



Marmota Energy Limited

Consolidated Entity

ABN 38 119 270 816

Consolidated Financial Statements for the year ended 30 June 2016

CORPORATE DIRECTORY

Marmota Energy Limited
ABN 38 119 270 816
Incorporated in SA

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Glenelg SA 5045
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Auditor
Grant Thornton
Chartered Accountants
67 Greenhill Road
Wayville SA 5034

Marmota Energy Limited and Controlled Entities

Directors' Report

The Directors present their report on Marmota Energy Limited – consolidated entity ('Group') for the year ended 30 June 2016 and the auditor's report thereon.

Directors

The Directors of Marmota Energy Limited ('the Company') at any time during or since the end of the financial year are as set out below. Details of Directors' qualifications, experience and special responsibilities are as follows:

Dr Colin Rose Non-Executive Chairman
PhD (Economics)

Experience and expertise

Dr Rose has been non-executive Chairman of Marmota Energy since 1 May 2015. Dr Colin Rose holds a PhD in Economics from the University of Sydney. He is a long-term fundamentals investor in the mining and exploration sector, with particular exposure to gold and copper. He has extensive business experience as the founder and director of a technology company whose software is used in over 55 countries. He has been invited to speak to the Reserve Bank of Australia, the Bank of England, the National Bureau of Economic Research (USA), and the London School of Economics (Financial Markets Group).

Responsibilities

Special responsibilities included membership of the Audit, Governance and Remuneration Committee.

Interests in Shares and Options (as at 20 September 2016): 55,424,805 ordinary shares

Mr Peter Thompson Non-Executive Director
BSc Hons (Geology), MSc (Mineral Exploration and Mining Geology)

Experience and expertise

Mr Thompson has been a Board member since 26 May 2015. He is a Geologist with significant industry experience in both Exploration and Mining roles. Educated at Trinity College Dublin (BSc Hons – Geology) and Leicester University (MSc – Mineral Exploration and Mining Geology), he has worked in exploration for gold, copper, nickel and platinoids, and in open pit and underground gold mines. Over a career of 27 years, Mr Thompson has worked for BCD Resources NL as CEO, at St Barbara Mines Limited as General Manager Exploration, as well as holding senior exploration and project development roles with Jubilee Mines NL, Anaconda Nickel Ltd and Western Mining Corporation. At St Barbara Mines, Mr Thompson's responsibility included managing a team of 22 geoscientists. In addition to being responsible for the discovery of several nickel and gold deposits, he has extensive mining and corporate development experience.

Responsibilities

Special responsibilities included Chair of the Audit, Governance and Remuneration Committee.

Current and former directorships in the last 3 years

Mr Thompson was CEO and Managing Director of Central Asia Resources NL (ASX:CVR) from 4 July 2014 to 8 February 2016 and a Non Executive Director from that time until 5 September 2016. He is the CEO and Managing Director of Capricorn Metals Ltd (ASX: CMM) since 3 February 2016.

Interests in Shares and Options (as at 20 September 2016): 1,700,000 ordinary shares

Marmota Energy Limited and Controlled Entities

Directors' Report (continued)

Directors (continued)

Mr Lindsay David Hale Williams Managing Director and Company Secretary
LLB, BComm, MAICD

Experience and expertise

Mr Williams has been Managing Director since 9 September 2014 and Company Secretary since 1 July 2015. Mr Williams has held the position of Managing Director of a number of ASX listed and unlisted companies in various sectors and brings 20 years of experience in the energy and resource industry. This has included minerals companies in exploration, production, developing new mines and reviewing commerciality of existing operations. Energy sector experience has ranged from operation and expansion of gas transport infrastructure, buying and selling gas, exploration and production of oil and gas. He has demonstrated ability to develop and implement major strategic directional changes including capital raisings, acquisitions and mergers, cost and labour reductions. Mr Williams was previously Chairman of Lithex Resources Limited (ASX:LTX), a graphite and nickel explorer, and President of Heathgate Resources Pty Ltd, the owner and operator of the Beverley uranium mine in South Australia.

Responsibilities

Mr Williams is also the Company Secretary with effect from 1 July 2015.

Current and former directorships in the last 3 years

Mr Williams was Chairman of Lithex Resources Limited (during 2013) and of Plus Connect Limited (from 2013 to 2014). He is currently the Federal Secretary and a Director of the Petroleum Exploration Society of Australia Limited (director since 2014) and a Director of Endeavour Discoveries Limited from 24 August 2016 and Wilgena Resources Limited from 9 September 2016.

Interests in Shares and Options (as at 20 September 2016): nil

Directors' meetings

The number of Directors' meetings and number of meetings attended by each of the Directors of the Company (including committees of Directors) during the financial year were as follows:

	Directors' Meetings		Audit, Governance and Remuneration Committee Meetings	
	<i>Number Eligible to attend</i>	<i>Number attended</i>	<i>Number Eligible to attend</i>	<i>Number attended</i>
Director				
Dr Colin Rose	10	10	3	3
Peter Thompson	10	10	3	3
David Williams	10	10	-	-

Company Secretary

From 1 July 2015, the Managing Director of the Company, Mr Williams, has also held the position of Company Secretary in addition to his role as Managing Director.

Principal activities

The Group's principal activity is minerals exploration.

Marmota Energy Limited and Controlled Entities

Directors' Report (continued)

Review and results of operations

During the Financial Year, Marmota focused its exploration efforts on its highly prospective gold tenements in the Gawler Craton Basin. On the copper side, the company produced its first Exploration Target at Marmota's Champion prospect at West Melton, reported in accordance with the JORC Code (2012). The Company's uranium interests in the Junction Dam uranium project are currently on the backburner.

Corporate

Major cost saving measures were implemented which led to savings estimated to be around \$700,000 per annum when compared to the year to June 2015. Nearly \$1,500,000 in capital was raised (before costs) through a combination of a Share Purchase Plan (which was doubly oversubscribed), placements (including a \$250,000 placement to Yandal Investments, the investment vehicle of Mr Mark Creasy, and a placement of over \$525,000 to Southern Cross Capital) and the exercise of listed and unlisted options. Marmota is very pleased to have participated in the new Exploration Development Incentive (EDI) scheme under which Marmota distributed \$170,000 of EDI Taxation Credits back to our shareholders. Marmota expects to participate in the EDI scheme again in the forthcoming year, for the benefit of our shareholders.

Gawler Craton Gold Project

In July, Marmota launched an aggressive gold exploration program across its prime tenement holdings around the Challenger gold mine. Marmota has adopted the same calcrete sampling methodology that was used to find Challenger — to highlight areas of gold anomalism with the potential for Challenger-style gold mineralisation. At the same time, Marmota has significantly consolidated and expanded its dominant holding position in the region — a process which culminated in Marmota assuming 100% ownership and control of the Aurora Tank gold tenement shortly after the end of the Financial Year. This has enabled Marmota to also focus on Aurora Tanks' gold potentiality and commence a new drilling program at Aurora Tank in September 2016.

Targets of the first half of the Financial Year produced disappointing results. In the second half of the year, a new geological team commenced. Dr Kevin Wills joined the team as Chief Consulting Geologist and has led a reboot of the exploration strategy in this region. A Taskforce approach has been adopted whereby the team will methodically and systematically work through the tenements, refining areas of gold anomalism and drill test targets.

On 4 November 2015, Marmota made a formal open offer of \$2 million for the Challenger Gold Mine, owned by Kingsgate Consolidated Limited (ASX: KCN). The terms of the offer are identical (as disclosed) to the offer made by WPG Resources Limited (ASX: WPG), but at twice the price. Kingsgate did not accept the offer, noting that the offer was unfunded (as indeed was the WPG offer). On 7 December 2015, Marmota entered into a binding Heads of Agreement with Asymmetric Investment Management Pty Ltd (a WA based hedge fund) to effect that Marmota's \$2m offer for the Challenger Gold Mine (and related assets) was fully funded. Marmota also announced underground mining specialists, Byrncut Australia Pty Ltd, as preferred contract operator to operate the mine, contingent on Marmota's bid being successful. Marmota did not receive a reply from Kingsgate to same. Kingsgate announced that they agreed to sell Challenger to WPG, at half the price offered by Marmota, in the March 2016 Quarter and that sale was subsequently concluded.

