Marmota Energy Limited

Consolidated Entity

ABN 38 119 270 816

Financial Statements for the year ended 30 June 2010

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 5588
Facsimile: (08) 8375 3999

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 on Marmota Energy Limited – consolidated entity ('Group') for the year ended 30 June 2010 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.

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 Energy 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 2006), Monax Mining Limited (since 2004) and Somerton Energy Limited (since 2010). 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.
Interests in Shares and Options – 3,568,093 ordinary shares of Marmota Energy Limited and options to acquire a further 1,350,000 ordinary shares

Mr Reginald George Nelson *BSc, Hon Life Member Society of Exploration Geophysicists, FAusIMM, FAICD.*
Non-executive Director. Board member since 28 April 2006. Mr Nelson is an exploration geophysicist with experience spanning four decades in most aspects of the petroleum and minerals industries. He was awarded honorary Life Membership of the Society of Exploration Geophysicists in 1989 and the Prime Minister's Centenary Medal in 2002 for services to mining. He has wide experience in technical, corporate and government affairs. He was Chairman of the Australian Petroleum Production and Exploration Association (APPEA) from 2004 to 2006 and is a Director of the APPEA Executive Committee and remains a member of its Council. He was recently awarded the Reg Sprigg Medal for outstanding contribution to the oil and gas industry at the 2009 APPEA Conference in Darwin.
Special responsibilities include membership of the Remuneration and Nomination Committee.
Other listed company directorships are: Managing Director of Beach Energy Limited (since 1992) and Director of Anzon Australia Limited (between 2004 and December 2005), Ramelius Resources Limited (since 1995), Monax Mining Limited (since 2004) and Sundance Energy Australia Limited (since 2010).
Interests in Shares and Options – 1,154,285 ordinary shares of Marmota Energy Limited and options to acquire a further 450,000 ordinary shares

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 Energy Limited (since July 2007) and Monax Mining Limited (since 2004).
Interests in Shares and Options – 2,950,001 ordinary shares of Marmota Energy Limited and options to acquire a further 1,350,000 ordinary shares

Dr Neville Foster Alley *Phd, PSM*
Executive Technical Director. Board member since 28 April 2006. Dr Alley is an internationally known earth science researcher and was awarded the Verco Medal for his contribution and leadership in the earth sciences and the Public Service Medal (PSM) in 2005 for outstanding contribution to geology and the minerals industry. 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 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. Dr Alley has worked closely with Aboriginal people and the community in developing a higher profile for the resources industry.
Other listed company directorships are: InterMet Resources Limited (since 2004 until August 2008), Beach Energy Limited (since July 2007) and Monax Mining Limited (since 2005) and is a Visiting Research Fellow, School of Earth and Environmental Sciences, The University of Adelaide.
Interests in Shares and Options – 2,727,858 ordinary shares of Marmota Energy Limited and options to acquire a further 1,350,000 ordinary shares

Mr Domenic Joseph Calandro BSc, AIG
Managing Director. Board member since 9 July 2007. Experience of 14 years in the management, processing, and provision of geophysical data and information with a strong record of 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 previously 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. Mr Calandro 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.
Interests in Shares and Options – 2,080,000 ordinary shares of Marmota Energy Limited and options to acquire a further 1,250,000 ordinary shares

Ms Roseanne Celeste Healy
Alternate Director for Glenn Stuart Davis (Appointed 5 March 2009 ceased 30 June 2010).
Ms Healy is an experienced company director and Chair of Government, industry, not for profit and private sector boards in the areas of resources and energy, research and development, agribusiness and wine, racing and general practice.
Ms Healy regularly advises Boards and Executive Management on strategy, business management, corporate governance and corporate social responsibility.
Other listed company directorships are: Director of Cheviot Kirribilly Vineyard Property Group (since April 2008), Tidewater Funds Management Ltd (since April 2008), Rural Industries Research and Development Corporation (since September 2008) and an Alternate Director of Maximus Resources Limited (since March 2009 ceased 30 September 2009).
Interests in Shares and Options - nil

Mr Andrew Joseph Andrejewskis
Alternate Director for Reginald George Nelson (Appointed 5 March 2009 ceased 27 June 2010).
Mr Andrejewskis is an experienced senior executive in both the government and the resource sector, holding the position of Director-General/CEO, Mines and Energy, SA (1995-1997) and former Managing Director of SAPEX Limited (2005-2009).
Other listed company directorships are: Alternate Director for Flinders Mines Limited (since March 2009 until 25 November 2009).
Interests in Shares and Options - nil

