

MARENICA ENERGY LIMITED

ACN 001 666 600

**HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2018**

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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

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

WEB SITE

www.marenicaenergy.com.au

AUDITOR

Rothsay Chartered Accountants
Level 1, Lincoln House
4 Ventnor Ave
West Perth WA 6005
Tel: 61 8 9486 7094

STOCK EXCHANGES

Australian Securities Exchange – MEY
Namibia Stock Exchange – MEY

HOME EXCHANGE

Perth

SHARE REGISTRY

Advanced Share Registry Services
110 Stirling Highway
Nedlands WA 6009
Tel: 61 8 9389 8033
Fax: 61 8 9262 3723

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 2018.

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
Doug Buerger	Non-Executive Director (Retired 31 July 2018)

Principal activities

To create value through exploration, evaluation and development of mineral projects; including through the development and commercial application of the Company's patented **U-pgrade™** uranium beneficiation process.

Operating and Financial Review

Result of Operations

The loss from ordinary activities of the Group for the half-year ended 31 December 2018 attributable to members was \$648,458 (31 December 2017 – \$628,103).

Review of Activities

The Company continued to apply for exclusive prospecting licences ("EPL") in Namibia, in accordance with its strategy to acquire EPL's which either contain or are prospective for surficial calcrete hosted uranium deposits.

Marenica lodged five EPL applications with the Ministry of Mines and Energy in Namibia during the half-year, with an additional two applications lodged after the end of half-year; these applications are currently undergoing due process. Marenica intends to undertake exploration on these tenements once approval is granted.

Marenica previously acquired EPL 3308 ("Mile 72") and has subsequently been granted an environment clearance for the EPL and exploration has commenced. Two of the EPL applications referred to above add to Marenica's ground position around Mile 72.

Marenica has six EPL applications east and upstream of Deep Yellow Limited's Tumas and Aussanis deposits and Paladin Energy Limited's Langer Heinrich deposit. In 2018, drilling by DYL reported encouraging results in this area, with the most eastern drill line being within 100 metres of Marenica's adjacent EPL boundary. Tumas is located in a palaeochannel that passes through Marenica's EPL applications.

The Company continues to explore opportunities to commercialise its patented **U-pgrade™** beneficiation process, including as referred to above, by acquiring EPL's in Namibia which contain surficial uranium deposits suitable for **U-pgrade™**, application to third party resources and purchase of exploration targets or resources.

Directors' Report

Significant changes in the state of affairs

On 25 September 2018, the Company completed Tranche One of an equity Placement raising \$860,967, before costs of the issue. On 13 November 2018, the Company completed Tranche Two of the Placement raising \$317,033, before costs of the issue.

On 13 November 2018, the Company eliminated convertible notes with a face value of \$1,650,671, by the issue of shares at \$0.58 per share.

Other than 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 2018.

Signed in accordance with a resolution of the directors.



Andrew Bantock
Chairman

Dated at Perth this 13th Day of March 2019



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Phone (08) 9486 7094 www.rothsayresources.com.au

The Directors
Marenica Energy Ltd
Suite C1
1139 Hay Street
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 2018 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 13 March 2019



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 16, 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 2018 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 13th Day of March 2019

MARENICA ENERGY LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the half-year ended 31 December 2018

		31 December 2018 \$	31 December 2017 \$
	Note		
Continuing Operations			
Financial income	3	6,204	3,004
Activity-based income	3	-	47,200
Research and development tax refund	3	101,654	103,403
		<u>107,858</u>	<u>153,607</u>
Expenses			
Activity-based costs		49,634	59,909
Employee expenses		265,099	437,703
Employee expenses - Share Based Payments		167,425	21,464
Administration expenses		199,405	162,466
Depreciation expense		1,647	1,982
Finance expense		73,106	98,186
Total expenses		<u>756,316</u>	<u>781,710</u>
Loss before income tax expense		<u>(648,458)</u>	<u>(628,103)</u>
Income tax expense		-	-
Loss from continuing operations		<u>(648,458)</u>	<u>(628,103)</u>
Other comprehensive income			
<i>Items that maybe reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		-	-
Total other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss		<u>(648,458)</u>	<u>(628,103)</u>
Loss for the period is attributed to:			
Owners of the parent		(648,458)	(628,103)
Non-controlling interest		-	-
		<u>(648,458)</u>	<u>(628,103)</u>
Total comprehensive loss for the period is attributed to:			
Owners of the parent		(648,458)	(628,103)
Non-controlling interest		-	-
		<u>(648,458)</u>	<u>(628,103)</u>
Earnings per share			
Basic and diluted loss per share (cents per share)		(1.01)	(1.43)

