MARENICA ENERGY LIMITED

Annual Report 2010

COMPANY INFORMATION

DIRECTORS
D Sanders (Non-executive director)

N Biddle (Non-executive director)

R Pearce (Non-executive director)

G Becker (Non-executive director)

CHIEF EXECUTIVE OFFICER
J Young

SECRETARY
S Robertson

REGISTERED OFFICE
Ground Floor, 47 Colin Street

West Perth WA 6005

Tel: 61 8 9321 7355 Fax: 61 8 9321 7399

WEB SITE
www.marenicaenergy.com.au

ASX CODE
MEY

AUDITOR
Rothsay

Chartered Accountants

96 Parry Street

Perth WA 6000

Tel: 61 8 9227 0552

STOCK EXCHANGES
Australian Securities Exchange Limited – MEY

Namibian Stock Exchange – WAM

German Exchanges - A0YFVL

HOME EXCHANGE
Perth

SHARE REGISTRY
Advanced Share Registry Services

150 Stirling Highway

Nedlands WA 6009

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LETTER FROM THE CHAIRMAN & CEO

Dear Shareholders

We are pleased to present Marenica Energy Ltd's 2010 Annual Report, which outlines your Company's considerable achievements over the past 12 months in the face of challenging economic conditions and extreme volatility on financial markets.

Chairman's report

As I only joined the Board in April, I will leave the Chief Executive to deliver the detailed Project overview to you for the 2009/10 year.

In December last year, Polo Investments Pty Ltd sold their 10.4% shareholding in the Company to Areva NC, the French conglomerate, which owns the Trekkopje uranium development project that lies within 30 kilometres of your Project.

There have been a number of changes in the Board over the past year with the resignations of Graham Woolford and Paul Ingram, my appointment and subsequent to year-end, appointment of Gavin Becker and Doug Buerger. Neil Biddle has decided not to stand for re-election at the annual general meeting. I take this opportunity to thank Neil for the support he provided to management during some challenging times.

I believe that the Board is now well balanced operationally and technically to go forward because of Gavin Becker's (metallurgist) consulting, uranium and recent large project development experience together with his early working life in mines in southern Africa and Australia; Doug Buerger's (geologist) 12 years as Chief Executive of Bendigo Mining Ltd, responsible for taking Bendigo from the exploration stage through to production (including the financing thereof), his substantial geologist experience in Australia, Pacific Islands and several years in Namibia; David Sanders' extensive mining and resources legal experience; and my accounting, corporate and past mining background.

The Company is asking shareholders at its Annual General Meeting to be held on the 19th November 2010 to approve a $150,000 increase in the maximum annual limit on Directors' fees, taking that limit to $300,000 (this revised figure also makes allowance for the appointment of another director during the year) and you are also being asked to approve the granting of options to the Directors. While I realise that directors' remuneration is a sensitive subject, I believe it is essential that the Company offers a fair and competitive package in order to attract people of the highest possible calibre. If you would like to discuss these issues, please contact me at Marenica's office.

I would also like to take this opportunity to thank our Chief Executive John Young and our Chief Geologist in Namibia, Dr. Erik van Noort, for their hard work and dedication during the year.

Chief Executive Officer's report

While the past year has been a particularly difficult period for the uranium investment market, many analysts are predicting a dramatic turnaround in fortunes with the onset of what some describe as a global nuclear renaissance.

Global demand for uranium continues to increase rapidly with over 57 nuclear power plants currently under construction in 15 countries, and a further 151 either planned or ordered worldwide. This enormous growth must create a uranium supply-demand gap over the next few years.

As such the fundamental reasons for the Company actively pursuing the development of our substantial new uranium project in Namibia remain sound.

In 2009, we outlined an aggressive exploration and development program to advance our flagship asset, the now 75%-owned Marenica Uranium Project in Namibia, and begin planning for our critical transition from explorer to producer.

Considering the achievements of the past 12 months, I am more confident than ever that we have the right project and the right strategy in place to develop the Company into a substantial international uranium producer by 2014.

We have achieved a substantial increase in our mineral resource inventory from 34 million pounds (Mlbs) to 85Mlbs of U_3O_8, while at the same time improving our overall confidence in the Project and quality and robustness of our technical data.

During the year, we completed scoping work which has clearly demonstrated that a large heap leach operation shows positive economics and will deliver far superior financial returns compared with an agitated tank leach circuit.

A process optimisation study using heap leach is now planned which will involve additional metallurgical test work across a broader selection of samples to confirm the use of heap leach technology. This test work program will focus on the upgrade process, agglomeration and uranium recovery, reagent and water usage – all of which are key factors in reducing operating costs.

Following this next phase of work, we expect to undertake trial mining to enable bulk metallurgical and pilot plant test work to be progressed to a Feasibility Study level, paving the way for full-scale commercial development of the Project to proceed.

While the past year has not been without its challenges, I am pleased to say that we have been able to add substantial value to the Project and identify a clear forward strategy and development pathway.

We have also continued to enhance our position within the community in Namibia. In this regard, we signed a Memorandum of Understanding with a local company Millennium Minerals (Pty) Ltd, resulting in the sale of a 5% interest in the Project and the establishment of a Community Trust to benefit disadvantaged Namibians and assist with educating the youth of the general community.

I would like to recognise the efforts of our staff, employees and consultants, all of whom have worked tirelessly over the year. I look forward to continuing to work with them to achieve our goal of moving into production.

Finally, we would like to thank you as shareholders for your patience and continued support; we are confident that your support will be rewarded as we continue to add substantial value to the Marenica Project and execute our new development strategy.

Robert Pearce

Chairman

John A Young

Chief Executive

Marenica Uranium Project – Namibia,

EPL3287 (75% interest)

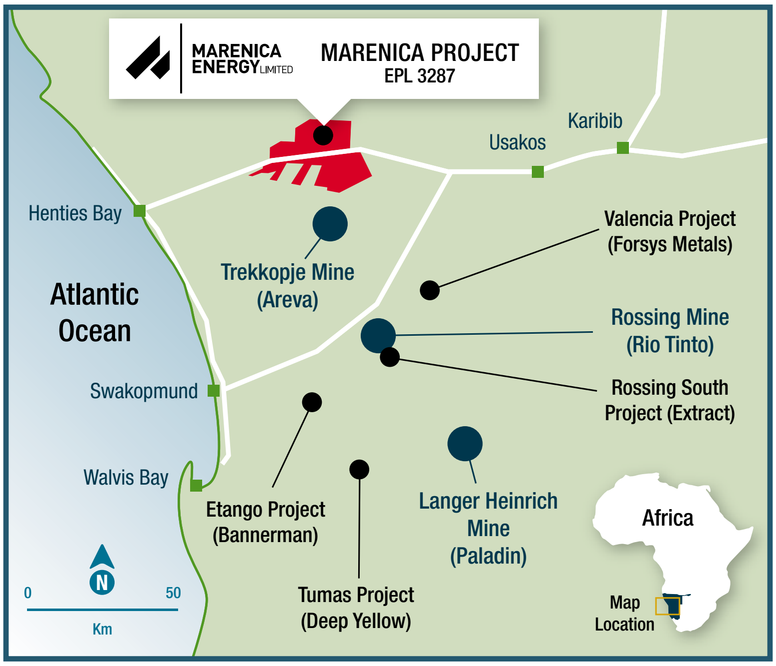
During the year, Marenica Energy (ASX: MEY) continued to focus on the exploration and development of its 75%-owned Marenica Uranium Project, which is located in one of the world's emerging uranium "hot spots", the uranium-rich Damara Province in Namibia, southern Africa.

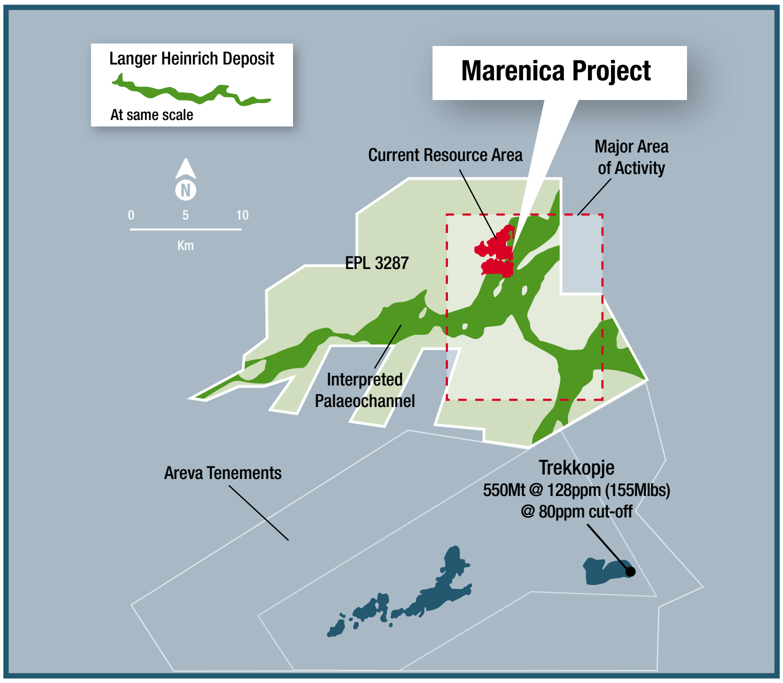
The Marenica Project has already proven to be highly prospective, with MEY successfully delineating an Indicated and Inferred Mineral Resource of secondary uranium totalling 85 million pounds in 2010. The company is now moving forward into a pre-feasibility phase, having demonstrated through its scoping work that a large-scale heap leach project is likely to be the superior development option.

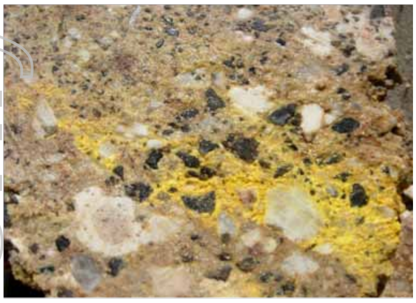
Building on these solid foundations, MEY has put an aggressive work program in place for the 2010/11 financial year to continue to progress the Marenica Project towards development and production.

Geology

The Marenica deposit is predominantly a calcrete palaeo-channel, with a portion of the deposit occurring as secondary mineralisation within the weathered basement bedrock. The regional geology of the area is dominated by the northeast-trending Damara Mobile Belt, which hosts many other large uranium deposits in the region, including Rio Tinto's Rossing mine, Paladin's Langer Heinrich mine, Extract Resources' the Husab Project and Areva's Trekkopje Project.







