



# **MARENICA ENERGY LIMITED**

ABN 71 001 666 600

## **ANNUAL FINANCIAL REPORT**

**30 JUNE 2017**

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## **DIRECTORS**

M Hill (Managing director)  
D Buerger (Independent Non-executive chairman)  
D Sanders (Independent Non-executive director)  
J Sestan (Non-executive director)  
N Chen (Non-executive director)  
L Qing (Non-executive director)

## **COMPANY SECRETARY**

S McBride

## **REGISTERED OFFICE**

AMRC Building, 7 Conlon Street  
Waterford WA 6152  
Tel: +61 8 6555 1816

## **BUSINESS OFFICE**

AMRC Building, 7 Conlon Street  
Waterford WA 6152  
Tel: +61 8 6555 1816

## **WEB SITE**

[www.marenicaenergy.com.au](http://www.marenicaenergy.com.au)

## **AUDITOR**

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

## **STOCK EXCHANGES**

Australian Securities Exchange Limited – 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

Dear Shareholder

The uranium market remained very subdued in the past year, and the price of uranium continues to put pressure on the production costs. Your company believes that our proprietary processing technology, **U-pgrade™**, presents a real opportunity to significantly reduce the processing costs for suitable uranium ore types.

During the past year Marenica have advanced the reach of its disruptive uranium processing technology **U-pgrade™**. A commercialisation agreement was entered into with Deep Yellow following a successful testwork program on ore samples from Deep Yellow's Tumas calcrete uranium deposit in Namibia. The testwork results indicated that about 98% of the mass could be rejected, recovering >82% of the uranium into a concentrate grading >13,000 ppm U<sub>3</sub>O<sub>8</sub>. The testwork also indicated that **U-pgrade™** could achieve a 50% reduction in capital and operating expenditure compared to a conventional plant, these results are similar to those achieved on the Marenica Project ore. The commercialisation agreement remains in place, however, following execution of the agreement Deep Yellow decided to focus on expanding the resource base instead of completing a technical feasibility study on the project in the current low U<sub>3</sub>O<sub>8</sub> price environment.

We reached agreement with Paladin Energy Limited (Paladin) to conduct an **U-pgrade™** amenability testwork program on ore samples from Paladin's 75%-owned Langer Heinrich Uranium Mine in Namibia. The aim of the testing is to confirm that implementation of Marenica's proprietary **U-pgrade™** process may result in substantial benefits; including reduced unit operating costs and to enhance the possibility of future production expansion. The Langer Heinrich calcrete uranium ore looks very similar to that found at Marenica, only higher grade. At the time of writing this testwork was ongoing.

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.

A Mineral Deposit Retention Licence (MDRL) was granted on the Marenica Uranium Project in Namibia. The MDRL was granted for a period of 5 years and means that the Company has no exploration expenditure obligations for that period of time. The granting of MDRL3287 was the enabler to invest further capital into the development of the Marenica Uranium Project and associated metallurgical technology and an independent Scoping Study was completed on the project during the year.

The Scoping Study confirmed a 50% reduction in capital and operating expenditure compared to a conventional plant. There is also significant cost and environmental benefits of producing an **U-pgrade™** concentrate that is leached and refined at a third party facility,

We were advised by ASX, that ASIC guidelines restrict the Company from reporting production data generated from the Marenica Project's predominantly inferred resources. The Scoping Study met its objective of providing justification for the Company to be prepared for fast track development of the project when conditions warrant.

The Scoping Study has confirmed that **U-pgrade™** has the potential to reduce the operating and capital costs for surficial calcrete uranium deposits. We are looking at applying **U-pgrade™** to other types of secondary uranium deposits. The technical approach used to develop **U-pgrade™** is being tested on other commodities to determine if value can be added to stranded deposits.

Yours sincerely



Douglas Buerger

Chairman

27 September 2017



Murray Hill

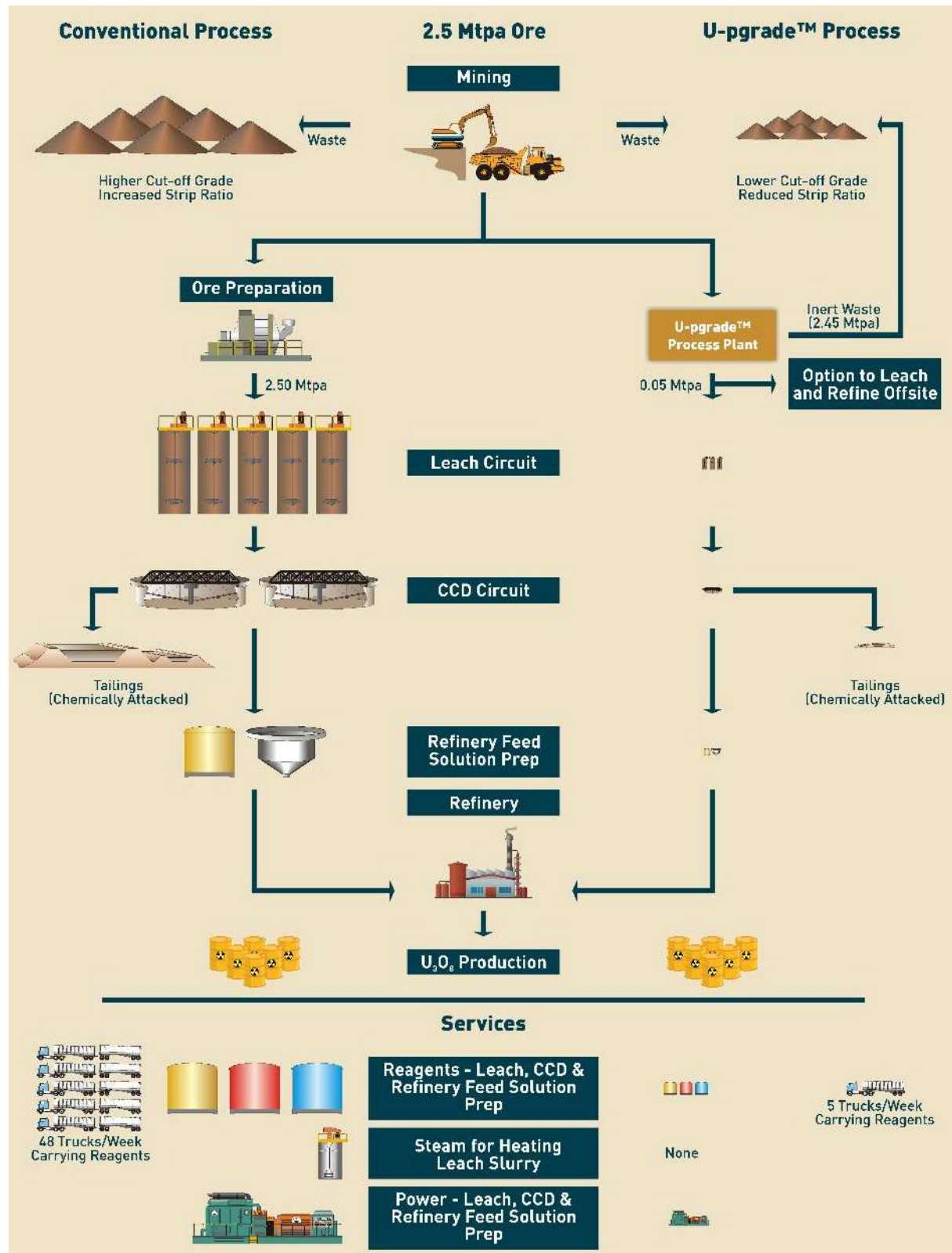
Managing Director / Chief Executive Officer

## ***U-pgrade™* PROCESS SUMMARY**

***U-pgrade™*** is Marenica's processing technology. It is applicable to surficial uranium deposits with a particular emphasis on calcrete-hosted deposits. Testwork on ore samples from the Marenica Uranium Project it has been shown to deliver:

- An upgrade in uranium concentration of approximately 50 times at a recovery of over 73% by rejecting nearly 99% of the waste material (gangue),
- Increase the leach feed grade from 94ppm to >5,000ppm  $U_3O_8$ ,
- Leach recovery on concentrate of >99.5%,
- Significantly improved economics by major reductions in estimated capital and operating costs,
- Internal cost estimates have indicated a potential reduction in process operating costs using ***U-pgrade™*** of between 50% and 70% and a reduction in capital costs of between 30% and 50% compared to 'conventional' heap leach technology,
- Similar results in sea water, which is particularly beneficial in a dry environment such as Namibia,
- Application to high sulphate bearing calcrete hosted uranium ores not able to be processed by 'conventional' processing routes,
- Reduced social and environmental impact per pound of annual production compared to 'conventional' technology.

The following flowsheet provides a comparison of the equipment sizes and services required for a conventional process compared to the **U-pgrade™** process.



## COMMERCIALISATION

### *First Commercialisation Agreement*

In 2016, a successful testwork program was completed on samples of Deep Yellow Limited (DYL) Tumas ore.

The positive outcome of the testwork program led to Marenica entering into a definitive and binding Technology Licence Agreement (“TLA”) with DYL. Under the TLA, Marenica will provide its **U-pgrade™** technology and expertise to Deep Yellow for use towards development of the Tumas Project in Namibia in return for a Licence Fee for the entire life of the project. Both parties sought to formalise the TLA after the successful testwork program recently completed by Marenica on the Tumas ore.

Deep Yellow will have the ability to apply Marenica’s **U-pgrade™** technology in return for a long term Licence Fee which equates to around 25% of the NPV of the Tumas project under a range of possible development scenarios. The results indicate that application of Marenica’s **U-pgrade™** process to the Tumas samples could

- reject about 98% of the mass,
- produce a concentrate containing grading >13,000 ppm U<sub>3</sub>O<sub>8</sub>, and
- recover >82% of the uranium.

The final **U-pgrade™** concentrate will be suitable for processing using conventional acid leaching and refining technology to produce yellowcake. As an option, the **U-pgrade™** concentrate produced may be safely and cost-effectively transported to third parties for final processing.

The use of the lower cost acid leach process on <3% of the ore mined are expected to result in significant reductions in both capital and operating costs. Capital costs can be further reduced if the **U-pgrade™** concentrate is processed at a third party leach / refinery in Namibia.

Marenica believes that **U-pgrade™** will provide substantial benefits to DYL by providing a unique development opportunity for the Tumas project. The TLA was arrived at to connect the technology with the resource thereby providing a secure alternative development path for the Tumas project.

The TLA remains in place, however, following execution of the TLA new management at Deep Yellow made a decision to focus on expanding the resource base instead of progressing a technical feasibility study on the project in the current low U<sub>3</sub>O<sub>8</sub> price environment.

### *Langer Heinrich*

In June 2017, Marenica announced that it reached agreement with Paladin Energy Limited (Paladin) to conduct an **U-pgrade™** amenability testwork program on ore samples from Paladin’s 75%-owned Langer Heinrich Uranium Mine in Namibia. The aim of the testing is to confirm if implementation of Marenica’s proprietary **U-pgrade™** process can result in substantial benefits; including reduced unit operating costs and to enhance future production expansion.

A representative ore sample has been received in Perth and testwork is underway.

Marenica believe the mineralogy at Langer Heinrich is very similar to the Marenica and Deep Yellow Tumas deposits and other ores tested through **U-pgrade™**. Marenica have always considered Langer Heinrich to be a prime candidate for application of **U-pgrade™** and have a high level of confidence that the Langer Heinrich ore will be amenable to the **U-pgrade™** process. Marenica developed **U-pgrade™** on calcrete uranium ore and consider the Langer Heinrich ore to be a prime candidate for application of **U-pgrade™** and are keen to demonstrate the amenability of **U-pgrade™** to the highest grade uranium deposit in Namibia and the only operating mine processing calcrete ore.

### *Other Ore Sources*

Marenica are testing the amenability of **U-pgrade™** on a number of ore samples on deposits in which the resource owner has requested anonymity. Discussions continue with a number of resource owners to enable Marenica to demonstrate the benefits of **U-pgrade™** and to then enter into agreements for future testwork and eventually license and commercialisation agreements. Due diligence has been completed on several resources.

## MARKET OUTLOOK

**U-pgrade™** positions Marenica to offer attractive economic prospects to major surficial global uranium deposits, helping to provide a low-cost energy source for the future. Marenica remains confident in the long term supply/demand fundamentals underlying the global uranium market despite the current low spot price.

The Directors maintain their confidence in the long term uranium demand scenario put forward by most uranium market research groups, with growth expected to be driven by the unstoppable need for power by the developing economies with a growing focus being on the dependable and low carbon emission energy provided by nuclear power. Uranium prices in excess of \$75/lb are needed to provide the incentive for the market to be able to deliver the significant new production required to feed the growing global fleet of nuclear power stations. The Directors believe that the utilisation of **U-pgrade™** can deliver significant operating cost reductions that will be attractive to many surficial uranium projects at uranium prices well below these incentive prices.

Rather than being hampered by the current low prices in the uranium market, Marenica's strategy responds to this near term negative price outlook. Marenica believe that the strategy can be successful across all price ranges, especially at or below the current incentive prices for many of our target commercialisation partners. The value of **U-pgrade™** comes from an operating and capital cost reduction which is compelling for producers across a wide range of uranium prices.

Demand for uranium is expected to exceed supply by the end of this decade with the following market forecasts being reliably indicated

- Major growth economies like China and India have reiterated plans to increase nuclear capacity
- Around 1,048 reactors worldwide are in operating, planning, construction or proposed phases, with around 447 currently operating

Marenica is prepared for the short and long term future with its **U-pgrade™** process. Marenica expects that its **U-pgrade™** process can benefit most surficial uranium mines in operation, by reducing operating costs and improving efficiencies, as well as allowing a lower cut-off grade, thereby extending mine life and reducing mining costs. The process may also allow current low grade surficial deposits to be economic at lower trigger uranium prices than would otherwise be the case.

## MARENICA URANIUM PROJECT

In November 2016 a Mineral Deposit Retention Licence (MDRL) was granted on the Marenica Uranium Project in Namibia. MDRL 3287 covers 321 km<sup>2</sup> in the Erongo region of Namibia; a recognised uranium mining province and home to several world class uranium deposits and operating mines. As such it has the advantage of well-established and reliable mining related infrastructure and services, and a stable legislative framework within which to operate. The same uranium province hosts the Rossing, Husab and Langer Heinrich uranium mines and MDRL 3287 adjoins the large Trekkopje Mine which was acquired by Areva in 2007 as part of the Uramin acquisition for US\$2.5 billion.

