Marmota Energy Limited and Controlled Entities

Annual Financial Report

30 June 2008

CORPORATE DIRECTORY

Marmota Energy Limited

ACN 119 270 816
ABN 38 119 270 816
Incorporated in SA

Registered Office

140 Greenhill Road
UNLEY SA 5061
Telephone: (08) 8373 6271 / (08) 8373 5588
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Email: info@marmotaenergy.com.au

Share Registrar

Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street
ADELAIDE SA 5000
Telephone: 1300 556 151
(For overseas shareholders 61 3 9415 5000)
Facsimile: (08) 8236 2305

Email: info@computershare.com.au

Auditor

Grant Thornton
Chartered Accountants
67 Greenhill Road
Wayville SA 5034

The Directors present their report together with the financial report of Marmota Energy Limited ("the Company") and controlled entities for the year ended 30 June 2008 and the auditor's report thereon.

Directors

The Directors of 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.

Mr Robert Michael Kennedy *ASAIT, Grad, Dip (Systems Analysis), FCA, ACIS, Life member AIM, FAICD.*
Non-executive Chairman. A chartered accountant and consultant to Kennedy & Co, Chartered Accountants, a firm he founded. He joined Marmota Energy Limited in April 2006 as Non-executive Chairman. Chairman of Beach Petroleum Limited (since 1995 and a Director since 1991), Flinders Mines Limited (since 2001), Ramelius Resources Limited (since 1995), Maximus Resources Limited (since 2004), Eromanga Uranium Limited (since 2007) and Monax Mining Limited (since 2004). His special responsibilities include membership of the Audit and Corporate Governance Committee and the Remuneration and Nomination Committee. Mr Kennedy brings to the Board his expertise in finance and management consultancy and extensive experience as Chairman and Non-executive Director of a range of listed public companies including the resource sector.

Mr Reginald George Nelson *BSc, Hon Life Member Society of Exploration Geophysicists, FAusIMM, FAICD.*
Non-executive Director. Board member since 28 April 2006. An exploration geophysicist with 37 years experience in the minerals and petroleum industries and formerly chairman, now committee member, of the Australian Petroleum Production and Exploration Association Council. He has wide experience in technical, corporate and government affairs. Experience in gold exploration and mining operations in Western Australia, the Northern Territory and South Australia. Former Chairman of the Nevoria Gold Mine Joint Venture in Western Australia.
Special responsibilities include membership of the Remuneration and Nomination Committee.
Other listed company directorships are: Managing Director of Beach Petroleum Limited (since 1992) and Director of Anzon Australia Limited (between 2004 and December 2005), Ramelius Resources Limited (since 1995) and Monax Mining Limited (since 2004).

Mr Glenn Stuart Davis *LLB, BEc*
Non-executive Director. Board member since 28 April 2006. A Partner in DMAW Lawyers. He has considerable expertise and experience in capital raisings, capital reductions, acquisitions and takeovers, managed investment schemes, Director's duties and the requirements of the Corporations Act and the ASX listing rules. He also has specialist skills and knowledge about the resources industry.
Special responsibilities include membership of the Audit and Corporate Governance Committee.
Other listed company directorships are: Beach Petroleum Limited (since July 2007) and Monax Mining Limited (since 2004).

Dr Neville Foster Alley *Phd, PSM*
Executive Technical Director. Board member since 28 April 2006. An internationally known earth science researcher and has wide experience in geological mapping and research in Australia and overseas. He formulated the recent research effort to unravel palaeochannel systems in southern Australia. In 2004 was awarded the Verco Medal for his contribution and leadership in the earth sciences. He has extensive experience at senior levels in Government in Canada and as Director, Minerals, MESA and PIRSA and has a high level understanding of Government policy, regulation and legislation. He was a Member of the Resources Taskforce and made a significant contribution in setting the SA Government's strategies for reinvigorating the minerals industry and led the development of Government initiatives such as TEISA and PACE. He has worked closely with Aboriginal people and the community in developing a higher profile for the resources industry. He is also a Visiting Research Fellow, School of Earth and Environmental Sciences, The University of Adelaide.
Other listed company directorships are: Intermet Resources Limited (since 2004 until August 2008), Beach Petroleum Limited (since July 2007) and Monax Mining Limited (since 2005).

Mr Domenic Joseph Calandro *BSc, ASEG*
Managing Director. Board member since 9 July 2007. Experience of 13 years in the management, processing, and provision of geophysical data and information with a strong record of seamless project outcome delivery. He has significant geoscience expertise, with experience advising mineral explorers on appropriate geophysical methods and tools to use in exploration for a variety of commodities. He has most recently held the position of Chief Mineral Geophysicist for the South Australian Government where he was responsible for the design and management of a variety of large-scale Government geophysical acquisition programs, which were successfully completed as part of the SAEI and TEISA initiatives. As Manager of the geoscience data and information systems for the South Australian Government, he contributed to the reduction of exploration risk for mineral explorers in the state. Dom was also the Manager of the highly successful PACE initiative, which featured a collaborative drilling program, large-scale geophysical acquisition projects and innovative data management and delivery improvement programs.

Mr Blake Alexander Williams *BCom, ACA, Grad Dip Forensic Accounting*
Alternate Director for Reginald George Nelson (Appointed for meetings of directors held on 19 July 2007 until 5pm on 19 July 2007) and Alternate Director for Glenn Stuart Davis (Appointed for meetings of directors held on 18 September 2007 until 5pm on 18 September 2007).
Blake is a Chartered Accountant and Chief Financial Officer of GTL Energy Limited. He has experience in forensic accounting and corporate finance roles with an emphasis on financial modelling, valuation, due diligence, feasibility studies and structuring of transactions. Prior to his appointment as Chief Financial Officer of GTL Energy Limited, Blake worked as a senior manager in mid-tier professional chartered accounting firms and spent several years as a business analyst in London.