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

MARENICA ENERGY LIMITED

Consolidated Statement of Financial Position As at 31 December 2018

	Note	31 December 2018 \$	30 June 2018 \$
Current Assets			
Cash and cash equivalents		1,425,855	847,923
Trade and other receivables		15,833	11,967
Total Current Assets		1,441,688	859,890
Non-Current Assets			
Trade and other receivables		7,507	-
Plant & equipment		22,321	13,360
Total Non-Current Assets		29,828	13,360
Total Assets		1,471,516	873,250
Current Liabilities			
Trade and other payables	4	252,701	304,555
Borrowings	5	-	82,488
Employee benefits		69,530	66,341
Total Current Liabilities		322,231	453,384
Non-Current Liabilities			
Borrowings	5	-	1,627,131
Total Non-Current Liabilities		-	1,627,131
Total Liabilities		322,231	2,080,515
Net Assets/(Liabilities)		1,149,285	(1,207,265)
Equity			
Issued capital	6	51,030,575	48,072,158
Reserves	7	406,806	423,299
Accumulated losses		(50,288,096)	(49,702,722)
Total Equity Attributable to the Owners of Marenica Energy Limited		1,149,285	(1,207,265)
Non-controlling interests		-	-
Total Equity		1,149,285	(1,207,265)

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 at 31 December 2018**

	31 December 2018 \$	31 December 2017 \$
Cash flows from operating activities		
Payments to suppliers and employees	(581,106)	(571,348)
Receipts from customers	-	47,200
Research and development tax refund	101,654	103,403
Interest received	6,204	3,004
Interest paid	(13,205)	(13,205)
Net cash used in operating activities	<u>(486,453)</u>	<u>(430,946)</u>
Cash flows from investing activities		
Acquisitions of plant and equipment	(6,050)	-
Payment for controlled entity	(671)	-
Net cash used in investing activities	<u>(6,721)</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from issue of equity securities	1,178,200	182,161
Expenses from issue of equity securities	(107,094)	(63,174)
Proceeds from convertible loan	-	180,000
Net cash provided by financing activities	<u>1,071,106</u>	<u>298,987</u>
Net increase/(decrease) in cash and cash equivalents	577,932	(131,959)
Cash and cash equivalents at beginning of half-year	847,824	473,117
Effects of exchange rate changes on cash and cash equivalents	99	1,954
Cash and cash equivalents at end of half year	<u><u>1,425,855</u></u>	<u><u>343,112</u></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 at 31 December 2018**

	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)
<i>Transactions with owners in their capacity as owners:</i>						
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 6	1,178,000	-	-	1,178,000	-	1,178,000
Share issue costs Note 6	(153,228)	-	-	(153,228)	-	(153,228)
At 31 December 2018	51,030,575	(50,288,096)	406,806	1,149,285	-	1,149,285
	Issued Capital	Accumulated Losses	Reserves	Total	Non- controlling Interests	Total Equity
At 1 July 2017	46,678,105	(48,457,625)	275,227	(1,504,293)	-	(1,504,293)
Loss for the period	-	(628,103)	-	(628,103)	-	(628,103)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	(628,103)	-	(628,103)	-	(628,103)
<i>Transactions with owners in their capacity as owners:</i>						
Performance Rights vesting as share-based payments	-	-	39,464	39,464	-	39,464
Issue of Shares	576,510	-	-	576,510	-	576,510
Share issue costs	(6,144)	-	-	(6,144)	-	(6,144)
At 31 December 2017	47,248,471	(49,085,728)	314,691	(1,522,566)	-	(1,522,566)

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

**Condensed Notes to the Financial Statements
For the half-year ended at 31 December 2018**

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 2018 was authorised for issue in accordance with a resolution of the Directors on 13th March 2019.

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 2018 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 2018.

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 2018 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.

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.

MARENICA ENERGY LIMITED

Condensed Notes to the Financial Statements For the half-year ended at 31 December 2018

3. Loss before income tax expense

31 December
2018
\$

31 December
2017
\$

The following revenue and expense items are relevant in explaining the financial performance for the half-year:

Revenue:

Interest revenue	6,204	3,004
Research and development tax refund	101,654	103,403
Activity-based income	-	47,200

Expenses:

Defined contribution superannuation expense	19,504	20,413
Depreciation	1,647	1,982
Rental expense relating to operating leases	16,702	4,692

Condensed Notes to the Financial Statements
For the half-year ended at 31 December 2018

4. Payables

	31 December 2018 \$	30 June 2018 \$
Trade payables	54,685	56,235
Accrued charges	198,016	248,320
	<u>252,701</u>	<u>304,555</u>

Included in Accrued charges is the sum of \$167,592 (2018: \$226,220) relating to unpaid non-executive Directors fees (inclusive of superannuation) at reporting date. Of this amount \$162,592 (2018: \$211,220) relates to the Company's obligation to fund the exercise price of options issued to Directors should the Directors exercise the options.

