MARENICA ENERGY LTD

ACN 001 666 600

HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2015

Contents

Corporate Information

DIRECTORS
D Buerger (Non-executive Chairman)
D Sanders (Non-executive director)
G Becker (Non-executive director)
N Chen (Non-executive director)
L Qing (Non-executive director)

COMPANY SECRETARY
S Hunter

CHIEF EXECUTIVE OFFICER
M Hill

CHIEF COMMERCIAL OFFICER
J Sestan

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AUDITOR
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STOCK EXCHANGES
Australian Securities Exchange Limited – MEY
Namibia Stock Exchange – MEY
German Exchanges - Frankfurt, Stuttgart, Munich, Düsseldorf, Berlin and Tradegate

HOME EXCHANGE
Perth

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ASX CODE
MEY

WEB SITE
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Your Directors submit their report together with the consolidated financial report of Marenica Energy Ltd ("Marenica" or "Company") and entities it controlled ("the consolidated entity") at the end of, or during the half-year ended 31 December 2015.

Directors

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

Name	
Alan Douglas (Doug) Buerger	Non-executive Director
David G Sanders	Non-executive Director
Gavin Becker	Non-executive Director
Nelson Chen	Non-executive Director
Lou Guo Qing	Non-executive Director

Principal activities

The principal activity of the Company during the period was improved processing of Uranium bearing mineral ores.

Operating and Financial Review

Result of Operations

The loss from ordinary activities of the Group for the half-year ended 31 December 2015 attributable to members was $617,488 (31 December 2014 – $622,811).

Review of Operations

***U-pgrade™* Commercialisation Progress**

Deep Yellow testwork program

Towards the end of the half year, Deep Yellow Limited (Deep Yellow) and Marenica agreed to undertake a bench scale testwork program in order to assess the amenability of Marenica's proprietary ***U-pgrade™*** technology on bulk samples sourced from the Tumas deposit. The testwork will be undertaken as part of a Services Agreement and Statement of Work.

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 received the first bulk sample prior to the end of the half year with a second sample arriving in February 2016. The testwork program is underway with preliminary characterisation work on the samples provided in progress.

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 focus on an arrangement in which the Tumas orebody and the ***U-pgrade™*** technology can be commercially combined.

This program is an important stepping stone to demonstrating that ***U-pgrade™*** can be applied successfully on another resource. The successful completion of this testwork is expected to build further industry credibility and generate momentum amongst resource owners to utilise this disruptive and game changing technology.

Toro testwork program

The first phase of the Toro Energy Limited (Toro) testwork program was finalised during the half year. 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.

General

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

The creation of a fixed and certain pathway by which the Hanlong debt can be repaid and removed from the Marenica corporate structure has been the Company's most important objective during the half year. This was deemed 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.

After the half year end Marenica reached agreement with Hanlong Energy Limited on revised terms for the outstanding Convertible Note ("Note"). The changes have been formalised in the form of a Deed of Variation to the Funding Agreement.

The changes to the terms of the Note include;

- Extension of term until 14th November, 2018
- Conversion Price for Note reduced to $0.58 per share
- Marenica now has the right to repay debt at maturity in shares issued at $0.58 per share or cash

Although it is anticipated that the Note remains in place for the next two and a half years, at maturity Marenica will have the option to repay the amount outstanding by issuing about 2.8 million shares to Hanlong or cash.

This provides security and certainty to both present and future Marenica shareholders allowing the company to access capital markets without the overhang and uncertainty of a traditional

Convertible Note structure.

The existence of the Note has been a significant obstacle to Marenica's ability to fund the available development opportunities based on the ***U-pgrade™*** technology. The agreement to the fixed terms of conversion removes the uncertainty at maturity and gives Marenica the confidence that the Note can be repaid by issuing a pre-determined number of new Marenica shares. This will provide certainty for new investors seeking to become involved in the development and commercialisation of ***U-pgrade™***.

Provided shareholders approve the modifications to the terms of the Note at the upcoming General Meeting, new funding pathways will become available to Marenica which will accelerate the development of the ***U-pgrade™*** technology.

Capital Raising

Following restructuring of the note Marenica will undertake a Share Purchase Plan ("SPP") to allow existing eligible Shareholders to subscribe for new fully paid ordinary shares in the Company offered at 10.7 cents each, a discount of 20% to the volume weighted average share price of Marenica shares traded on the ASX in the 5 days on which sales of Marenica shares were recorded prior to the announcement of the SPP.