Mr Nicholas John Smart
Alternate Director for Glenn Stuart Davis (Appointed for meetings of directors held on 19 July 2007 until 5pm 19 July 2007).
Nicholas has held positions as a General Manager overseas and in Australia. Previously a full Associate Member of the Sydney Futures Exchange and client adviser with a national share broking firm with experience in the corporate area including capital raising. Other experiences include start up companies in technology development including commercialisation of the Synroc process for safe storage of high level nuclear waste and controlled temperature and atmosphere transport systems. He currently consults to various public and private companies. Listed company directorship is Alternate Director for Maximus Resources Limited (since May 2005).

Directors' meetings

The Company held 25 meetings of Directors (including committees of Directors) during the financial year. 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 & Corporate Governance Committee Meetings**		**Remuneration & Nomination Committee Meetings**		**Due Diligence Committee Meetings**	
	Number Eligible to attend	*Number Attended*	*Number Eligible to attend*	*Number Attended*	*Number Eligible to attend*	*Number Attended*	*Number Eligible to attend*	*Number Attended*
Director								
Robert Michael Kennedy	15	15	1	1	1	1	-	-
Reginald George Nelson	15	14	-	-	1	1	-	-
Glenn Stuart Davis	15	15	1	1	-	-	-	-
Neville Foster Alley	15	15	-	-	-	-	8	7
Domenic Joseph Calandro	15	15	-	-	-	-	8	8
Blake Alexander Williams	2	2	-	-	-	-	-	-
Nicholas John Smart	1	1	-	-	-	-	-	-

Messrs Davis and Kennedy are members of the Audit & Corporate Governance Committee and Messrs Nelson and Kennedy are members of the Remuneration and Nomination Committee.

Messrs Williams and Smart were present in meetings in the capacity of Alternate Directors.

Company Secretary

The following persons held the position of Company Secretary at the end of the financial year.

Virginia Katherine Suttell – *B.Comm., ACA.* Appointed Company Secretary and Chief Financial Officer on 21 November 2007. A Chartered Accountant with 15 years experience working in public practice and in commerce with a publicly listed entity in the media industry.

Principal activities

The company's principal activity is minerals exploration.

Review and results of operations

The Marmota Energy Limited Initial Public Offering ("IPO") was successfully completed with the Company listing on the Australian Stock Exchange on the 21 November 2007. The Directors of the Company were very pleased with the significant support for the IPO not only from the shareholders of Monax Mining Limited but from across the wider investment community. The IPO raised a total of $15 million.

Initial exploration began on the Company's Ambrosia tenement with the completion of a high resolution gravity survey designed to map potential uranium-bearing palaeochannels and further improve the resolution of data over potential Olympic Dam-style iron-oxide-copper-gold-uranium ("IOCGU") targets. Results have further delineated palaeochannels on the tenement along with identifying new channels on the Mulgathing tenement. The Company began first phase drill testing of targets on Ambrosia–Mulgathing in mid June 2008.

In addition to work conducted on the Ambrosia tenement, the Company obtained geophysical data across all tenements to assist with establishing the parameters of the exploration program for these tenements. This new data has been successful in defining new palaeochannels not previously mapped across these tenements.

During the period, the Company has worked hard to lay the foundation for its exploration across its projects in South Australia through the successful consultation with landholders and communities. The Company entered into the

Antakirinja Indigenous Land Use Agreement and secured heritage and native title clearances on the Ambrosia and Mulgathing exploration licences. In addition it began a Part 9B clearance for the Mulyungarie tenement.

Results

The consolidated loss of the consolidated group after providing for income tax amounted to $557,425 (2007: $11,255).

Dividends

No dividends have been paid or provided by the Company since the end of the previous financial year.

State of affairs

Significant changes in the state of affairs of the Company during the year were as follows:

On 21 November 2007, the Company listed on the Australian Stock Exchange.

During the period the following shares and options were issued:

Ordinary Shares	**No. on issue**	**$**
At the beginning of the period	18,000,005	18,005
Shares issued during the period		
Seed capital	6,642,000	830,250
Public offer	60,000,000	15,000,000
Acquisition of subsidiary	36,000,000	7,200,000
Transaction costs (net of tax)	-	(880,495)
Options exercised during the period	79,004	19,751
At the reporting date	120,721,009	22,187,511

	No. on issue	**$**
Options		
At the beginning of the period	-	-
Options issued during the period		
Promoters	10,000,000	159,000
Public offer	19,999,724	-
Acquisition of subsidiary	18,000,000	2,289,600
Options exercised during the period	(79,004)	-
Options expired during the period	(19,920,720)	
At the reporting date	28,000,000	2,448,600

Events subsequent to balance date

Subsequent to year end, 2,909,000 fully paid ordinary shares were released from escrow on the 28 August 2008.

Other than the matters discussed above, there has not arisen in the interval between 30 June 2008 and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future years.

Likely developments

Further information about likely developments in the operations of the company and the expected results of those operations in future years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

Remuneration Report (audited)

Remuneration of Directors and key management personnel

This report details the nature and amount of remuneration for each key management person of the Company 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 Company during the financial year are:

Directors	Position
Mr RM Kennedy	Chairman – Non-executive
Mr RG Nelson	Director – Non-executive
Mr GS Davis	Director – Non-executive
Dr NF Alley	Director – Executive
Mr DJ Calandro	Managing Director – Executive
Mr BA Williams	Alternate Director
Mr NJ Smart	Alternate Director
Key Management Personnel	
Ms VK Suttell	Chief Financial Officer / Company Secretary
Mr DA Francese	Chief Financial Officer / Company Secretary
Mr DS Cosentino	Company Secretary

(b) Directors' remuneration

2008 primary benefits	Directors fees $	Salary $	Non cash items $	Super contributions $	Options $	Total $
Directors						
Mr RM Kennedy	37,462	-	-	3,372	-	40,834
Mr RG Nelson	18,731	-	-	1,686	-	20,417
Mr GS Davis*	20,417	-	-	-	-	20,417
Dr NF Alley	-	80,769	-	7,269	-	88,038
Mr DJ Calandro	-	180,000	17,200	16,200	-	213,400
Mr BA Williams	-	-	-	-	-	-
Mr NJ Smart	-	-	-	-	-	-
	76,610	260,769	17,200	28,527	-	383,106

2007 primary benefits	Directors fees $	Salary $	Cash bonus $	Super contributions $	Options $	Total $
Directors						
Mr RM Kennedy	-	-	-	-	-	-
Mr RG Nelson	-	-	-	-	-	-
Mr GS Davis*	-	-	-	-	-	-
Dr NF Alley	-	-	-	-	-	-
Mr DJ Calandro	-	-	-	-	-	-
	-	-	-	-	-	-

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

The Directors conclude that there are no executives requiring disclosure other than those listed.

