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# **MARENICA ENERGY LTD**

**ACN 001 666 600**

**HALF-YEAR FINANCIAL REPORT  
31 DECEMBER 2012**

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## Corporate Information

### DIRECTORS

R Pearce (Non-executive Chairman)  
D Sanders (Non-executive director)  
G Becker (Non-executive director)  
D Buerger (Non-executive director)  
N Chen (Non-executive director)  
B Yang (Non-executive director)

### COMPANY SECRETARY

M van Uffelen

### CHIEF EXECUTIVE OFFICER

M Hill

### REGISTERED OFFICE

c/- Bennett + Co  
Ground Floor, BGC Centre  
28 The Esplanade  
Perth WA 6000

### OPERATIONS OFFICE

Ground Floor, 6 Kings Park Road  
West Perth WA 6005  
Tel: 61 8 6555 1816

### WEB SITE

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

### AUDITOR

Rothsay Chartered Accountants  
Level 18, Central Park Building  
152-158 St Georges Tce  
Perth WA 6000  
Tel: 61 8 9227 0552

### STOCK EXCHANGES

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

### HOME EXCHANGE

Perth

### SHARE REGISTRY

Advanced Share Registry Services  
150 Stirling Highway  
Nedlands WA 6009  
Tel: 61 8 9389 8033 Fax: 61 8 9389 7871

### ASX CODE

MEY

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Directors' Report

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Your Directors submit their report together with the consolidated financial report of Marenica Energy Ltd ("Marenica" or "Company") for the half-year ended 31 December 2012.

**Directors**

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

<b>Name</b>	<b>Period of directorship</b>
Robert Pearce	Non-executive Chairman
David G Sanders	Non-executive Director
Gavin Becker	Non-executive Director
Douglas Buerger	Non-executive Director
Nelson Chen	Non-executive Director
Bo Yang	Non-executive Director

**Operating and Financial Review**

**Result of Operations**

The loss from ordinary activities of the Group for the half-year ended 31 December 2012 attributable to members was \$1,508,039 (31 December 2011 – loss of \$2,034,663).

**Review of Operations**

**Marenica Uranium Project – 75% owned**

The Company has continued to progress its 75%-owned Marenica Uranium ("Project"), located in Namibia, Southern Africa.

*Overview:*

The Marenica uranium deposit, located approximately 90km NE of Swakopmund in Namibia, Southern Africa, comprises a total JORC compliant Indicated and Inferred resource of 276Mt @ 94ppm U<sub>3</sub>O<sub>8</sub> for 57Mlbs contained U<sub>3</sub>O<sub>8</sub>, at a 50 ppm cut-off grade (see Table 1).

**Table 1: Marenica Resource Estimate, Dec 2011 at a 50 ppm cut-off grade**

<b>Domain</b>	<b>Category</b>	<b>MTonnes</b>	<b>U<sub>3</sub>O<sub>8</sub> (ppm)</b>	<b>U<sub>3</sub>O<sub>8</sub> Mlbs</b>
Palaeochannel	Indicated	20.1	105	4.7
	Inferred	201.3	91	40.5
Basement	Indicated	6.5	124	1.8
	Inferred	48.2	98	10.4
<b>Total</b>		<b>276.1</b>	<b>94</b>	<b>57.3</b>

The Company has a further Namibian uranium deposit, MA7, with an Inferred JORC resource of 4Mlbs, at a 50 ppm cut-off grade (see Table 2).

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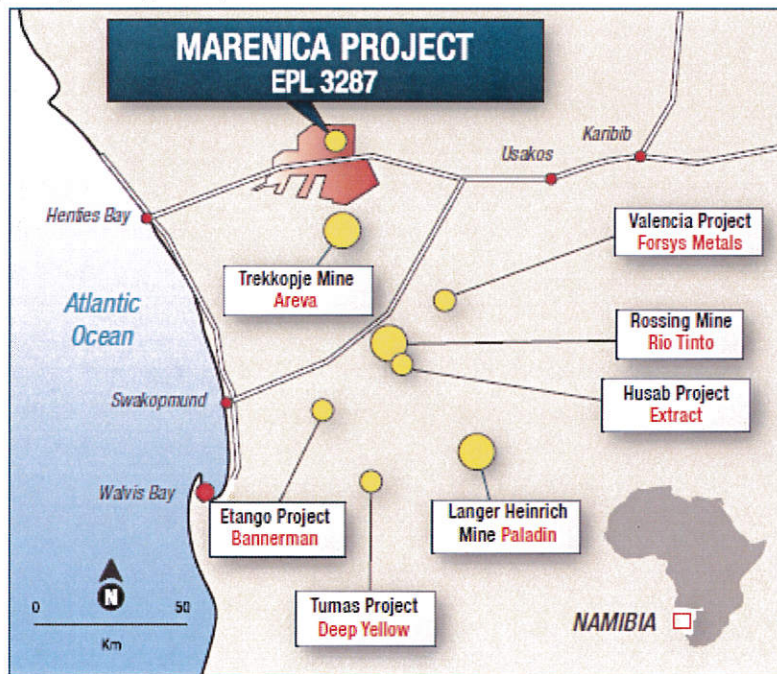
**Table 2: MA7 Resource Estimate, Dec 2011 at a 50 ppm cut-off grade**