Melton Copper Project (Copper Coast)

With the strong focus on the Gawler Craton Gold Project, limited opportunities were presented during the period to undertake activities on the Melton Copper Project. However, in April 2016, Marmota undertook a drilling program to test 4 target areas *outside* the Champion prospect to test for additional copper mineralisation in areas surrounding the Champion prospect, on the West Melton tenement. Whilst the drilling results provided useful information regarding the geology in the area, it did not produce any Champion look-alikes. In June, a complete review of all the data regarding the Champion Copper Prospect, in particular the 2014 drilling results, led to Marmota producing its first Exploration Target of Marmota's Champion prospect at West Melton, reported in accordance with the JORC Code (2012). The outcome of this review is quite exciting with the overall Exploration Target derived as from 1 to 4 million tonnes at a grade between 1.0% and 1.5% copper*. It is worth noting that the Exploration Target has eight open intersections in the areas drilled and only includes secondary mineralisation close to the surface; intersected sulphides have not been included in the estimate.

Marmota Energy Limited and Controlled Entities

Directors' Report (continued)

* This target is partly conceptual in nature, there has been insufficient exploration to estimate a Mineral Resource and it is uncertain that further exploration will result in the estimation of a Mineral Resource. (See ASX Release: 16 June 2016 for full details)

Competent person statement

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Peter Thompson as Technical Director of Marmota Energy Limited who is a member of the Australasian Institute of Mining and Metallurgy. He has sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activities being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Thompson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Results

During the year, the Group continued exploration activities at its tenements. Total cash expenditure on exploration and evaluation activities totalled \$632,310.

The net loss of the group after income tax was \$445,750 (2015: loss \$1,081,872).

The net assets of the group have increased by \$1,081,140 during the financial year from \$3,237,562 at 30 June 2015 to \$4,321,702 at 30 June 2016.

Dividends

No dividends have been paid or provided by the Group since the end of the previous financial year (2015: nil).

Exploration Development Incentive (EDI) Credits

Marmota distributed \$170,000 of EDI Taxation Credits back to our shareholders in June 2016 (2015: nil).

State of affairs

There have been no significant changes in the state of affairs of the Group during the year.

Events subsequent to reporting date

In July 2016, Marmota announced that it had entered into an agreement with the subsidiary of Apollo Minerals Limited, Southern Exploration Pty Ltd, to, amongst other things, acquire back the 25% interest in the Aurora Tank tenement (EL 5589). Pursuant to that agreement Marmota paid Apollo \$50,000. As a result, Marmota now holds 100% of the Aurora Tank tenement and full control. Marmota commenced a drilling program on the Goshawk Gold Prospect in the Aurora Tank tenement in September 2016.

On 12 September 2016, Marmota was advised that the Groundhog Services Partnership (Monax 50%, Marmota 50%) had received an assessment from Revenue SA for payroll tax relating to 2010 – 2015 financial years. Marmota's 50% part of that assessment equates \$47,915. That assessment is being disputed.

On 16 September 2016, Marmota concluded a Share Purchase Plan (SPP) for eligible shareholders. The SPP offer was significantly oversubscribed. The SPP will result in 35,333,371 ordinary shares in the company to be issued and \$530,000 in subscription monies received.

Other than the above, there has not arisen any matters or circumstances, since the end of the financial year, which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of the Group in future years.

Marmota Energy Limited and Controlled Entities

Directors' Report (continued)

Likely developments

The Group's strategy is to explore for gold, high grade base metals and uranium within the Company's highly prospective portfolio of projects.

The Board of Marmota Energy Limited is pursuing a balance of direct self-funded exploration and exploration via strategic partnerships and funding arrangements.

The primary focus of exploration will be directed at further progressing the Gawler Craton gold project and the Melton copper project and, when the uranium commodity price moves to a more attractive level, on the Junction Dam uranium project.

Environmental regulation and performance statement

The Group's operations are subject to significant environmental regulations under both Commonwealth and South Australian legislation in relation to discharge of hazardous waste and materials arising from any mining activities and development conducted by the Group on any of its tenements. To date the Group has only carried out exploration activities and there have been no known breaches of any environmental obligations.

Indemnification and insurance of officers

Indemnification

The Company is required to indemnify the Directors and other Officers of the Company against any liabilities incurred by the Directors and Officers that may arise from their position as Directors and Officers of the Company. No costs were incurred during the year pursuant to this indemnity.

The Company has entered into deeds of indemnity with each Director whereby, to the extent permitted by the Corporations Act 2001, the Company agreed to indemnify each Director against all loss and liability incurred as an officer of the Company, including all liability in defending any relevant proceedings.

Insurance premiums

Since the end of the previous year, the Company has paid insurance premiums in respect of Directors' and Officers' liability and legal expenses' insurance contracts.

The terms of the policies prohibit disclosure of details of the amount of the insurance cover, the nature thereof and the premium paid.

Options

At the date of this report, unissued ordinary shares of Marmota Energy Limited under option are:

Expiry date*	Exercise price	Number of Options	Vested	Unvested	Amount paid/payable by recipient (\$)
24/07/2017	\$0.036	25,000	25,000	-	-
16/12/2019	\$0.018	550,000	550,000	-	-
12/01/2021	\$0.05	2,300,000	2,300,000	-	-

* All options may be exercised at any time before expiry subject to escrow restrictions. Option holders will receive one ordinary share in the capital of the Company for each option exercised.

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

During the financial year, 9,360,817 ordinary shares were issued by the Company as a result of the exercise of options (400,000 of those were pursuant to options issued under the Employee Share Option Plan). There were no amounts unpaid on shares issued.

Marmota Energy Limited and Controlled Entities

Directors' Report (continued)

Proceedings on behalf of the Company

No person has applied to the Court for leave to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. The Company was not a party to any such proceedings during the year.

Corporate Governance Statement

The Company's Corporate Governance Statement for the year ended 30 June 2016 may be accessed from the Company's website at: www.marmotaenergy.com.au/site/corporate/policies

Non-audit services

There were no non-audit services provided by the external auditors of the Parent or its related entities during the year ended 30 June 2016.

Auditor of the Company

The auditor of the Company for the financial year was Grant Thornton Audit Pty Ltd.

Auditor's independence declaration

The auditor's independence declaration as required by section 307C of the Corporations Act 2001 for the year ended 30 June 2016 is set out immediately following the end of the Directors' report.

Marmota Energy Limited and Controlled Entities

Directors' Report (continued)

Remuneration Report – Audited (continued)

Remuneration Report

Remuneration policy

The remuneration policy of Marmota Energy Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering other incentives based on performance in achieving key objectives as approved by the Board. The Board of Marmota Energy Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Company, as well as create goal congruence between directors, executives and shareholders.

The Company's policy for determining the nature and amounts of emoluments of Board members and other key management personnel of the Company is as follows.

Remuneration and Nomination

The Audit, Governance and Remuneration Committee oversees remuneration matters and makes recommendations to the Board on remuneration policy, fees and remuneration packages for non-executive directors and senior executives. Details of the committee's members and its responsibilities are set out in the Corporate Governance Statement.

Non-executive Remuneration Policies

The Company's Constitution specifies that the total amount of remuneration of Non-executive Directors shall be fixed from time to time by a general meeting. The current maximum aggregate remuneration of Non-executive Directors has been set at \$400,000 per annum. Directors may apportion any amount up to this maximum amount amongst the Non-executive Directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as Directors. The fees paid to Non-executive Directors are not incentive or performance based but are fixed amounts that are determined by reference to the nature of the role, responsibility and time commitment required for the performance of the role including membership of board committees. The fees are set by the Audit, Governance and Remuneration Committee which consults independent advice from time to time.

Non-executive Director remuneration is by way of fees and statutory superannuation contributions. Non-executive Directors do not participate in schemes designed for remuneration of executives nor do they receive options or bonus payments and are not provided with retirement benefits other than salary sacrifice and statutory superannuation.

Executive Remuneration Policies

The remuneration of the Managing Director is determined by the Non-executive Directors on the Audit, Governance and Remuneration Committee and approved by the Board as part of the terms and conditions of his employment which are subject to review from time to time. The remuneration of other executive officers and employees is determined by the Managing Director subject to the approval of the Board.

The Company's remuneration structure is based on a number of factors including the particular experience and performance of the individual in meeting key objectives of the Company. The Audit, Governance and Remuneration Committee is responsible for assessing relevant employment market conditions and achieving the overall, long term objective of maximising shareholder benefits, through the retention of high quality personnel.