(c) Service agreements

During the financial year, the Company appointed Mr Calandro as Managing Director. Pursuant to his service agreement, Mr Calandro was paid a total package of $213,400 per annum inclusive of superannuation guarantee contributions. There were neither post employment retirement benefits previously approved by members of the Company in a general meeting nor any paid to Directors of the Company.

Director related entities

During the year to 30 June 2008 the Company paid legal fees totalling $104,140 to a Director related entity of Mr Davis.

(d) Key management personnel remuneration

2008 primary benefits	Salary $	Bonus $	Super contributions $	Non cash benefits $	Total $
Key management personnel excluding Directors					
Ms VK Suttell*	-	-	-	-	-
Mr DA Francese **	-	-	-	-	-
Mr DS Cosentino ***	-	-	-	-	-
	-	-	-	-	-

2007 primary benefits	Salary $	Bonus $	Super contributions $	Non cash benefits $	Total $
Key management personnel excluding Directors					
Mr DA Francese **	-	-	-	-	-
Mr DS Cosentino ***	-	-	-	-	-
	-	-	-	-	-

* Ms Suttell was appointed as a Company Secretary and Chief Financial Officer on 21 November 2007. Ms Suttell was employed by Monax Mining Limited (Parent entity of Marmota Energy Limited) as its Company Secretary and Chief Financial Officer. Marmota reimburses that entity 50% of her remuneration, on-costs and associated expenses relating to the secretarial and financial services provided to Marmota. Refer note 25.

** Mr DA Francese ceased as Chief Financial Officer/ Company Secretary on 28 August 2007.

*** Mr DS Cosentino performed the function of Chief Financial Officer and Company Secretary between 28 August 2007 and 21 November 2007 and resigned as Company Secretary on 29 February 2008. He is a Partner in an accounting firm which received fees during the year for the provision of accounting and secretarial services. Refer note 3.

Key management personnel post-employment/retirement benefits

There were no post employment retirement benefits paid or payable to key management personnel.

Remuneration practices
The Company's policy for determining the nature and amounts of emoluments of board members and senior executive officers of the Company is as follows.

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 remuneration of the Managing Director is determined by the Non-executive Directors on the Remuneration and Nomination 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.

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.

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 Remuneration and Nomination 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.

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 given the nature of the Company's business as a recently listed 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.

The Company also has an Employee Share Option Plan approved by Directors but subject to approval by the 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 to acquire 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. The plan will be tabled for approval at the Company's Annual General Meeting.

The employment conditions of the Managing Director, Mr Calandro and Executive Director Dr Alley are formalised in contracts of employment. The base salaries as set out in the employment contracts are reviewed annually. The Managing Director's contract may be terminated at any time by mutual agreement. The Executive Director's contract is for a term of one year, expiring December 2008, which may be extended by the Board. The Company may terminate these contracts without notice in instances of serious misconduct.

Options granted as remuneration
Apart from the options granted to Directors as Promoters of the Company, no other options were granted to Directors or key management personnel of the Company during the financial 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.

Directors' interests in shares and options
Directors' relevant interests in shares and options of the Company are disclosed in note 5 of the notes to the financial statements.

Options
At the date of this report unissued ordinary shares of the Company under option are:

Grant Date	Expiry date*	Exercise price	Number of Options
27/08/2007	11/07/2012	$0.40	28,000,000

* 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.

Since the end of the financial year, no ordinary shares were issued by the Company as a result of the exercise of options. There were no amounts unpaid on shares issued.

Environmental regulation and performance statement

The Company'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 Company on any of its tenements. To date the Company 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.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 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. There were no such proceedings brought or interventions on behalf of the Company with leave from the Court under section 237 of the Corporations Act 2001.

Non-audit services

The Board of Directors, in accordance with advice from the Audit & Corporate Governance Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethics Standards Board.

The following fees for non-audit services were paid to the external auditors during the year ended 30 June 2008:

Independent Accountant's report	$2,400

Auditor of the Company

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

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 2008 is set out immediately following the end of the Directors' report.

Dated at ......Adelaide...... this ......16...... day of ......September......2008.

Signed in accordance with a resolution of the Directors:

Robert Michael Kennedy
Director

Grant Thornton

Grant Thornton South Australian Partnership
ABN 27 244 906 724

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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF MARMOTA ENERGY LIMITED AND CONTROLLED ENTITIES

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Marmota Energy Limited and Controlled Entities for the year ended 30 June 2008, 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
South Australian Partnership
Chartered Accountants

S J Gray
Partner

Signed at Wayville on this 16th day of September 2008

Our Ref: H/IAR/INDEPENDENCE DEC/2008/MARMOTA ENERGY LTD & CONTROLLED ENTITIES_JUN 08.DOC

Marmota Energy Limited and controlled entities

Income Statement

For the year ended 30 June 2008

	Note	Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
Other revenues from ordinary activities	2	614,551	-	614,551	-
Total revenue		614,551	-	614,551	-
Administration expenses	3	286,385	7,225	286,385	7,225
Consultants	3	214,183	4,000	214,183	4,000
Depreciation	3	9,107	-	9,107	-
Employment expenses	3	207,884	-	207,884	-
Occupancy expenses		25,712	-	25,712	-
Other expenses from ordinary activities		51,350	-	51,350	-
Profit/(loss) from ordinary activities before related income tax expense		(180,070)	(11,255)	(180,070)	(11,255)
Income tax (expense)/benefit relating to ordinary activities	4	(377,355)	-	(377,355)	-
Profit/(loss) from ordinary activities after related income tax expense		(557,425)	(11,255)	(557,425)	(11,255)
Total changes in equity other than those resulting from transactions with owners as owners		-	-	-	-
Basic earnings per share (cents)	7	(0.66)	(0.78)	(0.66)	(0.78)
Diluted earnings per share (cents)	7	(1.56)	(0.78)	(1.56)	(0.78)