Domain	Category	MTonnes	U <sub>3</sub> O <sub>8</sub> (ppm)	U <sub>3</sub> O <sub>8</sub> Mlbs
Palaeochannel	<b>Inferred</b>	12.1	91	2.4
Basement	<b>Inferred</b>	10.7	69	1.6
	<b>Total</b>	<b>22.8</b>	<b>81</b>	<b>4.0</b>

*Location:*

The deposits are located in a world-class uranium province (the fourth largest uranium-producing region in the world), in close proximity to a series of world-class uranium mines such as Rossing and Langer Heinrich.

The region also hosts numerous advanced projects under development and prospective exploration projects (see Figure 1).



**Figure 1: Location of the Marenica Project and major uranium deposits Namibia.**

*Activities:*

The Company extracted bulk samples from the Marenica resource, upon which detailed metallurgical testwork is currently being performed, to assess the potential to upgrade the carnotite (uranium hosting rock) ahead of a leaching process. The metallurgical testing of this upgrade process will be continued for most of 2013.

As announced on 21 December 2012, preliminary primary upgrade testwork produced upgrade ratios of between 3 and 5. Further testing of this upgraded material produced a grade increase of 15 to 25 times at high recovery for 30% of the material upgraded via the

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## Directors' Report

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primary process. Testing is continuing to attempt to further improve this grade and to also significantly upgrade the remaining 70% of the material upgraded via the primary process.

The Company is working on optimising a recovery flowsheet, that it believes is unique in the uranium industry, to concentrate uranium. The Company has filed a provisional patent over the process and the flowsheet.

The successful application of the proposed concentrating process to the Project ore would reduce the amount of material to be leached (by rejecting 95 to 97% of the original mass) and lower the capital and operating costs for processing and therefore should significantly enhance the Project's economics.

The Exclusive Prospecting License (EPL) 3287 on the Marenica lease expired on 30 November 2012 and has been extended for a further two years to 30 November 2014.

### **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 2012.

Signed in accordance with a resolution of the directors.



**Robert Pearce**  
Chairman

Dated at Perth this 21<sup>st</sup> day of February 2013

### **Notes**

*The information in this report which relates to Mineral Resources is based upon information compiled by Ian Glacken, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Ian Glacken is an employee of Optiro Pty Ltd 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. Ian Glacken consents to the inclusion in the report of a summary based upon his information in the form and context in which it appears.*

# *R*OTHSA Y

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P.O. Box 8716, Perth Business Centre WA 6849  
Phone (08) 6364 5076 www.rothsay.com.au

The Directors  
Marenica Energy Ltd  
6 Kings Park Road  
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 2012 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 21/2/2013



Chartered Accountants

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under the Professional Standards Act 1994 (NSW).

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**Directors' Declaration**

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The Directors of Marenica Energy Ltd declare that:

- (a) the financial statements and notes, set out on pages 8 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 2012 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 Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



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**Robert Pearce**  
Director