The General Meeting to obtain shareholder approval for the restructure of the Note will fall between the Record Date for eligible shareholders and before the closing date of the SPP. This will provide eligible shareholders with certainty around the structure of the Convertible Note.

The SPP capital raising is intended to fund critical development activities during 2016 including:

- Completing significant bench scale testwork on third party ore;
- Strengthening patent protection of Marenica's core technology (***U-pgrade™***);
- Confirming funding for the Pilot Plant;
- Negotiating long term commercialisation agreements with resource owners; and
- Building applications and demand for the ***U-pgrade™*** technology outside of the traditional uranium resource owners.

The restructure of the Note terms has increased external confidence in the potential of Marenica's ***U-pgrade™*** technology resulting in the Company attracting a group of sophisticated investors to underwrite the SPP to a sum of $400,000. These underwriters are highly experienced resources industry investors including extensive experience in managing and investing in uranium mining assets. Marenica appreciates their commitment.

The Underwriting provides Marenica with significant confidence in the Company's future prospects as well as certainty in relation to the funds to be raised in the SPP process.

The current intention is that Directors will take up their full entitlements in the SPP.

Working Capital

To conserve valuable capital 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

In December 2015 the Company issued a total of 1,548,456 options exercisable at $0.1806 each on or before 1 December 2019 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.

In December 2015 the Company also issued 196,495 fully paid ordinary 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.

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

About Marenica

Marenica Energy (MEY) is an ASX listed uranium exploration company which is developing its patented ***U-pgrade™*** technology which can upgrade low grade calcrete uranium deposits into a commercial grade concentrate. Marenica's ***U-pgrade™*** process technology, can halve operating and capital costs of low grade calcrete uranium deposits, converting previously stranded resources into potentially viable projects.

Marenica has developed this potentially disruptive technology on ore samples from the Marenica project in Namibia. 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

Significant changes in the state of affairs

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 2015.

Signed in accordance with a resolution of the directors.

Doug Buerger
Chairman

Dated at Perth this 10th Day of March 2016

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The Directors
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7 Conlon St
Waterford WA 6152

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 2015 financial statements; and

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

Rolf Garda (Lead auditor)

Rothsay Auditing

Dated 10 March 2016

Directors' Declaration

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

(a) the financial statements and notes, set out on pages 10 to 18, 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 2015 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

Doug Buerger
Director

Dated at Perth this 10th Day of March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2015

	31 December 2015 $	31 December 2014 $
Continuing Operations		
Financial income	2,998	5,737
Profit on sale of assets	14,612	2,087
Government grant received	127,497	367,591
	145,107	375,415
Expenses		
Metallurgical testwork	20,444	23,569
Employee expenses	338,860	283,811
Administration expenses	272,828	511,423
Depreciation expense	3,433	4,019
Loss on extension of convertible notes	-	67,758
Finance expense	127,030	107,644
Total expenses	762,595	998,224
Loss before income tax expense	(617,488)	(622,809)
Income tax expense	-	-
Loss from continuing operations	(617,488)	(622,809)
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	(617,488)	(622,809)
Loss for the period is attributed to:		
Owners of the parent	(617,488)	(622,809)
Non-controlling interest	-	-
	(617,488)	(622,809)
Total comprehensive loss for the period is attributed to:		
Owners of the parent	(617,488)	(622,809)
Non-controlling interest	-	-
	(617,488)	(622,809)
Earnings per share		
Basic and diluted loss per share (cents per share)	(3.96)	(4.64)

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 2015

	Note	**31 December 2015 $**	30 June 2015 $
Current Assets			
Cash and cash equivalents		201,350	335,208
Trade and other receivables		9,847	47,864
Total Current Assets		211,197	383,072
Non-Current Assets			
Plant & equipment		25,933	29,371
Available-for-sale financial asset		-	52,795
Total Non-Current Assets		25,933	82,166
Total Assets		237,130	465,238
Current Liabilities			
Trade and other payables (Note 4)		580,764	520,057
Borrowings		-	8,958
Employee benefits		31,638	26,551
Total Current Liabilities		612,402	555,566
Non-Current Liabilities			
Borrowings (Note 5)		1,847,402	1,720,373
Total Non-Current Liabilities		1,847,402	1,720,373
Total Liabilities		2,459,804	2,275,939
Net Assets/(Liabilities)		(2,222,674)	(1,810,701)
Equity			
Issued capital	**6**	43,364,501	43,337,888
Reserves		562,014	383,113
Accumulated losses		(46,149,190)	(45,531,702)
Total Equity Attributable to the Owners of Marenica Energy Limited		(2,222,675)	(1,810,701)
Non-controlling interests		-	-
Total Equity		(2,222,675)	(1,810,701)