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

Marmota Energy Limited and controlled entities

Balance Sheet

As at 30 June 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Current assets					
Cash and cash equivalents	8	3,917,560	3,907	3,917,559	3,907
Trade and other receivables	9	658,432	2,552	755,237	2,552
Other current assets	10	15,593	36,033	15,593	36,033
Financial assets	11	8,000,000	-	8,000,000	-
Total current assets		12,591,585	42,492	12,688,389	42,492
Non-current assets					
Property, plant and equipment	12	271,157	-	271,157	-
Investments in subsidiaries	15	-	-	9,489,601	-
Investments in associates	13	1	-	-	-
Exploration and evaluation expenditure	16	12,146,007	-	2,559,603	-
Total non-current assets		12,417,165	-	12,320,361	-
Total assets		25,008,750	42,492	25,008,750	42,492
Current liabilities					
Trade and other payables	17	912,245	41,078	912,245	41,078
Short term provisions	18	23,759	-	23,759	-
Total current liabilities		936,004	41,078	936,004	41,078
Non-current liabilities					
Long term provisions	18	10,651	-	10,651	-
Total non-current liabilities		10,651	-	10,651	-
Total liabilities		946,655	41,078	946,655	41,078
Net assets		24,062,095	1,414	24,062,095	1,414
Equity					
Issued capital	19	22,187,511	18,005	22,187,511	18,005
Share options reserves		2,448,600	-	2,448,600	-
Retained profits/(losses)	20	(574,016)	(16,591)	(574,016)	(16,591)
Total equity		24,062,095	1,414	24,062,095	1,414

The above balance sheet should be read in conjunction with the accompanying notes.

Marmota Energy Limited and controlled entities

Statement of Changes in Equity

For the year ended 30 June 2008

Consolidated	Notes	$ Share capital ordinary	$ Share based payments reserve*	$ Retained profits / (losses)	$ Total
Balance at 1 July 2006		5	-	(5,336)	(5,331)
Shares issued during the period		18,000	-	-	18,000
Profit/(loss) attributable to shareholders		-	-	(11,255)	(11,255)
Balance as at 30 June 2007		18,005	-	(16,591)	1,414
Shares issued during the period		23,030,250	-	-	23,030,250
Options issued during the period	19(b)	-	2,448,600	-	2,448,600
Options exercised during the period at $0.25		19,751	-	-	19,751
Transaction costs associated with the issue of shares net of tax		(880,495)	-	-	(880,495)
Options expired during the period		-	-	-	-
Profit/(loss) attributable to shareholders		-	-	(557,425)	(557,425)
Balance as at 30 June 2008		22,187,511	2,448,600	(574,016)	24,062,095

Parent	Notes	$ Share capital ordinary	$ Share based payments reserve*	$ Retained profits / (losses)	$ Total
Balance at 1 July 2006		5	-	(5,336)	(5,331)
Shares issued during the period		18,000	-	-	18,000
Profit/(loss) attributable to shareholders		-	-	(11,255)	(11,255)
Balance as at 30 June 2007		18,005	-	(16,591)	1,414
Shares issued during the period		23,030,250	-	-	23,030,250
Options issued during the period	19(b)	-	2,448,600	-	2,448,600
Options exercised during the period at $0.25		19,751	-	-	19,751
Transaction costs associated with the issue of shares net of tax		(880,495)	-	-	(880,495)
Options expired during the period		-	-	-	-
Profit/(loss) attributable to shareholders		-	-	(557,425)	(557,425)
Balance as at 30 June 2008		22,187,511	2,448,600	(574,016)	24,062,095

* Further information on the nature of this reserve is disclosed at Note 19(b).

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

Marmota Energy Limited

Cash Flow Statement

For the year ended 30 June 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Cash flows from operating activities					
Cash receipts in the course of operations		-	-	-	-
Cash payments in the course of operations		(679,155)	(14,098)	(679,156)	(14,098)
Interest received		210,130	-	210,130	-
Net cash provided by/(used in) operating activities	23	(469,025)	(14,098)	(469,026)	(14,098)
Cash flows from investing activities					
Payments for plant & equipment		(231,415)	-	(231,415)	-
Payments for exploration & evaluation assets		(1,902,158)	-	(1,902,158)	-
Loans to related entities		(97,018)	-	(193,822)	-
Loans repaid to related entities		(96,804)	-	-	-
Net cash provided by/(used in) investing activities		(2,327,395)	-	(2,327,395)	-
Cash flows from financing activities					
Proceeds from issue of shares through IPO applicants		15,000,000	-	15,000,000	-
Proceeds from issue of shares through seed capitalists		830,250	-	830,250	-
Proceeds from issue of shares		19,751	18,000	19,751	18,000
Payment of transaction costs associated with capital raising		(1,139,928)	-	(1,139,928)	-
Net cash provided by/(used in) financing activities		14,710,073	18,000	14,710,073	18,000
Net increase/(decrease) in cash held		11,913,653	3,902	11,913,652	3,902
Cash at the beginning of the financial year		3,907	5	3,907	5
Cash at the end of the financial year	8/11	11,917,560	3,907	11,917,559	3,907

The above cash flow statement should be read in conjunction with the accompanying notes.

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'), and the separate financial statements of Marmota Energy Limited as an individual parent entity ('parent entity').

(a) *Basis of preparation*

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authority's pronouncements of the Australian Accounting Standard Board (AASB) and the Corporation Act 2001. The following report covers the economic entity, Marmota Energy Limited, a listed public company, incorporated and domiciled in Australia.