Marmota Energy Limited and Controlled Entities

Directors' Report (continued)

Remuneration Report – Audited (continued)

Executive Remuneration Policies (continued)

The remuneration structure and packages offered to executives are summarised below:

- Fixed remuneration
- Short-term incentive - The Company does not presently emphasise payment for results through the provision of cash bonus schemes or other incentive payments based on key performance indicators of Marmota Energy Limited given the nature of the Company's business as a mineral exploration entity and the current status of its activities. However, the Board may approve the payment of cash bonuses from time to time in order to reward individual executive performance in achieving key objectives as considered appropriate by the Board.
- Long-term incentive – equity grants, which may be granted annually at the discretion of the Board. From time to time, the Company may grant retention rights as considered appropriate by the Audit, Governance and Remuneration Committee and the Board, as a long-term incentive for key management personnel. These rights are subject to shareholder approval at the Annual General Meeting in the year of grant. The intention of this remuneration is to facilitate the retention of key management personnel in order that the goals of the business and shareholders can be met. Under the terms of the issue of the retention rights, the rights will vest over a period of time, with a proportion of the rights vesting each year. The Company also has an Employee Share Option Plan approved by shareholders that will enable the Board to offer eligible employees options to acquire ordinary fully paid shares in the Company. Under the terms of the Plan, options for ordinary fully paid shares may be offered to the Company's eligible employees at no cost unless otherwise determined by the Board in accordance with the terms and conditions of the Plan. The objective of the Plan is to align the interests of employees and shareholders by providing employees of the Company with the opportunity to participate in the equity of the Company as an incentive to achieve greater success and profitability for the Company and to maximise the long term performance of the Company.

At this time, there is no relationship between remuneration of Key Management Personnel and the Company's performance over the last five years.

Remuneration Consultants

The company did not use any remuneration consultants during the year.

Shares issued on exercise of remuneration options

No shares were issued to Directors as a result of the exercise of remuneration options during the financial year.

Remuneration of Directors and key management personnel

This report details the nature and amount of remuneration for each key management personnel of the consolidated entity and for the executives receiving the highest remuneration.

(a) Directors and key management personnel

The names and positions held by Directors and key management personnel of the consolidated entity during the whole of the financial year are:

Directors	Position
Dr C Rose	Chairman Non-executive (from 1 May 2015)
Mr PR Thompson	Director Non-executive (from 26 May 2015)
Mr LDH Williams	Managing Director Executive (from 9 September 2014)

Marmota Energy Limited and Controlled Entities

Directors' Report (continued)

Remuneration Report – Audited (continued)

(b) Directors' remuneration

	Short Term Employee Benefits				Post- Employee Benefits	Long Term Employee payments Benefits	Share- based		
	Directors'	Fixed	Non- Monetary	Relates to	Super	Change in LSL	Shares	Total	Proportion of remuneration related to performance
2016 primary benefits	fees	Remuneration	Benefits	2015 FY	contributions	Provision			
	\$	\$	\$	\$	\$	\$	\$	\$	
Directors									
Dr C Rose		-	-		-	-	-	1	-
Mr P Thompson*	17,000	-	-		-	-	17,000	34,000	-
Mr LDH Williams		164,523	23,526		16,118	1,237	-	205,404	-
<u>Relating to 2015 FY</u>									
Mr GS Davis**		-		**16,000	-	-	-	**16,000	-
	17,001	164,523	23,526	16,000	16,118	1,237	17,000	255,405	-

	Directors'	Fixed	Non- Monetary		Super	Change in LSL	Shares	Total	Proportion of remuneration related to performance
2015 primary benefits	fees	remuneration	Benefits		contributions	Provision			
	\$	\$	***		\$	\$	\$	\$	
Directors									
Dr C Rose		-	-		-	-	-	1	-
Mr P Thompson*	2,383	-	-		-	-	-	2,383	-
Mr LDH Williams	-	152,836	23,526		14,088	-	-	190,449	-
Mr RM Kennedy	63,927	-	-		6,073	-	-	70,000	-
Mr GS Davis**	28,022	-	-		-	-	-	28,022	-
Dr NF Alley	-	50,748	-		22,030	-	-	72,778	-
	94,333	203,584	23,526		42,191	-	-	363,633	-

There were no cash bonuses paid in 2016 or 2015.

* Director's fees for Mr Thompson are paid to a related entity of the Director

** Director's Fees for Mr Davis are paid to a related entity of the Director. The amount shown above in 2016 relates to fees for the months of February to June 2015. Mr Davis ceased to be a Director on 23 June 2015.

*** Non-monetary benefits, representing the value of lease vehicles, were not disclosed in financial statements in years prior to 2016.

Marmota Energy Limited and Controlled Entities

Directors' Report (continued)

Remuneration Report – Audited (continued)

(c) Key management personnel remuneration

	Short term employee benefits	Long term employee benefits	Long term employee benefits	Termination Payments	Total	Proportion of remuneration related to performance
2016 primary benefits	\$	\$	\$	\$	\$	
Key management personnel excluding Directors						
N/A	0				0	
	0				0	

	Fixed Remuneration	Super contributions	Options/ rights	Termination Payments	Total	Proportion of remuneration related to performance
2015 primary benefits	\$	\$	\$	\$	\$	
Key management personnel excluding Directors						
Ms VK Suttell*	110,744	10,946	2,400	29,653	153,743	1.5%
	110,744	10,946	2,400	29,653	153,743	1.5%

There were no cash bonuses paid in 2016 or 2015.

* Ms Suttell was appointed as Company Secretary and Chief Financial Officer on 21 November 2007 and ceased those positions on 30 June 2015. Ms Suttell was employed by Groundhog Services Partnership to act as Company Secretary and Chief Financial Officer for Marmota Energy Limited and Monax Mining Limited. Marmota Energy Limited was charged a service fee by that entity which included a fee for the provision of her services covering remuneration, on-costs and associated expenses relating to the secretarial and financial services provided to Marmota Energy Limited.

(d) Service agreements

Mr Williams was appointed Managing Director on 9 September 2014 on an ongoing employment basis. The salary under the terms of his employment was set at \$250,000 per annum inclusive of superannuation guarantee contributions and included a three month notice period. He was also appointed as Company Secretary on 1 July 2015. Effective 1 August 2015, Mr Williams agreed to change his terms of employment such that remuneration was reduced to \$200,000 per annum and the notice period reduced to one month.

There were no post employment, retirement or termination benefits previously approved by members of the Company in a general meeting, nor any such benefits paid to Directors of the Company.

(e) Director related entities

Information of amounts paid to director related entities is set out in Note 23 to the financial statements.

Marmota Energy Limited and Controlled Entities

Directors' Report (continued)

Remuneration Report – Audited (continued)

(f) Post-employment/retirement and termination benefits

Other than superannuation contributions, there were no post employment retirement and termination benefits paid or payable to directors and key management personnel.

(g) Directors and key management personnel equity remuneration, holdings and transactions

(i) Share holdings

The number of shares in the company held during the financial year by each director of Marmota Energy Limited and other key management personnel of the group, including their personal related parties, are set out below. There were no shares granted to directors or key management personnel during the financial year.

Shares	Balance 1/07/15	Received as remuneration	Options exercised	Net change other ¹	Balance 30/06/16	Total held in escrow 30/06/16
Held by Directors in own name						
Dr C Rose	23,642,396	-	1,000,000	29,270,448	53,912,844	-
Mr P Thompson	-	-	-	-	-	-
Mr LDH Williams	-	-	-	-	-	-
Held by Directors' personally related entities						
Dr C Rose	275,000	-	50,000	526,316	851,316	-
Mr P Thompson	-	1,700,000	-	-	1,700,000	-
Mr LDH Williams	-	-	-	-	-	-
Total held by Directors	23,917,396	1,700,000	1,050,000	29,796,764	56,464,160	-

1. Net change other represents shares purchased during the financial year.

(ii) Option holdings

The number of options over ordinary shares in the company held during the financial year by each director of Marmota Energy Limited and any other key management personnel of the group, including their personal related parties are set out below. There were no options granted to directors as part of their remuneration.

Options	Option class	Balance 1/07/15	Received as remuneration	Options exercised	Net change other ¹	Balance 30/06/16	Total vested 30/06/16	Total exercisable 30/06/16
Held by Directors in own name								
Dr C Rose	2	1,000,000	-	1,000,000	-	-	-	-
Mr P Thompson	-	-	-	-	-	-	-	-
Mr LDH Williams	-	-	-	-	-	-	-	-
		1,000,000	-	1,000,000	-	-	-	-
Directors' personally related entities								
Dr C Rose	2	50,000	-	50,000	-	-	-	-
Mr P Thompson	-	-	-	-	-	-	-	-
Mr LDH Williams	-	-	-	-	-	-	-	-
Total held by Directors		1,050,000	-	1,050,000	-	-	-	-

1. Net change other represents options acquired and/or sold during the financial year
2. Acquired as part of the 2014 rights issue subscription: Listed options exercisable at \$0.02 by 09/12/2015.

Marmota Energy Limited and Controlled Entities

Directors' Report (continued)

Remuneration Report – Audited (continued)

(iii) Share rights holdings

No rights over ordinary shares in the company were held during the financial year by any director of Marmota Energy Limited or by any other key management personnel of the group, including their personal related parties. No share rights were granted to directors or key management personnel during the financial year.

