)	603,809	9,459,302
(Loss) Gain for Period	-	(5,491,632)	-	-	-	-	(5,491,632)
Total income/expense for the year	-	(5,491,632)	-	-	-	-	(5,491,632)
Value of options granted	-	-	-	-	-	1,102,103	1,102,103
Transfer on exercise or expiry of options	-	238,692	-	-	-	(238,692)	-
Net movement for the half year	-	-	-	128,366	-	-	128,366
Issue of convertible Notes	-	-	-	-	-	-	-
Issue of shares (net of costs)	143,000	-	-	-	-	-	143,000
Minority Interest	-	78,168	-	-	(78,168)	-	-
Balance at 31 December 2009	34,836,164	(30,786,485)	121,145	(132,220)	(164,686)	1,467,220	5,341,138

For the half-year ended 31 December 2008

	Issued Capital	Accumulated Losses	Employee Benefit Reserve	Foreign Exchange Translation Reserve	Total Equity
Balance at 1 July 2008	20,488,620	(19,087,705)	653,470	-	2,054,385
(Loss) Gain for Period	-	(4,143,735)	-	-	(4,143,735)
Total income/expense for the year	-	(4,143,735)	-	-	(4,143,735)
Transfer on exercise or expiry of options	258,744	66,044	(324,788)	-	-
Value of Shares Issued (net of costs)	2,071,931	-	-	-	2,071,931
Net movement for the half year	-	-	-	94,799	94,799
Balance at 31 December 2008	22,819,295	(23,165,396)	328,682	94,799	77,380

Marenica Energy Limited
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2009

1. Reporting Entity

Marenica Energy Ltd (the “Company”), is a company domiciled in Australia. The condensed consolidated half-year financial report of the Company for the six months ended 31 December 2009 comprises the Company and its subsidiaries (together referred to as the “Group”).

2. Statement of Compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards AASB 134 *Interim Financial Reports* and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the group for the year ended 30 June 2009.

It is recommended that these financial statements be read in conjunction with the annual financial statements for the year ended 30 June 2009 and any public announcements made by Marenica Energy Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

This consolidated interim financial report was approved by the Board of Directors on the date the directors’ report and declaration were signed.

3. Significant Accounting Policies

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the company’s annual financial report for the year ended 30 June 2009, except for the adoption of new standards and interpretations.

Since 1 July 2009 the Group has adopted all Australian Accounting Standards and Interpretations mandatory for reporting periods beginning on or after 1 July 2009, including:

- *AASB 8 Operating Segments*
This standard requires a management reporting approach to be used for segment reporting and has resulted in a redesignation of the Group’s reportable segments.
- *AASB 101 Presentation of Financial Statements (Revised)*
The revised Standard introduces the requirement to produce a statement of comprehensive income that presents all items of recognised income and expense. Other revisions include impacts on the presentation of items in the statement of changes in equity and a number of terminology changes, including revised titles for the financial statements.
- *AASB 123 Borrowing Costs (Revised)*
The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. Under the Group’s existing accounting policy, borrowing costs related to qualifying assets are capitalised, therefore, this revision does not result in any change for the Group.

All other mandatory Standards, Interpretations and consequential amendments have been adopted by the Group, but have had no impact on the financial position or performance of the Group, or on presentation or disclosure in its financial statements.

The Group has not elected to early adopt any new standards or amendments.

Marenica Energy Limited
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2009

4. Estimates

The preparation of the interim financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgments made by management in applying the group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2009.

5. Financial Risk Management

Aspects of the group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial report for the year ended 30 June 2009.

6. Issued Capital

	31 December 2009 \$	31 December 2008 \$
Ordinary fully paid Shares	34,836,164	22,819,295

Movements in ordinary share capital	31 December 2009		31 December 2008	
	Number of shares	\$	Number of shares	\$
Beginning of the financial period	448,740,896	34,693,164	290,295,128	20,488,620
Issued during the period:				
– Ordinary shares issued at 20 cents	-	-	350,000	70,000
– Options exercised	1,200,000	145,000	40,938,624	2,330,675
– Capital raising costs incurred		(2,000)	-	(70,000)
End of financial period	449,940,896	34,836,164	331,583,752	22,819,295

7. Segment Reporting

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

Marenica Energy Limited
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2009

8. Share Based Payments

During the period 18,600,000 options were granted to employees, consultants and directors of the Company. Expenses arising from share-based payment transactions for the period totalled \$1,102,103.

The value of options granted during the period was calculated using the Black-Scholes European Option Pricing Model. The values and inputs were as follows:

Options grant	10,650,000	6,950,000	1,000,000
Date of grant	9/7/2009	9/11/2009	2/12/2009
Exercise Date	30/6/2010	1/7/2011	30/6/2010
Value per option	\$0.067	\$0.059	\$0.022
Weighted average exercise price	\$0.15	\$0.20	\$0.15
Weighted average life of the option (years)	.98	1.64	.58
Weighted average underlying share price	\$0.135	\$0.135	\$0.135
Expected share price volatility	141%	85%	85%
Weighted average risk free interest rate	2.74%	3.78%	3.78%

9. Contingent Liabilities

On 7 April 2006, the Company entered into an Introduction Agreement with Mallee Minerals Pty Limited in respect of a mineral licence in Namibia. 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 (\$350,000 GST exclusive was paid during the year ended June 2009 (2008: \$380,000)) 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.

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

10. Subsequent Events

Since the end of the half year:

- 1,200,000 options have been exercised resulting in the issue of 1,200,000 shares raising \$ 143,000 (net of costs).
- 5 convertible notes with a face value of \$50,000 each have been converted resulting in the issue of 3,571,429 shares.
- A new JORC resource has been defined resulting in a payment of \$268,500 + GST being due under the Mallee Minerals Pty Limited Agreement, refer Note 9 for details.

Other than the above, there has not arisen in the interval between the end of the financial half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in subsequent financial period.

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 2009.

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 2009 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 2009 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



Graham R Swan
Partner

Dated 15 March 2010



Chartered Accountants

Liability limited by the Accountants Scheme, approved
under the Professional Standards Act 1994 (NSW).