Compliance with IFRS
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Marmota Energy Limited comply with International Financial Reporting Standards (IFRS).

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

(b) *Principles of consolidation*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Marmota Energy Limited ("parent entity") as at 30 June 2008 and the result of all subsidiaries for the year then ended. Marmota Energy Limited and its subsidiaries together are referred to in this financial report as the Group or consolidated entity.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. All inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. A list of controlled entities is contained in Note 15 to the financial statements.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

(c) *Contributed equity*

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the costs of the acquisition as part of the purchase consideration.

(d) *Income tax*

The Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items.

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 is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 income statement 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.

(e) 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 assets 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 economic entity commencing from the time the asset is held ready for use.

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

Class of Fixed Asset	*Depreciation Rate*
Plant and equipment	5% – 33%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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 income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(f) 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.

(g) 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.

(h) Impairment of assets

At each reporting date, the Company 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 income statement.

(i) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be 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.

Superannuation contributions: Employees may nominate their own superannuation fund into which the Company pays superannuation contributions. The Company currently contributes 9% of employee's salary to each employee's nominated fund or where a fund is not nominated by an employee, to a superannuation fund chosen by the Company.

(j) Provisions

Provisions are recognised when the Company 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, and bank overdrafts.

(l) Revenue

Revenue from sale of goods or rendering of a service is recognised upon delivery of the goods or service to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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 Balance Sheet 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.

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) *Investments in associates*

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognises the Group's share of post-acquisition reserves and profits/(losses) of its associates.

(o) *Earnings per share*

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attribute to equity holders of the Company, excluding any costs of servicing equity other then 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.

(p) *New accounting standards and interpretations*

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group's and parent entity's assessment of the impact of these new standards and interpretations is considered to be not material.

(q) *Comparative figures*

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

(r) *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.

	Note	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
2 *Revenue from ordinary activities*					
Other revenues:					
From operating activities					
Interest received from other parties		614,551	-	614,551	-
Other revenue		-	-	-	-
Total revenue from ordinary activities		614,551	-	614,551	-
3 *Profit from ordinary activities before income tax expense has been determined after*					
Expenses					
Administration expenses					
ASX fees		50,486	-	50,486	-
Share registry fees		31,983	-	31,983	-
Insurance		23,096	-	23,096	-
Audit		18,500	1,250	18,500	1,250
Service fees		69,886	-	69,886	-
Other		92,434	6,005	92,434	6,005
		286,385	7,255	286,385	7,255
Consulting expenses					
Legal fees		57,306	-	57,306	-
Corporate consulting		40,000	-	40,000	-
Accounting and secretarial services		113,504	-	113,504	-
Other		3,373	4,000	3,373	4,000
		214,183	4,000	214,183	4,000
Depreciation expenses					
Plant and equipment		9,107	-	9,107	-
Employment expenses					
Salaries and wages		61,687	-	61,687	-
Directors fees		81,668	-	81,668	-
Superannuation		5,217	-	5,217	-
Provisions		34,410	-	34,410	-
Other		24,902	-	24,902	-
		207,884	-	207,884	-

	Note	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
4 Income tax expense					
The components of tax expense comprise:					
Current income tax (expense)/benefit		-	-	-	-
Deferred tax (expense)/benefit		-	-	-	-
Tax portion of capital raising costs		(377,355)	-	(377,355)	-
Income tax (expense)/benefit reported in the income statement		(377,355)	-	(377,355)	-
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:					
Prima facie income tax (expense)/benefit calculated at 30% on loss from ordinary activities		54,021	3,377	54,021	3,377
Tax effect of:					
Deferred tax asset in respect of tax losses not brought to account		(54,021)	(3,377)	(54,021)	(3,377)
Tax portion of capital raising costs		(377,355)	-	(377,355)	-
Income tax (expense)/benefit attributable to loss from ordinary activities		(377,355)	-	(377,355)	-
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%		870,017	3,377	870,017	3,377

5 *Remuneration of Directors and key management personnel*

(a) Directors and key management personnel

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

Directors	**Position**
Mr RM Kennedy	Chairman – Non-executive
Mr RG Nelson	Director – Non-executive
Mr GS Davis	Director – Non-executive
Dr NF Alley	Director – Executive
Mr DJ Calandro	Managing Director – Executive
Mr BA Williams	Alternate Director
Mr NJ Smart	Alternate Director
Key Management Personnel	
Ms VK Suttell	Chief Financial Officer / Company Secretary
Mr DA Francese	Chief Financial Officer / Company Secretary
Mr DS Cosentino	Company Secretary

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

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

Shares	**Balance 1/07/07**	**Received as remuneration**	**Options exercised**	**Net change other[1]**	**Balance 30/06/08**	**Total held in escrow 30/06/08**
Held by Directors in own name						
Mr RM Kennedy	1	-	-	-	1	-
Mr RG Nelson	1	-	-	-	1	-
Mr GS Davis	1	-	-	-	1	-
Dr NF Alley	1	-	-	-	1	-
Mr DJ Calandro	-	-	-	-	-	-
	4	-	-	-	4	-
Held by Directors' personally related entities						
Mr RM Kennedy	5,700,000	-	-	(2,553,334)	3,146,666	2,740,000
Mr RG Nelson	3,300,000	-	-	(2,360,000)	940,000	900,000
Mr GS Davis	3,000,000	-	-	(50,000)	2,950,000	2,825,000
Dr NF Alley	3,000,000	-	-	(300,000)	2,700,000	2,700,000
Mr DJ Calandro	-	-	-	2,080,000	2,080,000	2,040,000
Total held by Directors	15,000,004	-	-	(3,183,334)	11,816,670	11,205,000
Key management personnel excluding Directors						
Ms VK Suttell	-	-	-	30,000	30,000	-
Mr DA Francese	-	-	-	720,000	720,000	720,000
Mr DS Cosentino	-	-	-	8,000	8,000	4,000
Total	15,000,004	-	-	(2,425,334)	12,574,670	11,929,000