On 13 January 2016, Marmota announced that it had agreed to issue 6 million Options under the Company's ESOP to Messrs Thompson and Williams, subject to shareholder approval. On 16 January 2016, Marmota announced that it had agreed to issue 2.4 million performance rights to Mr Williams, subject to obtaining a fresh reapproval from shareholders. The parties to both agreements have determined to not proceed with either agreement.

No options previously granted to Directors or Director related entities were exercised during the year.

During the financial year ended 30 June 2016, Marmota received credits for invoices issued during the 2015 Financial Year relating to legal services of DMAW Lawyers, a legal firm of which Mr Davis is a partner.

The Report of Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors:



Dr Colin Rose
Director

Dated at Sydney this 21st day of September 2016.

Level 1,
67 Greenhill Rd
Wayville SA 5034

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GPO Box 1270
Adelaide SA 5001

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W www.granthornton.com.au

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF MARMOTA ENERGY LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Marmota Energy Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Sheenagh Edwards

Sheenagh Edwards
Partner - Audit & Assurance

Adelaide, 21 September 2016

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Marmota Energy Limited and Controlled Entities

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016

	Note	Consolidated	
		2016 \$	2015 \$
Other revenues	2	56,834	27,859
Total revenue		56,834	27,859
Administration expenses	3	132,643	276,409
Consulting expenses	3	13,398	86,329
Depreciation expense	3	17,485	35,336
Employment expenses	3	301,697	415,012
Occupancy expenses	3	6,537	7,724
Service fees	3	-	137,856
Impairment of assets	3	21,400	112,842
(Loss)/profit before income tax expense		(436,326)	(1,043,649)
Income tax (expense)/benefit	4	(9,424)	(38,223)
(Loss)/profit for the year		(445,750)	(1,081,872)
Loss attributable to members of the parent entity		(445,750)	(1,081,872)
Other comprehensive income		-	-
Total comprehensive income for the year		(445,750)	(1,081,872)
Basic earnings per share (cents)	6	(0.12)	(0.39)
Diluted earnings per share (cents)	6	(0.12)	(0.39)

The accompanying notes form part of these financial statements.

Marmota Energy Limited and Controlled Entities
Consolidated Statement of Financial Position
As at 30 June 2016

		Consolidated	
	Note	2016	2015
		\$	\$
Current assets			
Cash and cash equivalents	7	635,121	261,200
Trade and other receivables	8	32,741	39,153
Other assets	9	11,538	20,661
Total current assets		<u>679,400</u>	<u>321,014</u>
Non-current assets			
Plant and equipment	10	90,087	156,778
Investments in associates	11	1	1
Available for sale financial assets	12	8,000	8,000
Exploration and evaluation assets	15	3,661,339	2,948,901
Total non-current assets		<u>3,759,427</u>	<u>3,113,680</u>
Total assets		<u>4,438,827</u>	<u>3,434,694</u>
Current liabilities			
Trade and other payables	16	99,744	147,566
Provisions	17	16,144	24,661
Total current liabilities		<u>115,888</u>	<u>172,227</u>
Non-current liabilities			
Provisions	17	1,237	24,905
Total non-current liabilities		<u>1,237</u>	<u>24,905</u>
Total liabilities		<u>117,125</u>	<u>197,132</u>
Net assets		<u>4,321,702</u>	<u>3,237,562</u>
Equity			
Issued capital	18	33,064,883	31,577,896
Reserves	26	50,802	2,719,810
Retained losses		(28,793,983)	(31,060,144)
Total equity		<u>4,321,702</u>	<u>3,237,562</u>

The accompanying notes form part of these financial statements.

Marmota Energy Limited and Controlled Entities

Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

	Issued capital (Note 18) \$	Reserves (Note 26) \$	Retained losses \$	Total \$
Consolidated				
Balance at 1 July 2014	31,239,006	2,709,650	(29,978,272)	3,970,384
Loss attributable to the members of the parent entity	-	-	(1,081,872)	(1,081,872)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(1,081,872)	(1,081,872)
Transactions with owners in their capacity as owners:				
Shares issued during the year	421,137	-	-	421,137
Options issued during the year	-	10,160	-	10,160
Transaction costs associated with the issue of shares net of tax	(82,247)	-	-	(82,247)
	338,890	10,160	-	349,050
Balance at 30 June 2015	31,577,896	2,719,810	(31,060,144)	3,237,562
Loss attributable to the members of the parent entity	-	-	(445,750)	(445,750)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(445,750)	(445,750)
Transactions with owners in their capacity as owners:				
Shares issued during the year	1,505,025	-	-	1,505,025
Options issued during the year	-	42,902	-	42,902
Options expired or exercised	-	(2,711,910)	2,711,910	-
Transaction costs associated with the issue of shares net of tax	(18,037)	-	-	(18,037)
	1,486,988	2,669,008	2,711,910	1,529,890
Balance at 30 June 2016	33,064,883	50,802	(28,793,983)	4,321,702

The accompanying notes form part of these financial statements.

Marmota Energy Limited and Controlled Entities
Consolidated Statement of Cash Flows
For the year ended 30 June 2016

		Consolidated	
	Note	2016	2015
		\$	\$
Cash flows from operating activities			
Cash receipts in the course of operations		-	-
Cash payments in the course of operations		(425,242)	(1,081,027)
Interest received		9,393	24,885
Net cash (used in) operating activities	22(b)	<u>(415,849)</u>	<u>(1,056,142)</u>
Cash flows from investing activities			
Payments for plant and equipment		10,167	(1,264)
Payments for exploration and evaluation assets		(632,310)	(649,713)
Loans from related entities		(628)	25,520
Loans repaid to related entities		-	-
Net cash (used in) investing activities		<u>(622,771)</u>	<u>(625,457)</u>
Cash flows from financing activities			
Proceeds from issue of shares		1,463,916	421,137
Payment of transaction costs associated with capital raisings		(51,375)	(93,120)
Net cash provided by financing activities		<u>1,412,541</u>	<u>328,017</u>
Net (decrease)/increase in cash held		373,921	(1,353,582)
Cash at the beginning of the financial year		<u>261,200</u>	<u>1,614,782</u>
Cash at the end of the financial year	22(a)	<u><u>635,121</u></u>	<u><u>261,200</u></u>

The accompanying notes form part of these financial statements.

Marmota Energy Limited and Controlled Entities

Notes to the financial statements

For the year ended 30 June 2016

1 *Statement of significant accounting policies*

The financial report includes the consolidated financial statements and notes of Marmota Energy Limited and controlled entities ('consolidated group' or 'Group').

(a) *Basis of preparation*

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporation Act 2001. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Company is a for-profit entity for the purposes of preparing financial statements.

The following report covers the consolidated entity, Marmota Energy Limited, a listed public company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) *Principles of consolidation*

The Group financial statements consolidate those of the Parent and all of its subsidiaries as of 30 June 2016. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

(c) *Income tax*

The income tax expense/(benefit) for the year comprises current income tax expense/(income) and deferred income tax expense/(income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted at reporting date.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax (expense)/benefit is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax

Marmota Energy Limited and Controlled Entities

Notes to the financial statements

For the year ended 30 June 2016

(c) Income tax (continued)

bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Statement of Profit or Loss and Other Comprehensive Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(d) Plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

All fixed assets are depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<i>Class of fixed asset</i>	<i>Depreciation rate</i>
Plant and equipment	5% – 33%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Profit or Loss and Other Comprehensive Income.

Marmota Energy Limited and Controlled Entities

Notes to the financial statements

For the year ended 30 June 2016

(e) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only 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 that permits reasonable assessment of the existence of economically recoverable reserves.

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

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

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 are 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 are determined on the basis that the restoration will be completed within one year of abandoning the site.

(f) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(g) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the provisions to the instrument. For financial assets this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through the profit or loss', in which case the costs are expensed to the Statement of Profit or Loss and Other Comprehensive Income immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the interest rate method or cost. Where available, quoted prices in an active market are used to determine fair value.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments:

- (i) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Loans and receivables are included in current assets except for those not expected to mature within 12 months after the end of the reporting period.
- (ii) Financial liabilities
Non-derivative financial liabilities are subsequently measured at amortised cost.

Marmota Energy Limited and Controlled Entities

Notes to the financial statements

For the year ended 30 June 2016

(g) Financial instruments (continued)

(iii) Available for sale financial assets

Available for sale financial assets are non derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise the investments in the equity of other entities where there is neither a fixed maturity nor determinable payments.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired.

(h) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income.

