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MARENICA ENERGY LTD

ACN 001 666 600

**HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2010**

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Your directors submit their report together with the consolidated financial report for the half-year ended 31 December 2010 and the review report thereon.

Directors

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

Name	Period of directorship
Robert Pearce	Non-executive Chairman
David G Sanders	Non-executive Director
Gavin Becker	Non-executive Director (appointed 19 August 2010)
Douglas Buerger	Non-executive Director (appointed 23 September 2010)
Calvin Zhu	Non-executive Director (appointed 13 December 2010)
Neil Biddle	Non-executive Director (retired 19 November 2010)

Operating and Financial Review

Result of Operations

The consolidated loss from ordinary activities of the Group for the half-year ended 31 December 2010 attributable to members was \$2,420,424 (31 December 2009 – loss of \$5,413,464).

Review of Operations

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 31 December 2010 this transaction had not been completed.

During the half-year ended 31 December 2010, Marenica's exploration and management team continued to progress development plans for the Marenica Project.

After receiving positive results from the interim Scoping Study completed in the September 2010 quarter, the Company's key focus was to secure funding for the next stage of evaluation and development of the Marenica Project.

Following discussions with several groups, the Company entered into a strategic funding arrangement and alliance with Hanlong Energy Limited (a subsidiary of the privately-owned, China based Sichuan Hanlong Group Co). Pursuant to this agreement a total of \$5 million dollars of debt and equity funding was secured through;

- the issue of convertible notes (\$2 million),
- a direct placement (\$1 million); and
- the underwriting of a \$2 million rights issue to existing shareholders.

In addition, Marenica and Hanlong have entered into a Memorandum of Understanding ("MOU") encompassing longer-term feasibility and development funding, off-take arrangements and potential cooperation on future strategic acquisitions in the uranium sector.

Exploration drilling recommenced during the period with a small reconnaissance drilling program undertaken at the MA7 Target Area, located 7km south-west of the main resource, with a selection of targets based on the EM survey completed in the previous Quarter.

Results from this limited Reverse Circulation (RC) program have outlined two new prospective mineralised zones, each two kilometres long and up to 400 metres wide, with anomalous intercepts up to 8.8m thick. Drilling is on wide spacing of 600m by 200m and will require in-fill drilling during 2011.

Metallurgical test work is continuing at AMMTEC laboratories in Australia to confirm the heap leach process route and to assess the amenability of the ore to heap-leaching, and a range of beneficiation, blending and agglomeration process parameters.

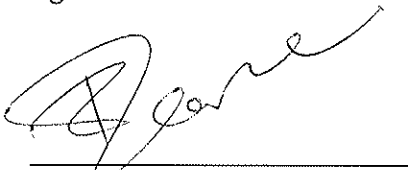
Subsequent to the end of the half-year, the Company received renewal of the tenement covering the Marenica Project from the Namibian Ministry of Mines and Energy with the retention of 100% of the existing tenure for a further two years.

The Northampton Project in Western Australia was relinquished during the half-year.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on the next page and forms part of the Directors' Report for the half-year ended 31 December 2010.

Signed in accordance with a resolution of the directors



Robert Pearce
Chairman

Dated at Perth this 21st day of February 2011

*R*OTHSA Y

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

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

Dear Sirs

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

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit review of the 31 December 2010 interim financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Graham R Swan (Lead auditor)



Rothsay Chartered Accountants

Dated 21st February 2011



Chartered Accountants

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under the Professional Standards Act 1994 (NSW).

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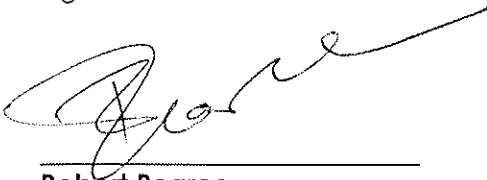
MARENICA ENERGY LTD

Directors' Declaration

The directors of Marenica Energy Ltd declare that:

- (a) the financial statements and notes, set out on pages 7 to 14, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations Act 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors



Robert Pearce
Director

Dated at Perth this 21st day of February 2011

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MARENICA ENERGY LTDConsolidated Statement of Comprehensive Income
for the half-year ended 31 December 2010