Carnotite in palaeo-channel sediments

Carnotite mineralisation in fractured weathered bedrock

The uranium itself has been derived from granites and felsic material associated with the Damara Mobile Belt, which has been weathered within a semi arid environment, creating surficial deposits typically as incised valley-fill sediments along Tertiary drainage channels.

Leaching and transportation of uranium from the source rocks by oxidising, possibly alkaline, waters leads to leaching of uranium and migration. Neutralisation of these solutions by interaction with organic acids or CO2 leads to the formation of surficial uranium deposits within calcretized channels and calcrete pedogenic soil horizons.

Historic work undertaken in the Marenica area in the 1970s indentified two distinct styles of mineralisation: secondary uranium which occurs in the palaeo-channel within the calcrete and gypcrete sediments, as well as secondary uranium (or Carnotite) mineralisation which is associated with joints, planes and fractures within the basement rocks.

Resource development drilling

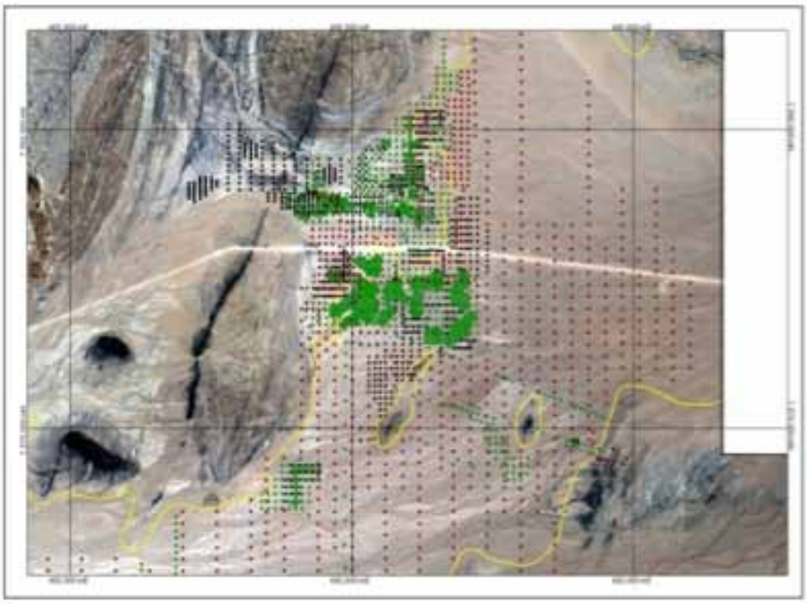
During the year, MEY commissioned SRK Consulting to undertake geological modelling and prepare a JORC compliant Mineral Resource estimate for the Marenica Project based on the data the company had collected up until the start of September 2009.

This included 38 PQ-sized diamond drill holes (for a total of 562 metres) and 291 of the planned 692 RC holes, encompassing a total of 8,687 assays and 566,812 down-hole probe results.

In January 2010, SRK updated this geological model and Mineral Resource estimate using the results of an additional 401 new holes, encompassing a further 1,324 assays and 194,839 down-hole probe results (including 85,342 readings from re-probed holes drilled by the former project owner, Gold Fields).

All of the holes drilled in 2009/2010 were probed by Terratec. XRF assays were submitted for the early part of 2009 to Genalysis in Australia and in the latter part of the year to SGS in South Africa. SRK did not use any of the original Gold Fields composite probe results in its resource estimates as it is uncertain how they were obtained.

The drilling plan below shows the various phases of drilling at Marenica, with the early Goldfields phase of drilling identified in green, the subsequent wide-spaced drilling shown in red, and the last phase of in-fill drilling by MEY shown in black.



Quickbird satellite Image of the Marenica Deposit and the various drilling phases

Resource evaluation

The Marenica Project's updated resource now totals **227Mt grading 170ppm U_3O_8**, comprising an Indicated Mineral Resource of 31Mt grading 175ppm U_3O_8 and an Inferred Mineral Resource of 196Mt grading 169ppm U_3O_8 for a **combined total of 85 million pounds of contained U_3O_8.**

This represents an **86% increase in tonnage** and a **120% increase in contained U_3O_8** compared with the previously announced Indicated and Inferred Resource completed in late 2009.

The revised Mineral Resource Estimate has been sourced from a palaeo-channel domain and from secondary mineralisation in the basement, which outcrops to the west and which forms the footwall to the channel deposit. This sub-channel basement domain was previously excluded from the November 2009 resource estimate.

Metallurgical results

Results from the metallurgical test work undertaken on Marenica ore by ANSTO during the year have indicated that:

- the ore is amenable to upgrading, as demonstrated by screening, scrubbing and ore sorting tests;
- the ore can be readily leached in alkaline (carbonate/bicarbonate) leach solution, as demonstrated by initial diagnostic dilute leach tests;
- recoveries of 75% can be achieved for basement material and 80% for calcrete material, as demonstrated by bottle roll tests, as indicators of heap leaching on bulk ore samples; and
- overall extraction and recovery of 88% can be achieved for both ore types by scrubbing and agitated leach tanks.

Site visit by Arandis Municipality and councillors at one of our bulk sample locations

Scoping Studies

The Scoping Study review of the Marenica Project was a multi-disciplinary review designed to evaluate the viability of the Project. The major areas of work included:

- a JORC compliant Mineral Resource Estimate;
- an open pit optimisation study and mining plan;
- an infrastructure study;
- a metallurgical study on the different ore types and processing options; and
- an environmental scan report and technical economic model.

Preliminary scoping results were received in June from SRK. The study focused on two process routes – heap leach processing and tank leach processing – with six different scenarios evaluated based on different processing rates. The 10 to 20 million tonne per annum heap leach model ultimately produced the best economic result.

After reviewing these results, the company decided that significant further investigations are required to confirm the details of the alternative potential processes. As a result, MEY's board decided to suspend the scoping study pending receipt of further data.

The metallurgical assessment for the Marenica Project was carried out by ANSTO Minerals. This work was initially aimed at assessing the potential to conduct heap leaching on sorted and unsorted ore. Early results from mineralogy and screening modified the initial approach to focus on agitated slurry leaching on upgraded (scrubbed and screened) ore. Further investigations are therefore required to confirm the heap leach process route and associated costs.

A desktop groundwater investigation completed during the year has highlighted that the Marenica Project is located in an area which displays generally poor groundwater-bearing characteristics of limited potential.

At this stage, the company considers that there is a low environmental risk to mining operations from potential water in-flows to the open pit and transport of contaminants. Further groundwater investigations are required.

An environmental scan was undertaken to identify the requirements to complete the ESIA (environmental and social impact assessment) for the Project and identify any fatal flaws or red flag issues. None were identified.

Social impact investigations are required to complete the Marenica ESIA prior to the grant of any mining licence. Some of the baseline studies will need to commence during the pre-ESIA phase to ensure that there is sufficient baseline information to undertake the ESIA impact studies. To ensure that a full set of seasonal data is collected, baseline studies will commence as soon as possible.

Palaeo-Channel Regional Exploration

A new Airborne Magnetic-Radiometric Survey was flown in the northern and southern parts of the Marenica tenement area during the year. The high-resolution data was collected by UTS Geophysics, with a total of 4,394 line kilometres flown during late November 2009.

The survey has identified 13 new radiometric anomalies, located in both palaeo-channel and bedrock terrains.

An air-core drilling program comprising 410 vertical holes for a total of 6,002 metres was completed in April 2010. Significant results were received from both the MA7 and MA5 palaeo-channel targets, further reinforcing the regional exploration upside at the Marenica Project outside of the current JORC resource area.

The MA5 target – a shallow, near-surface zone of secondary mineralisation

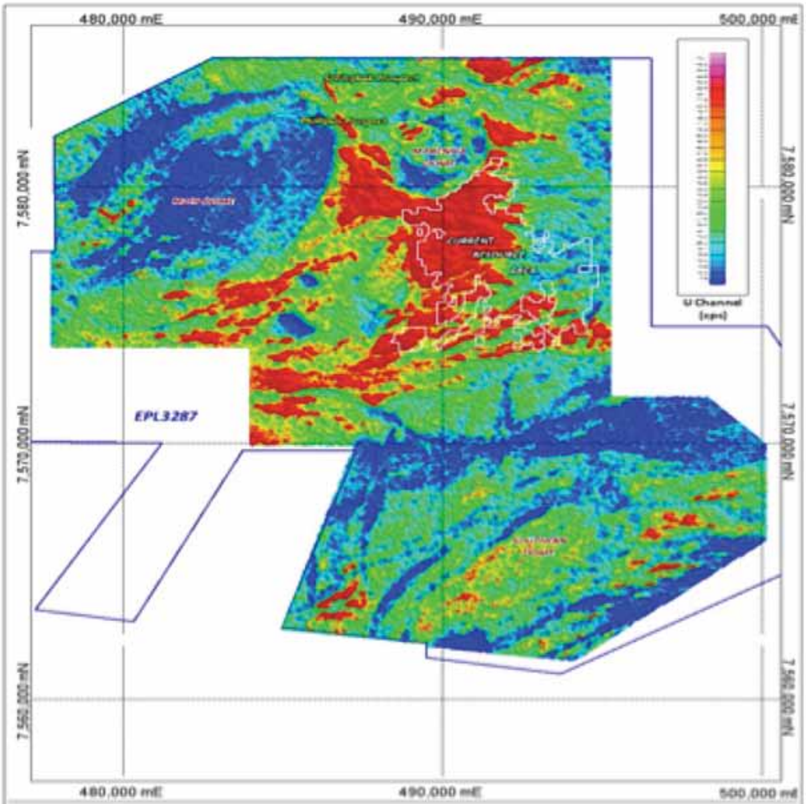


Figure 1

MARENICA PROJECT EPL3287

U-CHANNEL RADIOMETRIC IMAGE

extending over a strike length of over 2.5km and averaging 500 metres in width – was identified immediately west of the Marenica Deposit.

Better results returned from the MA5 target included:

- **3.0m @ 326.4ppm eU_3O_8** from 2.57m in MAC0042;
- **4.2m @ 307.1ppm eU_3O_8** from 3.14m in MAC0055;
- **8.8m @ 249.0ppm eU_3O_8** from 0.69m in MAC0127;
- **4.6m @ 190.5ppm eU_3O_8** from 1.83m in MAC0129;
- **5.8m @ 297.1ppm eU_3O_8** from 2.78m in MAC0133;
- **2.9m @ 398.1ppm eU_3O_8** from 2.17m in MAC0134
- **3.3m @ 268.2ppm eU_3O_8** from 2.34m in MAC0137.