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

	31 December 2015 $	31 December 2014 $
Cash flows from operating activities		
Payments to suppliers and employees	(331,479)	(679,408)
Government grant received	127,497	367,591
Interest received	2,998	5,737
Interest paid	-	-
Net cash used in operating activities	(200,984)	(306,080)
Cash flows from investing activities		
Proceeds from sale of financial assets	67,406	-
Acquisitions of plant and equipment	-	(2,217)
Proceeds from sale of plant and equipment	-	1,888
Net cash used in investing activities	67,406	(329)
Cash flows from financing activities		
Proceeds from issue of equity securities	-	510,593
Repayment of Borrowings	-	-
Net cash provided by financing activities	-	510,593
Net increase/(decrease) in cash and cash equivalents	(133,578)	204,184
Cash and cash equivalents at beginning of half-year	335,208	111,294
Effects of exchange rate changes on cash and cash equivalents	(280)	1,864
Cash and cash equivalents at end of half year	201,350	317,342

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

Condensed Notes to the Financial Statements
For the half-year ended at 31 December 2015

	Issued Capital	Accumulated Losses	Reserves	Total	Non-controlling Interests	Total Equity
At 1 July 2015	**43,337,888**	**(45,531,702)**	**383,113**	**(1,810,701)**	**-**	**(1,810,701)**
Loss for the period	-	(617,488)	-	(617,488)	-	(617,488)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	(617,488)	-	(617,488)	-	(617,488)
Transactions with owners in their capacity as owners:						
Movement in Convertible Note Reserve	-	-	-	-	-	-
Issue of options as share-based payments	-	-	178,901	178,901	-	178,901
Issue of Shares	30,111	-	-	30,111	-	30,111
Share issue costs	(3,498)	-	-	(3,498)	-	(3,498)
At 31 December 2015	**43,364,501**	**(46,149,190)**	**562,014**	**(2,222,675)**	**-**	**(2,222,675)**

	Issued Capital	Accumulated Losses	Reserves	Total	Non-controlling Interests	Total Equity
At 1 July 2014	**42,422,609**	**(44,541,650)**	**238,912**	**(1,880,129)**	**-**	**(1,880,129)**
Loss for the period	-	(622,809)	-	(622,809)	-	(622,809)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	622,809)	-	(622,809)	-	(622,809)
Movement in Convertible Note Reserve	-	168,829	53,854	222,683	-	222,683
Issue of options as share-based payments	-	-	150,870	150,870	-	150,870
Issue of Shares	580,700	-	-	580,700	-	580,700
Share issue costs	(67,990)	-	-	(67,990)	-	(67,990)
At 31 December 2014	**42,935,319**	**(44,995,630)**	**443,636**	**(1,616,675)**	**-**	**(1,616,675)**

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

The financial report of the Company for the half-year ended 31 December 2015 was authorised for issue in accordance with a resolution of the Directors on 10 March 2016.

The Company is limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange, the Namibian Stock Exchange and German Exchanges - Frankfurt, Stuttgart, Munich, Düsseldorf, Berlin and Tradegate.

The principal activity of the Company during the period was improved processing of Uranium bearing mineral ores.

2. Basis of Preparation and Accounting Policies

Basis of Preparation

These general purpose condensed consolidated financial statements for the half-year ended 31 December 2015 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 2015.

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 2015 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 has net deficiency in assets $2,222,675, as at 31 December 2015 and incurred a loss of $617,488 and net operating cash outflow of $200,984 for the six month period ended 31 December 2015.

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 as occurred in the past to raise sufficient working capital to ensure the continued implementation of the Company’s business plan;
- the commercial viability of the Company’s uranium project in Namibia;
- the commercial viability of the Company’s ***U-pgrade™*** process; and
- the continued support from the convertible note holder and major shareholder, Hanlong Energy Limited.

2. Basis of Preparation and Accounting Policies (Continued)

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.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

The standard contains three main parts and makes amendments to a number of Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 Materiality and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments.