(i) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be wholly settled within one year are measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year are measured at the present value of the estimated future cash outflows to be made for those benefits.

In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Equity settled compensation

The Group operates equity settled share-based payment employee share option schemes. The fair value of options is ascertained using the Black-Scholes pricing model which incorporates all market vesting conditions. The fair value of retention rights is ascertained using the binomial valuation model.

(j) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(k) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(l) Revenue

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. All revenue is stated net of goods and services tax (GST).

(m) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated in the Statement of Financial Position inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Marmota Energy Limited and Controlled Entities

Notes to the financial statements

For the year ended 30 June 2016

(m) Goods and services tax (continued)

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(n) Interests in joint operations

A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. A joint arrangement in which the Group has direct rights to underlying assets and obligations for underlying liabilities is classified as a joint operation. Details of the Group's interests are shown at Note 13.

(o) Investments in associates

Associate companies are companies in which the group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the company. Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognises the initial investment at cost and adjusted thereafter for the Group's share of post-acquisition reserves and profits/ (losses) of its associates. Details of the Group's interests in associates is shown at Note 11.

(p) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the group during the period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(r) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(s) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends of economic data, obtained both externally and within the Group.

Key estimates – impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

Key judgements - exploration and evaluation expenditure

The group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been

Marmota Energy Limited and Controlled Entities

Notes to the financial statements

For the year ended 30 June 2016

(s) Critical accounting estimates and judgements (continued)

extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded.

(t) New and amended standards adopted by the Group

A number of new and revised standards and an interpretation became effective for the first time to annual periods beginning on or after 1 July 2015. Information on the more significant standards is presented below.

AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent

AASB 2015-4 amends AASB 128 Investments in Associates and Joint Ventures to ensure that its reporting requirements on Australian groups with a foreign parent align with those currently available in AASB 10 Consolidated Financial Statements for such groups. AASB 128 will now only require the ultimate Australian entity to apply the equity method in accounting for interests in associates and joint ventures, if either the entity or the group is a reporting entity, or both the entity and group are reporting entities.

AASB 2015-4 is applicable to annual reporting periods beginning on or after 1 July 2015.

The adoption of this amendment has not had a material impact on the accounts of Marmota Energy Ltd.

(u) Recently issued accounting standards to be applied in future accounting periods

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group:

The accounting standards that have not been early adopted for the year ended 30 June 2016, but will be applicable to the group in future reporting periods, are detailed below. Apart from these standards, other accounting standards that will be applicable in future periods have been reviewed, however they have been considered to be insignificant to the group.

Year ended 30 June 2017:

AASB 1057:

In May 2015, the AASB decided to revise Australian Accounting Standards that incorporate IFRSs to minimise Australian-specific wording even further. The AASB noted that IFRSs do not contain application paragraphs that identify the entities and financial reports to which the Standards (and Interpretations) apply. As a result, the AASB decided to move the application paragraphs previously contained in each Australian Accounting Standard (or Interpretation), unchanged, into a new Standard AASB 1057 Application of Australian Accounting Standards.

When this standard is adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

AASB 14:

Part D of AASB 2014-1 makes consequential amendments arising from the issuance of AASB 14.

When these amendments become effective for the first time for the year ending 30 June 2017, they will not have any impact on the entity.

Marmota Energy Limited and Controlled Entities

Notes to the financial statements

For the year ended 30 June 2016

(u) Recently issued accounting standards to be applied in future accounting periods (continued)

Year ended 30 June 2019:

AASB 15:

- replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations:
- establishes a new revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue

In May 2015, the AASB issued ED 260 Income of Not-for-Profit Entities, proposing to replace the income recognition requirements of AASB 1004 Contributions and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2016.

Also, AASB 2014-5 incorporates the consequential amendments arising from the issuance of AASB 15.

These Standards are not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

Year ended 30 June 2020:

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases
- provides new guidance on the application of the definition of lease and on sale and lease back accounting
- largely retains the existing lessor accounting requirements in AASB 117
- requires new and different disclosures about leases

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 30 June 2020 includes:

- there will be a significant increase in lease assets and financial liabilities recognised on the balance sheet
- the reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities
- EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses
- operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities

(v) Parent entity financial information

The financial information for the parent entity, Marmota Energy Limited, disclosed in Note 27 has been prepared on the same basis as the consolidated financial statements.

Marmota Energy Limited and Controlled Entities

Notes to the financial statements

For the year ended 30 June 2016

(w) Foreign currency translation

- (i) Functional and presentational currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars, which is Marmota Energy Limited's functional and presentational currency.
- (ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

(x) Going Concern

The financial report has been prepared on the basis of going concern.

The cash flow projections of the Group indicate that it will require positive cash flows from additional capital for continued operations. The Group incurred a loss of \$445,750 (2015: loss \$1,081,872) but operations for the year were cash positive to the amount of \$373,921 mainly due to capital raised during the financial year being \$1,412,541 net of capital raising costs. The Group's ability to continue as a going concern is contingent on obtaining additional capital. If additional capital is not obtained, the going concern basis may not be appropriate, with the results that the consolidated entity may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

(y) Authorisation for issue of financial statements

The financial statements were authorised for issue by the Board of Directors on 21 September 2016.

Marmota Energy Limited and Controlled Entities

Notes to the financial statements

For the year ended 30 June 2016

		Consolidated	
		2016	2015
		\$	\$
2	Revenue		
	Other revenues:		
	From operating activities		
	Interest received from other parties	9,529	27,859
	Government grants	47,305	-
	Total revenues	56,834	27,859
3	(Loss)/profit before income tax expense has been determined after		
	Expenses		
	Administration expenses		
	ASX fees	12,989	14,890
	Share registry fees	34,620	64,859
	Insurance	23,327	31,294
	Audit and other services	26,837	23,590
	Travel	5,117	7,293
	Marketing	963	2,303
	Software licences and IT services	11,298	18,877
	Other	17,492	113,303
		132,643	276,409
	Consulting expenses		
	Legal fees	2,431	25,021
	Corporate consulting	175	55,568
	Accounting and secretarial services	10,792	5,650
		13,398	86,329
	Depreciation expense		
	Plant and equipment	17,485	35,336
	Employment expenses		
	Salaries and wages	444,574	476,445
	Directors fees	*50,000	94,331
	Superannuation	39,268	72,775
	Provisions	(32,184)	1,288
	Share-based payments	42,902	10,160
	Other	33,631	77,111
	Reallocation to exploration costs	(276,494)	(317,098)
		301,697	415,012
	Occupancy expenses	6,537	7,724
	Service fees	-	137,856
	Impairment expenses		
	Impairment of exploration assets	21,400	112,842
	Impairment of available for sale assets	-	-
		21,400	112,842

* includes \$16,000 fees relating to the previous 2015 year, but paid in the 2016 year

Marmota Energy Limited and Controlled Entities

Notes to the financial statements

For the year ended 30 June 2016

4 Income tax (expense)

	Consolidated	
	2016	2015
	\$	\$
The components of tax expense comprise:		
Current income tax	-	(2,974)
Deferred tax	-	-
Tax portion of capital raising costs	(9,424)	(35,249)
Income tax (expense) reported in the Statement of Profit or Loss and Other Comprehensive Income	(9,424)	(38,223)
The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Prima facie income tax (expense) calculated at 30% on loss (2015: 30%)	(130,897)	(313,095)
Tax effect of:		
Deferred tax asset in respect of tax losses not brought to account	105,630	276,268
Impairment expense previously brought to account	6,420	33,853
Tax portion of capital raising costs	9,424	(35,249)
Income tax (expense) attributable to loss	(9,424)	(38,223)
Income tax losses		
Deferred tax asset arising from carried forward tax losses not recognised at reporting date as the asset is not regarded as meeting the probable criteria		
- tax losses at 30%	7,914,307	7,495,725
- tax losses distributed as EDI credits	(170,000)	-
Total deferred tax asset	7,744,307	7,495,725
Temporary differences	9,655	(11,175)

Marmota Energy Limited and Controlled Entities

Notes to the financial statements

For the year ended 30 June 2016

	Consolidated	
	2016	2015
	\$	\$

5 Auditors' remuneration

Audit services:

Auditors of the Group – Grant Thornton

Audit and review of the financial reports

27,250	26,500
<u>27,250</u>	<u>26,500</u>

6 Earnings per share

(a) Classification of securities

All ordinary shares have been included in basic earnings per share.