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

Options	Option class	Balance 1/07/07	Received as remun-eration	Options exercised	Net change other	Balance 30/06/08	Total vested 30/06/08	Total exer-cisable 30/06/08
Held by Directors in own name								
Mr RM Kennedy		-	-	-	-	-	-	-
Mr RG Nelson		-	-	-	-	-	-	-
Mr GS Davis		-	-	-	-	-	-	-
Dr NF Alley		-	-	-	-	-	-	-
Mr DJ Calandro		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
Directors' personally related entities								
Mr RM Kennedy	(a)	-	-	-	1,350,000	1,350,000	1,350,000	-
Mr RG Nelson	(a)	-	-	-	450,000	450,000	450,000	-
Mr GS Davis	(a)	-	-	-	1,350,000	1,350,000	1,350,000	-
Dr NF Alley	(a)	-	-	-	1,350,000	1,350,000	1,350,000	-
Mr DJ Calandro	(a)	-	-	-	1,000,000	1,000,000	1,000,000	-
Total held by Directors		-	-	-	5,500,000	5,500,000	5,500,000	-
Key management personnel excluding Directors								
Ms VK Suttell		-	-	-	-	-	-	-
Mr DA Francese	(a)	-	-	-	360,000	360,000	360,000	-
Mr DS Cosentino		-	-	-	-			
Total		-	-	-	5,860,000	5,860,000	5,860,000	-

(a) Unlisted Options exercisable at $0.40 by 11/07/2012, escrowed until 12/11/2009.

1. *Net change other refers to shares purchased and/or sold during the financial year.*

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

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$

6 *Auditors' remuneration*

Audit services:				
Auditors of the Company – Grant Thornton				
Audit and review of the financial reports	21,000	-	21,000	-
Provision of an independent accountant's report	2,400	-	2,400	-
	23,400	-	23,400	-

7 *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

- 28,000,000 unlisted options exercisable at $0.40 by 11/07/2012

In accordance with AASB133 'Earnings per Share' potential shares only result in a decrease in the loss per share, therefore no dilution effect has been taken into account.

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
(c) Earnings used in the calculation of earnings per share				
Profit/(loss) from ordinary activities after related income tax expense	(557,425)	(11,255)	(557,425)	(11,255)
(d) Weighted average number of shares used as the denominator				
Number for basic earnings per share				
Ordinary shares	84,084,202	1,446,580	84,084,202	1,446,580

8 *Cash and cash equivalents*

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Cash at bank	347,560	3,907	347,559	3,907
Deposits at call	3,570,000	-	3,570,000	-
	3,917,560	3,907	3,917,559	3,907

9 *Trade and other receivables*

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Current				
Other debtors	561,414	2,552	561,414	2,552
Loan to subsidiary	-	-	96,805	-
Loan to associate	97,018	-	97,018	-
	658,432	2,552	755,237	2,552

10 *Other current assets*

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Prepayments	15,593	36,033	15,593	36,033

11 *Financial assets*

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Held to maturity investments				
Fixed interest short term deposit	8,000,000	-	8,000,000	-

	Note	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $

12 *Plant and equipment*

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Plant and equipment				
At cost	289,125	-	289,125	-
Accumulated depreciation	(17,968)	-	(17,968)	-
Net book value	271,157	-	271,157	-

Reconciliations
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

Plant and equipment

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Carrying amount at beginning of year	-	-	-	-
Additions	289,125	-	289,125	-
Disposals	-	-	-	-
Accumulated depreciation	(17,968)	-	(17,968)	-
Carrying amount at end of year	271,157	-	271,157	-

13 *Investments in associates*

Interests are held in the following associated companies.

Name	Principal activities	Country of incorporation	Shares	Ownership interest 2008	Ownership interest 2007	Carrying amount of investment 2008	Carrying amount of investment 2007
Groundhog Services Pty Ltd	Administration services	Australia	Ord	50%	-	1	-

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

	Note	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Current assets		126,812	-	-	-
Non-current assets		30,183	-	-	-
Total assets		156,995	-	-	-
Current liabilities		(156,993)	-	-	-
Non-current liabilities		-	-	-	-
Total liabilities		(156,993)	-	-	-
Net assets		2	-	-	-
Share of associate's profit after tax		-	-	-	-

14 *Joint ventures*

The Group has the following interests in joint ventures

No	State	Agreement Name	Parties	Summary
1	SA	Farm-in & Joint Venture Agreement	Marmosa Pty Ltd (MSA) and Monax Mining Limited (MOX)	MOX gives MSA exclusive right to conduct exploration for uranium on areas covered by Exploration Licences EL 3355, EL 3356, EL3357, EL 3359, EL 3458, EL 3561, EL 3684, EL 3685, EL 3775. Once MSA has spent $4 million on exploration it will have earned 25% interest with a further spend of $4 million required for an additional 25%.
2	SA	Ambrosia Farm-in & Joint Venture Agreement	Marmosa Pty Ltd (MSA) and Monax Mining Limited(MOX0	MOX gives MSA the right to explore for all minerals in the area covered by Exploration Licence EL 3358. Once MSA has spent $1 million on exploration it will have earned a 25% interest with a further 25% able to be earned.
3	SA	Mineral Rights Transfer & Joint Venture Agreement	Marmosa Pty Ltd (MSA) and Monax Mining Limited (MOX)	MSA transfers to MOX 100% of its interests in minerals other than uranium and 30% of its interests in uranium for areas covered by the following Exploration Licences: EL 3907, EL 3908, EL 3909, EL 3910, and EL3911. MSA and MOX enter into a joint venture to explore for uranium.