Two areas of uranium mineralisation have also been identified at the MA7 Target Area (within the Southern Palaeo-channel), which lies 7km south-east of the Marenica deposit. This south-west trending palaeo-drainage system is over 10km long and varies in width between 2km and 4km.

A zone of near-surface, secondary mineralisation occurs in the north-eastern part of the target area, associated with a strong surface radon anomaly.

Better results from the MA7 Target area included:

- **6.4m @ 231.6ppm eU_3O_8** from 2.00m in MAC0347
- **4.8m @ 124.0ppm eU_3O_8** from 2.77m in MAC0348
- **6.5m @ 119.3ppm eU_3O_8** from 1.69m in MAC0395
- **5.7m @ 115.9ppm eU_3O_8** from 6.69m in MAC0404

Uranium mineralisation was also encountered on all three traverses of air-core drilling conducted over the central part of the southern palaeo-channel system.

Drilling targeted airborne radiometric anomalies occurring within a broad, 5km long zone of surface radon anomalism. Positive intersections have so far been received from shallow drilling, conducted on wide spacings of more than 1km with better results including:

- **1.5m @ 206.2ppm eU_3O_8** from 24.39m in MAC0363
- **4.8m @ 137.4ppm eU_3O_8** from 20.69m in MAC0370
- **7.0m @ 176.7ppm eU_3O_8** from 18.91m in MAC0388
- **4.1m @ 136.8ppm eU_3O_8** from 21.18m in MAC0393

Millennium Minerals

As part of a proactive move to embrace broad-based black economic empowerment and to contribute to community uplift in the Marenica area, the company signed a Memorandum of Understanding in October 2009 with a local company, Millennium Minerals (Pty) Ltd. Millennium Minerals is owned by Mr Mathews Hamutenya, a well-respected businessman in Namibia.

Marenica Energy also contributes directly to Lina's Safe Haven, a children's orphanage at Henties Bay

Under the agreement, Millennium Minerals has acquired a 5% interest in the Marenica Project. Marenica Energy Limited has reduced its holding in Marenica Minerals Pty Ltd, the entity which owns the Project to 75%. The sale of the 5% interest in Marenica Minerals Pty Ltd to Millennium is subject to a number of conditions.

The Millennium Minerals company charter incorporates a community Trust to benefit disadvantaged Namibians and specifically assist with educating the youth of the general community.

Both Marenica Energy and Millennium Minerals will contribute funds to this Community Trust. The Trust's opening assets consist of A$150,000 (N$1 million) to be distributed as bursaries to deserving Namibians.

This process has commenced and the successful bursary candidates were awarded their bursaries in May 2010.

Scaddan Uranium / Lignite / Precious Metals Project – Western Australia

– EL63/1033, EL63/1037 (100% Interest)

The Scaddan Project comprises two Exploration Licences covering an area of 300km^2, located 75km north-east of Esperance in Western Australia.

Historical drilling by BHP on the tenements identified a broad zone of lignite and lignitic clay, typically averaging 8 to 20 metres in thickness and extending over a 5km long traverse and beneath approximately 20 metres of cover.

A 2,000 metre air-core drilling program commenced at the Scaddan Project in early September 2009. Drill coverage was relatively uniform across both tenements with 19 holes completed in E63/1033 and 13 holes completed in E63/1037.

A total of 13 samples of bedrock material from each of the holes were also assayed for multi-elements.

Significant Composite Sample Results

Drill Hole No	Interval m	Moist %	Ash %	Gross Dry Cal Val (GDCV)
SCA006	42-48m	49.2	58.9	9.9
SCA009	34-36m	41.4	46.7	14.5
SCA028	30-35m	56.5	52.5	13
SCA024	16-18m	50.2	53	N/A

Results from the composite assays from this program of air-core drilling have outlined a large area of lignite material that is potentially suitable for coal-to-liquids conversion technology. The drilling identified a lignitic seam of potential economic interest ranging typically from 5m to 10m in thickness and occurring at depths of between 15m and 50m.

Northampton Base Metals Project – Western Australia

E66/50 and Victoria Locations 833 and part 118 and 119 (100% Interest)

The company holds tenements in the Northampton mineral province near Geraldton in Western Australia. This area has the potential to host small, high-grade lead, zinc and copper deposits.

A detailed aeromagnetic survey was flown by UTS Geophysics over the Northampton tenement during the year to assist with regional exploration targeting under cover. The survey data was interpreted by Southern Geoscience Consultants (SGC), in conjunction with the historic dighem and geotem survey data over the tenement.

Blocks retained were those that included known mineralisation or that had the best geophysical targets from the 2009 survey and interpretation by SGC.

A coincident magnetic and EM target occurs in Block 370w which requires follow-up field investigation. This block also includes the mineralisation of the historical Mendip and Cow Rock workings.

The company decided to retain the five blocks with known mineralisation and surrender those with land access issues or cultural factors that reduced prospectivity.

Badgebup Gold Project – Western Australia

(1.125% of gross production from M70/488, M70/210, M70/211)

The company has an entitlement to receive 1.125% of the gross production of gold and other minerals produced from mining leases in the Badgebup Gold Project located in the South West Mineral Field of Western Australia.

Your directors present their report on the consolidated entity consisting of Marenica Energy Limited and the entities it controlled at the end of, or during, the year ended 30 June 2010.

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:

D Sanders, Non-executive director

N G Biddle, Non-executive director

R A Pearce, Non-executive director (appointed 7 April 2010)

G Becker, Non-executive director (appointed 19 August 2010)

Mr G Woolford was a director from the beginning of the financial year until his resignation on 19 May 2010.

Mr P Ingram was a director from the 20 July 2009 until his retirement on 7 December 2009.

Information on Directors

David Sanders – Non-executive director

Mr Sanders is a lawyer with over 15 years 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.

Directorships in the past 3 years: Acuvax Limited, Golden West Resources Limited.

Neil Biddle
Non-executive director

Mr Neil Biddle is a geologist and member of the Australasian Institute of Mining and Metallurgy. He has over 20 years experience in precious and base metal exploration, and since 1986 has managed numerous successful exploration programs throughout Australia.

Since 1987 Mr Biddle has served almost continuously on ASX listed public company boards and has gained broad management experience in his roles as exploration director and managing director. He maintains a hands-on approach to exploration activities and is always intimately involved in all aspects of project exploration and development.

Directorships in the past 3 years: TNG Limited and Batavia Mining Limited.

Robert Pearce
Non-executive director (appointed 7 April 2010)

Mr Pearce has been an Australian Chartered Accountant for over 40 years and has more than 25 years experience in the resource sector. Over that time, he has been a director (in some cases chairman) and held senior executive positions in several resource and industrial companies listed on the Australian, UK and US stock exchanges.

Directorships in the past 3 years: Gladstone Pacific Nickel Limited

Gavin Becker
Non-executive director (appointed 19 August 2010)

Mr Becker is a metallurgist with over 35 years industry experience. During that time he has worked in senior operational, R&D, feasibility study and consulting roles on lead/zinc, gold, uranium, copper and nickel mines and/or projects. He holds a Bachelor of Science (Engineering) degree from the University of London and completed his MBA at Bond University. Mr Becker is a fellow of the Australasian Institute of Mining and Metallurgy and is an associate of the Royal School of Mines (UK).

Directorships in the past 3 years: None

Information on Chief Executive Officer and Company Secretary

John Young
Chief executive officer

Mr John Young is a geologist with experience in resource project management. He is a Member of the Australian Institute of Mining and Metallurgy and the Australian Institute of Company Directors and has worked on a wide variety of mineral and resource projects throughout Australia in operational and management roles.

Mr Young has held senior management and operational positions at Arrow Resources Management Pty Limited, Haddington Resources Limited, and recently as CEO and director of AIM and ASX listed Thor Mining PLC, a company focused in specialty metals. He was appointed chief executive officer in January 2009.

Simon Robertson
Company secretary

Mr Robertson gained a Bachelor of Business from Curtin University in Western Australia and Master of Applied Finance from Macquarie University in New South Wales. He is a member of the Institute of Chartered Accountants and Chartered Secretaries Australia. Mr Robertson currently holds the position of company secretary for a number of publically listed companies and has experience in corporate finance, accounting and administration, capital raisings and ASX compliance and regulatory requirements.

Directors' Interests

The interests of directors in securities of the company at the date of this report are:

Director	Fully Paid Ordinary Shares
N Biddle	-
D Sanders	-
R Pearce	200,000
G Becker	-

Principal Activities

The principal activity of the consolidated entity during the course of the financial year was the exploration of mineral tenements in Namibia and Australia. There were no significant changes in the nature of the consolidated entity's principal activities during the year.

Results

The total loss of the consolidated entity attributable to the owners of Marenica Energy Limited for the financial year was $9,651,377 (2009: $6,938,786).

Review of Operations

During the year, the company continued to focus on the exploration and development of its 75%-owned Marenica Uranium Project, which is located in one of the world's emerging uranium "hot spots", the uranium-rich Damara Province in Namibia, southern Africa.

The Marenica Project has already proven to be highly prospective, with the company successfully delineating an Indicated and Inferred Mineral Resource of secondary uranium totalling 85 million pounds in 2010 (12 million pounds Indicated, 73 million pounds Inferred). The company is now moving forward into a pre-feasibility phase, having demonstrated through its scoping work that a large-scale heap leach project is likely to be the superior development option.

The company has also continued to explore its Australian land holdings.

Financial Position and Significant Changes in State of Affairs

The net assets of the consolidated entity decreased by $7.02M as a result of continuing exploration activities.

Cash on hand at 30 June 2010 totalled $2.6M.

During the year a total of approximately $600,000 was raised from the exercise of options.

Likely Developments and Expected Results of Operations

The company intends to continue exploration and to develop the resources on the Marenica Uranium project in Namibia, continue exploration on its Australian tenements in the normal course of operations based on the company's assessment as to the value of retaining the tenements, acquire further tenements for exploration of minerals and to seek other areas of investment.

Greenhouse Gas and Energy Data Reporting Requirements

The directors have considered compliance with the *National Greenhouse and Energy Reporting Act 2007* which requires entities to report annual greenhouse gas emissions and energy use. For the measurement period 1 July 2009 to 30 June 2010 the directors have assessed that there are no current reporting requirements but may be required to do so in the future (1 July 2008 – 30 June 2009: nil).

Dividends

No dividends have been provided for or paid by the consolidated entity in respect of the year ended 30 June 2010 (30 June 2009: Nil).