The MDRL has granted for a period of 5 years and has no exploration expenditure obligations.

The granting of MDRL 3287 was the enabler to invest further capital into the development of the Marenica Uranium Project and associated metallurgical technology and a Scoping Study was completed on the project during the year.



## SCOPING STUDY

The estimated Mineral Resources underpinning the Study have been prepared by a Competent Person in accordance with the requirements in the JORC Code (2004). Marenica's study was completed with assistance from the following reputable industry consultant groups; Orelong Mine Consulting (mining); DRA Projects SA (process plant and infrastructure); and Epoch (process waste disposal).

The study concluded:

- The project is expected to have industry competitive production costs, making it highly competitive with other ASX peer projects.
- The study confirmed the 50% reduction in capital and operating expenditure through the application of **U-pgrade™** compared to a conventional plant.
- Shallow, flat deposit and a very low proportion of waste to ore.
- Low cost surface mining technology would be utilised.
- Applying **U-pgrade™** to ROM ore creates high value concentrate.

- Leaching and refining of **U-pgrade™** concentrate undertaken at third party processing plant, would further reduce capital development, complexity and risk.
- The project would benefit from its enviable world class location in a highly attractive jurisdiction for uranium mining.
- **U-pgrade™** limits the need for a tailings dam on site.
- Fast track plant construction possible, between 12 and 15 months, due to no long lead items.
- The Company expects that further optimisation of the process to the project will allow additional reductions in operating and capital costs.

ASIC's restriction to the release of development and production data generated from Inferred resources (the Marenica resource is 90% in the Inferred category) has restricted Marenica's ability to report such data. This study met its objective in providing justification for the Company to continue study of the project and prepare it for fast track development when conditions warrant.

### Geology and Resources

The Marenica deposit and the smaller MA7 deposit, 5 km to the southeast of the main resource, are both surficial uranium deposits. They are in the same palaeochannel system that hosts Areva's Trekkopje uranium deposit, which has similar mineralogical characteristics to the Marenica deposit. Marenica and Trekkopje are similar style deposits to the Langer Heinrich deposit.

The total Marenica Project resource at a 50 ppm cut-off grade is 61 Mlb at 93 ppm U<sub>3</sub>O<sub>8</sub>.

| <b>Total Mineral Resources as at 30 June 2016 (at a 50ppm U<sub>3</sub>O<sub>8</sub> cut-off grade)</b> |                          |                                               |                                        |
|---------------------------------------------------------------------------------------------------------|--------------------------|-----------------------------------------------|----------------------------------------|
| <b>Resource Category</b>                                                                                | <b>Tonnes (millions)</b> | <b>U<sub>3</sub>O<sub>8</sub> Grade (ppm)</b> | <b>U<sub>3</sub>O<sub>8</sub> Mlbs</b> |
| <b>Marenica</b>                                                                                         |                          |                                               |                                        |
| Indicated                                                                                               | 26.5                     | 110                                           | 6.4                                    |
| Inferred                                                                                                | 249.6                    | 92                                            | 50.9                                   |
| <b>Total</b>                                                                                            | <b>276.1</b>             | <b>94</b>                                     | <b>57.3</b>                            |
| <b>MA7</b>                                                                                              |                          |                                               |                                        |
| Inferred                                                                                                | 22.8                     | 81                                            | 4.0                                    |
| <b>Total</b>                                                                                            | <b>22.8</b>              | <b>81</b>                                     | <b>4.0</b>                             |

First reported 14 December 2011, the same mineral resources as at 30 June 2016 and 30 June 2017

### Mineral Resources and Ore Reserves Governance

In November 2011, Optiro Pty Ltd completed a Mineral Resource estimate for the Company. The Company has not completed any drilling subsequent to preparation of the Mineral Resource estimate.

The Mineral Resource as at 30 June 2017 is reported in accordance with JORC (2004) guidelines and ASX Listing Rules. The Mineral Resource estimate follows standard industry methodology using geological interpretation, downhole gamma probe readings and assay results from samples obtained through drilling.

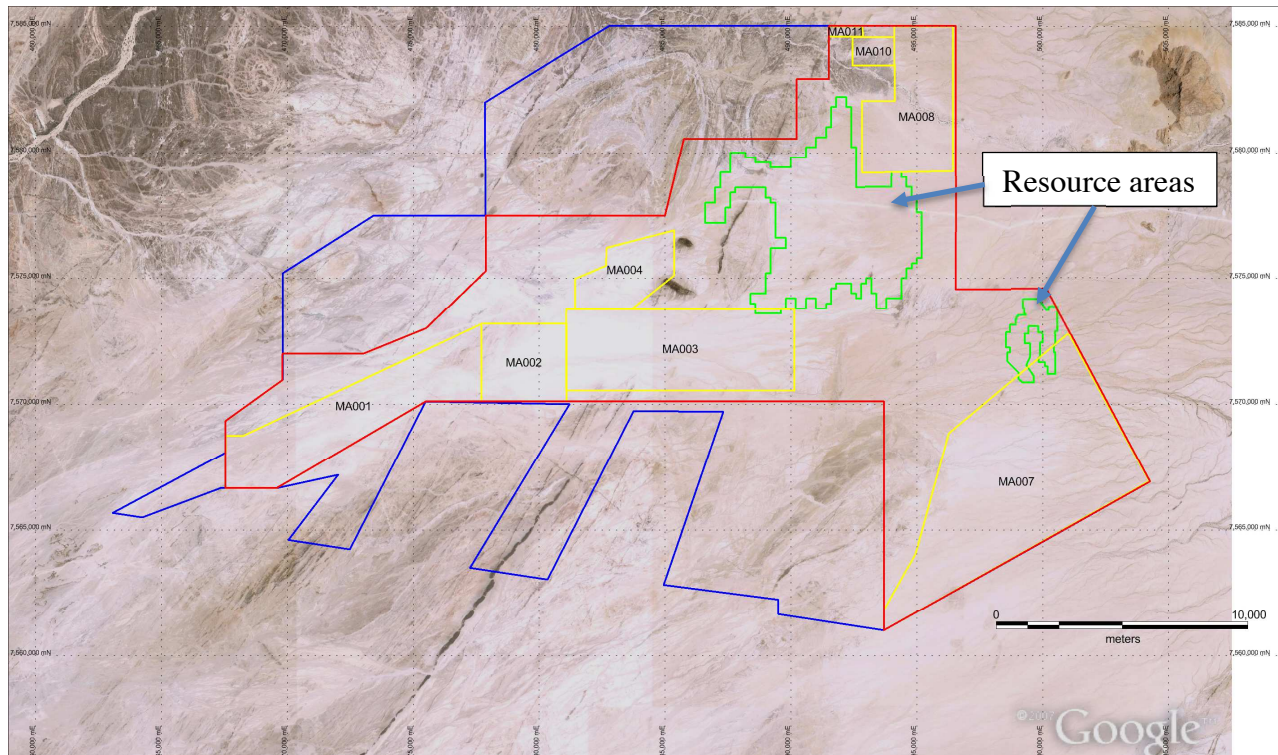
The Mineral Resource estimate was overseen by suitably qualified Marenica personnel, with competent persons completing the estimate. A review of the estimate and the estimation process for the Mineral Resources was conducted by a consultant who also has sufficient experience to qualify as a Competent Person.

The Mineral Resources statement included in each Company document is reviewed and approved by a suitably qualified Competent Person.

## Competent Persons Statement

*This Mineral Resource estimate has been compiled by Ian Glacken in accordance with the guidelines of the JORC Code (2004). Ian Glacken is a full-time employee of Optiro Pty Ltd and has sufficient experience relevant to the style of mineralisation and type of deposit represented by the Marenica orebodies and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Ian Glacken consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

The area defined within the red outline in the included plan is the MDRL area. The areas defined within the green lines are the resource areas.



In summary the exploration benefits from the application of **U-pgrade™** and a review of the resource include:

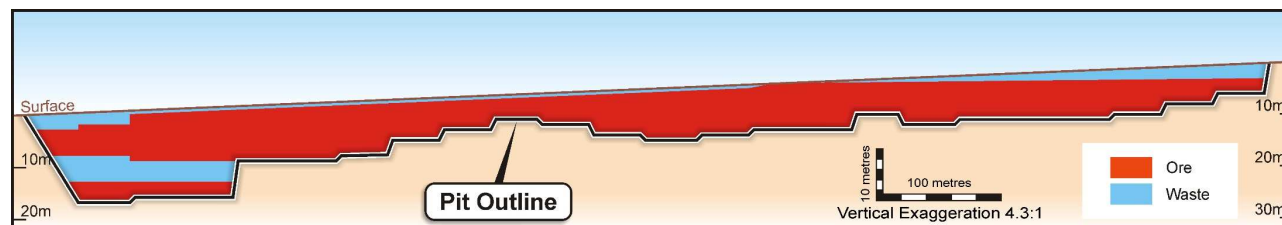
- Significantly reduced development trigger price
- Economic justification to spend money on ground to advance project
- High confidence that Inferred can be converted to Indicated and Measured
- Identified on lease exploration targets to increase resource base
- This Scoping Study has provided the catalyst to progress the project

## Mining

Very low mining costs are possible due to:

- Extremely low strip ratio
- Minimal topographic relief
- Low material strength
- Relatively simple geological structure

Mining will be undertaken using Wirtgen surface miners, which will load directly into dump trucks. The study concluded that high volume low cost mining was possible given the shallow and flat orebody, with ground conditions suitable for surface mining. The following cross section of a production pit is generally representative of the modelled mining operations.



The sequential approach to mining the pits facilitates mined out pits being used as backfill for waste from the **U-pgrade™** process and mine waste.

## **U-pgrade™ Plant**

Metallurgical testwork was completed in Perth on samples of bulk ore obtained from excavation of test pits, the same ore used to develop the **U-pgrade™** process. The **U-pgrade™** process uses common physical processing methodologies but applies them in a unique combination to achieve approximately 50 times concentration of the feed ore. The **U-pgrade™** process is expected to

- recover approximately 76% of the uranium,
- reject >98% of the mined mass,
- produce a concentrate containing approximately 1.6% of the mass, and
- produce a concentrate grading about 5,000 ppm U<sub>3</sub>O<sub>8</sub>.

The plant also removes acid consumers from the ore, allowing the concentrate to be processed through an acid leach plant, but does not exclude use of an alkali leach plant.

The concentrate is planned to be transported by road to one of several nearby uranium processing plants where U<sub>3</sub>O<sub>8</sub> is produced on a toll treatment basis.

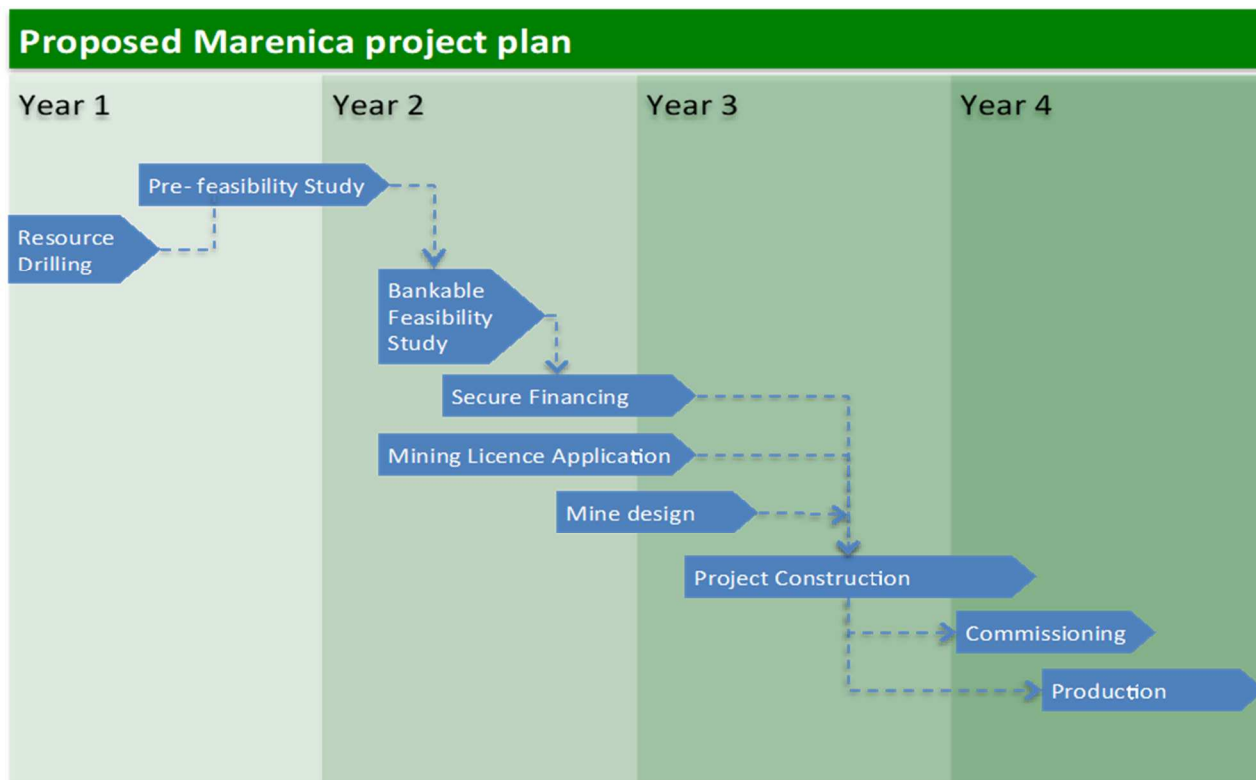
## **Transport and Toll Treating/Price of Concentrate**

Confidential discussions have been held with operators of leach/refining facilities operating in the immediate vicinity of the proposed plant. The **U-pgrade™** concentrate is attractive to these Toll Treatment plants because of the high grade and improved materials handling characteristics compared to ore. These discussions have established indicative terms to be used in the Scoping Study.

Slurry transport of the **U-pgrade™** concentrate, using road tankers, was selected as the option to provide best economic returns and least challenges in terms of metal accounting and potential environmental impact. The leaching and refining of the **U-pgrade™** concentrate at one of three third party operations nearby mitigates the need for a costly and complex leach plant and tailings storage facility on site at the Marenica project.

## **Preliminary Schedule**

The project development schedule indicates that the Project can be operational within 3 years from commencement of the Pre-Feasibility Study. There are milestones in the schedule that could impact on meeting the schedule.