	Consolidated	
	31 December 2010 \$	31 December 2009 \$
Continuing Operations		
Financial income	73,196	55,513
Profit on sale of plant & equipment	1,144	-
Government grant received	162,361	-
	<u>236,701</u>	<u>55,513</u>
Expenses		
Exploration and evaluation expenditure written off	455,738	2,501,062
Payments on delineation of resource	330,804	320,000
Employee expenses	762,112	498,712
Value of options granted	198,250	1,102,103
Foreign exchange loss	177,564	217,505
Administration expenses	707,800	855,705
Depreciation expense	24,072	38,605
Finance expense	25,219	13,453
Total expenses	<u>2,681,559</u>	<u>5,547,145</u>
Loss before income tax expense	(2,444,858)	(5,491,632)
Income tax expense	-	-
Loss from continuing operations	(2,444,858)	(5,491,632)
Minority interest	24,434	78,168
Total comprehensive loss for the period attributable to members of Marenica Energy Limited	<u>(2,420,424)</u>	<u>(5,413,464)</u>
Earnings per share		
Basic and diluted loss per share (cents per share)	(0.48)	(1.20)

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

MARENICA ENERGY LTDConsolidated Statement of Financial Position
as at 31 December 2010

	Consolidated	
	31 December 2010	30 June 2010
	\$	\$
Current Assets		
Cash and cash equivalents	5,058,608	2,592,101
Trade and other receivables	121,609	47,467
Other	6,557	5,741
Total Current Assets	<u>5,186,774</u>	<u>2,645,309</u>
Non-Current Assets		
Property, plant & equipment	236,391	274,067
Rental & security bonds	30,323	26,828
Total Non-Current Assets	<u>266,714</u>	<u>300,895</u>
Total Assets	<u>5,453,488</u>	<u>2,946,204</u>
Current Liabilities		
Trade and other payables	147,410	473,408
Borrowings	1,712,549	-
Employee benefits	40,977	36,697
Total Current Liabilities	<u>1,900,936</u>	<u>510,105</u>
Total Liabilities	<u>1,900,936</u>	<u>510,105</u>
Net Assets	<u>3,552,552</u>	<u>2,436,099</u>
Equity		
Issued capital	38,202,003	35,311,163
Reserves	1,978,210	1,307,739
Accumulated losses	(36,438,448)	(34,018,024)
Non-controlling interests	(189,213)	(164,779)
Total Equity	<u>3,552,552</u>	<u>2,436,099</u>

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

MARENICA ENERGY LTD

Consolidated Statement of Cash Flows
for the half-year ended at 31 December 2010

	Consolidated	
	31 December 2010	31 December 2009
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(1,765,669)	(2,463,723)
Exploration and evaluation expenditure	(570,541)	(2,432,370)
Payments on delineation of resource	(330,804)	(320,000)
Government grant received	162,361	-
Interest received	72,380	54,541
Interest paid	(6,808)	(3,371)
Net cash used in operating activities	<u>(2,439,081)</u>	<u>(5,164,923)</u>
Cash flows from investing activities		
Acquisitions of plant and equipment	(31,307)	(232,406)
Proceeds from sale of plant & equipment	46,055	-
Deposits refunded	-	12,930
Net cash used in investing activities	<u>14,748</u>	<u>(219,476)</u>
Cash flows from financing activities		
Proceeds from issue of equity securities	3,053,216	143,000
Share issue costs	(162,376)	-
Proceeds from borrowings	2,000,000	-
Net cash provided by financing activities	<u>4,890,840</u>	<u>143,000</u>
Net increase/(decrease) in cash and cash equivalents	2,466,507	(5,241,399)
Cash and cash equivalents at beginning of half-year	2,592,101	10,484,143
Cash and cash equivalents at end of half year	<u>5,058,608</u>	<u>5,242,744</u>

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

MARENICA ENERGY LTD

Consolidated Statement of Changes in Equity
for the half-year ended at 31 December 2010

For the half-year ended 31 December 2010

	Issued Capital	Accumulated Losses	Reserves	Total	Non-controlling Interests	Total Equity
Balance at 1 July 2010	35,311,163	(34,018,024)	1,307,739	2,600,878	(164,779)	2,436,099
Total comprehensive income	-	(2,420,424)	-	(2,420,424)	(24,434)	(2,444,858)
Issue of shares, net of transaction costs	2,890,840	-	-	2,890,840	-	2,890,840
Issue of convertible notes			287,451	287,451		287,451
Value of options granted	-	-	198,250	198,250	-	198,250
Currency translation movements	-	-	184,770	184,770	-	184,770
Balance at 31 December 2010	38,202,003	(36,221,787)	1,978,210	3,741,765	(189,213)	3,552,552