Matters Subsequent to the End of the Financial Year

There have been no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect:

(i) the consolidated entity's operations in future years; or

(ii) the results of those operations in future years; or

(iii) the consolidated entity's state of affairs in future years.

Environmental Regulations

The company's environmental obligations are regulated by Australian State and Federal Law, and by the Laws of other countries in which it operates. The company has complied with its environmental performance obligations. No environmental breaches have been notified by any Government agency to the date of the 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
15 December 2013	$0.21	12,500,000
31 October 2011	$0.20	7,450,000
30 June 2011	$0.25	41,300,000
30 June 2011	$0.15	3,000,000

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

During the financial year the company issued 2,700,000 ordinary shares as a result of the exercise of options.

Since the end of the financial year no further ordinary shares have been issued as a result of the exercise of options.

Indemnification and Insurance of 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 $11,318 (2009: $8,826).

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.

Non-Audit Services

During the year the auditor charged $nil (2009: $1,110) for the provision of taxation advice.

Directors' Meetings

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

Director	Number of meetings held while in office	Number of meetings attended
G Woolford	5	5
N Biddle	8	7
D Sanders	8	8
R Pearce	3	3
P Ingram	2	2

Remuneration Report - Audited

A. 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 to 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 own 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 $150,000 in aggregate. This amount is separate from any specific tasks the directors may take on for the company in the normal course of business and at normal commercial rates.

Fees for directors are not linked to the performance of the consolidated entity 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.

Executive remuneration

The company aims to reward executives (both directors and company 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
- 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.

During the financial year ended 30 June 2010, the company granted options to the chief executive officer and company secretary without performance conditions. The value of options granted was expensed during the year. Full details of the number, fair value and vesting conditions of these options are included in this report.

B. Details of remuneration

REMUNERATION FOR THE YEARS ENDED 30 JUNE 2010 AND 30 JUNE 2009

	Short-Term Benefits		Post Employment Benefits-	Share Based Payments	Total	Value of Share Based Payments as a Proportion of Remuneration
Name	Base Remuneration	Fees and Disburse-ments	Super-annuation	Value of Options and ESS		%
Directors						
G Woolford						
- 2010	**47,330**	**213,200**	**-**	**200,280**	**460,810**	**43**
- 2009	11,806	44,850	-	-	56,656	-
N Biddle[(a)]						
- 2010	**48,000**	**82,200**	**-**	**400,560**	**530,760**	**75**
- 2009	24,000	49,600	-	-	73,600	-
R Pearce						
- 2010	**11,067**	**-**	**-**	**-**	**11,067**	**-**
- 2009	-	-	-	-	-	-
D Sanders						
- 2010	**48,000**	**-**	**4,320**	**21,899**	**74,219**	**29**
- 2009	39,288	-	3,536	-	42,824	-
P Ingram						
- 2010	**-**	**-**	**-**	**-**	**-**	**-**
- 2009	-	-	-	-	-	-
L Reisgys						
- 2010	**-**	**-**	**-**	**-**	**-**	**-**
- 2009	230,542	-	48,780	-	279,322	-
R Johnston						
- 2010	**-**	**-**	**-**	**-**	**-**	**-**
- 2009	11,928	-	-	-	11,928	-
T Shanahan						
- 2010	**-**	**-**	**-**	**-**	**-**	**-**
- 2009	3,519	-	-	-	3,519	-

B. Details of remuneration (cont)

REMUNERATION FOR THE YEARS ENDED 30 JUNE 2010 AND 30 JUNE 2009

	Short-Term Benefits		Post Employment Benefits-	Share Based Payments	Total	Value of Share Based Payments as a Proportion of Remuneration
Name	Base Remuneration	Fees and Disburse-ments	Super-annuation	Value of Options and ESS		%
Key Management Personnel						
J Young (CEO)						
- 2010	**237,754**	**-**	**21,398**	**367,297**	**626,449**	**59**
- 2009	82,963	-	7,235	121,308	211,506	57
E van Noort						
- 2010	**163,406**	**-**	**14,706**	**232,642**	**410,754**	**56**
- 2009	35,181	-	2,932	-	38,113	-
S Robertson(b)						
- 2010	**-**	**47,530**	**-**	**166,675**	**214,205**	**77**
- 2009	-	5,000	-	31,030	36,030	86
D Semmens(c)						
- 2010	**-**	**-**	**-**	**-**	**-**	**-**
- 2009	-	51,895	-	-	51,895	-
Total						
- 2010	**555,557**	**342,930**	**40,424**	**1,389,353**	**2,328,264**	**60**
- 2009	439,227	151,345	62,483	152,338	805,393	19

Proportion of above remuneration performance based %: None

a) Geological, corporate and promotional fees of $82,200 (2009: $49,600) were paid to Hatched Creek Pty Limited, a company in which Mr Biddle is a director.

b) Fees for administrative, company secretarial and accounting services of $47,530 (2009: $5,000) were paid to SLR Consulting Pty Limited a company in which Mr Robertson is a director.

c) Mr Semmens, a former company secretary, was paid $nil (2009: $51,895) for administrative services and company secretarial fees.

C. Service agreements

J Young – Chief executive officer

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

- Base salary, inclusive of superannuation, effective 30 June 2010 is $289,940 per annum, reviewable on an annual basis.
- Other benefits include the use of a car parking bay.
- Payment of a termination benefit on early termination by the company, other than for grave misconduct or long term incapacity, equal to five (5) months salary.

D. Analysis of options and rights over equity instruments granted as remuneration

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

Year ended 30 June 2010

Options Granted	Options Granted		Fair value per option at grant date $	Exercise price per option $	First exercise date	Expiry and last exercise date	Number vested
Directors	**Number**	**Date**					
N Biddle	6,000,000	09/07/09	0.067	0.15	09/07/09	30/06/10	6,000,000
G Woolford	3,000,000	09/07/09	0.067	0.15	09/07/09	30/06/10	3,000,000
D Sanders	1,000,000	16/12/09	0.022	0.15	16/12/09	30/06/10	1,000,000
Other KMP							
J Young	2,000,000	09/11/09	0.049	0.20	09/11/09	31/10/11	2,000,000
J Young	4,000,000	23/04/10	0.067	0.21	23/04/10	15/12/13	4,000,000
E Van Noort	500,000	09/07/09	0.049	0.15	09/07/09	30/06/10	500,000
E Van Noort	1,500,000	09/11/09	0.049	0.20	09/11/09	31/10/11	1,500,000
E Van Noort	2,000,000	23/04/10	0.067	0.21	23/04/10	15/12/13	2,000,000
S Robertson	250,000	09/07/09	0.067	0.15	09/07/09	30/06/10	250,000
S Robertson	1,000,000	09/11/09	0.049	0.20	09/11/09	31/10/11	1,000,000
S Robertson	1,500,000	23/04/10	0.067	0.21	23/04/10	15/12/13	1,500,000
	22,750,000						22,750,000

Year ended 30 June 2009

Options Granted	Options Granted		Fair value per option at grant date $	Exercise price per option $	First exercise date	Expiry and last exercise date	Vested Number
Directors	**Number**	**Date**					
No options were issued to directors in the year ended June 2009.							
Other KMP							
J Young	3,000,000	04/04/09	0.040	0.15	4/04/09	30/06/10	3,000,000
S Robertson	1,400,000	27/05/09	0.073	0.15	27/05/09	30/06/10	350,000
	4,400,000						3,350,000

E. Options granted as part of remuneration

Directors	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Percentage of total remuneration for the year that consists of options %
N Biddle	400,560	27,500	-	75
G Woolford	200,280	-	-	43
D Sanders	21,899	-	-	29
Other KMP				
J Young	367,297	-	-	59
E Van Noort	232,642	-	-	56
S Robertson	166,675	-	-	77
	1,389,353	27,500	-	60

End of audited remuneration report

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration is set out on the next page and forms part of the Directors' Report for the year ended 30 June 2010.

Signed in accordance with a resolution of the directors:

Robert Pearce
Perth, 22 September 2010

Information in this report that relates to exploration results is based on information compiled by Dr Erik van Noort, who is a Member of the Australian Institute of Geoscientists. Dr van Noort is a full-time employee of Marenica Energy Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration 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'. Dr van Noort consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this announcement that relates to Mineral Resources is based on information compiled by a team of full time employees of SRK Consulting (UK) Ltd which was directed by Dr Mike Armitage.

Dr Armitage who is a Member of the Institute of Materials, Minerals and Mining and a Fellow of the Geological Society of London, both of which are 'Recognised Overseas Professional Organisations' ('ROPOs'), is the Chairman of SRK Consulting (UK) Ltd and has taken responsibility for the Mineral Resource aspects of SRK's work. Dr Rob Bowell, a Principal Geochemist with SRK and who is also a Fellow of the Geological Society of London as well as a Fellow of the Institute of Mining, Materials and Minerals and a Member of the Royal Society of Chemistry takes responsibility for any comments related metallurgical testwork.

Other team members, Dr John Arthur and Ms Tracey Laight are both Fellows of the Geological Society of London, Dr Arthur is also a Member of the Institute of Materials, Minerals and Mining.

Both Dr Armitage and Dr Bowell have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they have undertaken to qualify as a Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.Both Dr Armitage and Dr Bowell consent to the inclusion in this report of the matters based on their information in the form and context in which these appear."

ROTHSAY

96 Parry Street, Perth WA 6000 P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9227 0552 www.rothsay.com.au

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

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2010 financial statements; and

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

G R Swan

Graham R Swan (Lead auditor)

Rothsay Chartered Accountants

Dated 22 September 2010

Chartered Accountants

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
Continuing operations			
Other revenues	4	50	-
Financial income	4	209,604	55,513
		209,654	55,513
Expenses			
Exploration and evaluation expenditure		(3,396,382)	(2,703,543)
Employee benefit expense		(1,058,697)	(1,038,594)
Project introduction fees	26	(968,500)	(350,000)
Foreign exchange loss/(gain)		(217,505)	334,226
Administration expenses		(2,227,916)	(2,800,683)
Fair value of options granted as employee remuneration		(1,957,989)	(365,117)
Depreciation expense		(70,228)	(32,717)
Finance expense		(42,076)	(124,388)
Total expenses		(9,939,293)	(7,080,816)
Loss before income tax expense		(9,729,639)	(7,025,303)
Income tax expense	5	-	-
Net loss for the year		(9,729,639)	(7,025,303)
Net loss for the year is attributable to:			
Owners of Marenica Energy Limited		(9,651,377)	(6,938,786)
Non-controlling interests		(78,262)	(86,517)
Net loss for the year		(9,729,639)	(7,025,303)
Other comprehensive income			
Exchange differences on translation of foreign operations		130,447	(260,586)
Total comprehensive income for the year		(9,599,192)	(7,285,889)
Total comprehensive income for the year is attributable to:			
Owners of Marenica Energy Limited		(9,520,930)	(7,199,372)
Non-controlling interests		(78,262)	(86,517)
		(9,599,192)	(7,285,889)
Earnings per share			
Basic loss per share (cents per share)	21	(2.14)	(2.12)
Diluted losses per share are not disclosed as they are not materially different to basic losses per share.			