(b) Classification of securities as potential ordinary shares

- nil listed options exercisable at \$0.02 by 9/12/2015 (2015: 10,510,630)
- 225,000 unlisted options exercisable at \$0.073 by 29/07/2016 (2015: 225,000)
- 25,000 unlisted options exercisable at \$0.036 by 24/07/2017 (2015: 100,000)
- 550,000 unlisted options exercisable at \$0.018 by 16/12/2019 (2015: 1,270,000)
- 2,300,000 unlisted options exercisable at \$0.05 by 12/01/2021 (2015: nil)

Options granted to employees under the Marmota Energy Limited Employee Share Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive.

	Consolidated	
	2016	2015
	\$	\$

(c) Earnings used in the calculation of earnings per share

(Loss) after income tax expense (445,750) (1,081,872)

Weighted average number of shares outstanding during the year in calculating earnings per share

Number for basic and diluted earnings per share

Ordinary shares 412,798,354 305,849,806

Marmota Energy Limited and Controlled Entities

Notes to the financial statements

For the year ended 30 June 2016

		Consolidated	
		2016	2015
		\$	\$
7	Cash and cash equivalents		
	Cash at bank	619,621	222,700
	Deposits at call	15,500	38,500
		635,121	261,200
8	Trade and other receivables		
	Current		
	Other receivables	32,741	39,153
		32,741	39,153
	Other receivables represent accrued interest receivable and GST refunds. Receivables are not considered past due and/or impaired (2015: nil).		
9	Other current assets		
	Prepayments	11,538	20,661
10	Plant and equipment		
	Plant and equipment		
	At cost	758,905	802,429
	Accumulated depreciation	(668,818)	(645,651)
	Net book value	90,087	156,778
	Reconciliations		
	Reconciliations of the carrying amounts for each class of plant and equipment are set out below:		
	Plant and equipment		
	Carrying amount at beginning of year	156,778	233,794
	Additions	7,489	1,264
	Disposals	(18,002)	-
	Depreciation	(56,178)	(78,280)
	Carrying amount at end of year	90,087	156,778

Marmota Energy Limited and Controlled Entities

Notes to the financial statements

For the year ended 30 June 2016

11 Investments in associates

Interests are held in the following associated companies:

Name	Principal activities	Country of incorporation	Shares	Ownership interest		Carrying amount of investment	
				2016	2015	2016	2015
Unlisted						\$	\$
Groundhog Services Pty Ltd	Administration services	Australia	Ord	50%	50%	1	1

(a) Movements during the year in equity accounted investments in associated entities

There have been no movements of equity accounted investments in associated entities during the year.

(b) Equity accounted profits of associates are broken down as follows:

	Consolidated	
	2016	2015
	\$	\$
Share of associate's profit before income tax	-	-
Share of associate's income tax expense	-	-
Share of associate's profit after income tax expense	-	-

(c) Summarised presentation of aggregate assets, liabilities and performance associates

The Group's share of the results of its principle associates and its aggregated assets and liabilities are as follows:

Current assets	2	2
Non-current assets	-	-
Total assets	2	2
Current liabilities	-	-
Non-current liabilities	-	-
Total liabilities	-	-
Net assets	2	2

12 Available for sale investments

	Consolidated	
	2016	2015
	\$	\$
Available for sale investments	8,000	8,000

Marmota Energy Limited and Controlled Entities

Notes to the financial statements

For the year ended 30 June 2016

13 Interests in unincorporated joint operations

Marmota Energy Limited has a direct interest in a number of unincorporated joint operations as follows:

No	State	Agreement name	Parties	Summary
1	SA	Junction Dam Uranium Agreement	Teck Australia Pty Ltd, PlatSearch NL and Eaglehawk Geological Consulting Pty Ltd (TPE) and Marmota Energy Limited (MEU)	MEU will have the right to explore for uranium in the area covered by Exploration Licence EL 4509 (formerly EL 3328). MEU achieved its 100% earn-in during the Financial Year and now holds 100% of the uranium rights under the terms of the Agreement. TPE retains a NSR of 5%.
2	SA	Melton Joint Venture	Monax Mining Limited (MOX) and Marmota Energy Limited (MEU)	MEU will have the right to explore for all minerals in the area covered by Exploration Licences EL 5209 and EL 5122. MEU and MOX operate a 75:25 joint venture.
4	SA	Farm-in Agreement – Aurora Tank tenement	Southern Exploration Pty Ltd (Southern) and Marmota Energy Limited (MEU)	<p>Under the terms of the Agreement, Southern had the right to explore for all minerals to earn up to 75% interest in the tenement by sole funding the greater of:</p> <ul style="list-style-type: none"> a) A minimum of \$900,000 of exploration and development activities over a period of up to three years; or b) All exploration and development costs to the Bankable Feasibility Study stage. <p>Shortly after the end of the Financial Year, Marmota reached an agreement with Southern pursuant to which Marmota assumed 100% control and ownership.</p>

14 Controlled entities

(a) Controlled entities consolidated

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entity in accordance with the accounting policy described in Note 1(b):

	Country of incorporation	Percentage owned (%)	
		2016	2015
Parent entity:			
Marmota Energy Limited	Australia		
Subsidiaries of Marmota Energy Limited:			
Marmosa Pty Ltd	Australia	100	100

Marmota Energy Limited and Controlled Entities

Notes to the financial statements

For the year ended 30 June 2016

15 Exploration and evaluation assets

	Consolidated	
	2016	2015
	\$	\$
Movement:		
Carrying amount at beginning of year	2,948,901	2,369,086
Additional costs capitalised during the year	733,838	692,657
Impairment ¹	(21,400)	(112,842)
Carrying amount at end of year	3,661,339	2,948,901
Closing balance comprises:		
Exploration and evaluation		
- 100% owned	1,527,142	869,248
Exploration and evaluation phase		
- Joint Venture	2,134,197	2,079,653
	3,661,339	2,948,901

The ultimate recoupment of costs carried forward for exploration phase is dependent on the successful development and commercial exploitation or sale of the respective areas.

The impairment of the exploration asset in 2016 relates to the relinquishment of tenements in the Gawler Craton Area of Interest in the first half of the Financial Year and previously dropped land in the Curnamona Area of Interest.

16 Trade and other payables

Trade payables	71,263	84,951
Other payables and accruals	26,980	42,662
Amounts payable to Director related entities*	1,501	19,953
	99,744	147,566

* Details of amounts payable to Director related entities are detailed in Note 23.

17 Provisions

Current

Employee benefits	16,144	24,661
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Non-current

Employee benefits	1,237	24,905
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Provision for long service leave

A provision for long service leave has been recognised for employee benefits. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

Marmota Energy Limited and Controlled Entities

Notes to the financial statements

For the year ended 30 June 2016

17 Provisions (continued)

	Consolidated	
	2016	2015
	\$	\$
Provisions		
Opening balance at beginning of year	49,566	84,567
(Payments from)/additions to provisions	(32,185)	(35,001)
Balance at end of year	17,381	49,566

18 Issued capital

Issued and paid-up share capital

412,798,354 (2015: 305,849,806) ordinary shares, fully paid	33,064,883	31,577,895
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(a) Ordinary shares

Balance at the beginning of year	31,577,895	31,239,006
Shares issued during the year:		
400,000 (2015: Nil) shares issued to employees on vesting of share rights	7,200	-
nil (2015: 21,067,446) shares issued as part of a 1:4 rights issue	-	210,674
8,960,817 (2015: 23,125) shares issued on exercise of listed options	179,216	463
nil (2015: 20,000,000) shares issued as part of a placement at \$0.01	-	200,000
nil (2015: 1,000,000) shares issued pursuant to a capital raising mandate	-	10,000
47,473,750 (2015: nil) shares issued pursuant to a Share Purchase Plan	451,001	-
17,250,000 (2015: nil) shares issued as part of a placement at \$0.015	258,750	-
15,750,000 (2015: nil) shares issued as part of a placement at \$0.017	267,750	-
493,197 (2015: nil) shares issued as part of a placement at \$0.0183	9,026	-
13,254,118 (2015: nil) shares issued as part of a placement at \$0.02	265,082	-
1,666,666 (2015: nil) shares issued as part of a placement at \$0.03	50,000	-
1,700,000 (2015: nil) shares issued in lieu of Director's Fees	17,000	-
Less transaction costs arising from issue of shares net of tax	(18,037)	(82,248)
Balance at end of year	33,064,883	31,577,895

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

Marmota Energy Limited and Controlled Entities

Notes to the financial statements

For the year ended 30 June 2016

18 Issued capital (continued)

(a) Ordinary shares (continued)

Ordinary shares have no par value and the Group does not have a limited amount of authorised capital.

In the event of winding up of the Group ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

(b) Options/rights

There were no share options/retention rights issued to Executive Directors during the financial year.