3. Loss before income tax expense	**31 December 2015 $**	**31 December 2014 $**
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
Revenue:		
Interest revenue	2,998	5,737
Government grants received	127,497	367,591
Profit on sale of plant and equipment	-	2,087
Profit on sale of available for sale assets	14,612	-
Expenses:		
Defined contribution superannuation expense	19,596	16,117
Depreciation	3,433	4,019
Rental expense relating to operating leases	5,286	12,000

4.Payables	**31 December 2015 $**	**30 June 2015 $**
Trade payables	29,975	54,208
Accrued charges	550,789	465,849
	580,764	520,057

Included in Accrued charges is the sum of $535,626 (2015; $420,370) relating to unpaid non-executive Directors fees (inclusive of superannuation) at reporting date. The sum of $535,626 (2015: $295,626) relates to the Company's obligation to fund the exercise price of options issued to Directors should the Directors exercise the options. The balance of directors fees for 30 June 2015 were expected to be settled by the issue of shares subject to shareholder approval at the 2015 AGM, thereby not depleting the Group cash reserves. Subsequent to the signing of the 30 June 2015 annual financial report, the directors resolved to be settled by the issue of options, and this was passed at the 2015 AGM.

5. Borrowings

On 3 November 2014 the Company reached agreement with Hanlong for the extension of the Convertible Notes from its maturity date of 15 November 2015 to 14 November 2016. The key terms of the amended Convertible Notes are a conversion price of $1.80 per share (subject to adjustment for certain transactions that have a dilution impact on the conversion price), an unchanged coupon interest rate of 8% per annum with the interest being payable upon maturity. The amendments came into effect from 3 November 2014. As a consequence of the changes the debt and equity components of the convertible note have been revalued.

Accordingly, over the term of the Convertible Note, the debt component will increase to the face value of $1,650,671 at maturity date of 14 November 2016. Included in Convertible Notes is an amount of $292,596 for accrued 8% coupon interest on the Hanlong Convertible Notes to 31 December 2015 (30 June 2015: $220,861).

Refer to Note 10 in relation to detail around extension to the Convertible Note maturity date.

6. Contributed Equity

	31-Dec 2015 $	30-Jun 2015 $
(a) Issued and fully paid shares		
Fully paid ordinary shares	44,004,940	43,974,829
Less: capital issue costs net of tax	(640,439)	(636,941)
	44,364,501	**43,337,888**

	Number of shares	$
(b) Movements in issued and fully paid shares		
Balance at the beginning of the period	15,567,325	43,337,888
Shares issued		
- in lieu of salaries for chief executive officer	196,495	30,111
Less: capital issue costs		(3,498)
Balance at the end of the period	15,763,820	43,364,501

7. Share-based Payment Reserve

Share-based payments reserve	339,332	160,430

(i) Share Options

	Number of options	$	Weighted average exercise price
Movements in share options			
Balance at the beginning of the period	721,059	141,998	$0.3550
Options issued:			
- In lieu of placement fees	26,700	3,498	$0.4000
- Directors options	1,548,456	165,685	$0.1806
Balance at the end of the period	2,296,215	311,181	$0.2379

(ii) Performance Rights

Movements in performance rights	
Balance at the beginning of the period	18,432
Rights vesting	9,719
Balance at the end of the period	28,151
Total (i) - (ii)	**339,332**

As at reporting date, none of the above performance rights have 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 mineral processing evaluation. 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.

9. Contingent Liabilities

On 7 April 2006, the Company entered into an introduction agreement with Mallee Minerals Pty Ltd in respect of a mineral licence in Namibia. Upon the Company receiving a bankable feasibility study (defined as an independent study of all aspects of a proposed Uranium mining operation in respect of the Marenica Project, which study must include an estimate of the Uranium Resources of the Marenica Project prepared in accordance with the Australasian Code for Reporting Mineral Resources and Ore Resources) 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 Ltd:

(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.

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

Mallee Minerals Pty Ltd holds 95,625 shares in the Company.

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, other than a restructure of the Convertible Note, have arisen since 31 December 2015 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.

On 9 February 2016 the Company reached agreement with Hanlong for the extension of the Convertible Notes from its maturity date of 15 November 2016 to 14 November 2018. The key terms of the amended Convertible Notes are a conversion price of $0.58 per share repaid in cash or issue of shares, an unchanged coupon interest rate of 8% per annum with the interest being payable upon maturity. The amendment to the conversion price is subject to shareholder approval at a General meeting scheduled for 5 April 2016.

On 10 February 2016 the Company announced additional funds will be raised through a Share Purchase Plan which is underwritten by sophisticated investors to $400,000.

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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 2015.

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 2015 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 2015 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*.

Emphasis of Matter regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1 in the financial statements wherein the Directors' conclude that there is a significant uncertainty that the consolidated entity has the ability to continue as a going concern and the ability therefore to realise its assets and extinguish its liabilities in the ordinary course of business and at the amounts stated in the financial statements.

Rothsay Auditing

Rolf Garda
Partner

Dated 10 March 2016