### Operating and Capital Costs

The Scoping Study has arrived at an industry competitive Capital and Operating cost for the Marenica Project. The reduction in costs compared to a conventional plant are in the same order of magnitude for the ***U-pgrade™*** plant previously reported by Marenica, i.e. a reduction of ~50% in operating costs and ~50% reduction in capital for a process plant producing U<sub>3</sub>O<sub>8</sub>. Further savings in CAPEX will be possible if the ***U-pgrade™*** concentrate is leached and refined at a third party site.

These total costs of producing uranium will be the focus for the next stage of studies including seeking partnering opportunities in the region to further lower costs and share risk.

### Environmental, Social, Permitting

Marenica have completed extensive baseline environmental studies inclusive of:

- Preliminary Environmental Assessment report and Environmental Management Plan
- Dust monitoring
- Meteorological data
- Vegetation studies
- Vertebrate study
- Invertebrate study
- Archaeological study
- Hydrological data
- Socio-economic study

No issues were identified from these studies.

The Marenica project is located in a well-established uranium mining jurisdiction with Rossing Uranium operating since the mid 70's. There is reliable mining related infrastructure and services in close proximity, Areva's Trekkopje project is on the adjoining lease and the Rossing uranium operation is 60 km to the south.

Namibia's jurisdiction is supportive of mining and there are not expected to be any permitting issues in development of the project.

## Next Steps

The study has confirmed that a viable project is possible at a moderately higher uranium price. These results provide justification for the Company to proceed further along the pathway towards development.

The first priority for the company is to focus on increasing the confidence in the Marenica resources.

A more detailed Pre-Feasibility Study will be undertaken following an indication of an expected uranium price recovery.

## TECHNICAL STEERING COMMITTEE

In early 2012, Marenica formed a Technical Steering Committee (TSC) of world class independent industry experts and Marenica personnel, who assisted Marenica personnel in the development of the **U-pgrade™** process.

The TSC has been a very successful formula for Marenica, but changes are being made as the company evolves. The development of **U-pgrade™** was the sole focus of the TSC for many years, but with the technology now developed and well understood, the TSC is being asked to look at application of **U-pgrade™** to other ore sources and assessment of projects for acquisition.

The evolution of the TSC has dictated the inclusion of expertise with a focus on project development, what can be done about optimising the mining process on the Marenica ore, and also evaluation of other deposits for acquisition and/or application of **U-pgrade™**. As a result new additions to the TSC are more project acquisition, mining and business development focused. The Company is strengthening its technical and development expertise to help realise Marenica's vision to commercialise **U-pgrade™** and earn its fair share of the value add that **U-pgrade™** can deliver to resource owners.

Your Directors present their report on the group consisting of Marenica Energy Limited and the entities it controlled at the end of, or during, the year ended 30 June 2017 (Group).

## **DIRECTORS**

The following persons were Directors of Marenica Energy Limited during or since the end of the financial year and up to the date of this report. Directors were in office for the entire period unless otherwise stated.

### ***Names, qualifications, experience and special responsibilities***

#### **Douglas Buerger – B.Sc., M.Phil. (London), FAusIMM, MAICD**

##### **Independent Non-executive Chairman**

*Appointed 23 September 2010.*

*Re-appointed 22 November 2016.*

Mr. Buerger has over 40 years' experience in the minerals resources industry. He has extensive industry experience in project management, general management and executive management roles. He was the Managing Director and CEO of Bendigo Mining Limited from 1994 until his retirement in 2007. He holds a BSc and an M.Phil. degree. He is a Fellow of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Company Directors.

During the last three years, Mr. Buerger has not been a director of any other listed companies

#### **David Sanders – BComm, BJuris, LLB (Hons) (all UWA) and Graduate Diploma of Applied Finance**

##### **Independent Non-executive Director**

*Appointed 4 August 2008.*

*Re-appointed 3 November 2014*

Mr. Sanders is a lawyer with over 15 years of experience in corporate and resources law. He advises numerous ASX listed companies, including companies in the resources sector, on capital raising, mergers and acquisitions, Corporations Act and ASX Listing Rules compliance and corporate governance. He holds Bachelor of Law and Bachelor of Commerce degrees from the University of Western Australia and a Graduate Diploma of Applied Finance and Investments from the Securities Institute of Australia.

During the last three years, Mr. Sanders has been a director of the following listed companies:

- Oakajee Corp. Limited (alternative director) \*– appointed 13 September 2017
- Pura Vida NL \*– appointed 20 October 2016
- Force Commodities Limited \*– appointed 5 June 2017
- World Titanium Resources Limited\* – appointed 20 May 2016, delisted January 2017
- Quickflix Limited – appointed 30 November 2012, retired 31 March 2016
- Tungsten Mining NL - appointed 2 April 2014, retired 31 March 2015
- Molopo Energy Limited – appointed 19 December 2014, retired 27 August 2015

\* Denotes current directorship

#### **Nelson Chen – Master of Applied Finance, CA**

##### **Non-executive Director**

*Appointed 29 November 2011*

*Re-appointed 30 November 2015*

Mr. Chen is a Director of Hanlong Mining Investment Pty Ltd and a Chartered Accountant in Australia. He holds postgraduate degrees in finance and accounting. Prior to joining Hanlong, Mr. Chen spent over 11 years with PricewaterhouseCoopers, Sydney office in their audit and M&A advisory practice. Mr. Chen has served on the board of Australia China Business Council, NSW for over six years.

During the last three years, Mr. Chen has been a director of the following listed companies:

- Moly Mines Limited\* – appointed 23 April 2010
- General Moly Inc. (USA) – appointed 14 September 2011, ceased 6 June 2016

\* Denotes current directorship

## **Lou Guo Qing – BA**

### **Non-executive Director**

*Appointed 3 November 2014.*

Mr. Lou is the Managing Director of Hanlong Group. He was formerly the president of China Construction Bank, Panzhihua Municipality branch in Sichuan province and has over 26 years of experience in credit management and financial investment. Mr Lou holds a Bachelor of Economics degree from Wuhan University and a Postgraduate Diploma in business administration from Sichuan University.

During the last three years, Mr. Lou has been a director of the following listed companies:

- Moly Mines Limited\* – appointed 22 August 2014

\* Denotes current directorship

## **Murray Hill – B.Sc. (Metallurgy), FAusIMM**

### **Chief Executive Officer**

*Appointed 4 May 2012*

### **Managing Director**

*Appointed 2 May 2016*

Mr. Hill has 32 years' experience in the mining industry. He is a very well respected metallurgist with extensive experience in the design, operation and commissioning of gold, uranium and base metal process plants. To complement this he has also managed a metallurgical testwork laboratory, has been a senior process engineer in a Perth based engineering group and is well experienced in uranium metallurgy. For the 10 years prior to joining the Company, Mr. Hill operated his own business providing metallurgical consulting services to the mining industry world-wide. Mr. Hill is a Fellow of the Australasian Institute of Mining and Metallurgy.

## **John Sestan**

**Non-executive Director** *from 1 September 2017*

**Executive Director** *from 6 October 2016*

### **Chief Commercial Officer**

John Sestan has been working with Marenica in a commercial consulting role since April, 2014. During this time John has led the company's commercial activities including the corporate restructure and recent fund raising activities, and in dealing with resource owners interested in Marenica's **U-pgrade™** technology. He has also participated as co-underwriter in the 2014 and 2016 Share Purchase Plan Offers.

In a professional career spanning over 25 years, John was involved in a variety of commercial and finance roles in the resources industry. During the last ten years he has consulted to a number of major Uranium companies including Rio Tinto and Areva. Most recently he has been engaged by BP Australia in its transformation projects, including managing a ground breaking A\$125 million non-recourse financing for a new non-operating joint venture established by BP Australia.

## Directors' interests

The interests of Directors in securities of the Company are:

| Director  | Fully Paid Ordinary Shares |                      | Options |
|-----------|----------------------------|----------------------|---------|
|           | At 30 June 2017            | At 27 September 2017 |         |
| M Hill    | 2,267,437                  | 2,267,437            | -       |
| J Sestan  | 2,092,145                  | 2,092,145            | -       |
| D Buerger | 955,097                    | 955,097              | -       |
| N Chen    | 1,031,707                  | 1,031,707            | -       |
| G Lou     | 548,782                    | 548,782              | -       |
| D Sanders | 319,687                    | 319,687              | 427,678 |

The Directors and Management have a strong belief in the direction of the Company's. This was demonstrated by the Directors taking up their full entitlement in the Rights Issue undertaken during the financial year. The support from the Directors of Marenica also extends to their fees which have been only partially paid in cash since mid-2013.

## CHIEF FINANCIAL OFFICER

**Shane McBride B.Bus (Acct), FCPA, FGIA, FCIS, MAICD**

*Appointed 1 May 2017*

Shane McBride has 35 years of commercial management experience gained in listed Australian public companies incorporating disciplines of corporate management, project development and mine site operations management, management and financial accounting, corporate finance, investor relations, IT and HR and company secretarial functions. Thirty years of this experience has been in the mining industry. He has a BBus (Acct) degree, is a Fellow of CPA Australia, Fellow of Governance Institute of Australia and the Institute of Chartered Secretaries and Administrators; and is a Member of the Australian Institute of Directors.

Mr McBride has relevant uranium industry experience having worked for an Australian ASX listed uranium project development company during the last seven years. In that role Mr McBride was intimately involved with the exploration advancement, scoping and pre-feasibility studies undertaken on the project, and the financing activities to undertake those activities. He was the managing director of an ASX listed mining company which acquired and operated an operating SX/EW Copper Cathode production facility in Queensland, Australia and has substantial experience as a listed company director.

## Riccardo Vittino

*Resigned 30 September 2016*

Ric Vittino has over 30 years' experience in the resources sector with a focus on financial and corporate management. He graduated from the University of Western Australian with a Bachelor of Commerce degree and is a Fellow of the Australian Institute of Company Directors. Since 1985, Mr Vittino has been involved with numerous IPOs and Joint Ventures both local and International including in South Africa as Finance Director of Central Rand Gold Ltd, overseeing their listing on the Main Board of the LSE and the JSE in 2007 and subsequent progress to pre – feasibility and commencement of trial mining. He has held numerous non – executive Director and Company Secretarial roles.

## COMPANY SECRETARY

**Shane McBride B.Bus (Acct), FCPA, FGIA, FCIS, MAICD**

*Appointed 8 June 2017*

Refer commentary above under Chief Financial Officer.

**Susan Hunter – BCom, ACA, F Fin, GAICD, AGIA**

*Resigned 8 June 2017*

Ms. Hunter has 20 years' experience in the corporate finance industry and is founder and Managing Director of consulting firm Hunter Corporate Pty Ltd which specialises in the provision of corporate governance and company secretarial advice to ASX listed companies. Ms. Hunter holds a Bachelor of Commerce degree from the University of Western Australia majoring in accounting and finance, is a Member of the Australian Institute of Chartered Accountants, a Fellow of the Financial Services Institute of Australasia, a Member of the Governance Institute of Australia and is a Member of the Australian Institute of Company Directors.

## DIVIDENDS

No dividends have been provided for or paid by the Group in respect of the year ended 30 June 2017 (30 June 2016: Nil).

## PRINCIPAL ACTIVITIES

The principal activity of the Group during the course of the financial year was the evaluation of the beneficiation potential of the Marenica Project ore using **U-pgrade™** and the application of Marenica's proprietary **U-pgrade™** process to other surficial ore sources. There was no in ground exploration or evaluation of the mineral tenements in Namibia for the year, however, the Company completed a Scoping Study on the Marenica Project as described earlier in the Review of Operations section of this report. There were no other significant changes in the nature of the Group's principal activities during the year.

## OPERATING RESULTS FOR THE YEAR

The total loss of the Group attributable to the owners of Marenica Energy Limited for the financial year was \$1,686,169 (2016: \$1,462,436).

## FINANCIAL POSITION AND SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The net assets of the Group increased by \$488,235 as a result of additional funds raised during the year exceeding the expenditure on the beneficiation program and maintaining the mineral tenements in Namibia.

Cash on hand at 30 June 2017 totalled \$473,117 (2016: \$558,326).

During November 2016, a total of \$500,000 was raised from share placements to investors at \$0.10 per share.

During April 2017, a total of \$569,000 was raised from share placements to investors at \$0.13 per share.

On 2 June 2017, a total of \$321,141 was raised through a Rights Issue offered to eligible shareholders at \$0.13 per share.

On 9 June 2017, a total of \$269,392 was raised through a placement of shortfall shares resulting from the Rights Issue which closed on 29 May 2017. The shares were issued at \$0.13 per share.

During June 2017, shares to the value of \$202,275 were issued at \$0.13 cents per share in partial satisfaction of interest payments due to Hanlong Energy Limited.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 3 August 2017 Marenica Energy Limited issued 1,401,236 shares at \$0.13 per shares to investors that applied for shortfall shares (Shortfall) which resulted from the non-renounceable entitlement issue which closed on 29 May 2017. This Shortfall placement raised \$182,161, before costs of the issue.

Also, Hanlong Energy Limited (Hanlong) has agreed to subscribe for \$180,000 of new shares. Subject to shareholder approval 1,384,616 shares will be issued at \$0.13 per share. In the interim, the \$180,000 has been provided by way of a converting loan. The converting loan is interest free up until the Company's annual general meeting, which will be held during November 2017 (AGM). If shareholders do not approve the conversion of the loan into shares, then an interest rate of 8% per annum will be charged from the AGM and the \$180,000 plus interest will be repayable in cash on 31 January 2018.

In addition, Hanlong has agreed by amendment to the Convertible Note Agreement to convert the next cash interest payment on the Convertible Notes due on 14 November 2017 of \$132,054 to shares, subject to shareholder approval at the AGM. Once approved, the shares will be issued at the higher of \$0.13 per share or a twenty (20%) percent discount to the VWAP during the 20 days immediately preceding the AGM. If shareholders do not approve the issue of shares, then the amount of \$132,054 will be repayable in cash plus additional interest at the rate of 12% per annum on the outstanding interest amount. This cash payment will be due on or before 28 February 2018.

Other than the matters mentioned above, there have been no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect:

- (i) the Group's operations in future years; or
- (ii) the results of those operations in future years; or
- (iii) the Group's state of affairs in future years.

## LIKELY DEVELOPMENTS AND BUSINESS STRATEGY

The Company intends to continue to develop the *U-pgrade™* process and maintain the mineral tenements of the Marenica Uranium project in Namibia.