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	Note	2010 $	2009 $
ASSETS			
Current Assets			
Cash and cash equivalents	19	2,592,101	10,484,143
Trade and other receivables	6	47,467	198,453
Other	8	5,741	-
Total Current Assets		2,645,309	10,682,596
Non-Current Assets			
Plant & equipment	7	274,067	129,388
Other	8	26,828	39,875
Total Non-Current Assets		300,895	169,263
TOTAL ASSETS		2,946,204	10,851,859
LIABILITIES			
Current Liabilities			
Trade and other payables	9	473,408	1,106,599
Borrowings	10	-	237,885
Employee benefits	11	36,697	48,073
Total Current Liabilities		510,105	1,392,557
TOTAL LIABILITIES		510,105	1,392,557
NET ASSETS		2,436,099	9,459,302
EQUITY			
Issued capital	12	35,311,163	34,693,164
Reserves	13	1,307,739	464,368
Accumulated losses	14	(34,018,024)	(25,611,713)
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO THE OWNERS OF MARENICA ENERGY LIMITED		2,600,878	9,545,819
Non-controlling interests		(164,779)	(86,517)
TOTAL EQUITY		2,436,099	9,459,302

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Issued Capital	Accum-ulated Losses	Reserves	Total	Non-controlling Interests	Total Equity
Balance at beginning of year		**34,693,164**	**(25,611,713)**	**464,368**	**9,545,819**	**(86,517)**	**9,459,302**
Total comprehensive income for the year		-	(9,520,930)	-	(9,520,930)	(78,262)	(9,599,192)
Issue of shares, net of transaction costs	12	617,999	-	-	617,999	-	617,999
Value of options granted	13	-	-	1,957,990	1,957,990	-	1,957,990
Transfer on exercise or expiry of options	13	-	1,123,921	(1,123,921)	-	-	-
Currency translation movements	13	-	(130,447)	130,447	-	-	-
Transfer on conversion of notes	13	-	121,145	(121,145)	-	-	-
Balance at end of year		**35,311,163**	**(34,018,024)**	**1,307,739**	**2,600,878**	**(164,779)**	**2,436,099**

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	Issued Capital	Accum-ulated Losses	Reserves	Total	Non-controlling Interests	Total Equity
Balance at beginning of year		**20,488,620**	**(19,087,705)**	**653,470**	**2,054,385**	**-**	**2,054,385**
Total comprehensive income for the year		-	(7,199,372)	-	(7,199,372)	(86,517)	(7,285,889)
Issue of shares, net of transaction costs	12	14,204,544	-	-	14,204,544	-	14,204,544
Value of options granted	13	-	-	365,117	365,117	-	365,117
Transfer on exercise or expiry of options	13	-	414,778	(414,778)	-	-	-
Currency translation movements	13	-	260,586	(260,586)	-	-	-
Issue of convertible notes	13	-	-	121,145	121,145	-	121,145
Balance at end of year		**34,693,164**	**(25,611,713)**	**464,368**	**9,545,819**	**(86,517)**	**9,459,302**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
Cash flows from operating activities			
Interest received		203,863	54,541
Interest paid		(42,076)	(7,139)
Payments to suppliers and employees		(3,627,382)	(3,018,242)
Payments for project introduction fees		(968,500)	(350,000)
Exploration expenditure		(3,636,251)	(3,024,991)
Net cash outflow from operating activities	20	(8,070,346)	(6,345,831)
Cash flows from investing activities			
Payments for property, plant & equipment		(214,907)	(52,762)
Proceeds from the sale of property, plant & equipment		50	-
Security bonds returned		34,773	20,403
Payment of security bonds		(21,726)	(39,875)
Net cash outflow from investing activities		(201,810)	(72,234)
Cash flows from financing activities			
Proceeds from issue of shares		620,000	14,330,243
Share issue costs		(2,001)	(72,000)
Proceeds (repayments) of borrowings		(237,885)	250,000
Net cash inflow from financing activities		380,114	14,508,243
Net increase/(decrease) in cash and cash equivalents		(7,892,042)	8,090,178
Cash and cash equivalents at the beginning of the financial year		10,484,143	2,393,965
Cash at the end of the financial year	19	2,592,101	10,484,143

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

1. CORPORATE INFORMATION

The financial statements of Marenica Energy Limited for the year ended 30 June 2010 were authorised for issue in accordance with a resolution of the directors on 22 September 2010.

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

Separate financial statements for Marenica Energy Limited as an individual entity are no longer presented as the consequence of a change to the *Corporations Act 2001*, however, required financial information for the company as an individual entity is included in Note 25.

The nature of operations and principal activities of the consolidated entity, comprising Marenica Energy Limited and its subsidiaries, 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 equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues consolidated entity Interpretations and the *Corporations Act 2001*.

Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the group follows:

- AASB 9: Financial Instruments and AASB 2009-11; Amendments to Australian Accounting Standards arising from AASB 9 (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 138, 139, 1023 & 1038 and Interpretations 10 & 121 (applicable for annual reporting periods commencing on or after 1 January 2013).

  These standards are applicable retrospectively and amend the classification and measurement of financial assets. The group has not yet determined the potential impact on the financial statements.

  The changes made to accounting requirements include:

  – simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;

  – simplifying the requirements for embedded derivatives;

  – removing the tainting rules associated with held-to-maturity assets;

  – removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;

  – allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and

  – reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:

    a. the objective of the entity's business model for managing the financial assets; and

    b. the characteristics of the contractual cash flows.

- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. These amendments are not expected to impact the group.

- AASB 2009-5; Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

  These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the group.

- AASB 2009-8; Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

  These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the group.

- AASB 2009-9: Amendments to Australian Accounting Standards - Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

  These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the group.

- AASB 2009-10: Amendments to Australian Accounting Standards - Classification of Rights Issues) [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

  These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the group.

- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the group.

- AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

  This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the group.

- AASB 2009-14: Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement [AASB interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan. This standard will not impact the group.

- AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the group.

The group does not anticipate the early adoption of any of the above Australian Accounting Standards.

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 is the company's functional currency and the functional currency of the majority of the consolidated entity's current financial transactions.

(b) 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 2010 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 or the consolidated entity.

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another 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 company, 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.

(c) Change of accounting policy

There have been no changes in accounting policies in the year ended 30 June 2010.

The loss for the previous financial year reflects the adoption of a new accounting policy in relation to exploration expenditure in that year. Effective 30 June 2009, in line with generally accepted practice overseas (where the group's principal activities are located), all exploration expenditure, excluding acquisition costs, is now written-off as incurred, rather than being capitalised. Comparative figures were also been re-stated in accordance with that change.

Implementation of the change negatively impaired results and equity for the 2009 and prior years as follows:

Financial Year	Group
Years Prior 1/7/06	(992,443)
1 July 2006 to 30 June 2007	(960,672)
1 July 2008 to 30 June 2009	(2,913,128)
Totals	$(4,866,243)

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Exploration expenses

Exploration and evaluation costs represent intangible assets. Exploration and evaluation costs (including costs incurred as a result of the introduction agreement referred to in note 26 but excluding other acquisition 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.

Accumulated acquisition costs in relation to an abandoned area are written off in full against profit and loss account in the year in which the decision to abandon the area is made.

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.

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.

(e) 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.

(f) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. 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.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not shown in the accounts at a value in excess of the recoverable amount from assets.

(g) Investments and other financial assets

Classification

The company classifies its investments in the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after 30 June 2010 which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Available-for-sale financial assets

Available-for-sale financial assets, principally comprising marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of 30 June 2010.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date – the date on which the company commits to purchase or sell the asset. Investments are initially recognised at fair value plus tranasction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

When securities are classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of income from continuing operations when the company’s right to receive payment is established.

Fair value

The fair values of quoted investments are based on last trade prices. If the market for financial assets is not active (and for unlisted securities), the company establishes fair value by using valuation techniques.

Impairment

The company assesses at each balance date whether there is objective evidence that a financial asset is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

(h) Provisions and employee benefits

Provisions and employee benefits

Provisions are recognised when the group has a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at 30 June 2010 using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. The increase in the provision resulting from the passage of time is recognised in finance costs.

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.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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 determined by an external valuer using a Black-Scholes model.

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, together 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.

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.

(j) 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.

(k) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as shares in listed companies) is based on quoted market prices at 30 June 2010.

The nominal value, less any estimated credit adjustments, of trade receivables and payables are assumed to approximate their fair value.

(l) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Payables

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

(n) Revenue recognition

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

(o) Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at 30 June 2010 are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(p) Segment reporting

The group has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. The new standard requires 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.

(q) 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.

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.

Significant accounting judgements

Determination of mineral resources

The determination of mineral resources impacts the accounting for asset carrying values. The group estimates its mineral resources in accordance with the *Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves*

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

2004 (the 'JORC' Code). The information on mineral resources was prepared by or under the supervision of Competent Persons as defined in the JORC Code. The amounts presented are based on the mineral resources determined under the JORC Code.

There are numerous uncertainties inherent in estimating mineral resources and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may ultimately result in reserves being restated.

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.

	2010 $	2009 $
4. REVENUE FROM CONTINUING OPERATIONS		
Other revenues		
Net gain on disposal of plant and equipment	50	-
	50	-
Financial income		
Interest received	209,604	55,513
5. INCOME TAX		
Income tax expense	-	-
Loss for year	(9,729,639)	(7,025,303)
Non-deductible items	2,040,658	1,025,527
Unused tax losses for which no deferred tax asset has been recognised	(7,688,981)	(5,999,776)
Potential tax benefit at 30%	2,306,694	1,799,933
The directors estimate that the potential future income tax benefit, at the prevailing rate of 30% (2009: 30%), in respect of tax losses not brought to account is:	7,134,431	6,828,378

No income tax expense has been provided in the accounts because the company has an operating loss for the year. No future tax benefit 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 consolidated entity in realising the benefit.

	2010 $	2009 $
6. TRADE AND OTHER RECEIVABLES		
GST and VAT refundable	45,000	198,453
Other receivables	2,467	-
	47,467	198,453

None of the receivables are past due and are therefore not impaired.