Directors' meetings

The Company held 18 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 and Corporate Governance Committee Meetings**		**Remuneration and Nomination Committee Meetings**	
	Number Eligible to attend	*Number Attended*	*Number Eligible to attend*	*Number Attended*	*Number Eligible to attend*	*Number Attended*
Director						
Robert Michael Kennedy	12	12	3	3	3	3
Reginald George Nelson	12	11	-	-	3	3
Glenn Stuart Davis	12	11	3	3	-	-
Neville Foster Alley	12	11	-	-	-	-
Domenic Joseph Calandro	12	11	-	-	-	-
Andrew Joseph Andrejewskis	1	1	-	-	-	-
Roseanne Celeste Healy	1	1	-	-	-	-

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

Mr Andrejewskis and Ms Healy were present in meetings in the capacity of Alternate Directors.

Company Secretary

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

Virginia Katherine Suttell – *B.Comm., ACA., GAICD., GradDipACG* Appointed Company Secretary and Chief Financial Officer on 21 November 2007. A Chartered Accountant with 17 years experience working in public practice and in commerce with publicly listed entities.

Principal activities

The company's principal activity is minerals exploration.

Review and results of operations

During the period Marmota Energy Limited maintained its momentum in delivering focused exploration programs across the Company's strong portfolio of exploration assets. Marmota continued to execute successful exploration programs on its key projects of Melton and Junction Dam.

At Junction Dam a phase 2 drilling program was completed with further exciting high grades returned from extension drilling. The drilling also increased the strike length of the zone of mineralisation at the Saffron prospect to two kilometres. Marmota achieved its full earn in on the projects.

Subsequent to year end, Marmota Energy completed the acquisition of Wynbring uranium project adding a second advanced high grade uranium project to its portfolio of uranium assets in South Australia. The addition of the Wynbring uranium project, complementing the Junction Dam uranium project, clearly signals Marmota's intention to become a significant entity within the uranium space in South Australia. Further exploration across both projects will continue into 2011.

Marmota was successful in securing additional exploration licences in areas of high discovery potential. Of note, the granting of exploration licences with listed uranium and gold occurrences on the strategically significant Eyre Peninsula along with new tenements granted in the highly prospective Lake Frome area nearby to the Beverley Four Mile deposit and uranium mine.

In addition, Marmota commenced its exploration on the prospective iron-oxide copper gold Melton project. A maiden reconnaissance program designed to test for the presence of copper on three greenfields targets was completed. Four drill holes intercepted copper on the 'Miranda' target. Two drill holes in the southern end of Miranda, including the very first hole of the program, intercepted broad low grade zones of copper. This result is considered significant with follow up exploration to continue into 2011.

During the period, Marmota Energy Limited undertook capital raisings in the form of a Share Purchase Plan and Placement to successfully raise $3,861,330 net of costs.

Results

During the year, the Group continued exploration activities at its tenements, total cash expenditure on exploration and evaluation activities totalled $2,433,109

The net loss of the group after income tax was $473,352 (2009: $216,344).

Dividends

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

State of affairs

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

Events subsequent to balance date

On 18 August 2010, Marmota Energy Limited completed the acquisition of the Wynbring uranium project and tenement from Fission Energy Limited and Tasman Resources Limited. Consideration was $350,000 and the issue of 500,000 ordinary shares, escrowed for a period of twelve months.

Other than the matter 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 Company, the results of those operations, or the state 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.

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.

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 ($)
11/07/2012	$0.40	28,000,000	28,000,000	-	-
23/12/2013	$0.04	290,000	290,000	-	-
05/03/2015	$0.1016	400,000	400,000	-	-

* 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 or 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.

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.

Non-audit services

There were no non-audit services provided by the external auditors during the year ended 30 June 2010.

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 2010 is set out immediately following the end of the Directors' 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.

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 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.

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.

The employment conditions of the Managing Director, Mr Calandro are formalised in a contract of employment. The base salary as set out in the employment contract is reviewed annually. The Managing Director's contract may be terminated at any time by mutual agreement.

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 Financial Report.