For information relating to the Marmota Energy Limited Employee Share Option Plan including details of any options issued, exercised and lapsed during the financial year, refer to Note 19.

At 30 June 2016, there were 3,100,000 (2015: 12,105,630) unissued shares for which the following options/rights were outstanding.

- 225,000 unlisted options exercisable at \$0.073 by 29/07/2016
- 25,000 unlisted options exercisable at \$0.036 by 24/07/2017
- 550,000 unlisted options exercisable at \$0.018 by 16/12/2019
- 2,300,000 unlisted options exercisable at \$0.05 by 12/01/2021

(c) Capital Management

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure accordingly. These responses include share issues. There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. The Group's capital is shown as issued capital in the Statement of Financial Position.

19 Share-based payments

Share-based payments are in line with the Marmota Energy Limited Employee Share Option Plan, details of which are outlined in the Directors' Report. Listed below are summaries of options granted:

(i) Options

	2016			2015		
	Number of options	Weighted average exercise price	Weighted average remaining contractual life	Number of options	Weighted average exercise price	Weighted average remaining contractual life
Marmota Energy Limited						
Outstanding at the beginning of the year	1,595,000	\$0.027		825,000	\$0.080	
Granted – January 2016	2,300,000	\$0.050		1,270,000	\$0.018	
Forfeited	395,000	\$0.021		-	-	
Exercised	400,000	\$0.018		-	-	
Expired	-	-		(500,000)	\$0.092	
Outstanding at year-end	<u>3,100,000</u>	\$0.046	1,458 days	<u>1,595,000</u>	\$0.027	1,400 days
Exercisable at year-end	<u>3,100,000</u>			<u>1,595,000</u>		

On 29 July 2011, 250,000 share options were granted to employees under the Marmota Energy Limited Employer Share Option Plan to take up ordinary shares at an exercise price of \$0.073 each. These options are exercisable on or before 29 July 2016. 25,000 of these options have lapsed.

Marmota Energy Limited and Controlled Entities

Notes to the financial statements

For the year ended 30 June 2016

19 Share-based payments (continued)

(i) Options (continued)

On 24 July 2012, 250,000 share options were granted to employees under the Marmota Energy Limited Employer Share Option Plan to take up ordinary shares at an exercise price of \$0.036 each. These options are exercisable on or before 24 July 2017. 125,000 of these options have been exercised and 100,000 have lapsed.

On 17 December 2014, 1,270,000 share options were granted to employees under the Marmota Energy Limited Employer Share Option Plan to take up ordinary shares at an exercise price of \$0.018 each. These options are exercisable on or before 16 December 2019. 400,000 of these options have been exercised and 320,000 have lapsed.

On 13 January 2016, 2,300,000 share options were granted to employees under the Marmota Energy Limited Employer Share Option Plan to take up ordinary shares at an exercise price of \$0.05 each. These options are exercisable on or before 12 January 2021.

The options are non-transferable except as allowed under the Employee Share Option Plan and are not quoted securities. At reporting date, other than as disclosed in the table above, no share options had been exercised. All options granted to key management personnel are over ordinary shares in Marmota Energy Limited, which confer a right of one ordinary share for every option held.

The fair value of the options granted was calculated by using the Black-Scholes option pricing model applying the following inputs:

	Jan 2016 issue	Dec 2014 issue	July 2012 issue	July 2011 issue
Weighted average fair value	\$0.0187	\$0.008	\$0.035	\$0.045
Weighted average exercise price	\$0.05	\$0.018	\$0.036	\$0.073
Weighted average life of the option	1,827 days	1,825 days	1,826 days	1,826 days
Underlying share price	\$0.024	\$0.01	\$0.039	\$0.06
Expected share price volatility	124%	131%	136%	102%
Risk free interest rate	2.18%	2.50%	2.31%	4.25%

The life of the option is based on the days remaining until expiry. Volatility is based on historical share prices.

There were no options granted to Executive Directors and key management personnel on share-based payments which are outstanding.

The options hold no voting or dividends rights and are unlisted. The options lapse 6 months subsequent to the cessation of employment with the Group, other than in certain situations. There are no vesting conditions attached to the options.

Expense arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefits expense were as follows:

	Consolidated	
	2016	2015
	\$	\$
Options issued under employee option plan	42,902	10,160
	42,902	10,160

Marmota Energy Limited and Controlled Entities

Notes to the financial statements

For the year ended 30 June 2016

20 *Financial risk management*

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and loans to and from subsidiaries and related entities.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Consolidated	
	2016	2015
	\$	\$
Financial assets		
Cash and cash equivalents	635,121	261,200
Loans and receivables	32,741	39,153
Available for sale investments	8,000	8,000
	<u>675,862</u>	<u>308,353</u>
Financial liabilities		
Trade and other payables	99,744	147,566
	<u>99,744</u>	<u>147,566</u>

Financial risk management policies

The Board of Directors are responsible for monitoring and managing financial risk exposures of the group.

Specific financial risk exposures and management

The main risks the group is exposed to includes liquidity risk, credit risk and interest rate risk.

(a) *Liquidity risk*

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Group manages liquidity risk by monitoring forecast cash flows, only investing surplus cash with major financial institutions; and comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The Board meets on a regular basis to analyse financial risk exposure and evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. The Board's overall risk management strategy seeks to assist the consolidated group in managing its cash flows.

Financial liabilities are expected to be settled within 12 months.

(b) *Credit risk exposures*

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The maximum exposure to credit risk on financial assets, excluding investments, of the entity which have been recognised in the Statement of Financial Position, is the carrying amount, net of any provision for doubtful debts.

No receivables are considered past due or impaired at reporting date.

Marmota Energy Limited and Controlled Entities

Notes to the financial statements

For the year ended 30 June 2016

20 Financial risk management (continued)

(c) Interest rate risk

Exposure to interest rate risk arises on financial assets and liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The Group has no long term financial liabilities upon which it pays interest. Cash is held in an interest yielding cheque account and on short term call deposit where the interest rate is both fixed and variable according to the financial asset.

Interest rate risk is managed with a mixture of fixed and floating rate cash deposits.

(d) Sensitivity analysis

Interest rate

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk at reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks. It should be noted that the Group does not have borrowings and any impacts would be in relation to deposit yields on cash investments.

Interest rate sensitivity analysis

At reporting date, the effect on profit/ (loss) and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated	
	2016	2015
	\$	\$
Change in loss		
Increase in interest rates by 2%	12,678	4,818
Decrease in interest rates by 2%	(12,678)	(4,818)
Change in equity		
Increase in interest rates by 2%	12,678	4,818
Decrease in interest rates by 2%	(12,678)	(4,818)

21 Commitments & contingent liabilities

(a) Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group will be required to outlay in the year ending 30 June 2017 amounts of approximately \$1,565,000 (2015: \$1,360,000) to meet minimum expenditure requirements pursuant to various joint venture requirements and those specified by the State Government of South Australia. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report.

Marmota Energy Limited and Controlled Entities

Notes to the financial statements

For the year ended 30 June 2016

21 Commitments & contingent liabilities (continued)

(b) Operating leases as lessee

The Group leases as lessee an office and warehouse facility under an operating lease. The future minimum lease payments are as follows:

	Minimum lease payments due			Total \$
	Within 1 year \$	1 to 5 years \$	After 5 years \$	
June 2016	32,819	22,773	-	55,592
June 2015	30,983	-	-	30,983

(c) Guarantees

The Group has negotiated a number of bank guarantees in favour of various government authorities and service providers. The total nominal amount of these guarantees at the reporting date is \$15,500 (2015: \$33,000). These bank guarantees are fully secured by cash on term deposit.

(d) Contingent liabilities

As at 30 June 2016, there was a contingent liability of \$47,915 accrual for the Groundhog Services Partnership (Monax 50%, Marmota 50%) assessment received from Revenue SA for payroll tax relating to 2010 – 2015 financial years. Marmota's 50% part of that assessment equates to \$47,915. This assessment is currently being disputed. For more detail, refer to Note 25 (2015: nil).

	Note	Consolidated	
		2016 \$	2015 \$

22 Notes to the statements of cash flows

(a) Cash at the end of the financial year consists of the following:

Cash at bank and at call	7	635,121	261,200
		<u>635,121</u>	<u>261,200</u>

(b) Reconciliation of (loss) after income tax to net cash outflow from operating activities

(Loss) after income tax	(445,750)	(1,081,872)
Add/(less) non cash items		
Depreciation	17,485	35,336
Share-based payments	42,902	10,160
Exploration administration fee income	-	-
Impairment of assets	21,400	112,842
Income tax expense	9,424	38,223
Changes in operating assets and liabilities		
(Increase)/decrease in other assets	9,123	6,990
(Increase)/decrease in trade and other receivables	6,412	23,368
(Decrease)/increase in trade and other payables	(44,660)	(166,188)
(Decrease)/increase in provisions	(32,184)	(35,001)
Net cash (used in) operating activities	<u>(415,848)</u>	<u>(1,056,142)</u>

Marmota Energy Limited and Controlled Entities

Notes to the financial statements

For the year ended 30 June 2016

23 Related parties

Directors' transactions with the Company

A number of Directors of the Company, or their Director related entities, held positions in other entities during the financial year that result in them having control or significant influence over the financial or operating policies of those entities.