## ENVIRONMENTAL REGULATIONS

The Company's environmental obligations are regulated by the Laws of Namibia. The Company has complied with its environmental performance obligations. No environmental breaches have been notified by any Government agency to the date of this Directors' Report.

## SHARE OPTIONS

At the date of this report, the unissued ordinary shares of the Company under option are as follows:

| Expiry Date      | Exercise Price | Number under Option |
|------------------|----------------|---------------------|
| 1 December 2019  | \$0.1806       | 290,698             |
| 26 November 2018 | \$0.355        | 320,338             |

The Options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

During or since the end of the financial year the Company has not issued any shares as a result of the exercise of options. In the event of exercise of the Directors options the Company will fund the exercise price.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company resolved that it would indemnify its current Directors and officers. Coverage in respect of this indemnity has been provided via a Directors and Officers insurance policy negotiated at commercial terms. The premium paid during the year was \$8,983 (2016: \$7,234).

Excluding the matter noted above the Company has not, during or since the financial year-end, in respect of any person who is, or has been an officer or auditor of the Company or a related body corporate:

- Indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- Paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

## DIRECTORS' MEETINGS

The number of meetings attended by each Director during the year is as follows:

| Director              | Directors                               |                             |
|-----------------------|-----------------------------------------|-----------------------------|
|                       | Number of meetings held while in office | Number of meetings attended |
| M Hill                | 10                                      | 10                          |
| J Sestan <sup>1</sup> | 7                                       | 7                           |
| D Sanders             | 10                                      | 10                          |
| D Buerger             | 10                                      | 10                          |
| N Chen                | 10                                      | 8                           |
| G. Lou                | 10                                      | 7                           |

<sup>1</sup> Appointed director on 6 October 2016.

## AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on the next page.

## NON-AUDIT SERVICES

No non-audit services have been provided by the Company's auditor.



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The Directors  
Marenica Energy Ltd  
AMRC Building  
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 of the 30 June 2017 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham Swan FCA (Lead auditor)

Rothsay Auditing

Dated 27 September 2017



Chartered Accountants

This remuneration report for the year ended 30 June 2017 outlines remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the parent company, and including the executives in the Parent and the Group receiving the highest remuneration.

For the purposes of this report, the term “executive” includes the Chief Executive Officer (CEO), executive Directors, senior management and company secretaries of the Parent and the term “Director” refers to non-executive Directors only.

## A. Individual key management personnel disclosures

Details of KMP including the top five remunerated executives of the Parent and Group are set out below:

### *Key management personnel*

#### (i) Directors

|           |                                                   |
|-----------|---------------------------------------------------|
| D Buerger | Non-executive chairman                            |
| M Hill    | Managing director                                 |
| J Sestan  | Non-executive director – Appointed 6 October 2016 |
| D Sanders | Non-executive director                            |
| N Chen    | Non-executive director                            |
| G.Lou     | Non-executive director                            |

#### (ii) Executives

|           |                                                                                                                                                                |
|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| M Hill    | Managing director                                                                                                                                              |
| J Sestan  | Chief Commercial Officer – Appointed to Executive director 6 October 2016, the Company abolished the position of Chief Commercial Officer as of 31 August 2017 |
| R Vittino | Chief Financial Officer– Resigned 30 September 2016                                                                                                            |
| S McBride | Chief Financial Officer – Appointed 1 May 2017                                                                                                                 |

## B. Principles used to determine the nature and amount of remuneration

The objective of the Company's reward framework is to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors and executives of the highest calibre whilst maintaining a cost which is acceptable to shareholders.

### *Non-executive Directors*

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed by the Board. The Chairman's fees are determined independently to the fees of non-executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his remuneration.

### *Directors' fees*

Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$300,000 in aggregate. This amount is separate from any specific tasks the Directors may take on for the Company in the normal course of business, which are charged at normal commercial rates.

Fees for Directors are not linked to the performance of the Group however, to align all Directors' interests with shareholders' interests; Directors are encouraged to hold shares in the Company and may receive options. This effectively links Directors' performance to the share price performance and therefore to the interests of shareholders. There have been no performance conditions imposed prior to the grant of options which act as an incentive to increase the value for all shareholders.

The Directors have strongly supported the company, with the Directors taking up their full entitlement in the Rights Issue during the financial year and the Directors have been only partially paid in cash since mid-2013.

## *Executive remuneration*

The Company aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Reward executives for Company performance;
- Align the interest of executives with those of shareholders; and
- Ensure total remuneration is competitive by market standards.

Fixed remuneration is reviewed annually or upon renewal of fixed term contracts by the Board and the process consists of a review of Company and individual performance, relevant comparative remuneration in the market and internal policies and practices. Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

The objective of variable remuneration provided is to reward executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. Variable remuneration may be delivered in the form of share options granted with or without vesting conditions and/or employee performance shares granted subject to the successful completion, within an appropriate timeframe, of various key tasks.

## **C. Executive contractual arrangements**

### **M Hill – Managing Director and Chief Executive Officer**

A formal written service agreement is in place. Details of Mr Hill's employment agreement are:

- Base salary, exclusive of superannuation, effective 1 May 2012 is \$260,000 per annum, reviewable on an annual basis.
- Payment of a termination benefit on early termination by the Company, other than for grave misconduct or long term incapacity, equal to three (3) months' salary.

### **J Sestan – Executive Commercial Director**

Mr Sestan's remuneration is based on an ongoing daily fee of \$2,000 per day for 2 days per week. There are no fixed termination clauses. The Company abolished the position of Chief Commercial Officer as of 31 August 2017.

### **S McBride – Chief Financial Officer/Company Secretary**

Mr McBride's remuneration is based on a fixed monthly retainer of \$10,000 for 2 days per week, with a 2 month notice period for either party.

**D. Remuneration of Key Management Personnel (“KMP”)**

| <b>30-Jun-2017</b>         | <b>Fees &amp; Consulting Paid</b> | <b>Super-annuation Paid</b> | <b>Fees &amp; Consulting Accrued</b> | <b>Super-annuation Accrued</b> | <b>Share-based Payments</b> | <b>Total</b>   | <b>% of Equity Based Payments</b> |
|----------------------------|-----------------------------------|-----------------------------|--------------------------------------|--------------------------------|-----------------------------|----------------|-----------------------------------|
| <b>Directors</b>           |                                   |                             |                                      |                                |                             |                |                                   |
| M Hill                     | 242,667                           | 23,053                      | -                                    | -                              | 73,848                      | 339,568        | 21.75%                            |
| J Sestan <sup>1</sup>      | 247,461                           | -                           | -                                    | -                              | 110,164                     | 357,625        | 30.80%                            |
| D Sanders                  | 38,347                            | 3,904                       | -                                    | -                              | 2,749                       | 45,000         | 6.11%                             |
| D Buerger                  | 55,000                            | -                           | -                                    | -                              | 5,000                       | 60,000         | 8.33%                             |
| N Chen                     | 37,444                            | 3,904                       | -                                    | -                              | 3,652                       | 45,000         | 8.12%                             |
| G Lou                      | 41,250                            | -                           | -                                    | -                              | 3,750                       | 45,000         | 8.33%                             |
| <b>Total Directors</b>     | <b>662,169</b>                    | <b>30,861</b>               | <b>-</b>                             | <b>-</b>                       | <b>199,163</b>              | <b>892,193</b> | <b>22.32%</b>                     |
| <b>Other KMP</b>           |                                   |                             |                                      |                                |                             |                |                                   |
| R Vittino <sup>2</sup>     | 15,000                            | -                           | -                                    | -                              | -                           | 15,000         | -                                 |
| S McBride <sup>3</sup>     | 20,000                            | -                           | -                                    | -                              | -                           | 20,000         | -                                 |
| <b>Total executive KMP</b> | <b>35,000</b>                     | <b>-</b>                    | <b>-</b>                             | <b>-</b>                       | <b>-</b>                    | <b>35,000</b>  | <b>-</b>                          |
| <b>Totals</b>              | <b>697,169</b>                    | <b>30,861</b>               | <b>-</b>                             | <b>-</b>                       | <b>199,163</b>              | <b>927,193</b> | <b>21.48%</b>                     |

1 This includes consulting fees of \$84,656 received in his capacity as the Chief Commercial Officer, and incentive payments of \$134,500 relating to the achievement of entry of the first binding commercialisation arrangement which confers any form of right to use the U-grade technology to a third party. These occurred before his appointment as executive commercial director on 6 October 2016.

2 Resigned on 30 September 2016

3 Appointed on 1 May 2017

| <b>30-Jun-2016</b>         | <b>Fees &amp; Consulting Paid</b> | <b>Super-annuation Paid</b> | <b>Fees &amp; Consulting Accrued</b> | <b>Super-annuation Accrued</b> | <b>Share-based Payments</b> | <b>Total</b>   | <b>% of Equity Based Payments</b> |
|----------------------------|-----------------------------------|-----------------------------|--------------------------------------|--------------------------------|-----------------------------|----------------|-----------------------------------|
| <b>Directors</b>           |                                   |                             |                                      |                                |                             |                |                                   |
| M Hill <sup>1</sup>        | 198,799                           | 24,130                      | -                                    | -                              | 74,532                      | 297,461        | 25.06                             |
| D Sanders                  | 20,548                            | 1,952                       | 20,548                               | 1,952                          | -                           | 45,000         | -                                 |
| G Becker <sup>2</sup>      | 15,675                            | -                           | 22,500                               | -                              | -                           | 38,175         | -                                 |
| D Buerger                  | 30,000                            | -                           | 30,000                               | -                              | -                           | 60,000         | -                                 |
| N Chen                     | 20,548                            | 1,952                       | 20,548                               | 1,952                          | 37,200                      | 82,200         | 45.26                             |
| G Lou                      | 22,500                            | -                           | 20,548                               | 1,952                          | -                           | 45,000         | -                                 |
| <b>Total Directors</b>     | <b>308,070</b>                    | <b>28,034</b>               | <b>114,144</b>                       | <b>5,856</b>                   | <b>111,732</b>              | <b>567,836</b> | <b>19.68</b>                      |
| <b>Other KMP</b>           |                                   |                             |                                      |                                |                             |                |                                   |
| J Sestan <sup>4</sup>      | 37,688                            | -                           | -                                    | -                              | -                           | 37,688         | -                                 |
| R Vittino <sup>4</sup>     | 10,000                            | -                           | -                                    | -                              | -                           | 10,000         | -                                 |
| <b>Total executive KMP</b> | <b>47,688</b>                     | <b>-</b>                    | <b>-</b>                             | <b>-</b>                       | <b>-</b>                    | <b>47,688</b>  | <b>-</b>                          |
| <b>Totals</b>              | <b>355,758</b>                    | <b>28,034</b>               | <b>114,144</b>                       | <b>5,856</b>                   | <b>111,732</b>              | <b>615,524</b> | <b>18.15</b>                      |

1<sup>\*</sup> Appointed 2 May 2016

2 Resigned 31 March 2016

3 Appointed Managing Director 2 May 2016

4 Appointed 2 May 2016

## E. Value of options issued, exercised and expired during the year

Details of vesting profile of options vested or expired during the year and those options unexercised at reporting date granted as remuneration to current key management personnel of the Company are detailed below:

### Year ended 30 June 2017

During the 2017 financial year, no options expired or were issued.

### Year ended 30 June 2016

During the 2016 financial year, no options expired.

The following options were issued during the year:

| Expiry Date       | Exercise Price | Number under Option |
|-------------------|----------------|---------------------|
| 17 September 2019 | \$0.40         | 26,700              |
| 1 December 2019   | \$0.1806       | 1,548,456           |

These options were fair valued at \$0.1310 and \$0.1070 respectively using the Black Scholes option pricing model.

## F. Shareholdings for Key Management Personnel

| <u>30 June 2017</u>    | Balance at 1<br>July 2016 | Purchased/<br>(Sold) during<br>the year | Granted as<br>remuneration | Balance at 30<br>June 2017 |
|------------------------|---------------------------|-----------------------------------------|----------------------------|----------------------------|
| <b>Directors</b>       |                           |                                         |                            |                            |
| M Hill                 | 1,188,561                 | 606,376                                 | 472,500                    | 2,267,437                  |
| D Sanders              | 253,104                   | 44,401                                  | 22,182                     | 319,687                    |
| D Buerger              | 257,521                   | 657,230                                 | 40,346                     | 955,097                    |
| N Chen                 | 459,907                   | 542,411                                 | 29,389                     | 1,031,707                  |
| L Guo Qing             | 140,187                   | 378,335                                 | 30,260                     | 548,782                    |
| J Sestan <sup>1</sup>  | 1,210,114                 | 582,031                                 | 300,000                    | 2,092,145                  |
| <b>Other KMP:</b>      |                           |                                         |                            |                            |
| R Vittino <sup>2</sup> | -                         | -                                       | -                          | -                          |
| S.McBride <sup>3</sup> | -                         | -                                       | -                          | -                          |
|                        | <b>3,509,394</b>          | <b>2,810,784</b>                        | <b>894,677</b>             | <b>7,214,855</b>           |

<sup>1</sup> Appointed Executive Commercial Director on 6 October 2016

<sup>2</sup> Resigned 30 September 2016

<sup>3</sup> Appointed 1 May 2017

| <b>30 June 2016</b>             | <b>Balance at 1<br/>July 2015</b> | <b>Purchased/<br/>(Sold) during<br/>the year</b> | <b>Granted as<br/>remunera-<br/>tion</b> | <b>Balance at 30<br/>June 2016</b> |
|---------------------------------|-----------------------------------|--------------------------------------------------|------------------------------------------|------------------------------------|
| <b>Directors</b>                |                                   |                                                  |                                          |                                    |
| M Hill <sup>1</sup>             | 556,063                           | 233,645                                          | 398,853                                  | 1,188,561                          |
| D Sanders                       | 112,917                           | 140,187                                          | -                                        | 253,104                            |
| G Becker <sup>2</sup>           | 133,750                           | -                                                | -                                        | 133,750                            |
| D Buerger                       | 117,334                           | 140,187                                          | -                                        | 257,521                            |
| N Chen                          | 19,720                            | 140,187                                          | 300,000                                  | 459,907                            |
| L Guo Qing <sup>2</sup>         | -                                 | 140,187                                          | -                                        | 140,187                            |
| <b>Chief Executive Officer:</b> |                                   |                                                  |                                          |                                    |
| R Vittino                       | -                                 | -                                                | -                                        | -                                  |
| J Sestan <sup>3</sup>           | -                                 | 1,210,114                                        | -                                        | 1,210,114                          |
|                                 | <b>939,784</b>                    | <b>2,004,507</b>                                 | <b>698,853</b>                           | <b>3,643,144</b>                   |