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**
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 AJ Andrejewskis	Alternate Director (ceased 27 June 2010)
Ms RC Healy	Alternate Director (ceased 30 June 2010)
Key management personnel	
Ms VK Suttell	Chief Financial Officer / Company Secretary

(b) Directors' remuneration

2010 primary benefits	**Directors' fees $**	**Salary, fees and leave $**	**Cash bonus $**	**Non cash items $**	**Super contributions $**	**Long Service Leave $**	**Options $**	**Total $**	**Proportion of remuneration related to performance**
Directors									
Mr RM Kennedy	70,413		-	-	6,337	-	-	76,750	-
Mr RG Nelson	40,252		-	-	3,623	-	-	43,875	-
Mr GS Davis*	43,875	-	-	-	-	-	-	43,875	-
Dr NF Alley	-	66,667	-	-	20,533	-	-	87,200	-
Mr DJ Calandro	-	205,264	12,500	30,275	14,461	-	-	262,500	4.7%
Mr AJ Andrejewskis**	2,000	-	-	-	-	-	-	2,000	-
Ms RC Healy**	2,000	-	-	-	-	-	-	2,000	-
	158,540	271,931	12,500	30,275	44,954	-	-	518,200	2.4%

2009 primary benefits	**Directors' fees $**	**Salary, fees and leave $**	**Cash bonus $**	**Non cash items $**	**Super contributions $**	**Long Service Leave $**	**Options $**	**Total $**	**Proportion of remuneration related to performance**
Directors									
Mr RM Kennedy	67,431	-	-	-	6,069	-	-	73,500	-
Mr RG Nelson	38,532	-	-	-	3,468	-	-	42,000	-
Mr GS Davis*	42,000	-	-	-	-	-	-	42,000	-
Dr NF Alley	-	104,359	-	-	9,392	-	-	113,751	-
Mr DJ Calandro	-	196,163	1,000	30,092	13,745	-	9,500	250,500	4.2%
Mr AJ Andrejewskis**	5,000	-	-	-	-	-	-	5,000	-
Ms RC Healy**	5,000	-	-	-	-	-	-	5,000	-
	157,963	300,522	1,000	30,092	32,674	-	9,500	531,751	1.9%

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

** Mr Andrejewskis and Ms Healy received remuneration for their services as Alternate Directors in the 2009 and 2010 financial year.

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

(c) Key management personnel remuneration

2010 primary benefits	Directors' fees $	Salary, fees and leave $	Cash bonus $	Non cash items $	Super contributions $	Long Service Leave $	Options $	Total $	Proportion of remuneration related to performance
Key management personnel excluding Directors									
Ms VK Suttell*	-	-	-	-	-	-	4,725	4,725	100%
	-	-	-	-	-	-	4,725	4,725	100%

2009 primary benefits	Directors' fees $	Salary, fees and leave $	Cash bonus $	Non cash items $	Super contributions $	Long Service Leave $	Options $	Total $	Proportion of remuneration related to performance
Key management personnel excluding Directors									
Ms VK Suttell*	-	-	-	-	-	-	6,650	6,650	100%
	-	-	-	-	-	-	6,650	6,650	100%

* Ms Suttell was appointed as a Company Secretary and Chief Financial Officer on 21 November 2007. Until 30 June 2010, Ms Suttell was employed by Groundhog Services Pty Ltd to act as Company Secretary and Chief Financial Officer for Marmota Energy Limited and Monax Mining Limited. Marmota Energy Limited is charged a service fee by that entity which includes 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. Effective 1 July 2010, Ms Suttell is employed by the Groundhog Services Partnership.

(d) Service agreements

The Managing Director was appointed in 2007 on an ongoing employment basis. The salary was reviewed in December 2009 and set at $260,000 per annum inclusive of superannuation guarantee contributions. There were neither post employment retirement or termination benefits previously approved by members of the Company in a general meeting nor any paid to Directors of the Company.

The Executive Director was appointed in 2007. He was contracted for a term of one year expiring in December 2008. His contract was renewed for a further term of one year, expiring in December 2009. The salary was set at $87,200 per annum inclusive of superannuation contributions. Since expiry of his contract in December 2009, the Executive Director's employment has continued on an ongoing employment basis on the same remuneration terms and including a four week notice period. There were neither post employment retirement or termination benefits previously approved by members of the Company in a general meeting nor any paid to Directors of the Company.

(e) Director related entities

Information of amounts paid to director related entities is set out in Note 24 to the financial statements.

(f) Post-employment/retirement and termination benefits

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

Options and rights granted
Apart from the options granted to directors in their capacity as employees of the company under the Employee Share Option Plan as detailed below, no other options or rights were granted to directors or key management personnel of the company during the financial year.