	2010 $	2009 $
7. PLANT AND EQUIPMENT		
Cost	427,553	221,242
Less: Accumulated depreciation	(153,486)	(91,854)
Net book value	274,067	129,388
Movement in carrying value		
Opening net book amount	129,388	109,343
Additions	214,907	52,762
Disposals	-	-
Depreciation charge	(70,228)	(32,717)
Closing net book amount	274,067	129,388
8. OTHER ASSETS		
Current Assets		
Accrued income	5,741	-
Non-Current Assets		
Rental and security bonds	26,828	39,875
9. PAYABLES		
Trade payables	473,408	1,106,599
10. BORROWINGS		
Convertible notes	-	237,885
11. PROVISIONS		
Provision for annual leave	36,697	48,073

12. ISSUED CAPITAL

	2010 $	2009 $
Ordinary Shares		
Issued and Fully Paid	35,311,163	34,693,164
Movement in ordinary shares on issue		
Fully paid shares ordinary at 30 June 2009		
448,740,896 (30 June 2008: 290,295,128)	34,693,164	20,488,620
Fully paid ordinary shares issued during the year:		
Nil (2009: 82,950,000)[a(iii)]	-	9,982,000
Exercise of Options: 2,700,000 (2009: 42,638,624)	370,000	2,311,932
Conversion of convertible notes: 3,571,428 (2009: 32,857,144)	250,000	2,196,300
Transaction costs of issuing shares	(2,001)	(285,688)
Issue of shares, net of transaction costs, as per Statement of Changes in Equity	617,999	14,204,544
Total Issued Capital at end of year		
455,012,324 fully paid ordinary shares at 30 June 2010 (30 June 2009: 448,740,896)[a]	35,311,163	34,693,164

(a) Ordinary Shares

(i) Ordinary shares participate in dividends and the proceeds on winding up of Marenica Energy Limited in proportion to the number of shares held.

(ii) 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.

(iii) The 2009 comparative figure includes 82,600,000 shares each at an issue price of $0.12 issued following shareholder approval received on 9 July 2009. Irrevocable commitment letters were received to subscribe for the shares (and one free attaching option exercisable at $0.25 by 30/06/2011) were received prior to 30 June 2009. The financial effect of the shares issued subsequent to 30 June 2009 was included in the financial statements as at 30 June 2009.

	2010 $	2009 $
13. RESERVES		
Share based payments	1,437,878	603,809
Convertible notes	-	121,145
Foreign currency translation reserve	(130,139)	(260,586)
	1,307,739	464,368
(a) Share Based Payment Reserve		
Balance at beginning of year:	603,809	653,470
Options exercised during year	(168,351)	(373,749)
Options expired during year	(955,569)	(41,029)
Options issued during year	1,957,989	365,117
Balance at end of year:	1,437,878	603,809
(b) Convertible Note Reserve		
Balance at beginning of year:	121,145	-
Issue of convertible notes	-	121,145
Transfer to retained earnings on conversion	(121,145)	-
Balance at end of year:	-	121,145
(c) Foreign Exchange Translation Reserve		
Balance at beginning of year:	(260,586)	-
Movement for year	130,447	(260,586)
Balance at end of year:	(130,139)	(260,586)

14. ACCUMULATED LOSSES

	2010 $	2009 $
Accumulated losses at beginning of year	(25,611,713)	(19,087,705)
Net losses attributable to members of the parent entity	(9,651,377)	(6,938,786)
Transfer from convertible note reserve	121,145	-
Transfer from share based payment reserve	1,123,921	414,778
Accumulated losses at the end of the year	(34,018,024)	(25,611,713)

15. SEGMENT INFORMATION

The group operated predominantly in one industry, in two geographic locations. The operations of the group consisted of mineral exploration within Australia and Namibia.

Geographic Region	Revenue 2010 $	Revenue 2009 $	Results 2010 $	Results 2009 $	Assets 2010 $	Assets 2009 $
Australia	209,654	55,513	(4,844,824)	(4,671,497)	2,727,838	10,689,637
Namibia	-	-	(4,884,815)	(2,353,806)	218,366	162,222
	209,654	55,513	(9,729,639)	(7,025,303)	2,946,204	10,851,859

16. RELATED PARTIES

(a) Controlled entities

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

	Equity Interest 2010 %	Equity Interest 2009 %
Bronzewing Gold Limited (incorporated in Australia)	100	100
Marenica Energy Namibia (Proprietary) Limited (incorporated in Namibia)	100	100
Marenica Minerals (Proprietary) Limited (incorporated in Namibia)[(1)]	80	80

(1) The company has agreed to sell 5% of its holding to Millennium Minerals (Pty) Limited subject to certain conditions. As at 30 June 2010 this transaction had not been completed.

	2010 $	2009 $
(b) Loans to subsidiaries		
Balance at the beginning of the year	6,629,915	4,024,608
Loans advanced	3,426,647	2,605,307
Balance at the end of the year	10,056,562	6,629,915

(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 an employee of the legal firm Lavan Legal. Lavan Legal has provided legal services to the company on normal commercial terms and conditions. Total fees paid in the financial year ended 30 June 2010 was $nil (2009: $42,393)

Aggregate numbers of shares and share options of Marenica Energy Limited acquired by directors or their director-related entities from the company were as follows:

	2010	2009
Ordinary shares	700,000	2,250,000
Options granted	7,000,000	1,125,000

Aggregate numbers of shares and share options of Marenica Energy Limited held directly, indirectly or beneficially by directors or their director-related entities at balance date:

	2010	2009
Ordinary shares	200,000	5,532,250
Options	-	1,125,000

17. INTEREST IN JOINT VENTURES

The company has various interests in joint ventures over mineral projects. As at 30 June 2010, the joint ventures in existence were as follows:

Badgebup

The company has a 1.125% gross production income interest in a joint venture with Great Southern Resources Pty Limited.

Marenica, Namibia JV

The company has an 80% interest in the Marenica Uranium Project in Namibia via its shareholding in Marenica Minerals (Proprietary) Limited (incorporated in Namibia). The company has agreed to sell 5% of its holding in Marenica Minerals (Proprietary) Limited to Millennium Minerals (Pty) Limited subject to certain conditions. As at 30 June 2010 this transaction had not been completed.

18. COMMITMENTS FOR EXPENDITURE

Mineral Tenement Leases

In order to maintain current rights of tenure to its Australian mining tenements, the consolidated entity will be required to outlay $150,000 in 2010/11 (2009/10: $93,500) in respect of tenement lease rentals and in exploration expenditures to meet the minimum expenditure requirements. The fulfilment of these obligations will be considered in the normal course of operations based on the company's assessment as to the value of retaining the tenements. The expenditure may be funded from a variety of sources including farm-out, joint venture or direct exploration expenditure. In the following two years the commitment is $300,000 (2009: $247,000).

In respect of the Namibia tenements, there is no minimum annual outlay required to maintain current rights of tenure. In reapplying for its licence, the company advised its intention to spend N$22.5 million (A$3.7 million) in the year ended 30 June 2011. Depending upon the exploration success from this work, the company intends to spend up to a further N$85.8 million (A$13.2 million) by December 2012.

Building Lease

The company leases offices under a non-cancellable operating lease expiring within 12 months.

	2010 $	2009 $
Commitments for minimum lease payments are:		
Within one year	72,351	84,187

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:

	2010 $	2009 $
Cash at bank and on deposit	2,592,101	10,484,143
Balance per statement of cash flows	2,592,101	10,484,143

20. RECONCILIATION OF LOSS AFTER INCOME TAX TO CASH FLOWS USED IN OPERATING ACTIVITIES

	2010 $	2009 $
Operating Profit (Loss)	(9,729,639)	(7,025,303)
Add (less) non cash items		
Net gain on disposal of plant & equipment	(50)	-
Depreciation	70,228	32,717
Fair value of options granted as employee remuneration	1,957,989	152,338
Fair value of shares and options granted to consultants in lieu of cost	-	212,779
Foreign exchange (gain)	130,448	(260, 584)
Decrease/increase in operating assets and liabilities:		
Receivables	145,245	20,145
Prepayments	-	(20,528)
Payables	(633,191)	536,566
Provision for annual leave	(11,376)	6,039
Net cash (outflow) from operating activities	(8,070,346)	(6,345,831)

21. EARNINGS PER SHARE

	2010	2009
(a) Basic earnings per share – cents per share		
Loss attributable to the ordinary equity holders of the company	(2.14)	(2.12)

(b) Diluted earnings per share

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

(c) Weighted average number of shares used as the denominator

	2010	2009
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share.	451,795,142	326,910,521

22. AUDITORS' REMUNERATION

	2010 $	2009 $
During the year the following fees were paid or payable for services provided by the auditors:		
(a) Audit services		
Audit and review of financial reports under the Corporations Act 2001	29,500	33,000
(b) Other services		
Income tax return preparation	-	1,110
Total remuneration of auditors	29,500	34,110

The company has received notification from the company's auditor that he satisfies the independence criterion and that there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct in relation to the audit. The company is satisfied that the non-audit services provided is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

23. KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

The key management personnel (KMP) of Marenica Energy Limited during the year were:

G Woolford – Chairman *(resigned 20 May 2010)*

D Sanders – Non-executive director

N Biddle – Non-executive director

R Pearce – Non-executive director *(appointed 7 April 2010)*

P Ingram – Non-executive director *(appointed 20 July 2009; retired 7 December 2009)*

J Young – Chief executive officer

E van Noort – Chief geologist

S Robertson – Company secretary

	2010 $	2009 $
(b) Compensation for Key Management Personnel		
Short term employee benefits	898,487	590,572
Post-employment benefits	40,424	62,483
Share based payments	1,389,353	152,338
Total compensation	2,328,264	805,393

Marenica Energy Limited has applied the option to transfer Key Management Personnel disclosures required by AASB 124 *Related Party Disclosures* paragraphs Aus 25.4 to Aus 25.7.2 to the Remuneration Report section of the Directors' Report. These transferred disclosures have been audited.