1 Appointed Managing Director 2 May 2016.

2 Resigned 31 March 2016

3 Appointed 2 May 2016. The amount in purchased column is his initial holding upon appointment.

## G. Option holdings for Key Management Personnel

| <b>30 June 2017</b> | <b>Balance at 1<br/>July 2016</b> | <b>Exercised</b>   | <b>Issued</b> | <b>Balance<br/>at 30 June<br/>2017</b> | <b>Vested at 30 June 2017</b> |                    |                            |
|---------------------|-----------------------------------|--------------------|---------------|----------------------------------------|-------------------------------|--------------------|----------------------------|
|                     |                                   |                    |               |                                        | <b>Total</b>                  | <b>Exercisable</b> | <b>Not<br/>exercisable</b> |
| <b>Directors</b>    |                                   |                    |               |                                        |                               |                    |                            |
| M Hill              | -                                 | -                  | -             | -                                      | -                             | -                  | -                          |
| J Sestan            | -                                 | -                  | -             | -                                      | -                             | -                  | -                          |
| D Sanders           | 427,678                           | -                  | -             | 427,678                                | 427,678                       | 427,678            | -                          |
| D Buerger           | 524,577                           | (524,577)          | -             | -                                      | -                             | -                  | -                          |
| N Chen              | 399,119                           | (399,119)          | -             | -                                      | -                             | -                  | -                          |
| L Guo Qing          | 302,115                           | (302,115)          | -             | -                                      | -                             | -                  | -                          |
| <b>Other KMP</b>    |                                   |                    |               |                                        |                               |                    |                            |
| R Vittino           | -                                 | -                  | -             | -                                      | -                             | -                  | -                          |
| S McBride           | -                                 | -                  | -             | -                                      | -                             | -                  | -                          |
|                     | <b>1,653,489</b>                  | <b>(1,225,811)</b> | <b>-</b>      | <b>427,678</b>                         | <b>427,678</b>                | <b>427,678</b>     | <b>-</b>                   |

|                       |                           | Expired |           | Balance<br>at 30 June<br>2016 |           | Vested at 30 June 2016 |                    |
|-----------------------|---------------------------|---------|-----------|-------------------------------|-----------|------------------------|--------------------|
| 30 June 2016          | Balance at 1<br>July 2015 |         | Issued    |                               | Total     | Exercisable            | Not<br>exercisable |
| Directors             |                           |         |           |                               |           |                        |                    |
| M Hill                | -                         | -       | -         | -                             | -         | -                      | -                  |
| D Sanders             | 136,980                   | -       | 290,698   | 427,678                       | 427,678   | 427,678                | -                  |
| G Becker <sup>1</sup> | 136,980                   | -       | 290,698   | 427,678                       | 427,678   | 427,678                | -                  |
| D Buerger             | 136,980                   | -       | 387,597   | 524,577                       | 524,577   | 524,577                | -                  |
| N Chen                | 95,071                    | -       | 304,048   | 399,119                       | 399,119   | 399,119                | -                  |
| L Guo Qing            | -                         | -       | 302,115   | 302,115                       | 302,115   | 302,115                | -                  |
| Other KMP             |                           |         |           |                               |           |                        |                    |
| R Vittino             | -                         | -       | -         | -                             | -         | -                      | -                  |
| J Sestan              | -                         |         |           |                               |           |                        |                    |
|                       | 506,011                   | -       | 1,575,156 | 2,081,167                     | 2,081,167 | 2,081,167              | -                  |

In the event of exercise of the Directors options the Company will fund the exercise price.

#### H. Performance Rights for Key Management Personnel

| 30 June 2017            | Balance at<br>1 July 2016 | Issued | Vested    | Balance<br>at 30 June<br>2017 | Unvested at 30 June 2017 |           |  |
|-------------------------|---------------------------|--------|-----------|-------------------------------|--------------------------|-----------|--|
|                         |                           |        |           |                               | Total                    | Unvested  |  |
| Directors               |                           |        |           |                               |                          |           |  |
| M Hill                  | 675,000                   | -      | (472,500) | 202,500                       | 202,500                  | 202,500   |  |
| J Sestan                | -                         | -      | -         | -                             | -                        | -         |  |
| D Sanders               | -                         | -      | -         | -                             | -                        | -         |  |
| D Buerger               | -                         | -      | -         | -                             | -                        | -         |  |
| N Chen                  | -                         | -      | -         | -                             | -                        | -         |  |
| L Guo Qing <sup>2</sup> | -                         | -      | -         | -                             | -                        | -         |  |
| Other KMP               |                           |        |           |                               |                          |           |  |
| R Vittino               |                           | -      | -         | -                             | -                        | -         |  |
| S McBride               | -                         | -      | -         | -                             | -                        | -         |  |
|                         | 675,000                   | -      | (472,500) | 202,500                       | 202,500                  | - 202,500 |  |

The Company has issued Mr Hill 675,000 performance rights with the following hurdles:

- 270,000 – successful raising of capital for pilot plant construction and operation
- 202,500 – successful completion of the initial pilot plant programme proving **U-pgrade™** works on samples tested
- 202,500 – first commercialisation deal on **U-pgrade™**

Any unvested performance rights will automatically vest on the occurrence of any of the following events:

- the sale by UB of the Intellectual Property comprising the **U-pgrade™** process.
- the sale by Marenica of all of its shares in UB.
- A change of control in Marenica by virtue of any person or entity obtaining a relevant interest within the meaning of the Corporations Act in more than 50% of the voting shares in Marenica.

In the event of Mr Hill ceasing to be an employee of Marenica or a subsidiary of Marenica, any unvested performance rights will lapse unless the Board of Marenica otherwise determines, at its discretion, that all or any of the unvested performance rights shall vest.

Following the signing of the Technology Licence Agreement with Deep Yellow Limited and its intention to fund a pilot plant to demonstrate the **U-pgrade™** technology on a continuous basis, the Board determined that the first and third milestones noted above were achieved and 472,500 performance rights vested on 30 September 2016.

## End of Remuneration Report

Signed in accordance with a resolution of the Directors.

  
Douglas Buerger  
Chairman

27 September 2017

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017



|                                                           | Note | 2017<br>\$         | 2016<br>\$         |
|-----------------------------------------------------------|------|--------------------|--------------------|
| <b>Continuing operations</b>                              |      |                    |                    |
| Revenue                                                   |      |                    |                    |
| Interest received                                         | 4    | 5,325              | 5,168              |
| Government grant received                                 | 4    | 101,681            | 127,497            |
| Activity-based income                                     | 4    | 33,156             | -                  |
| Reimbursement of exploration and evaluation expenditure   | 4    | -                  | 103,127            |
| Profit on sale of investments                             | 4    | -                  | 14,612             |
|                                                           |      | <u>140,162</u>     | <u>250,404</u>     |
| <b>Expenses</b>                                           |      |                    |                    |
| Metallurgical testwork                                    |      | (163,570)          | (54,488)           |
| Activity-based expenses                                   |      | (273,766)          | -                  |
| Employee benefit expense                                  |      | (382,921)          | (510,896)          |
| Foreign exchange loss/(gain)                              | 5    | (6,020)            | 246                |
| Administration expenses                                   |      | (766,722)          | (802,364)          |
| Depreciation expense                                      | 5    | (5,226)            | (6,818)            |
| Capital raising costs                                     |      | -                  | (25,878)           |
| Loss on extension of convertible note                     |      | -                  | (67,316)           |
| Finance expense                                           | 5    | (228,106)          | (245,326)          |
| <b>Total expenses</b>                                     |      | <u>(1,826,331)</u> | <u>(1,712,840)</u> |
| <b>Loss before income tax expense</b>                     |      | <u>(1,686,169)</u> | <u>(1,462,436)</u> |
| Income tax (expense)/benefit                              | 6    | -                  | -                  |
| <b>Net loss for the year</b>                              |      | <u>(1,686,169)</u> | <u>(1,462,436)</u> |
| Other comprehensive income                                |      | -                  | -                  |
| <b>Total comprehensive loss for the year</b>              |      | <u>(1,686,169)</u> | <u>(1,462,436)</u> |
| Loss for the year is attributable to:                     |      |                    |                    |
| Owners of Marenica Energy Limited                         |      | (1,686,169)        | (1,462,436)        |
| Non-controlling interests                                 |      | -                  | -                  |
|                                                           |      | <u>(1,686,169)</u> | <u>(1,462,436)</u> |
| Total comprehensive loss for the year is attributable to: |      |                    |                    |
| Owners of Marenica Energy Limited                         |      | (1,686,169)        | (1,462,436)        |
| Non-controlling interests                                 |      | -                  | -                  |
|                                                           |      | <u>(1,686,169)</u> | <u>(1,462,436)</u> |
| <b>Earnings per share</b>                                 |      |                    |                    |
| Basic loss per share (cents per share)                    | 21   | (5.58)             | (8.37)             |

Diluted losses per share are not disclosed as they are not materially different to basic losses per share.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the Financial Statements.

# Consolidated Statement of Financial Position

As at 30 June 2017



|                                                                                         | Note | 2017<br>\$         | 2016<br>\$         |
|-----------------------------------------------------------------------------------------|------|--------------------|--------------------|
| <b>ASSETS</b>                                                                           |      |                    |                    |
| <b>Current Assets</b>                                                                   |      |                    |                    |
| Cash and cash equivalents                                                               | 19   | 473,117            | 558,326            |
| Trade and other receivables                                                             | 7    | 37,653             | 14,314             |
| <b>Total Current Assets</b>                                                             |      | <u>510,770</u>     | <u>572,640</u>     |
| <b>Non-Current Assets</b>                                                               |      |                    |                    |
| Plant & equipment                                                                       | 8    | 17,325             | 22,548             |
| Available-for-sale financial assets                                                     | 9    | -                  | -                  |
| <b>Total Non-Current Assets</b>                                                         |      | <u>17,325</u>      | <u>22,548</u>      |
| <b>TOTAL ASSETS</b>                                                                     |      | <u>528,095</u>     | <u>595,188</u>     |
| <b>LIABILITIES</b>                                                                      |      |                    |                    |
| <b>Current Liabilities</b>                                                              |      |                    |                    |
| Trade and other payables                                                                | 10   | 332,543            | 669,064            |
| Borrowings                                                                              | 11   | 82,488             | 375,116            |
| Employee benefits                                                                       | 12   | 52,942             | 41,840             |
| <b>Total Current Liabilities</b>                                                        |      | <u>467,973</u>     | <u>1,086,020</u>   |
| <b>Non-Current Liabilities</b>                                                          |      |                    |                    |
| Borrowings                                                                              | 11   | 1,564,414          | 1,501,695          |
| <b>TOTAL LIABILITIES</b>                                                                |      | <u>2,032,387</u>   | <u>2,587,715</u>   |
| <b>NET LIABILITIES</b>                                                                  |      | <u>(1,504,292)</u> | <u>(1,992,527)</u> |
| <b>EQUITY</b>                                                                           |      |                    |                    |
| Contributed equity                                                                      | 13   | 46,678,105         | 44,266,058         |
| Reserves                                                                                | 14   | 275,227            | 512,870            |
| Accumulated losses                                                                      | 15   | (48,457,624)       | (46,771,455)       |
| <b>TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO THE OWNERS OF MARENICA ENERGY LIMITED</b> |      | <u>(1,504,292)</u> | <u>(1,992,527)</u> |
| Non-controlling interests                                                               |      | -                  | -                  |
| <b>TOTAL EQUITY</b>                                                                     |      | <u>(1,504,292)</u> | <u>(1,992,527)</u> |

The Consolidated Statement of Financial Position should be read in conjunction with the notes to the Financial Statements.

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2017



| <b>30 June 2017</b>                                          | <b>Notes</b> | <b>Issued Capital</b> | <b>Accumulated Losses</b> | <b>Reserves</b> | <b>Total</b>       | <b>Non-controlling Interests</b> | <b>Total Equity</b> |
|--------------------------------------------------------------|--------------|-----------------------|---------------------------|-----------------|--------------------|----------------------------------|---------------------|
| Balance at beginning of year                                 |              | 44,266,058            | (46,771,455)              | 512,870         | (1,992,527)        | -                                | (1,992,527)         |
| Loss for the year                                            | 15           | -                     | (1,686,169)               | -               | (1,686,169)        | -                                | (1,686,169)         |
| Other comprehensive income                                   |              | -                     | -                         | -               | -                  | -                                | -                   |
| Total comprehensive loss for the year                        |              | -                     | (1,686,169)               | -               | (1,686,169)        | -                                | (1,686,169)         |
| <i>Transactions with owners in their capacity as owners:</i> |              |                       |                           |                 |                    |                                  |                     |
| Issue of shares                                              |              | 2,291,448             | -                         | -               | 2,291,448          | -                                | 2,291,448           |
| Share issue costs                                            |              | (190,892)             | -                         | -               | (190,892)          | -                                | (190,892)           |
| Transfer on exercise or expiry of equity                     | 14, 15       | 311,491               | -                         | (311,491)       | -                  | -                                | -                   |
| Convertible note adjustment                                  | 14, 15       | -                     | -                         | -               | -                  | -                                | -                   |
| Options issued during year                                   | 14           | -                     | -                         | -               | -                  | -                                | -                   |
| Performance Rights vesting                                   | 14           | -                     | -                         | 73,848          | 73,848             | -                                | 73,848              |
| <b>Balance at end of year</b>                                |              | <b>46,678,105</b>     | <b>(48,457,624)</b>       | <b>275,227</b>  | <b>(1,504,292)</b> | <b>-</b>                         | <b>(1,504,292)</b>  |

| <b>30 June 2016</b>                                          | <b>Notes</b> | <b>Issued Capital</b> | <b>Accumulated Losses</b> | <b>Reserves</b> | <b>Total</b>       | <b>Non-controlling Interests</b> | <b>Total Equity</b> |
|--------------------------------------------------------------|--------------|-----------------------|---------------------------|-----------------|--------------------|----------------------------------|---------------------|
| Balance at beginning of year                                 |              | 43,337,888            | (45,531,702)              | 383,113         | (1,810,701)        | -                                | (1,810,701)         |
| Loss for the year                                            |              | -                     | (1,462,436)               | -               | (1,462,436)        | -                                | (1,462,436)         |
| Other comprehensive income                                   |              | -                     | -                         | -               | -                  | -                                | -                   |
| Total comprehensive loss for the year                        | 15           | -                     | (1,462,436)               | -               | (1,462,436)        | -                                | (1,462,436)         |
| <i>Transactions with owners in their capacity as owners:</i> |              |                       |                           |                 |                    |                                  |                     |
| Issue of shares                                              |              | 980,920               | -                         | -               | 980,920            | -                                | 980,920             |
| Share issue costs                                            |              | (52,750)              | -                         | -               | (52,750)           | -                                | (52,750)            |
| Transfer on exercise or expiry of options                    | 14, 15       | -                     | -                         | -               | -                  | -                                | -                   |
| Convertible note adjustment                                  | 14, 15       | -                     | 222,683                   | (58,758)        | 163,925            | -                                | 163,925             |
| Options issued during year                                   | 14           | -                     | -                         | 169,184         | 169,184            | -                                | 169,184             |
| Performance Rights vesting                                   | 14           | -                     | -                         | 19,331          | 19,331             | -                                | 19,331              |
| <b>Balance at end of year</b>                                |              | <b>44,266,058</b>     | <b>(46,771,455)</b>       | <b>512,870</b>  | <b>(1,992,527)</b> | <b>-</b>                         | <b>(1,992,527)</b>  |

The Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the Financial Statements.