	Grant Details			For the financial year ended 30 June 2010					Overall		
	Date	No.	Value $	Exercised No.	Exercised $	Lapsed No.	Lapsed $	Vested No.	Vested %	Unvested %	Lapsed %
Group Key Management Personnel			(Note 1)	(Note 2)	(Note 3)		(Note 4)				
Mr D Calandro	23.12.2008	250,000	9,500	-	-	-	-	250,000	100%	-	-
Ms V Suttell	23.12.2008	175,000	6,650	175,000	7,000	-	-	-	-	-	-
	05.03.2010	75,000	4,725	-	-	-	-	75,000	100%	-	-
		500,000	20,875	175,000	7,000	-	-	325,000			

Note 1 The value of options granted as remuneration and as shown in the above table has been determined in accordance with applicable accounting standards.

Note 2 All options exercised resulted in the issue of ordinary shares in Marmota Energy Limited on a 1:1 basis. All persons exercising options paid the relevant exercise price in its entirety.

Note 3 The value of options that has been exercised during the year as shown in the above table was determined as at the time of exercise

Note 4 The value of options that has lapsed during the year due to vesting conditions not being satisfied has been determined at the time of their lapsing as if vesting conditions have been satisfied.

Description of options/rights issued as remuneration
Details of the options granted as remuneration to those key management personnel listed in the previous table are as follows:

Grant date	Issuer	Entitlement on exercise	Dates exercisable	Exercise price	Value per option at grant date	Amount paid/payable by recipient
23.12.2008	Marmota Energy Limited	1:1 Ordinary shares in Marmota Energy Limited	From issue date to 23.12.2013	$0.04	$0.038	-
05.03.2010	Marmota Energy Limited	1:1 Ordinary shares in Marmota Energy Limited	From issue date to 05.03.2015	$0.1016	$0.063	-

Option values at grant date were determined using the Black-Scholes valuation model.

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

Robert Michael Kennedy
Director

Dated at Adelaide this 2nd day of September 2010.

Grant Thornton

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.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 2010, 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

P S Paterson
Partner

Signed at Wayville on this 2 day of September 2010

Marmota Energy Limited – Consolidated Entity

Statement of Comprehensive Income

For the year ended 30 June 2010

	Note	Consolidated 2010 $	Consolidated 2009 $
Other revenues from ordinary activities	2	589,681	551,024
Total revenue		589,681	551,024
Administration expenses	3	351,946	207,655
Consultants	3	116,947	116,663
Depreciation	3	26,293	23,358
Employment expenses	3	287,389	279,478
Occupancy expenses		-	3,386
Service fees	3	128,124	136,828
Other expenses		104,830	-
Profit/(loss) before income tax expense		(425,848)	(216,344)
Income tax (expense)/benefit	4	(47,504)	-
Profit/(loss) for the period		(473,352)	(216,344)
Loss attributable to members of the parent entity		(473,352)	(216,344)
Other comprehensive income		-	-
Total comprehensive income for the period		(473,352)	(216,344)
Basic earnings per share (cents)	7	(0.36)	(0.18)
Diluted earnings per share (cents)	7	(0.35)	(0.18)

The accompanying notes form part of these financial statements.

Marmota Energy Limited – Consolidated Entity

Statement of Financial Position

As at 30 June 2010

	Note	Consolidated 2010 $	Consolidated 2009 $
Current assets			
Cash and cash equivalents	8	1,947,192	985,588
Trade and other receivables	9	433,452	407,312
Other current assets	10	19,051	18,921
Financial assets	11	7,500,000	7,460,890
Total current assets		9,899,695	8,872,711
Non-current assets			
Plant and equipment	12	388,072	279,024
Investments in associates	13	1	1
Exploration and evaluation expenditure	16	17,563,655	14,881,192
Total non-current assets		17,951,728	15,160,217
Total assets		27,851,423	24,032,928
Current liabilities			
Trade and other payables	17	430,138	113,921
Short term provisions	18	49,684	30,235
Total current liabilities		479,822	144,156
Non-current liabilities			
Long term provisions	18	31,455	19,271
Total non-current liabilities		31,455	19,271
Total liabilities		511,277	163,427
Net assets		27,340,146	23,869,501
Equity			
Issued capital	19	26,106,308	22,187,511
Reserves		2,497,550	2,472,350
Retained earnings		(1,263,712)	(790,360)
Total equity		27,340,146	23,869,501

The accompanying notes form part of these financial statements.