The terms and conditions of the transactions with Directors and their Director related entities were no more favourable to the Directors and their Director related entities than those available, or which might reasonably be expected to be available, on similar transactions to Non-director related entities on an arm's length basis.

The aggregate amounts recognised during the year (excluding re-imburement of expenses incurred on behalf of the Company) relating to Directors and their Director related entities were as follows:

Director	Transaction	Note	Consolidated	
			2016	2015
			\$	\$
GS Davis	Payments/(credits) to/(from) an entity of which the Director is a partner in respect of legal fees	(i)	(7,175)	54,369
Related entity	Payments received from a Director related entity for logistical support and exploration expenditure under joint venture agreements.	(ii)	–	(15,941)
Associated entity	Payments to a Director related entity for Company Secretarial services, tenement management and office administration and logistical support.	(iii)	–	185,176
RM Kennedy	Payments/(credits) to/(from) a Director related entity for exploration on the Nevada tenements.	(iv)	–	(3,752)

(i) Credits receive in 2016 for amounts paid in 2015.

(ii) This amount relates to the exploration undertaken by Marmota Energy Limited on behalf of Monax Mining for projects in South Australia and joint logistics.

(iii) This amount relates to the provision of administration and logistical services by Groundhog Services Pty Ltd and Groundhog Services Partnership.

(iv) This amount relates to the exploration undertaken on behalf of Marmota Energy by Ramelius Resources Limited for access and participation in projects in Nevada.

Marmota Energy Limited and Controlled Entities

Notes to the financial statements

For the year ended 30 June 2016

23 Related parties (continued)

Directors' transactions with the Company (continued)

Amounts receivable from and payable to Directors and their Director related entities at reporting date arising from these transactions were as follows:

	Consolidated	
	2016	2015
	\$	\$
Current receivables		
Loan to director related entity	-	-
Loan to associate	-	-
Current payables		
Amounts payable to director related entities*	1,501	19,953
	<u>1,501</u>	<u>19,953</u>

* FY16 amount is amount invoiced for Director's fees by a related entity of Mr P Thompson and FY15 amounts represents same, plus amounts invoiced by DMAW Lawyers for which Mr G Davis is a partner.

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Company's key management personnel for the year ended 30 June 2016.

The totals of remuneration paid to key management personnel during the year are as follows:

	Consolidated	
	2016	2015
	\$	\$
Short term employee benefits	238,050	432,187*
Post employment benefits	16,118	53,137
Other long term benefits	1,237	-
Termination benefits	-	29,653
Share-based payments	-	2,400
	<u>255,405</u>	<u>517,376</u>

*2015 did not include lease vehicle value so this has been amended

24 Operating segments

Following a change to the Board's composition during the year ended 30 June 2015, the internal reporting to chief operating decision makers has changed. The Directors have considered the requirements of AASB8 – Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and have concluded that at this time there are no separately identifiable segments.

In prior periods, the consolidated entity had identified its operating segments to be Gawler Craton, North America and Curnamona based on the different geological regions and the similarity of assets within those regions.

Marmota Energy Limited and Controlled Entities

Notes to the financial statements

For the year ended 30 June 2016

25 Events subsequent to reporting date

In July 2016, Marmota announced that it had entered into an agreement with the subsidiary of Apollo Minerals Limited, Southern Exploration Pty Ltd, to, amongst other things, acquire back the 25% interest in the Aurora Tank tenement (EL 5589). As a result, Marmota now holds 100% of the Aurora Tank tenement. Marmota commenced a drilling program on the Goshawk Gold Prospect in the Aurora Tank tenement in September 2016.

On 12 September 2016, Marmota was advised that the Groundhog Services Partnership (Monax 50%, Marmota 50%) had received an assessment from Revenue SA for payroll tax relating to 2010 – 2015 financial years. Marmota's 50% part of that assessment equates \$47,915. That assessment is being disputed.

In September 2016, Marmota concluded a Share Purchase Plan (SPP) for eligible shareholders. The SPP offer was significantly oversubscribed. The SPP will result in 35,333,371 ordinary shares in the Company to be issued and \$530,000 in subscription monies received.

Other than that, there has not arisen any matters or circumstances, since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of the Group in future years.

26 Reserves

Share options reserve

The share options reserve records items recognised as expenses on valuation of employee share options and retention rights.

Available for sale reserve

The available for sale reserve comprises gains and losses relating to these types of financial instruments.

	Consolidated	
	2016	2015
	\$	\$
Reserves		
<i>Share option reserve</i>		
Opening balance at beginning of year	2,727,310	2,717,150
Fair value of options issued to employees	42,902	10,160
Options exercised or expired	(2,711,910)	-
Balance at end of year	58,302	2,727,310
<i>Available for sale reserve</i>		
Opening balance at beginning of year	(7,500)	(7,500)
Revaluation of available for sale asset	-	-
Balance at end of year	(7,500)	(7,500)
Total Reserves	50,802	2,719,810

Marmota Energy Limited and Controlled Entities

Notes to the financial statements

For the year ended 30 June 2016

27 Marmota Energy Limited company information

	2016	2015
	\$	\$
Parent entity		
Assets		
Current assets	775,438	397,545
Non-current assets	3,662,623	3,016,876
Total assets	4,438,061	3,414,421
Liabilities		
Current liabilities	115,888	151,954
Non-current liabilities	1,237	24,905
Total liabilities	117,125	179,859
Equity		
Issued capital	33,064,883	31,577,896
Retained losses	(28,794,749)	(31,060,144)
Share option reserve	58,302	2,727,310
Available for sale reserve	(7,500)	(7,500)
Total equity	4,320,936	3,237,562
Financial performance		
(Loss) for the year	(446,515)	(1,081,872)
Other comprehensive income	-	-
Total comprehensive income	(446,515)	(1,081,872)
Guarantees in relation to the debts of subsidiaries	-	-
Contingent liabilities	47,915	-
Contractual commitments	55,592	30,983

28 Fair value measurement of assets and liabilities

Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and

Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

All financial instruments were valued using level 1 valuation techniques. There were no changes in valuation techniques for financial instruments in the period.

Available for sale financial assets are measured at fair value using the closing price on the reporting dates as listed on the Australian Securities Exchange limited (ASX). The carrying value of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

29 Company details

The registered office and principal place of business of the Company is:

Unit 6
79–81 Brighton Road
Glenelg SA 5045

Marmota Energy Limited

Directors' declaration

For the year ended 30 June 2016

Directors' declaration

The Directors of Marmota Energy Limited declare that

- (a) the financial statements and notes, as set out on pages 15 to 43, are in accordance with the Corporations Act 2001, and:
 - (i) give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standards; and
 - (iii) Marmota Energy Limited complies with International Financial Reporting Standards as disclosed in Note 1.
- (b) The person holding the Chief Executive Officer and the Chief Financial Officer functions has declared that:
 - (i) The financial records of the Company for the financial year have been properly maintained in accordance with s286 of the Corporations Act 2001;
 - (ii) The financial statements and notes for the financial year comply with the accounting standards; and
 - (iii) The financial statement and notes for the financial year give a true and fair view;
- (c) 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.

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

Dated at Sydney this 21st day of September 2016.



Dr Colin Rose
Director

Level 1,
67 Greenhill Rd
Wayville SA 5034

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARMOTA ENERGY LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Marmota Energy Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information 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 financial year.

Directors' Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, the financial statements comply with International Financial Reporting Standards.

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. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used 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

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

Auditor's Opinion

In our opinion:

- a the financial report of Marmota Energy Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Material uncertainty regarding going concern

The consolidated entity incurred a net loss after tax of \$445,750 during the year ended 30 June 2016, and had a net cash outflow of \$1,038,620 from operating and investing activities. The consolidated entity continues to be reliant upon completion of capital raising for continued operations and the provision of working capital.

Without qualifying our audit opinion attention is drawn to Note 1 (x) Going Concern in the financial report. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. 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.

Auditor's Opinion on the Remuneration Report

In our opinion, the Remuneration Report of Marmota Energy Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Sheenagh Edwards
Partner - Audit & Assurance

Adelaide, 21 September 2016