# Consolidated Statement of Cash Flows

For the year ended 30 June 2017



|                                                                  | Note | 2017<br>\$     | 2016<br>\$     |
|------------------------------------------------------------------|------|----------------|----------------|
| <b>Cash flows from operating activities</b>                      |      |                |                |
| Payments to suppliers and employees                              |      | (1,394,261)    | (723,723)      |
| Research and development refund received                         |      | 101,681        | 127,497        |
| Interest received                                                |      | 5,325          | 5,168          |
| Interest paid                                                    |      | (248,019)      | -              |
| <b>Net cash outflow from operating activities</b>                | 20   | (1,535,274)    | (591,058)      |
| <b>Cash flows from investing activities</b>                      |      |                |                |
| Sale of listed investments                                       |      | -              | 67,407         |
| Sale of plant and equipment                                      |      | -              | -              |
| Purchase of plant and equipment                                  |      | -              | -              |
| <b>Cash generated / (used) in investing activities</b>           |      | -              | 67,407         |
| <b>Cash flows from financing activities</b>                      |      |                |                |
| Proceeds from issue of equity                                    |      | 1,584,421      | 747,008        |
| Costs of raising equity                                          |      | (134,513)      | -              |
| Part repayment of convertible note                               |      | -              | -              |
| <b>Cash generated / (used) in financing activities</b>           |      | 1,449,908      | 747,008        |
| <b>Net increase/(decrease) in cash and cash equivalents</b>      |      | (85,366)       | 223,357        |
| Cash and cash equivalents at the beginning of the financial year |      | 558,326        | 335,208        |
| Effects of foreign exchange changes on cash and cash equivalents |      | 157            | (239)          |
| <b>Cash at the end of the financial year</b>                     | 19   | <u>473,117</u> | <u>558,326</u> |

The Consolidated Statement of Cash flows should be read in conjunction with the notes to the Financial Statements.

## 1. CORPORATE INFORMATION

The financial statements of Marenica Energy Limited (the “Company”) for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the Directors on 27 September 2017.

Marenica Energy Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange, and the Namibia Stock Exchange.

The nature of operations and principal activities of the Group, comprising Marenica Energy Limited and its subsidiaries, (“Group”) are described in the Directors’ Report.

## 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (‘AASB’) and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (‘IASB’).

#### Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

#### Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

#### Functional and Presentation Currency

These consolidated financial statements are presented in Australian dollars, which are the Company’s functional currency and the functional currency of the majority of the Group’s current financial transactions.

### (b) Going Concern

The Group incurred losses of \$1,686,169 (2016: \$1,462,436) and net operating cash outflows of \$1,535,274 (2016: \$591,058). These were offset by net cash inflows from financing activities of \$1,449,908 (2016: \$747,008).

The Group’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-grade™** process.

Although the Directors believe they will be successful in these measures, if they are not, there is a material uncertainty that the Group may be unable to continue as a going concern and therefore may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the Financial Report.

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Marenica Energy Limited ("Company" or "parent entity") as at 30 June 2017 and the results of all subsidiaries for the year then ended. Marenica Energy Limited and its subsidiaries together are referred to in these financial statements as the Group.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. The effects of all intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated in full.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent entity.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill (if any), liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### (d) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

### (e) Exploration expenses

Exploration and evaluation costs represent intangible assets. Exploration, evaluation and development costs are expensed as incurred. Acquisition costs related to an area of interest are capitalised and carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the areas of interest are continuing.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed.

**(f) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(g) Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Other receivables are recognised at amortised cost, less any provision for impairment

**(h) Plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight line basis so as to write off the net cost of each asset during their expected useful life of 3 to 5 years.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

**(i) Investments and other financial assets**

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

*Financial assets at fair value through profit and loss*

Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

*Impairment of financial assets*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

### (j) Provisions and employee benefits

#### *Provisions*

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

#### *Employee leave benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

#### *Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

### (k) Share based payments

The Company provides benefits to Directors, employees, consultants and other advisors of the Company in the form of share-based payments, whereby the directors, employees, consultants and other advisors render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the market price of the shares of the Company, if applicable.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant recipient becomes fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- (i) the extent to which the vesting period has expired and
- (ii) the Company's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the recipient, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

### (l) Earnings per share

Basic earnings per share is determined by dividing the profit (loss) after income tax attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

### (m) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement. For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

### (n) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

### (o) Trade and Other Payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

### (q) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### (r) Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

### (s) Foreign currency translation

#### *Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

### (t) Segment reporting

The Group uses a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

### (u) Income tax

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the notional income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

A deferred tax asset for unused tax losses is recognised only if it is probable that future taxable amounts will be available to utilise losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the assets and settle the liability simultaneously.

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (v) Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

### (w) New accounting standards and interpretations

#### *(i) New and amended standards adopted by the Company*

The Group 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. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

#### *(ii) Early adoption of standards*

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

#### *(iii) New accounting standards and interpretations*

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below. New standards and interpretations not mentioned are considered unlikely to impact on the financial reporting of the Company.

#### *AASB 9: Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

#### *AASB 15: Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the

**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

**AASB 16: Leases**

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

#### *Significant accounting estimates and assumptions*

##### *Share based payment transactions*

The Group measures the cost of equity-settled share based payment transactions with employees by reference to the fair value of the equity instruments at the grant date. The fair value is determined by using a recognised option valuation model, with the assumptions detailed in note 24. The accounting estimates and assumptions relating to equity-settled share based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

|                                                         | 2017<br>\$ | 2016<br>\$ |
|---------------------------------------------------------|------------|------------|
| <b>4. REVENUE FROM CONTINUING OPERATIONS</b>            |            |            |
| <i>Other revenues</i>                                   |            |            |
| Activity-based income                                   | 33,156     | -          |
| Net gain on disposal of investments                     | -          | 14,612     |
| Research and development tax refund                     | 101,681    | 127,497    |
| Reimbursement of exploration and evaluation expenditure | -          | 103,127    |
| <i>Financial income</i>                                 |            |            |
| Interest received                                       | 5,325      | 5,168      |

Refer to note 9 for further details on the net gain on disposal of investments

### 5. EXPENSES

Loss before income tax includes the following specific expenses:

|                                             |         |         |
|---------------------------------------------|---------|---------|
| Depreciation                                |         |         |
| Plant and equipment                         | 5,226   | 6,818   |
| Finance costs                               |         |         |
| Convertible notes                           | 228,106 | 245,326 |
| Net foreign exchange loss/(gain)            | 6,020   | (246)   |
| Rental expense relating to operating lease  |         |         |
| Minimum lease payments                      | 11,156  | 10,846  |
| Superannuation expense                      |         |         |
| Defined contribution superannuation expense | 33,659  | 36,706  |
| Share-based payments expense                |         |         |
| Equity-settled share based payments         | 73,848  | 185,016 |

|                                                                                                                                                                    | 2017<br>\$  | 2016<br>\$  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| <b>6. INCOME TAX</b>                                                                                                                                               |             |             |
| Loss for year                                                                                                                                                      | (1,686,169) | (1,462,436) |
| Tax expense/(benefit) at tax rate of 27.5% (2016: 28.5%)                                                                                                           | (463,696)   | (416,794)   |
| Tax effect of amounts that are not deductible/taxable in calculating taxable income                                                                                | 50,896      | 68,349      |
| Deferred tax assets not brought to account                                                                                                                         | (497,019)   | (389,828)   |
| Revenue losses not brought to account                                                                                                                              | 909,819     | 738,273     |
| Income tax expense/(benefit)                                                                                                                                       | -           | -           |
| Tax losses                                                                                                                                                         |             |             |
| Unused Australian revenue tax losses for which no deferred tax asset has been recognised                                                                           | 24,292,194  | 20,753,970  |
| Potential tax benefit at 27.5% (2016: 28.5%)                                                                                                                       |             |             |
| The Directors estimate that the potential deferred tax benefit, at the prevailing rate of 27.5% (2016: 28.5%), in respect of tax losses not brought to account is: | 6,680,353   | 5,914,881   |

No income tax expense has been provided in the accounts because the Company has an operating loss for the year. No deferred tax asset attributable to tax losses has been brought to account as recovery is not certain or assured.

The benefit will only be obtained if the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised, continues to comply with the conditions for deductibility imposed by taxation legislation and there are no changes in tax legislation adversely affecting the Group in realising the benefit.

|                                                                                                  | 2017<br>\$  | 2016<br>\$  |
|--------------------------------------------------------------------------------------------------|-------------|-------------|
| <b>7. TRADE AND OTHER RECEIVABLES</b>                                                            |             |             |
| <b>Current Assets</b>                                                                            |             |             |
| GST and VAT refundable                                                                           | 36,192      | 12,981      |
| Other receivables                                                                                | 1,461       | 1,333       |
|                                                                                                  | 37,653      | 14,314      |
| None of the receivables are past due and are therefore not impaired.                             |             |             |
| <b>Non-Current Assets</b>                                                                        |             |             |
| Amount receivable from sale of Marenica Minerals (Proprietary) Limited (incorporated in Namibia) | 3,425,275   | 3,425,275   |
| Provision for impairment                                                                         | (3,425,275) | (3,425,275) |
|                                                                                                  | -           | -           |

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

|                                | 2017<br>\$    | 2016<br>\$    |
|--------------------------------|---------------|---------------|
| <b>8. PLANT AND EQUIPMENT</b>  |               |               |
| Cost                           | 102,420       | 100,299       |
| Less: Accumulated Depreciation | (85,095)      | (77,751)      |
| Net book value                 | <u>17,325</u> | <u>22,548</u> |

**Reconciliations:**

Reconciliations of written down values at the beginning and end of the current and previous financial year are set out below:

|                         |               |               |
|-------------------------|---------------|---------------|
| Opening net book amount | 22,548        | 29,371        |
| Additions               | -             | -             |
| Disposals               | 3             | (5)           |
| Profit on sale          | -             | -             |
| Depreciation charge     | (5,226)       | (6,818)       |
| Closing net book amount | <u>17,325</u> | <u>22,548</u> |

**9. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

**Listed Shares**

|                    |          |          |
|--------------------|----------|----------|
| Closing book value | <u>-</u> | <u>-</u> |
|--------------------|----------|----------|

*Reconciliation*

Reconciliation of the fair values at the beginning and end of the current financial year are set out below:

|                      |          |          |
|----------------------|----------|----------|
| At beginning of year | -        | 52,795   |
| Additions            | -        | -        |
| Disposals            | -        | (52,795) |
| Impairment           | -        | -        |
|                      | <u>-</u> | <u>-</u> |

Refer to note 29 for further information on fair value measurement.

# Notes to the Financial Statements (continued)

For the year ended 30 June 2017



|                     | 2017<br>\$     | 2016<br>\$     |
|---------------------|----------------|----------------|
| <b>10. PAYABLES</b> |                |                |
| Trade payables      | 142,181        | 43,861         |
| Accrued charges     | 190,362        | 625,203        |
|                     | <u>332,543</u> | <u>669,064</u> |

Included in Accrued charges is the sum of \$157,224 (2016; \$513,710) relating to unpaid non-executive Directors fees (inclusive of superannuation) at year end. The sum of \$157,224 relates to the Company's obligation to fund the exercise price of options issued to Directors should the Directors exercise the options.

Refer to note 28 for further information on financial instruments.

## 11. BORROWINGS

### Current Liabilities

|                                     |               |                |
|-------------------------------------|---------------|----------------|
| Insurance funding loan              | -             | 7,722          |
| Convertible note – accrued interest | 82,488        | 367,394        |
|                                     | <u>82,488</u> | <u>375,116</u> |

### Non-Current Liabilities

|                                     |                  |                  |
|-------------------------------------|------------------|------------------|
| Convertible note                    | 1,564,414        | 1,501,695        |
| Convertible note – accrued interest | -                | -                |
|                                     | <u>1,564,414</u> | <u>1,501,695</u> |

On 9 February 2016 the Company reached agreement with Hanlong for the extension of the Convertible Notes from its maturity date of 14 November 2016 to 14 November 2018. The key terms of the amended Convertible Notes are a revision of the conversion price from \$1.80 per share to \$0.58 per share, an unchanged coupon interest rate of 8% per annum with annual interest still 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 Note, the debt component will increase to the face value of \$1,650,671 at maturity date of 14 November 2018.

Refer to note 28 for further information on financial instruments.