15 *Controlled entities*

(a) Controlled entities consolidated

	Country of incorporation	Percentage owned (%)	
		2008	**2007**
Parent entity:			
Marmota Energy Limited*	Australia	-	-
Subsidiaries of Marmota Energy Limited:			
Marmosa Pty Ltd	Australia	100	-

* Marmota Energy Limited is a subsidiary of Monax Mining Limited which is incorporated and domiciled in Australia

15 Controlled entities (continued)

(b) Acquisition of controlled entities

Pursuant to the contract between the Company and Monax Mining Limited, effective 21 November 2007 the Company acquired 100% of the issued capital of Marmosa Pty Ltd from Monax Mining Limited. Marmosa Pty Ltd holds interest in joint ventures in uranium exploration tenements.

The acquisition had the following effect on the consolidated entity's assets and liabilities:

	Recognised value on acquisition $
Cash	1
Exploration assets	9,586,403
Liabilities	(96,804)
Net identifiable assets and liabilities	9,489,600
Consideration paid:	
Ordinary shares at fair value	7,200,000
Options at fair value	2,289,600
Transaction costs on acquisition	-
Goodwill on acquisition	-

Purchase consideration	**No. of shares**	**Fair value**	**$**
Ordinary shares	36,000,000	$0.20	7,200,000
Options	18,000,000	$0.127	2,289,600

(c) The investment in Groundhog Services Pty Ltd has been classified as a financial asset at cost of $1 in the balance sheet.

16 Exploration and evaluation expenditure

	Note	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Costs carried forward in respect of areas of interest in:					
Exploration and evaluation phase	(i)	12,146,007	-	2,559,603	-
Total exploration and evaluation expenditure		12,146,007	-	2,559,603	-

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.

(i) Reconciliation

A reconciliation of the carrying amount of exploration and/or evaluation phase expenditure is set out below.

	Note	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Carrying amount at beginning of year		-	-	-	-
Additional costs capitalised during the year		2,559,603	-	2,559,603	-
Fair value of acquired exploration rights		9,586,404	-	-	-
Carrying amount at end of year		12,146,007	-	2,559,603	-

	Note	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
17 Trade and other payables					
Trade creditors		608,612	-	608,612	-
Other creditors and accruals		232,747	41,078	232,747	41,078
Amounts payable to Director related entities*		70,886	-	70,886	-
		912,245	41,078	912,245	41,078

* Details of amounts payable to Director related entities are detailed in Note 25.

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
18 Provisions				
Current				
Employee entitlements	23,759	-	23,759	-
Non-current				
Employee entitlements	10,651	-	10,651	-
19 Issued capital				
Issued and paid-up share capital				
120,721,009 (2007: 18,000,005) ordinary shares, fully paid	22,187,511	18,005	22,187,511	18,005
(a) Ordinary shares				
Balance at the beginning of year	18,005	5	18,005	5
Shares issued during the year				
Nil (2007: 18,000,000) shares issued $0.001 per share	-	18,000	-	18,000
6,642,000 (2007: nil) shares issued at $0.125 per share as seed capital	830,250	-	830,250	-
60,000,000 (2007: nil) shares issued to shareholders as part of the IPO at $0.25	15,000,000	-	15,000,000	-
36,000,000 (2007: nil) shares issued for the acquisition of Marmosa Pty Ltd	7,200,000	-	7,200,000	-
79,004 (2007: nil) shares issued to option holders on exercise of options at $0.25	19,751	-	19,751	-
Less transaction costs arising from issue of shares net of tax	(880,495)	-	(880,495)	-
Balance at end of year	22,187,511	18,005	22,187,511	18,005

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.

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

19 *Issued capital (continued)*

(b) Options

(i) For information relating to share options issued to Executive Directors during the financial year, refer to Note 5.

At 30 June 2008, there were 28,000,000 (2007: nil) unissued shares for which the following options were outstanding.

- 28,000,000 unlisted options exercisable at $0.40 by 11/07/2012, escrowed until 12/11/2009.

		Consolidated		Parent Entity	
	Note	2008	2007	2008	2007
		$	$	$	$
20 *Retained profits/(losses)*					
Retained profits/(losses) at beginning of year		(16,591)	(5,336)	(16,591)	(5,336)
Net(loss) attributable to members of the Company		(557,425)	(11,255)	(557,425)	(11,255)
Retained profits/(losses) at the end of the year		(574,016)	(16,591)	(574,016)	(16,591)

21 *Financial risk management policies*

The Group's financial instruments consist mainly of deposits with banks, short term investments, accounts receivable and payable and loans to and from subsidiaries and related entities. The main risks the Group are exposed to through its financial instruments are interest rate risk and credit risk.

(a) Treasury risk management

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 meeting its financial targets, whilst minimising the effects on financial performance.

(b) Interest rate risk

The company has no long term financial assets or liabilities upon which it earns or pays interest. Cash is held in an interest yielding cheque account and on short term call deposit where the interest rate can vary from day to day.

Interest rate risk is managed with a mixture of fixed and floating rate cash deposits. At 30 June 2008 approximately 97% of group deposits are fixed. It is the policy of the group to keep between 90% and 100% of surplus cash in high yielding deposits.

	Weighted average effective interest rate		Effective interest rate		Non interest bearing		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	%	%	$	$	$	$	$	$
Financial assets								
Cash at bank	4.40	-	347,560	3,907	-	-	347,560	3,907
Deposits	7.34	-	11,570,000	-	-	-	11,570,000	-
Receivables	-	-	-	-	658,432	2,552	658,432	2,552
Total financial assets	-	-	11,917,560	3,907	658,432	2,552	12,575,992	6,459
Financial liabilities								
Payables	-	-	-	-	(912,245)	(41,078)	(912,245)	(41,078)
Total financial liabilities	-	-	-	-	(912,245)	(41,078)	(912,245)	(41,078)
Total net financial assets	-	-	11,917,560	3,907	(253,813)	(38,526)	11,663,747	(34,619)

21 Financial risk management policies (continued)

(c) Sensitivity analysis

Interest rate and price risk

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk at balance 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 company does not have borrowings and any impacts would be in relation to deposit yields on cash investments.