5. Borrowings

	31 December 2018 \$	30 June 2018 \$
<i>Current Liabilities</i>		
Convertible note – accrued interest	-	82,488
Convertible note	-	-
	<u>-</u>	<u>82,488</u>
<i>Non-Current Liabilities</i>		
Convertible note	-	1,627,131
Convertible note - accrued interest	-	-
	<u>-</u>	<u>1,627,131</u>

On 9 February 2016, the Company reached agreement with Hanlong Energy Limited for the extension of the term of the Convertible Notes from maturity date of 14 November 2016 to 14 November 2018. The key terms of the amended Convertible Notes were a revision of the conversion price from \$1.80 per share to \$0.58 per share and an unchanged coupon interest rate of 8% per annum with the interest being payable on 14 November of 2016, 2017 and 2018. In addition, the Company has the right to repay the debt at maturity in shares issued at \$0.58 per share or cash. The amendments came into effect from 5 April 2016 after obtaining shareholder approval at the general meeting.

Accordingly, over the term of the Convertible Notes, the debt component increased to the face value of \$1,650,671 at the maturity date of 14 November 2018.

On 13 November 2018, the Company settled the Convertible Notes of \$1,650,671 and part of the outstanding interest of \$118,849 by the issue of 4,034,469 shares. The Company settled the balance of the outstanding interest through the payment of \$13,205 in cash. Refer to Note 6 for further details.

Condensed Notes to the Financial Statements
For the half-year ended at 31 December 2018

6. Contributed Equity

	31-December 2018	30-June 2018
	\$	\$
(a) Issued and fully paid shares		
Fully paid ordinary shares	52,308,844	49,197,199
Less: capital issue costs net of tax	<u>(1,278,269)</u>	<u>(1,125,041)</u>
	<u>51,030,575</u>	<u>48,072,158</u>
(b) Movements in issued and fully paid shares		
Balance at the beginning of the period	48,072,158	46,678,105
Shares issued:		
- share placements	1,178,200	1,244,160
- repayment of interest on convertible loan	118,849	118,848
- repayment of convertible notes	1,650,671	180,000
- in lieu of directors' fees and salaries	-	79,136
- in lieu of consultancy fees	-	16,376
Transfer from convertible notes reserve	163,925	-
Less: capital issue costs	<u>(153,228)</u>	<u>(244,467)</u>
Balance at the end of the period	<u>51,030,575</u>	<u>48,072,158</u>

7. Share-based Payment Reserve

Share-based payments reserve	<u>406,806</u>	<u>259,373</u>
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(i) Share Options

	Number of options	\$	Weighted average exercise price
<u>Movements in share options</u>			
Balance at the beginning of the period	8,343,267	236,478	0.1795
Options lapsed	(320,338)	(63,084)	0.3550
Options issued (refer (a) following)	<u>9,600,000</u>	<u>207,602</u>	<u>0.1700</u>
Balance at the end of the period	<u>17,622,929</u>	<u>380,996</u>	<u>0.1711</u>

(ii) Performance Rights

<u>Movements in performance rights</u>	
Balance at the beginning of the period	22,895
Rights vesting	<u>2,915</u>
Balance at the end of the period	<u>25,810</u>

Total (I)-(II) Share Based Payments Reserve	<u>406,806</u>
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**Condensed Notes to the Financial Statements
For the half-year ended at 31 December 2018**

7. Share-based Payment Reserve (continued)

- (a) On 5 November 2018, shareholders approved the issue of 2,000,000 options exercisable at \$0.17 each on or before 13 December 2020, to a broker as part of fees relating to a placement of shares and options. In the period to 31 December 2018 no options were exercised.

The fair value of these options is \$0.021546 per option (a subscription amount of \$0.001 was paid by the broker and this amount has been taken off the valuation) for a total value of \$43,092. 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	\$0.08
Exercise price	\$0.17
Expected volatility	95.85%
Option life	2 years
Risk-free interest rate	1.992%

On 30 November 2018, shareholders approved the issue of 7,600,000 options exercisable at \$0.17 each on or before 13 December 2020, to directors and management of the Company.

The fair value of these options is \$0.021646 per option for a total value of \$164,510. 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	\$0.08
Exercise price	\$0.17
Expected volatility	95.85%
Option life	2 years
Risk-free interest rate	1.992%

- (b) As at 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.

8. 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.

**Condensed Notes to the Financial Statements
For the half-year ended at 31 December 2018**

9. Contingent Liabilities

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 2018. In total \$2,026,000 has been paid under this agreement.

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

No matters or circumstances have arisen since 31 December 2018 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.



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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 2018.

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 2018 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 2018 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 Auditing

Graham R Swan FCA
Partner

Dated 13 March 2019