## 12. PROVISIONS

|                            |               |               |
|----------------------------|---------------|---------------|
| Provision for annual leave | <u>52,942</u> | <u>41,840</u> |
|----------------------------|---------------|---------------|

## 13. CONTRIBUTED EQUITY

### (a) Ordinary Shares

|                                   |                   |                   |
|-----------------------------------|-------------------|-------------------|
| Paid up capital – ordinary shares | 47,558,689        | 44,955,750        |
| Capital raising costs capitalised | (880,584)         | (689,692)         |
|                                   | <u>46,678,105</u> | <u>44,266,058</u> |

| Movement during the year:                                                             | Number of shares  | \$                |
|---------------------------------------------------------------------------------------|-------------------|-------------------|
| Balance at 1 July 2015                                                                | 15,567,625        | 43,337,888        |
| Issued during the year                                                                |                   |                   |
| In lieu of salaries on 30 November 2015                                               | 196,495           | 30,111            |
| In lieu of salaries and consulting fees on 5 April 2016                               | 849,343           | 104,840           |
| In lieu of director fees for extra services on 5 April 2016                           | 300,000           | 37,200            |
| In lieu of introduction fee on 5 April 2016                                           | 23,364            | 2,897             |
| In lieu of underwriting fee on 5 April 2016                                           | 373,832           | 46,355            |
| In lieu of payment of consulting fees on 5 April 2016                                 | 100,876           | 12,509            |
| Share purchase plan on 15 April 2016                                                  | 4,728,976         | 506,000           |
| Share placement on 22 April 2016                                                      | 1,788,786         | 191,400           |
| Share placement on 27 April 2016                                                      | 196,495           | 30,111            |
| Less: Share issue costs                                                               | -                 | (52,750)          |
| Balance at 30 June 2016                                                               | <u>24,329,061</u> | <u>44,266,058</u> |
| Balance at 1 July 2016                                                                | 24,329,061        | 44,266,058        |
| Issued during the year                                                                |                   |                   |
| In lieu of payment of consulting fees on 30 September 2016                            | 300,000           | 34,500            |
| Performance rights vested on 30 September 2016                                        | 472,500           | 94,500            |
| Options exercised on 30 September 2016                                                | 1,257,501         | 278,959           |
| Transfer from share-based payments reserve for options exercised on 30 September 2016 | -                 | 158,911           |
| Share placement on 16 November 2016                                                   | 1,000,000         | 100,000           |
| Share placement on 22 November 2016                                                   | 4,000,000         | 400,000           |
| In lieu of director fees on 16 January 2017                                           | 122,177           | 15,151            |
| Share placement on 20 April 2017                                                      | 4,376,923         | 569,000           |
| Options exercised on 2 June 2017                                                      | 427,678           | 101,128           |
| Transfer from share based payments reserve for options exercised on 2 June 2017       | -                 | 58,080            |
| In lieu of payment of accrued interest on convertible notes on 2 June 2017            | 604,163           | 78,541            |
| Rights issue on 2 June 2017                                                           | 2,472,421         | 321,414           |
| In lieu of payment of accrued interest on convertible notes on 9 June 2017            | 951,800           | 123,734           |
| Share placement on 9 June 2017                                                        | 2,069,392         | 269,021           |
| Less: Share issue costs                                                               | -                 | (190,892)         |
| Balance at 30 June 2017                                                               | <u>42,383,616</u> | <u>46,678,105</u> |

Ordinary shares participate in dividends and the proceeds on winding up of Marenica Energy Limited in proportion to the number of shares held. The fully paid ordinary shares have no par value.

At shareholder meetings, when a poll is called, each ordinary share is entitled to one vote otherwise each shareholder has one vote on a show of hands.

**(b) Shares Options**

|                             | Unlisted,<br>40c Options<br>17/09/19 | Unlisted,<br>18.06c<br>Options<br>01/12/19 | Unlisted<br>35.5c Options<br>26/11/18 |             |
|-----------------------------|--------------------------------------|--------------------------------------------|---------------------------------------|-------------|
| Movements in share options: |                                      |                                            |                                       |             |
| Balance at 1 July 2015      | -                                    | -                                          | 721,059                               |             |
| Issued during the year      | 26,700                               | 1,548,456                                  | -                                     |             |
| Balance at 30 June 2016     | 26,700                               | 1,548,456                                  | 721,059                               |             |
| Exercised during year       | (26,700)                             | (1,257,758)                                | (400,721)                             |             |
| Issued during the year      | -                                    | -                                          | -                                     |             |
| Balance at 30 June 2017     | -                                    | 290,698                                    | 320,338                               |             |
|                             |                                      |                                            | <b>2017</b>                           | <b>2016</b> |
|                             |                                      |                                            | <b>\$</b>                             | <b>\$</b>   |

**14. RESERVES**

|                              |                |                |
|------------------------------|----------------|----------------|
| Share-based payments reserve | 111,301        | 348,944        |
| Convertible note reserve     | 163,926        | 163,926        |
|                              | <b>275,227</b> | <b>512,870</b> |

**(a) Share-Based Payments Reserve**

|                                |                |                |
|--------------------------------|----------------|----------------|
| Balance at beginning of year:  | 348,944        | 160,430        |
| Options exercised during year  | (216,991)      | -              |
| Options issued during year     | -              | 169,183        |
| Performance rights vesting (b) | 73,848         | 19,331         |
| Performance rights vested (b)  | (94,500)       | -              |
| Balance at end of year:        | <b>111,301</b> | <b>348,944</b> |

**(i) Share Options**

|                                   | Number of options | \$             | Weighted<br>average<br>exercise<br>price<br>\$ |
|-----------------------------------|-------------------|----------------|------------------------------------------------|
| <u>Movements in share options</u> |                   |                |                                                |
| Balance as at 1 July 2015         | 721,059           | 141,998        | 0.3550                                         |
| Options issued ref. (a) next page | 1,575,156         | 169,182        | 0.1843                                         |
| Balance as at 30 June 2016        | <b>2,296,215</b>  | <b>311,181</b> | <b>\$0.2379</b>                                |
| Options exercised                 | (1,685,179)       | (216,991)      | 0.2255                                         |
| Options issued                    | -                 | -              | -                                              |
| Balance as at 30 June 2017        | <b>611,036</b>    | <b>94,190</b>  | <b>0.2720</b>                                  |

**(ii) Performance Rights**

|                                                          |                |
|----------------------------------------------------------|----------------|
| <u>Movements in performance rights</u>                   |                |
| Balance as at 1 July 2015                                | 18,432         |
| Rights vesting ref. (b) next page                        | 19,331         |
| Balance as at 30 June 2016                               | <b>37,763</b>  |
| Rights vesting ref. (b) next page                        | 73,848         |
| Rights vested ref. (b) next page                         | (94,500)       |
| Balance as at 30 June 2017                               | <b>17,111</b>  |
| <b>Total (i) &amp; (ii) Share Based Payments Reserve</b> | <b>111,301</b> |

**14. RESERVES (continued)**

- (a) On 14 September 2015, shareholders approved the issue of 26,700 options exercisable at \$0.40 each on or before 17 September 2019 to specified directors at the General Meeting.

The fair value of these options granted is \$0.131 per option with a total allotment value of \$3,498. 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  | \$0.15     |
| Exercise price          | \$0.40     |
| Expected volatility     | 174.34%    |
| Option life             | 4.01 years |
| Risk-free interest rate | 2.12%      |

On 30 November 2015, shareholders approved the issue of 1,548,456 options exercisable at \$0.1806 each on or before 1 December 2019 to specified directors at the Annual General Meeting.

The fair value of these options granted is \$0.107 per option with a total allotment value of \$165,685. 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  | \$0.125    |
| Exercise price          | \$0.1806   |
| Expected volatility     | 154.18%    |
| Option life             | 4.01 years |
| Risk-free interest rate | 2.30%      |

- (b) On 16 July 2014, the Company approved 675,000 (post consolidation) performance rights to be issued to the CEO, Murray Hill, which are subject to the following performance hurdles:

|                                                                                                                |                |
|----------------------------------------------------------------------------------------------------------------|----------------|
| (i) Successful raising of capital for Pilot Plant construction & operation                                     | 270,000        |
| (ii) Successful completion of the initial Pilot Plant program proving <b>U-pgrade™</b> works on samples tested | 202,500        |
| (iii) First commercialisation deal on <b>U-pgrade™</b> process                                                 | 202,500        |
| <b>Total</b>                                                                                                   | <b>675,000</b> |

The second milestone is conditional on achieving a Pilot Plant uranium recovery to final concentrate of +/- 10% of the bench scale testwork result. The first and third milestones were achieved and vested on 30 September 2016.

Any unvested performance rights will automatically vest on sale of the **U-pgrade™** technology or change of control of the Company. In the event of the CEO ceasing to be an employee of the Company or its subsidiary any unvested performance rights will lapse unless the Company's Board otherwise determines, at its discretion, that all or any of the unvested performance rights shall vest. Any performance rights that have not vested within seven (7) years from the date of issue will lapse. These have been fair valued at \$0.20 each (post consolidation basis).

As at reporting date, 472,500 (2016: nil) of the above performance rights have vested. Following the signing of the Technology Licence Agreement with Deep Yellow Limited and its intention to fund a pilot plant to demonstrate the upgrade **U-pgrade™** technology on a continuous basis, the Board determined that the first and third milestones were achieved and 472,500 performance rights vested on 30 September 2016. The expense relating to the fair value of the remaining 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.

| 14. RESERVES (continued)                                 | 2017<br>\$ | 2016<br>\$ |
|----------------------------------------------------------|------------|------------|
| (b) Convertible Note Reserve                             |            |            |
| Balance at beginning of year:                            | 163,926    | 222,683    |
| Transfer to accumulated losses upon extinguishment       | -          | (222,683)  |
| Fair value of equity portion on revised convertible note | -          | 163,926    |
| Balance at end of year:                                  | 163,926    | 163,926    |

## *Nature and purpose of reserves*

### (i) Share-based payments reserve

The share-based payments reserve represents the fair value of the actual or estimated number of unexercised equity instruments granted to management and consultants of the Company recognised in accordance with the accounting policy adopted for share-based payments and the cash price of rights/options issued to investors.

### (ii) Convertible note reserve

The convertible note reserve represents the fair value of the option portion on the convertible note.

|                                                         | 2017<br>\$   | 2016<br>\$   |
|---------------------------------------------------------|--------------|--------------|
| 15. ACCUMULATED LOSSES                                  |              |              |
| Accumulated losses at beginning of year                 | (46,771,455) | (45,531,702) |
| Net losses attributable to members of the parent entity | (1,686,169)  | (1,462,436)  |
| Convertible note adjustment                             | -            | 222,683      |
| Accumulated losses at the end of the year               | (48,457,624) | (46,771,455) |

## 16. SEGMENT INFORMATION

The Group operates predominately in the mineral exploration and development industry in Namibia. For management purposes, the Group is organised into one main operating segment which involves the exploration and evaluation of a uranium deposit in Namibia and beneficiation testwork in Australia. All of the Group's activities are inter-related and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial results of the Group as a whole.

## 17. RELATED PARTIES

### (a) Subsidiaries

The consolidated financial statements include the financial statements of Marenica Energy Limited and the subsidiaries listed in the following table:

| Name                              | Country of<br>Incorporation | % Equity<br>Interest<br>2017 | % Equity<br>Interest<br>2016 |
|-----------------------------------|-----------------------------|------------------------------|------------------------------|
| Marenica Energy Namibia (Pty) Ltd | Namibia                     | 100%                         | 100%                         |
| Marenica Minerals (Pty) Ltd       | Namibia                     | 75%                          | 75%                          |
| Uranium Beneficiation Pty Ltd     | Australia                   | 100%                         | 100%                         |
| Bronzewing Gold Pty Ltd           | Australia                   | 100%                         | 100%                         |

**17. RELATED PARTIES (continued)****(b) Ultimate parent**

Marenica Energy Limited is the ultimate Australian parent entity and ultimate parent of the Group.

**(c) Key management personnel**

Details relating to key management personnel, including remuneration paid, are included in note 23 and the audited remuneration report section of the Directors' report.

**(d) Transaction with other related parties**

A Director, Mr D Sanders, is a shareholder, director and employee of the legal firm Bennett + Co. This firm provided legal services to the Company on normal commercial terms and conditions. Total fees paid in the financial year ended 30 June 2017 was \$3,685 (2016: \$24,629).

**18. COMMITMENTS FOR EXPENDITURE****Mineral Tenement Leases**

The Company was granted a Mineral Deposit Retention Licence (MDRL) for its Namibian tenements which expires in November 2021. The MDRL effectively allows Marenica a period of 5 years grace with respect to exploration expenditure obligations

|                                                                                                            | 2017<br>\$    | 2016<br>\$    |
|------------------------------------------------------------------------------------------------------------|---------------|---------------|
| <b>Building Lease</b>                                                                                      |               |               |
| The Company leases offices in Perth from February 2017 for 1 year for \$11,260 per annum.                  |               |               |
| The Company has leased a secure storage shed in Namibia from August 2017 for 1 year at ~ \$8,778 per annum |               |               |
| Within one year                                                                                            | 15,280        | 13,725        |
| Between 1 and 5 years                                                                                      | 731           | 606           |
|                                                                                                            | <u>16,011</u> | <u>14,331</u> |

| 2017<br>\$ | 2016<br>\$ |
|------------|------------|
|------------|------------|

**19. CASH AND CASH EQUIVALENTS**

Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

|                                     |                |                |
|-------------------------------------|----------------|----------------|
| Cash at bank and on deposit         | 473,117        | 558,326        |
| Balance per statement of cash flows | <u>473,117</u> | <u>558,326</u> |

|                                                                                                                        | 2017<br>\$         | 2016<br>\$       |
|------------------------------------------------------------------------------------------------------------------------|--------------------|------------------|
| <b>20. RECONCILIATION OF LOSS AFTER INCOME TAX TO CASH FLOWS USED IN OPERATING ACTIVITIES</b>                          |                    |                  |
| Operating Profit (Loss)                                                                                                | (1,686,169)        | (1,462,436)      |
| <u>Add (less) non-cash items</u>                                                                                       |                    |                  |
| Depreciation                                                                                                           | 5,226              | 6,818            |
| Profit on sale of investments                                                                                          | -                  | (14,612)         |
| Share-based payments                                                                                                   | 780,865            | 369,676          |
| Loss on extension of convertible note                                                                                  | -                  | 67,316           |
| Amortisation of convertible note                                                                                       | 62,718             | 98,794           |
| Unrealised foreign exchange                                                                                            | 1,347              | (1,202)          |
| <u>Decrease/increase in operating assets and liabilities:</u>                                                          |                    |                  |
| Receivables                                                                                                            | (23,103)           | 36,460           |
| Trade and other payables                                                                                               | (394,632)          | 147,540          |
| Insurance Funding                                                                                                      | (7,722)            | (1,234)          |
| Provisions                                                                                                             | 11,102             | 15,289           |
| Accrued interest                                                                                                       | (284,906)          | 146,533          |
| Net cash (outflow) from operating activities                                                                           | <u>(1,535,274)</u> | <u>(591,058)</u> |
| <b>21. EARNINGS PER SHARE</b>                                                                                          |                    |                  |
| <b>(a) Basic earnings per share – cents per share</b>                                                                  |                    |                  |
| Loss attributable to the ordinary equity holders of the Company                                                        | (5.58)             | (8.37)           |
| <b>(b) Diluted earnings per share</b>                                                                                  |                    |                  |
| Diluted earnings per share are not disclosed as they are not materially different to basic earnings per share.         |                    |                  |
| <b>(c) Weighted average number of shares used as the denominator</b>                                                   |                    |                  |
| Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share | 30,226,801         | 17,463,673       |
| <b>22. AUDITORS' REMUNERATION</b>                                                                                      |                    |                  |
| During the year the following fees were paid or payable for services provided by the auditors:                         |                    |                  |
| <b>(a) Audit services</b>                                                                                              |                    |                  |
| Audit and review of financial reports under the Corporations Act 2001                                                  | 18,500             | 21,000           |
| Audit and review of financial reports of Namibian subsidiaries                                                         | 3,292              | 3,183            |
| <b>(b) Other services</b>                                                                                              |                    |                  |
| Income tax return preparation                                                                                          | -                  | -                |
| Total remuneration of auditors                                                                                         | <u>21,792</u>      | <u>24,183</u>    |

|                                                                                                                           | 2017<br>\$     | 2016<br>\$     |
|---------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>23. KEY MANAGEMENT PERSONNEL</b>                                                                                       |                |                |
| <b>Compensation for Key Management Personnel</b>                                                                          |                |                |
| The aggregate compensation made to directors and other members of key management personnel of the Group is set out below: |                |                |
| Short term employee benefits                                                                                              | 697,169        | 469,902        |
| Post-employment benefits                                                                                                  | 30,861         | 33,890         |
| Share-based payments                                                                                                      | 199,163        | 111,732        |
| Total compensation                                                                                                        | <u>927,193</u> | <u>615,524</u> |

## 24. SHARE BASED PAYMENTS

Set out below are summaries of options granted during the year:

### 2017

No options were granted during the year ended 30 June 2017.