Interest rate sensitivity analysis

At 30 June 2008, the effect on loss and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

		Consolidated		Parent Entity	
	Note	2008	2007	2008	2007
		$	$	$	$
Change in loss					
Increase in interest rates by 2%		238,351	78	238,351	78
Decrease in interest rates by 2%		(238,351)	(78)	(238,351)	(78)
Change in equity					
Increase in interest rates by 2%		238,351	78	238,351	78
Decrease in interest rates by 2%		(238,351)	(78)	(238,351)	(78)

(d) Credit risk exposures

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

The credit risk on financial assets, excluding investments, of the entity which have been recognised in the Balance Sheet, is the carrying amount, net of any provision for doubtful debts.

In respect to the parent entity, credit risk also incorporates the exposure of Marmota to the liabilities of all members of the Group.

(e) Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows.

(f) Net fair values of financial assets and liabilities

Valuation approach
Net fair values of financial assets and liabilities are determined by the entity on the following bases:

Recognised financial instruments
Monetary financial assets and financial liabilities not readily traded in an organised financial market are carried at book value and where relevant adjusted for any changes in exchange rates.

22 *Commitments & contingent liabilities*

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Company will be required to outlay in the year ending 30 June 2009 amounts of approximately $1,138,000 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.

The Company has signed a letter of support for its 50% owned associate Groundhog Services Pty Ltd ('Groundhog'). Effective 1 July 2008, Groundhog will provide company secretarial and financial services, tenement management, office administration, logistical support and office accommodation. Groundhog has entered into a non-cancellable operating lease commencing in August 2008 for a five year period for office and warehouse accommodation. Current office accommodation is leased by Monax Mining Limited and Marmota reimburses Monax for the proportion of occupancy expenses attributable to it.

		Consolidated		Parent Entity	
	Note	2008 $	2007 $	2008 $	2007 $
23 *Notes to the statements of cash flows*					
Reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities					
Profit/(loss) from ordinary activities after income tax		(557,425)	(11,255)	(557,425)	(11,255)
Add/(less) non cash items					
Depreciation		17,968	-	17,968	-
Share based remuneration		-	-	-	-
Income tax expense		377,355	-	377,355	-
Changes in operating assets and liabilities					
(Increase)/decrease in prepayments		20,440	(37,427)	20,440	(37,427)
(Increase)/decrease in receivables		(558,862)	(1,158)	(558,862)	(1,158)
(Decrease)/increase in accounts payable		197,089	35,742	197,088	35,742
(Decrease)/increase in provisions		34,410	-	34,410	-
Net cash provided by/(used in) operating activities		(469,025)	(14,098)	(469,026)	(14,098)
24 *Employee entitlements*					
Aggregate liability for employee entitlements, including on-costs					
Current	16	23,759	-	23,759	-
Non-current	16	10,651	-	10,651	-
		34,410	-	34,410	-
Number of employees					
Number of employees at year end		4	-	4	-

25 *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-imbursement of expenses incurred on behalf of the Company) relating to Directors and their Director related entities were as follows:

			Consolidated		Parent Entity	
Director	Transaction	Note	2008 $	2007 $	2008 $	2007 $
GS Davis	Payments to an entity of which the Director is a partner in respect of legal fees		104,140	3,264	104,140	3,264
Parent entity	Payments to a Director related entity for Company Secretarial services tenement management, office administration and associated costs.	(i)	124,795	-	124,795	-
Associated entity	Payments to a Director related entity for office administration and logistical support.		6,870	-	6,870	-

(i) This amount relates to the provision of Company Secretarial, financial, tenement management and office administration services by Monax Mining Limited. Marmota reimbursed that entity 50% of the remuneration, on-costs and associated expenses relating to the services provided to Marmota.

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

		Consolidated		Parent Entity	
	Note	2008 $	2007 $	2008 $	2007 $
Current receivables					
Trade debtors		-	-	-	-
Loan to subsidiary		-	-	96,805	-
Loan to associate		97,018	-	97,018	-
		97,018		193,823	-
Current payables					
Other creditors and accruals		7,558	27,809	70,886	27,809
		7,558	27,809	70,886	27,809

26 Segment reporting

The Company operates in the exploration and mining business segment located in Australia.

27 Events subsequent to balance date

Subsequent to year end, 2,909,000 fully paid ordinary shares were released from escrow on the 28 August 2008.

Other than the matters discussed above, there has not arisen in the interval between 30 June 2008 and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future years.

28 Company details

The registered office of the Company is:

140 Greenhill Road

UNLEY SA 5061

The principal place of business is

11A Croydon Road

KESWICK SA 5035

Directors' declaration

1 In the opinion of the Directors of Marmota Energy Limited:

(a) the financial statements and notes, as set out on pages 12 to 34, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company as at 30 June 2008 and of its performance, as represented by the results of its operations and its cash flows, for the twelve months ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 The Managing Director and Chief Financial Officer have given the Directors the declarations required by section 295A of the Corporations Act 2001.

Dated at Adelaide this 16 day of September 2008.

Signed in accordance with a resolution of the Directors:

Robert Michael Kennedy
Director

Grant Thornton

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

Report on the Financial Report

We have audited the accompanying financial report of Marmota Energy Ltd and Controlled Entities (the company) which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MARMOTA ENERGY LIMITED AND CONTROLLED ENTITIES Cont

Auditor's Responsibility Cont
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 entity's preparation and fair presentation of the financial report 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 entity'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 opinions.

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

Auditor's Opinion
In our opinion:

a the financial report of Marmota Energy Ltd is in accordance with the *Corporations Act 2001*, including:

  i giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

  ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

b the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Grant Thornton

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MARMOTA ENERGY LIMITED AND CONTROLLED ENTITIES Cont

Report on the Remuneration Report

We have audited the Remuneration Report (marked audited) included in the directors' report for the year ended 30 June 2008. 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

In our opinion the Remuneration Report of Marmota Energy Ltd's for the year ended 30 June 2008 complies with section 300A of the *Corporations Act 2001*.

GRANT THORNTON
South Australian Partnership
Chartered Accountants

S J Gray
Partner

Signed at Wayville on this 16th day of September 2008