23. KEY MANAGEMENT PERSONNEL (continued)

(c) Option holdings of Key Management Personnel ("KMP")

30 June 2010						Vested at 30 June 2010:		
Directors	Balance at beginning of period	Granted as remuneration	Options exercised	Net change other	Balance at end of period	Total	Exercis-able	Not exercis-able
G Woolford	-	3,000,000	-	(3,000,000)[2]	-	-	-	-
N Biddle	-	6,000,000	(700,000)	(5,300,000)[2]	-	-	-	-
D Sanders	-	1,000,000	-	(1,000,000)[2]	-	-	-	-
R Pearce	-	-	-	-	-	-	-	-
P Ingram	1,125,000	-	-	(1,125,000)[1]	-	-	-	-
Other KMP								
J Young	3,000,000	6,000,000	-	(3,000,000)[2]	6,000,000	6,000,000	6,000,000	-
E Van Noort	-	4,000,000	-	(500,000)[2]	3,500,000	3,500,000	3,500,000	-
S Robertson	1,400,000	2,750,000	-	(1,650,000)[2]	2,500,000	2,500,000	2,500,000	-
	5,525,000	22,750,000	(700,000)	(15,575,000)	12,000,000	12,000,000	12,000,000	

30 June 2009						Vested at 30 June 2010:		
Directors	Balance at beginning of period	Granted as remuneration	Options exercised	Net change other	Balance at end of period	Total	Exercis-able	Not exercis-able
R Johnston	1,500,000	-	-	(1,500,000)	-	-	-	-
L Reisgys	3,250,000	-	(500,000)	(2,750,000)	-	-	-	-
T Shanahan	800,000	-	-	(800,000)	-	-	-	-
P Ingram	-	-	-	1,125,000	1,125,000	1,125,000	1,125,000	-
Other KMP								
J Young	-	3,000,000	-	-	3,000,000	3,000,000	3,000,000	-
S Robertson	-	1,400,000	-	-	1,400,000	350,000	350,000	1,050,000
	5,550,000	4,400,000	(500,000)	(3,925,000)	5,525,000	4,475,000	4,475,000	1,050,000

(1) Represents number of options held at date of resignation as a director
(2) Represents number of options expired, cancelled or transferred

24. SHARE BASED PAYMENTS

(a) Recognised share based payment expenses

The expense recognised for employee services received during the year is shown in the table below:	2010 $	2009 $
Expense arising from equity-settled share based payment transactions with Key Management Personnel	1,389,353	152,338

(b) Summary of options granted

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

	2010 No.	2010 WAEP	2009 No.	2009 WAEP
Outstanding at the beginning of the year	5,525,000	$0.170	5,550,000	$0.150
Granted during the year	22,750,000	$0.181	4,400,000	$0.150
Exercised during the year	(700,000)	$0.150	(500,000)	$0.100
Held at date of Resignation of KMP	(1,125,000)	$0.250	(5,050,000)	$0.130
Expired during the year	(10,950,000)	$0.150	-	-
Other issues	(3,500,000)	$0.157	1,125,000	$0.120
Outstanding at the end of the year	12,000,000	$0.206	5,525,000	$0.170
Exercisable at the end of the year	12,000,000	$0.206	4,475,000	$0.175

(c) Weighted average remaining contractual life

The weighted average remaining contractual life of the share options held by Key Management Personnel outstanding as at 30 June 2010 is 1.0 years (2009: 1.0 years)

(d) Range of exercise prices

The exercise price for options held by Key Management Personnel outstanding at the end of the year was $0.15 - $0.21.

(e) Weighted average fair value

The weighted average fair value of options granted to Key Management Personnel during the year was $0.06 (2009: $0.05)

(f) Option pricing model

The fair value of the equity-settled share options granted to Key Management Personnel during the year is estimated as at the date of grant using a Black and Scholes Model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the year ended 30 June 2010.

	2010	2009
Dividend yield (%)	0%	0%
Expected volatility (%)	85% - 141%	128%
Risk free interest rate (%)	2.74% - 4.91%	4.54% - 5.23%
Expected life of the option (years)	0.98 - 3.65	1.08 - 1.17
Option exercise price ($)	$0.15 - $0.21	$0.15
Share price at grant date ($)	$0.12 - $0.155	$0.102 - $0.143

25. PARENT ENTITY FINANCIAL INFORMATION

	2010 $	2009 $
Current Assets	2,644,809	10,530,410
Total Assets	3,449,527	10,841,165
Current Liabilities	484,867	1,381,863
Total Liabilities	484,867	1,381,863
NET ASSETS	2,964,660	9,459,302
EQUITY		
Issued capital	35,311,163	34,693,164
Reserves	1,437,877	724,954
Accumulated losses	(33,784,380)	(25,958,816)
TOTAL EQUITY	2,964,660	9,459,302
Loss for the year	(9,071,300)	(7,285,889)
Total comprehensive income	(9,071,300)	(7,285,889)

26. CONTINGENT LIABILITIES

On 7 April 2006, the company entered into an introduction agreement with Mallee Minerals Pty Limited in respect of a mineral licence in Namibia. Upon the company receiving a bankable feasibility study in respect of the project or the company delineating, classifying or reclassifying uranium resources in respect of the project, the company will pay to Mallee Minerals Pty Limited:

(i) $0.01 per tonne of uranium ore classified as inferred resources in respect of the project; 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 $968,500 excluding GST was paid during the year ended June 2010 (2009: $350,000).

27. EVENTS AFTER THE REPORTING PERIOD

There have been no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect:

(i) the consolidated entity's operations in future years; or

(ii) the results of those operations in future years; or

(iii) the consolidated entity's state of affairs in future years.

28. FINANCIAL INSTRUMENTS

Overview – Risk Management

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

The consolidated entity 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 consolidated entity 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 consolidated entity through regular reviews of the risks.

Credit Risk

Credit risk is the risk of financial loss to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the consolidated entity's receivables from customers and investment securities. At 30 June 2010 there were no significant concentrations of credit risk.

Cash and cash equivalents

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

Trade and other receivables

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

The consolidated entity 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 consolidated entity's maximum exposure to credit risk at the reporting date was:

	Note	**2010** **$**	2009 $
Receivables	6	47,467	198,454
Other current assets	8	5,741	-
Cash and cash equivalents	19	2,592,101	10,484,143

Impairment Losses

None of the consolidated entity's other receivables are past due (2009: $nil).

28. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The consolidated entity'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 consolidated entity's reputation.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual flows. The consolidated entity does not have any external borrowings.

The consolidated entity will need to raise additional capital in the next 12 months to meet forecast operational and exploration activities. The decision on when and how the consolidated entity 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:

Consolidated Entity
30 June 2010

	Note	Carrying amount	Contractual cash flow	6 months or less	6-12 months
Trade and other payables	9	473,408	473,408	473,408	-

30 June 2009

	Note	Carrying amount	Contractual cash flow	6 months or less	6-12 months
Trade and other payables	9	1,106,599	1,106,599	1,106,599	-
Convertible notes	10	237,885	237,885	-	237,885

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 consolidated entity'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 consolidated entity's exposure to currency risk at 30 June 2010 on financial assets denominated in Namibian dollars was $14,043 (2009: $62,188) which amounts are not hedged. The effect of future movements in the exchange rate for Namibian dollars on the consolidated entity's financial position and results of fully expensed exploration and evaluation activities is likely to be negligible.

The parent entity's exposure to currency risk at 30 June 2010 on financial assets denominated in Namibian dollars (being loans made to controlled entities to fund exploration activities in Namibia) was $10,056,562 (2009: $6,629,915) which amounts are not hedged. The effect of future movements in the exchange rate for Namibian dollars on the parent entity's financial position and results of fully expensed exploration and evaluation activities is likely to be negligible.

28. FINANCIAL INSTRUMENTS (continued)

Interest Rate Risk

The consolidated entity 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 consolidated entity 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 90 day rolling periods.

Profile

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

	Carrying Amount	
	2010	**2009**
	$	**$**
Fixed rate instruments		
Financial assets – cash and cash equivalents	-	-
Variable rate instruments		
Financial assets – cash and cash equivalents	2,592,101	10,484,143

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 100 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 2009.

Consolidated Entity

	Profit or loss		Equity	
	100bp increase	**100bp decrease**	**100bp increase**	**100bp decrease**
30 June 2010				
Variable rate instruments	25,921	(25,921)	25,921	(25,921)
30 June 2009				
Variable rate instruments	104,841	(104,841)	104,841	(104,841)

28. FINANCIAL INSTRUMENTS (continued)

Fair Values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	30 June 2010		30 June 2009	
	Carrying Amount	Fair value	Carrying amount	Fair value
Receivables	47,467	47,467	198,453	198,453
Other current assets	5,741	5,741	-	-
Cash and cash equivalents	2,592,101	2,592,101	10,484,143	10,484,143
Trade and other payables	(473,408)	(473,408)	(1,106,599)	(1,106,599)
Borrowings	-	-	(237,885)	(237,885)
	2,171,901	2,171,901	9,338,112	9,338,112

Commodity Price Risk

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

Capital Management

The consolidated entity's objectives when managing capital are to safeguard the consolidated entity'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. In order to maintain or adjust the capital structure, the consolidated entity may return capital to shareholders, issue new shares or sell assets to reduce debt. The consolidated entity's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities. The consolidated entity monitors capital on the basis of the gearing ratio, however there are no external borrowings as at balance date.

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

The consolidated entity is not subject to externally imposed capital requirements.

DIRECTORS' DECLARATION

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 consolidated entity 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 consolidated entity's financial position as at 30 June 2010 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 will be able to pay its 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 2010.

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

On behalf of the board.

Robert Pearce
Perth, 22 September 2010

ROTHSAY

96 Parry Street, Perth WA 6000 P.O. Box 8716, Perth Business Centre WA 6849
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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF MARENICA ENERGY LTD

Report on the financial report

We have audited the accompanying financial report of Marenica Energy Ltd (the Company") which comprises the balance sheet as at 30 June 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year.

Directors Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The Directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used in and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial report.

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

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical requirements and the *Corporations Act 2001*.

Audit opinion

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

a) (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

b) the consolidated financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2010. 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.

Audit opinion

In our opinion the remuneration report of Marenica Energy Ltd for the year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Rothsay

Graham R Swan
Partner

Dated 22 September 2010

Chartered Accountants

INTRODUCTION

Marenica Energy Limited (the company) has adopted systems of control and accountability as the basis for the administration of corporate governance

The company, during the financial year ended 30 June 2010 (the **Reporting Period**), has continued to follow the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations (**ASX Principles and Recommendations**) as set out below:

Principle 1: Lay solid foundations for management and oversight

The company has adopted a Board Charter which describes the purpose and role of the board, its responsibilities and powers and the way in which the board functions.