### 2016

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted   | Expired/ forfeited/ other | Balance at the end of the year |
|------------|-------------|----------------|----------------------------------|-----------|---------------------------|--------------------------------|
| 14/9/2015  | 17/9/2019   | \$0.40         | -                                | 26,700    | -                         | 26,700                         |
| 30/11/2015 | 1/12/2019   | \$0.1806       | -                                | 1,548,456 | -                         | 1,548,456                      |

Set out below are the options exercisable at the end of the financial year:

| Grant date | Expiry date | 2017<br>Number | 2016<br>Number   |
|------------|-------------|----------------|------------------|
| 3/11/2014  | 26/11/2018  | 320,338        | 721,059          |
| 14/9/2015  | 17/9/2019   | -              | 26,700           |
| 30/11/2015 | 1/12/2019   | <u>290,698</u> | <u>1,548,456</u> |
|            |             | <u>611,036</u> | <u>2,296,215</u> |

The weighted average share price during the financial year was \$0.1520 (2016: \$0.1483).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.89 years (2016: 3.10 years).

## 25. PARENT ENTITY FINANCIAL INFORMATION

### (a) Information relating to Marenica Energy Limited

|                            | 2017<br>\$         | 2016<br>\$         |
|----------------------------|--------------------|--------------------|
| Current Assets             | 505,567            | 568,579            |
| Non-Current Assets         | 17,298             | 22,523             |
| Total Assets               | 522,865            | 591,102            |
| Current Liabilities        | (455,685)          | (1,074,812)        |
| Non-Current Liabilities    | (1,564,413)        | (1,501,695)        |
| Total Liabilities          | (2,020,098)        | (2,576,507)        |
| <b>NET ASSETS</b>          | <b>(1,497,233)</b> | <b>(1,985,405)</b> |
| <b>EQUITY</b>              |                    |                    |
| Issued capital             | 46,678,095         | 44,266,058         |
| Reserves                   | 275,227            | 512,870            |
| Accumulated losses         | (48,450,555)       | (46,764,333)       |
| <b>TOTAL EQUITY</b>        | <b>(1,497,233)</b> | <b>(1,985,405)</b> |
| Loss for the year          | (1,686,222)        | (1,463,600)        |
| Total comprehensive income | (1,686,222)        | (1,463,600)        |

### (b) Guarantees

No guarantees have been entered into by the Company in relation to the debts of its subsidiaries.

### (c) Commitments

Commitments of the Company as at reporting date are disclosed in note 18 to the financial statements.

## 26. CONTINGENT LIABILITIES

### (a) Mallee Minerals Pty Ltd

On 7 April 2006, the Company entered into an introduction agreement with Mallee Minerals Pty Limited in respect of a mineral licence in Namibia (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 year ended June 2017 (2016: nil). In total \$2,026,000 has been paid under this agreement.

## 27. EVENTS AFTER THE REPORTING PERIOD

On 3 August 2017 Marenica Energy Limited issued 1,401,236 shares at \$0.13 per shares to investors that applied for shortfall shares (Shortfall) which resulted from the non-renounceable entitlement issue which closed on 29 May 2017. This Shortfall placement raised \$182,161, before costs of the issue.

Also, Hanlong Energy Limited (Hanlong) has agreed to subscribe for \$180,000 of new shares. Subject to shareholder approval 1,384,616 shares will be issued at \$0.13 per share. In the interim, the \$180,000 will have been provided by way of a converting loan. The converting loan is interest free up until the Company's annual general meeting, which will be held during November 2017 (AGM). If shareholders do not approve the conversion of the loan into shares, then an interest rate of 8% per annum will be charged from the AGM and the \$180,000 plus interest will be repayable in cash on 31 January 2018.

In addition, that Hanlong has agreed by amendment to the Convertible Note Agreement to convert the next cash interest payment on the Convertible Notes due on 14 November 2017 of \$132,054 to shares, subject to shareholder approval at the AGM. Once approved, the shares will be issued at the higher of \$0.13 per share or a twenty (20%) percent discount to the VWAP during the 20 days immediately preceding the AGM. If shareholders do not approve the issue of shares, then the amount of \$132,054 will be repayable in cash plus additional interest at the rate of 12% per annum on the outstanding interest amount. This cash payment will be due on or before 28 February 2018.

Other than the matter mentioned above, there have been no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect:

- (i) the Group's operations in future years; or
- (ii) the results of those operations in future years; or
- (iii) the Group's state of affairs in future years.

## 28. FINANCIAL INSTRUMENTS

### Overview – Risk Management

This note presents information about the Group's exposure to credit, liquidity and market risks, its objectives, policies and processes for measuring and managing risk and the management of capital.

The Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Company and the Group through regular reviews of the risks.

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities. At 30 June 2017 there were no significant concentrations of credit risk.

### Cash and cash equivalents

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

**28. FINANCIAL INSTRUMENTS (continued)***Trade and other receivables*

As the Group operates primarily in exploration activities, it does not have any significant trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

The Group where necessary establishes an allowance for impairment that represents its estimate of incurred losses in respect of other receivables and investments. Management does not expect any counterparty to fail to meet its obligations.

*Exposure to credit risk*

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

|                             | <b>Note</b> | <b>2017<br/>\$</b> | <b>2016<br/>\$</b> |
|-----------------------------|-------------|--------------------|--------------------|
| Trade and other receivables | 7           | 37,563             | 14,314             |
| Cash and cash equivalents   | 19          | 473,117            | 558,326            |

*Impairment Losses*

None of the Group's receivables are past due (2016: \$ nil).

**Liquidity Risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual flows. Apart from the convertible note, the Group does not have any significant external borrowings.

The Group will need to raise additional capital in the next 12 months to meet forecast operational and development activities. The decision on when and how the Group will raise future capital will depend on market conditions existing at that time.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

**30 June 2017**

|                          | <b>Note</b> | <b>Carrying<br/>amount</b> | <b>Contractual<br/>cash flow</b> | <b>6 months<br/>or less</b> | <b>&gt;12<br/>months</b> |
|--------------------------|-------------|----------------------------|----------------------------------|-----------------------------|--------------------------|
| Trade and other payables | 10          | 175,319                    | 175,319                          | 175,319                     | -                        |
| Directors Fees           | 10          | 157,224                    | 157,224                          | -                           | 157,224                  |
| Borrowings               | 11          | 1,646,902                  | 1,733,159                        | 82,488                      | 1,650,671                |

**30 June 2016**

|                          | <b>Note</b> | <b>Carrying<br/>amount</b> | <b>Contractual<br/>cash flow</b> | <b>6 months<br/>or less</b> | <b>&gt;12<br/>months</b> |
|--------------------------|-------------|----------------------------|----------------------------------|-----------------------------|--------------------------|
| Trade and other payables | 10          | 155,354                    | 155,354                          | 155,354                     | -                        |
| Directors Fees           | 10          | 513,710                    | 513,710                          | -                           | 513,710                  |
| Borrowings               | 11          | 1,876,811                  | 2,025,787                        | 375,116                     | 1,650,671                |

**28. FINANCIAL INSTRUMENTS (continued)****Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

**Currency Risk**

The Group's exposure to currency risk at 30 June 2017 on financial assets denominated in Namibian dollars was nil (2016: nil) which amounts are not hedged. The effect of future movements in the exchange rate for Namibian dollars on the Group's financial position and results of fully expensed exploration and evaluation activities is likely to be negligible.

**Interest Rate Risk**

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures.

The Company adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents on short term deposit at interest rates maturing over 30 to 90 day rolling periods.

*Profile*

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

|                                              | <b>Carrying Amount</b> |             |
|----------------------------------------------|------------------------|-------------|
|                                              | <b>2017</b>            | <b>2016</b> |
|                                              | <b>\$</b>              | <b>\$</b>   |
| <b>Fixed rate instruments</b>                |                        |             |
| Financial assets – cash and cash equivalents | -                      | -           |
| Financial liabilities – convertible notes    | 1,646,902              | 1,869,089   |
| <b>Variable rate instruments</b>             |                        |             |
| Financial assets – cash and cash equivalents | 473,117                | 558,326     |

*Fair value sensitivity analysis for fixed rate instruments*

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss or through equity, therefore a change in interest rates at the reporting date would not affect profit or loss or equity.

*Cash flow sensitivity analysis for variable rate instruments*

A change of 50 basis points (2016: 50 basis points) in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2016.

|                           | <b>Profit or loss</b>    |                          | <b>Equity</b>            |                          |
|---------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                           | <b>50bp<br/>increase</b> | <b>50bp<br/>decrease</b> | <b>50bp<br/>increase</b> | <b>50bp<br/>decrease</b> |
| <b>30 June 2017</b>       |                          |                          |                          |                          |
| Variable rate instruments | 2,366                    | (2,366)                  | 2,366                    | (2,366)                  |
|                           | <b>50bp<br/>increase</b> | <b>50bp<br/>decrease</b> | <b>50bp<br/>increase</b> | <b>50bp<br/>decrease</b> |
| <b>30 June 2016</b>       |                          |                          |                          |                          |
| Variable rate instruments | 2,791                    | (2,791)                  | 2,791                    | (2,791)                  |

**Fair Value of financial instruments**

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

## 28. FINANCIAL INSTRUMENTS (continued)

### **Commodity Price Risk**

The Group operates primarily in the exploration and evaluation phase and accordingly the Group's financial assets and liabilities are subject to minimal commodity price risk.

### **Capital Management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. The Group's focus has been to raise sufficient funds through equity or debt to fund its exploration and evaluation activities.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

The Group is not subject to externally imposed capital requirements.

## 29. FAIR VALUE MEASUREMENT

### *Fair value hierarchy*

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The Directors of the Company declare that:

1. the financial statements, notes and additional disclosures included in the Directors' Report designated as audited, of the Company and of the Group are in accordance with the Corporations Act 2001, including:
  - (a) complying with Accounting Standards and the Corporations Regulations 2001; and
  - (b) giving a true and fair view of the Company's and Group's financial position as at 30 June 2017 and of their performance for the year ended on that date.
2. in the Directors' opinion there are reasonable grounds to believe that the Company and Group will be able to pay their debts as and when they become due and payable.
3. the financial report also complies with International Financial Reporting Standards.
4. this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2017.

This declaration is made in accordance with a resolution of the board of Directors.

On behalf of the board.



**Douglas Buerger**  
**Chairman**

Perth  
27 September 2017



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## **INDEPENDENT AUDIT REPORT TO THE MEMBERS OF MARENICA ENERGY LIMITED**

### **Report on the Audit of the Financial Report**

#### ***Opinion***

We have audited the financial report of Marenica Energy Limited ("the Company") and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended on that date and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration of the Company.

In our opinion the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### ***Basis for Opinion***

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Material Uncertainty related to Going Concern***

Without qualifying our opinion, we draw attention to Note 2(b) in the financial report. The matters set forth in Note 2(b) indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern, and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the report.

#### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Chartered Accountants



### ***Key Audit Matter***

#### **Borrowings**

The Convertible Note is the material liability by value and is considered to be the key to the Group's operations. We do not consider the convertible note to be at a high risk of significant misstatement, or to be subject to a significant level of judgement because it is supported by a funding deed and deeds of variation. However due to the materiality in the context of the financial statements as a whole, the convertible note is considered to be the area which had the greatest effect on our overall strategy and allocation of resources in planning and completing our audit.

Our procedures over the existence, completeness and valuation of the convertible note included but were not limited to:

- Documenting and assessing the processes and controls in place to record the convertible note and the movements in its value during the year ;
- Agreeing the terms of the convertible note to the funding deed between the issuer and the subscriber dated 29 October 2010 and subsequent deeds of variation; and
- Agreeing and checking the calculations and value of the convertible note and interest to workpapers prepared by the Group's accountants, a reputable mid- tier firm.

We have also assessed the appropriateness of the disclosures included in Notes 1, 11, 27 and 28 to the financial report.

#### ***Other Information***

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### ***Directors' Responsibility for the Financial Report***

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going



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concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

***Auditor's Responsibility for the Audit of the Financial Report***

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/Home.aspx](http://www.auasb.gov.au/Home.aspx)

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe those matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

**Report on the Remuneration Report**

***Opinion on the Remuneration Report***

We have audited the remuneration report included in the directors' report for the year ended 30 June 2017.

In our opinion the remuneration report of Marenica Energy Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

***Responsibilities***

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**Rothsay Auditing**  
Dated **27** September 2017

**Graham Swan FCA**  
**Partner**



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