Dated at Perth this 21<sup>st</sup> day of February 2013

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**MARENICA ENERGY LTD**

**Statement of Comprehensive Profit and Loss  
As at 31 December 2012**

	<b>31 December 2012 \$</b>	<b>31 December 2011 \$</b>
<b>Continuing Operations</b>		
Financial income	49,186	51,291
Government grant received	-	116,821
	<u>49,186</u>	<u>168,112</u>
Expenses		
Exploration and evaluation expenditure	-	1,013,702
Metallurgical testwork	687,074	-
Employee expenses	298,711	486,753
Administration expenses	425,495	425,951
Depreciation expense	36,269	42,719
Finance expense	109,676	156,067
Total expenses	<u>1,557,225</u>	<u>2,125,192</u>
<b>Loss before income tax expense</b>	<u>(1,508,039)</u>	<u>(1,957,080)</u>
Income tax expense	-	-
<b>Loss from continuing operations</b>	<u>(1,508,039)</u>	<u>(1,957,080)</u>
<b>Other comprehensive income</b>		
Exchange differences on translation of foreign operations	-	(77,593)
<b>Total other comprehensive income</b>	<u>-</u>	<u>(77,593)</u>
<b>Total comprehensive loss</b>	<u>(1,508,039)</u>	<u>(2,034,663)</u>
<b>Loss for the period is attributed to:</b>		
Owners of the parent	(1,508,039)	(2,056,768)
Non-controlling interest	-	99,688
	<u>(1,508,039)</u>	<u>(1,957,080)</u>
<b>Total comprehensive loss for the period is attributed to:</b>		
Owners of the parent	(1,508,039)	(2,134,351)
Non-controlling interest	-	(99,688)
	<u>(1,508,039)</u>	<u>(2,034,663)</u>
<b>Earnings per share</b>		
Basic and diluted loss per share (cents per share)	(0.20)	(0.41)

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

MARENICA ENERGY LTD

Statement of Financial Position  
As at 31 December 2012

	Note	31 December 2012 \$	30 June 2012 \$
<b>Current Assets</b>			
Cash and cash equivalents		1,628,384	3,000,498
Trade and other receivables		13,559	30,981
Other		37,317	9,804
<b>Total Current Assets</b>		<u>1,679,260</u>	<u>3,041,283</u>
<b>Non-Current Assets</b>			
Plant & equipment		128,210	117,290
Available-for-sale financial asset		31,125	31,125
Other		-	21,726
<b>Total Non-Current Assets</b>		<u>159,335</u>	<u>170,141</u>
<b>Total Assets</b>		<u>1,838,595</u>	<u>3,211,424</u>
<b>Current Liabilities</b>			
Trade and other payables		323,238	114,089
Borrowings	4	1,933,619	138,706
Employee benefits		3,370	4,791
<b>Total Current Liabilities</b>		<u>2,260,227</u>	<u>257,586</u>
<b>Non-Current Liabilities</b>			
Borrowings	4	-	1,867,431
<b>Total Non-Current Liabilities</b>		<u>-</u>	<u>1,867,431</u>
<b>Total Liabilities</b>		<u>2,260,227</u>	<u>2,125,017</u>
<b>Net Assets</b>		<u>(421,632)</u>	<u>1,086,407</u>
<b>Equity</b>			
Issued capital		41,356,405	41,356,405
Reserves		1,509,072	1,509,072
Accumulated losses		(43,287,109)	(41,779,070)
<b>Total Capital and Reserves Attributable to the Owners of Marenica Energy Limited</b>		<u>(421,632)</u>	<u>1,086,407</u>
Non-controlling interests		-	-
<b>Total Equity</b>		<u>(421,632)</u>	<u>1,086,407</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 2012**

	<b>31 December 2012 \$</b>	31 December 2011 \$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(1,245,301)	(2,081,367)
Government grant received	-	116,821
Interest received	49,187	51,292
Interest paid	(160,000)	(679)
<b>Net cash used in operating activities</b>	<u>(1,356,114)</u>	<u>(1,913,933)</u>
<b>Cash flows from investing activities</b>		
Acquisitions of plant and equipment	(16,000)	-
Acquisition of available for sale investments	-	(191,838)
<b>Net cash used in investing activities</b>	<u>(16,000)</u>	<u>(191,838)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of equity securities	-	-
Share issue costs	-	-
Proceeds from borrowings	-	-
<b>Net cash provided by financing activities</b>	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	(1,372,114)	(2,105,771)
Cash and cash equivalents at beginning of half-year	3,000,498	3,248,641
Net foreign exchange differences	-	(7,009)
<b>Cash and cash equivalents at end of half year</b>	<u>1,628,384</u>	<u>1,135,861</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 2012

For the half-year ended 31 December 2012

	Issued Capital	Accum- ulated Losses	Reserves	Total	Non- controlling Interests	Total Equity
At 1 July 2012	41,356,405	(41,779,070)	1,509,072	1,086,407	-	1,086,407
Loss for the period	-	(1,508,039)	-	(1,508,039)	-	(1,508,039)
<b>Total comprehensive income for the period</b>	-	(1,508,039)	-	(1,508,039)	-	(1,508,039)
At 31 December 2012	41,356,405	(43,287,109)	1,509,072	421,632	-	421,632