For the half-year ended 31 December 2009

	Issued Capital	Accumulated Losses	Reserves	Total	Non-controlling Interests	Total Equity
Balance at 1 July 2009	34,693,164	(25,611,713)	464,368	9,545,819	(86,517)	9,459,302
Total comprehensive income	-	(5,413,464)	-	(5,413,464)	(78,168)	(5,491,632)
Value of options granted	-	-	1,102,103	1,102,103	-	1,102,103
Transfer on exercise or expiry of options	-	238,692	(238,692)	-	-	-
Currency translation movements	-	-	128,366	128,366	-	128,366
Issue of shares, net of costs	143,000	-	-	143,000	-	143,000
Balance at 31 December 2009	34,836,164	(30,786,485)	1,456,145	5,505,824	(164,686)	5,341,138

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

MARENICA ENERGY LTD

Condensed Notes to the Financial Statements
for the half-year ended at 31 December 2010

1. Reporting Entity

Marenica Energy Ltd (the "Company"), is a company domiciled in Australia. The condensed consolidated half-year financial report of the Company for the six months ended 31 December 2010 comprises the Company and its subsidiaries (together referred to as the "Group").

2. Statement of Compliance

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

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the group for the year ended 30 June 2010.

It is recommended that these financial statements be read in conjunction with the annual financial statements for the year ended 30 June 2010 and any public announcements made by Marenica Energy Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

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

3. Significant Accounting Policies

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the company's 2010 annual financial report for the financial year ended 30 June 2010, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group include:

- Amendments to AASB 5, 8, 101, 107, 117, 118, 136 and 139 as a consequence of AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

AASB 2009-5 introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the classification of expenditures on unrecognised assets in the statement of cash flows.

The adoption of these amendments has not resulted in any changes to the Group's accounting policies.

MARENICA ENERGY LTD

Condensed Notes to the Financial Statements
for the half-year ended at 31 December 2010

4. Estimates

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

In preparing this consolidated interim financial report, the significant judgments made by management in applying the group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2010.

5. Financial Risk Management

Aspects of the group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial report for the year ended 30 June 2010.

6. Issued Capital

	31 December 2010 \$	30 June 2010 \$
Ordinary shares, fully paid	38,202,003	35,311,163

	31 December 2010	
Movements in ordinary share capital	Number of shares	\$
Balance at beginning of half-year	455,012,324	35,311,163
Issued during the half- year:		
– Ordinary shares issued	43,617,364	3,053,216
– Options exercised	-	-
– Capital raising costs incurred	-	(162,376)
Balance at end of half-year	498,629,688	38,202,003

MARENICA ENERGY LTD

Condensed Notes to the Financial Statements
for the half-year ended at 31 December 2010

7. Segment Reporting

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

8. Share Based Payments

During the period 6,500,000 options were granted to directors of the Company. Expenses arising from share-based payment transactions for the period totalled \$198,250.

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

Options granted	6,500,000
Date of grant	19/11/2010
Exercise date	31/10/2013
Value per option	\$0.0305
Weighted average exercise price	\$0.13
Weighted average life of the option	3 years
Weighted average underlying share price	\$0.09
Expected share price volatility	85%
Weighted average risk free interest rate	4.93%

The options vested immediately.

The basis of measuring fair value is consistent with that disclosed in the consolidated entity's financial report for the year ended 30 June 2010.

9. Contingent Liabilities

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

- (i) \$0.01 per tonne of uranium ore classified as inferred resources in respect of the project; and a further
- (ii) \$0.02 per tonne of uranium ore classified as indicated resources in respect of the project; and a further
- (iii) \$0.03 per tonne of uranium ore classified as measured resources in respect of the project.

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

10. Subsequent Events

Since the end of the half-year the Company has received renewal of the tenement covering the Marenica Project from the Namibian Ministry of Mines and Energy with the retention of 100% of the existing tenure. This secures Marenica's interest in the Project for a further two years.

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

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Independent Review Report to the Members of Marenica Energy Ltd

The financial report and directors' responsibility

The interim consolidated financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Marenica Energy Ltd for the half-year ended 31 December 2010.

The Company's directors are responsible for the preparation and fair presentation of the consolidated financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim consolidated financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated financial position as at 31 December 2010 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Marenica Energy Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Independence

In conducting our review we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim consolidated financial report of Marenica Energy Ltd is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the consolidated financial position as at 31 December 2010 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Rothsay



Graham R Swan
Partner

Dated 21st February 2011



Chartered Accountants

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