The board has sole responsibility for the following:

- Protection and enhancement of shareholder value.
- Formulation, review and approval of the objectives and strategic direction of the company.
- Monitoring the financial performance of the company by reviewing and approving budgets and monitoring results.
- Approving all significant business transactions including acquisitions, divestments and capital expenditure.
- Ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained.
- The identification of significant business risks and ensuring that such risks are adequately managed.
- The review of performance and remuneration of executive directors and key staff.
- The establishment and maintenance of appropriate ethical standards.
- Evaluating and, where appropriate, adopting with or without modification the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

The CEO has responsibility for the management of the company.

Arrangements are in place by the board to monitor the performance of the company's executives including a review by the board of the company's financial performance and annual performance appraisal meetings incorporating analysis of key performance indicators with each individual.

The performance of senior executives is also evaluated on an on-going basis using a peer reviewing procedure. The board considers adjustments to remuneration of senior executives and employees annually after considering performance evaluations.

Principle 2: Structure the board to add value

During the year ended 30 June 2010 the company had a majority of directors who were considered to be independent the Chairman was an independent non-executive director and did not perform the role of either managing director or chief executive officer. Refer to the Directors' Report for board changes throughout the reporting period. The independence of directors is reviewed on an ongoing basis. Directors are entitled to obtain independent external advice on matters relating to accounting law or other relevant professional matters.

The Board Charter provides that the board will constantly review and monitor its performance. As part of this process, the board may seek to appoint persons who, in the opinion of the board, will provide specialist expertise required for the board to adequately perform its role. Additionally, the board will also review its composition and advise board members where it is felt that a director's skills are different from those required by the company.

The board considers that the company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time including audit, remuneration or nomination committees preferring at this stage to manage the company through the full board of directors.

The board as a whole is able to address the governance aspects of the full scope of the company's activities and to ensure that it adheres to appropriate ethical standards.

The full board currently holds meetings at such times as may be necessary to address any general or specific matters as required.

If the group's activities increase in size, scope and nature, the appointment of separate or special committees will be reviewed by the board and implemented if appropriate.

The board has adopted an informal, self-evaluation process to measure its own performance during each financial year. Also, an annual review is undertaken in relation to the composition and skills mix of the directors of the company.

Principle 3: Promote ethical and responsible decision-making

The board has adopted a series of policies comprising a Code of Conduct for the board, management and employees.

The Code of Conduct addresses expectations for conduct in the following areas:

- Responsibilities to clients, employees, suppliers, creditors, customers and consumers
- Employment practices
- Responsibility to the community
- Responsibility to the individual
- Obligations relative to fair trading and dealing
- Business courtesies, bribes, facilitation payments, inducements and commissions
- Conflicts of interest

All directors, executives and employees are required to comply with that Code.

Failure to comply will result in disciplinary action and may include reprimand, formal warning, demotion or, in extreme cases, termination of employment.

In accordance with the Corporations Act 2001 and the company's constitution, directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the company. Where the board believes that a significant conflict exists, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

The company has established a policy for trading in the company's securities that is provided to all directors and employees on commencement.

The constitution permits directors to acquire shares or options in the company. The company's policy prohibits directors from dealing in shares or options whilst in possession of price sensitive information. Directors must notify the company secretary once they have bought or sold shares or options in the company or exercised options over ordinary shares. In accordance with the provisions of the Corporations Act 2001 and the Listing Rules of the Australian Securities Exchange, the company on behalf of the directors must advise the Australian Securities Exchange of any transactions conducted by them in shares and / or options in the company.

Principle 4: Safeguard integrity in financial reporting

The board considers that the company is not currently of a size, nor its affairs of such complexity, to justify the formation of a separate audit committee, preferring at this stage to manage the company through the full board of directors to verify and safeguard the integrity of the company's financial reporting and to ensure the independence and competence of the company's external auditor.

The board requires the chief executive officer and chief financial officer (or equivalent) to state in writing on an annual basis that the company's financial reports contain a true and fair view, in all material respects, of the financial condition and operating performance of the company.

The company's auditor is required to attend the company's AGM and be available to answer shareholder questions

Principle 5: Make timely and balanced disclosure

The company has established a Disclosure Policy which requires that the chairman, chief executive officer (or equivalent) or company secretary be advised as soon as possible (and prior to disclosure to anyone else) of matters which they believe may be required to be disclosed.

The company's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the company. The strategy provides for the use of systems that ensure a regular and timely release of information about the company is provided to shareholders. Mechanisms employed include:

- Announcements lodged with ASX;
- ASX Quarterly Cash Flow Reports;
- Half Yearly Report;
- Presentations at the Annual General Meeting/General Meetings; and
- Annual Report.

Principle 6: Respect the rights of shareholders

The company lists all of the company's announcements to the market on its website. Shareholders and market participants registering their email addresses with the company are provided with a link to each announcement.

The company's auditor is required to attend the company's AGM and be available to answer shareholder questions.

The board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the company's strategy and goals.

Principle 7: Recognise and manage risk

The company is not currently considered to be of a size, nor is its affairs of such complexity to justify the establishment of a separate Risk Management Committee. Instead, the board, as part of its usual role and through direct involvement in the management of the company's operations ensures risks are identified, assessed and appropriately managed. Where necessary, the board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk.

The board requires the chief executive officer and chief financial officer (or equivalent) to state in writing on an annual basis that the company's financial reports contain a true and fair view, in all material respects, of the financial condition and operating performance of the company and comply with relevant accounting standards and, furthermore, that the company has a sound system of risk management, that internal compliance and control systems are in place to ensure the implementation of board policies and that those systems are operating efficiently and effectively in all material respects.

The board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities.

Principle 8: Remunerate fairly and responsibly

The company has not established a Nominations and Remuneration Committee however the full board:

1. Reviews the remuneration guidelines for senior management, including base salary, bonuses, share

options, salary packaging and final contractual agreements.

2. Reviews non-executive fees and costs by seeking external benchmarks.
3. Reviewing the chief executive officer's remuneration, allowances and incentives and final package.

Equity components of remuneration, including the issue of options, for directors are required to be approved by shareholders prior to award.

Further details in relation to company's remuneration policy is set out in the Remuneration Report Section of the Director's Report, and is also included in the 2010 Financial Statements

During the company's 2009/2010 financial year ("Reporting Period") the company complied with the ASX Principles and Recommendations other than in relation to the matters specified below.

Principle No	Best Practice Recommendation	Reasons for Non-compliance
2.4	A separate Nomination Committee has not been formed.	The board considers that the company is not currently of a size to justify the formation of a nomination committee. The board as a whole undertakes the process of reviewing the skill base and experience of existing directors to enable identification or attributes required in new directors. Where appropriate independent consultants will be engaged to identify possible new candidates for the board.
4.1,4.2, 4.3	A separate Audit Committee has not been formed.	The board considers that the company is not currently of a size, nor are its affairs of such complexity to justify the formation of an audit committee. The board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems.
8.1	There is no separate Remuneration Committee.	The board considers that the company is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The board as a whole is responsible for the remuneration arrangements for directors and executives of the company.

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings (as at 28 September 2010)

Substantial shareholders

Substantial holders in the company are set out below:

Shareholder	Number	Percentage
Areva NC	47,560,000	10.57
Batavia Mining Limited	30,000,000	6.68

Voting rights of Shares

(a) at meetings of members or classes of members each member entitled to vote may vote in person or by proxy or attorney; and

(b) on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

On-market buy-back

There is no current on-market buy-back.

Number of Holders of Unlisted Options

3,000,000 Unlisted $0.15 Options expiring 30/06/2011 held by 1 Holders.

7,450,000 Unlisted $0.20 Options expiring 31/10/2011 held by 8 Holders.

12,500,000 Unlisted $.21 Options expiring 15/12/2013 held by 8 Holders.

41,300,000 Unlisted $0.25 Options expiring 30/06/2010 held by 10 Holders.

Distribution of ordinary shares as at 28 September 2010

Category	Number of Holders	Ordinary Shares
1 – 1,000	157	48,607
1,001 – 5,000	298	1,046,504
5,001 – 10,000	359	3,034,165
10,001 – 100,000	1,095	43,892,678
100,001 and over	297	406,990,371
	2,206	**455,012,325**

The number of shareholders holding less than a marketable parcel is 591.

Shares in Escrow

As at 28 September 2010 there were no shares in escrow.

ASX ADDITIONAL INFORMATION

Tenement Schedule as at 28 September 2010

Tenement Number	Registered Title Holder	Registered Interest	Project Name
Nambia			
EPL 3287	Marenica Minerals (Pty) Ltd	A right to an 80% registered interest	Marenica Uranium
Australia			
Vic Loc 118	West Australian Metals Ltd	100%	Northampton Base Metals
Vic Loc 119	West Australian Metals Ltd	100%	Northampton Base Metals
Vic Loc 833	West Australian Metals Ltd	100%	Northampton Base Metals
E66/50	West Australian Metals Ltd	100%	Northampton Base Metals
EL63/1033	Bronzewing Gold Ltd	100%	Scaddan Uranium
EL63/1037	Bronzewing Gold Ltd	100%	Scaddan Uranium
M70/210	Great Southern Resources Pty Ltd	1.125% royalty	Badgebup Gold
M70/211	Great Southern Resources Pty Ltd	1.125% royalty	Badgebup Gold
M70/488	Great Southern Resources Pty Ltd	1.125% royalty	Badgebup Gold

Twenty largest shareholders as at 28 September 2010

Name	Number of shares held	Percentage of shares held
JP Morgan Nominees Australia Limited	119,079,759	26.17
Areva NC	47,560,000	10.45
Sherwin Iron Limited	27,500,000	6.04
Nefco Nominees Pty Ltd	19,800,000	4.35
Malacca Capital Limited	15,000,000	3.30
Accord Invesment Corporation Pty Ltd	9,306,237	2.05
Mallee Minerals Pty Ltd	9,000,000	1.98
HSBC Custody Nominees (Australia) Limited	7,941,280	1.75
Eurobond Trading Limited	7,700,000	1.69
Citicorp Nominees Pty Limited	6,489,638	1.43
Vargas Holdings Pty Ltd	6,167,366	1.36
Mr J J + Mrs A L Martin	3,970,000	0.87
ANZ Nominees Limited	3,060,737	0.67
T T + Y M Marchese	2,857,143	0.63
Mr D R + Mrs S Griffiths	2,571,000	0.57
CIMB Securities (Singapore) Pte Ltd	2,467,834	0.54
Goldbondsuper Pty Ltd	2,280,000	0.50
Mr C G + Mrs S L Johnson	2,274,950	0.50
Mr N G + Mrs P Johnson	2,274,950	0.50
Ross Asset Management Limited	2,250,000	0.49
Total Top 20	299,550,894	64.83
Others	155,461,431	34.17
Total	455,012,325	100.00