For the half-year ended 31 December 2011

	Issued Capital	Accum- ulated Losses	Reserves	Total	Non- controlling Interests	Total Equity
At 1 July 2011	38,147,944	(39,105,848)	2,470,544	1,512,640	(166,785)	1,345,855
Loss for the period	-	(2,056,768)	-	(2,056,768)	99,688	(1,957,080)
Currency translation movements	-	-	(77,583)	(77,583)	-	(77,583)
<b>Total comprehensive income for the period</b>	-	(2,056,768)	77,583	(2,134,351)	99,688	(2,034,663)
<b>Transactions with owners in their capacity as owners</b>						
Transfer on expiry of options	-	369,650	(369,650)	-	-	-
At 31 December 2011	38,147,944	(40,792,966)	2,023,311	(621,711)	(67,097)	(688,508)

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

**Condensed Notes to the Financial Statements  
For the half-year ended at 31 December 2012**

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**1. Corporate Information**

The financial report of the Company for the half-year ended 31 December 2012 was authorised for issue in accordance with a resolution of the Directors on 21 February 2013.

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

The principal activity of the Company during the period was evaluation of mineral licences.

**2. Basis of Preparation and Accounting Policies**

**Basis of Preparation**

These general purpose condensed consolidated financial statements for the half-year ended 31 December 2012 have been prepared in accordance with AASB 134 Interim Financial Reporting as issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The half-year financial report does not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the company as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of the Company as at 30 June 2012.

It is also recommended that the half-year financial report be considered together with any public announcements made by the Company during the half-year ended 31 December 2012 and to the date of this report in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

**Going concern**

The Company has net deficiency in assets and current assets of \$421,632 and \$580,967, respectively, as at 31 December 2012 and incurred a loss of \$1,508,039 and net operating cash outflow of \$1,356,114 for the six month period ended 31 December 2012.

The Company's ability to continue as a going concern and meet its debts and future commitments as and when they fall due is dependent on a number of factors, including:

- the ability to raise sufficient working capital to ensure the continued implementation of the Company's business plan;
- the ability of the Company to settle a convertible note which expires on 15 November 2013 either by having sufficient funds to repay the convertible note or the convertible note holder electing to receive shares to satisfy the convertible note; and
- the commercial viability of the Company's uranium project in Namibia.

**Condensed Notes to the Financial Statements  
For the half-year ended at 31 December 2012**

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**2. Basis of Preparation and Accounting Policies (Continued)**

The financial report has been prepared on a going concern basis. In arriving at this position the Directors have had regard to the fact that the Company has, or in the Directors' opinion will have access to, sufficient cash to fund administrative and other committed expenditure for a period of not less than 12 months from the date of this report.

Should the Company not achieve the matters set out above, there is significant uncertainty whether it will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

**Adoption of new or revised accounting standards and interpretations**

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial statements, and the condensed consolidated financial statements have been prepared on the historical cost basis except for investments, which have been measured at fair value.

The Company 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 half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include amendments to AASB 1, 5, 7, 101, 112, 120, 121, 132, 133 and 134 as a consequence of AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies and has no effect on the amounts reported for the current or prior half-years. However, the application of AASB 2011-9 has resulted in changes to the Company's presentation of, or disclosure in, its half-year financial statements.

AASB 2011-9 introduces new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

**Condensed Notes to the Financial Statements  
For the half-year ended at 31 December 2012**

**3. Loss before income tax expense**

**31 December  
2012  
\$**

**31 December  
2011  
\$**

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

Interest revenue	49,186	51,291
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**4. Borrowings**

On 15 November 2010 the Company issued Convertible Notes to Hanlong Energy Limited for a value of \$2,000,000. Under the terms of the Convertible Notes interest is payable at 8% per annum, annually in arrears. The Convertible notes may be converted into shares at \$0.027 per share at any time within 3 years.

**5. 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.

**6. Contingent Liabilities**

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

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

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

Mallee Minerals Pty Ltd holds 9,562,500 shares in the Company.

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

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**7. Subsequent Events**

No matters have 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 Company, the results of those operations, or the state of affairs of the Company, in subsequent financial periods.

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# R OTHSAY

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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 2012.

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 2012 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 2012 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*.



Chartered Accountants

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**Material Uncertainty regarding Continuation as a Going Concern**

Without qualifying our conclusion, we draw attention to Note 2 in the financial report which indicates the basis for preparing the accounts on a going concern basis. We note the consolidated entity incurred a net loss of \$1,508,039 and had a net deficiency in assets of \$421,632 for the period ending 31 December 2012.

In the event the consolidated entity is unable to issue additional share capital, settle a convertible note that expires on 15 November 2013, or achieve the commercial viability of the uranium prospect in Namibia, there is significant uncertainty as to whether the consolidated entity could continue as a going concern and therefore may be unable to realise its assets and extinguish its liabilities in the normal course of business and for the amounts sated in the financial report.

**Rothsay**

**Graham R Swan**  
Partner

Dated 21/2/2013

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