Marmota Energy Limited – Consolidated Entity

Statement of Changes in Equity

For the year ended 30 June 2010

	$	$	$	$
Consolidated	Issued capital	Reserves	Retained earnings	Total
Balance at 1 July 2008	22,187,511	2,448,600	(574,016)	24,062,095
Shares issued during the period	-	-	-	-
Options issued during the period	-	23,750	-	23,750
Transaction costs associated with the issue of shares net of tax	-	-	-	-
Options expired during the period	-	-	-	-
Total comprehensive income	-	-	(216,344)	(216,344)
Balance at 30 June 2009	22,187,511	2,472,350	(790,360)	23,869,501
Shares issued during the period	4,052,887	-	-	4,052,887
Options issued during the period	-	25,200	-	25,200
Transaction costs associated with the issue of shares net of tax	(134,090)	-	-	(134,090)
Options expired during the period	-	-	-	-
Total comprehensive income	-	-	(473,352)	(473,352)
Balance at 30 June 2010	26,106,308	2,497,550	(1,263,712)	27,340,146

The accompanying notes form part of these financial statements.

Marmota Energy Limited – Consolidated Entity
Statement of Cash Flows
For the year ended 30 June 2010

	Note	Consolidated 2010 $	Consolidated 2009 $
Cash flows from operating activities			
Cash receipts in the course of operations		85,415	-
Cash payments in the course of operations		(841,003)	(654,765)
Interest received		514,548	773,986
Net cash provided by/(used in) operating activities	23(b)	(241,040)	119,221
Cash flows from investing activities			
Payments for plant and equipment		(190,785)	(138,492)
Payments for exploration and evaluation assets		(2,433,109)	(3,319,750)
Loans to related entities		-	(67,603)
Loans repaid to related entities		4,318	(64,458)
Net cash provided by/(used in) investing activities		(2,619,576)	(3,590,303)
Cash flows from financing activities			
Proceeds from issue of shares		4,052,887	-
Payment of transaction costs associated with capital raising		(191,557)	-
Net cash provided by/(used in) financing activities		3,861,330	-
Net increase/(decrease) in cash held		1,000,714	(3,471,082)
Cash at the beginning of the financial year		8,446,478	11,917,560
Cash at the end of the financial year	23(a)	9,447,192	8,446,478

The accompanying notes form part of these financial statements.

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 Standard Board (AASB) and the Corporation Act 2001.
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.

Third statement of financial position

Two comparative periods are presented for the statement of financial position when the Group:

i Applies an accounting policy retrospectively,
ii Makes a retrospective restatement of items in its financial statements, or
iii Reclassifies items in the financial statements.

The group has determined that only one comparative period for the statement of financial position was required for the current reporting period as the application of the new accounting standards have had no material impact on the previously presented primary financial statements that were presented in the prior year financial statements.

Adoption of new and revised accounting standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. The 2009 comparatives contained in these financial statements therefore differ from those published in the financial statements for the year ended 30 June 2009 as described below.
Significant effects on current, prior or future periods arising from the first-time application of the standards discussed above in respect of presentation, recognition and measurement of accounts are described in the following notes.

Adoption of AASB 8 Operating Segments

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports provided to or received by the chief operating decision maker which for the group is the Board of Directors.

Adoption of AASB 101 Presentation of Financial Statements (revisions), AASB 2007-8 and 2007-10 Amendments arising from the revisions to AASB 101

The group has adopted the revisions to AASB 101 Presentation of Financial Statements in these financial statements which has resulted in the introduction of the statement of comprehensive income, changes to the statement of changes in equity, and other terminology changes.

(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 2010 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 group.

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.

Accounting policies of subsidiaries are consistent with those adopted by the parent entity.

(c) Income tax

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

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 Statement of Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(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 profit and loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the interest rate method or cost. Fair value represents the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties. 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.

Impairment

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

(h) *Impairment of 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 Comprehensive Income.

(i) *Employee benefits*

Provision is made for the Group'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.
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.

(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, and bank overdrafts.

(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.

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 ventures

The Consolidated Entity's share of the assets, liabilities, reserves and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. Details of the Groups' interests are shown at Note 14.

(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.

(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 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 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. Such capitalised expenditure is carried at the end of the reporting period at $17,563,655.

(t) New accounting standards for application in future periods

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

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

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

AASB 2009–4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

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

AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013)

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

The changes made to accounting requirements include:

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

—simplifying the requirements for embedded derivatives;

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

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

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

(t) New accounting standards for application in future periods (continued)

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

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

b. the characteristics of the contractual cash flows.

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

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

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

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

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

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

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

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

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

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

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

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

(t) New accounting standards for application in future periods (continued)

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

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

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

(u) Authorisation for issue of financial statements

The financial statements were authorised for issue by the Board of Directors on 2 September 2010.

	Consolidated 2010 $	Consolidated 2009 $
2 *Revenue from ordinary activities*		
Other revenues:		
From operating activities		
Interest received from other parties	504,266	551,024
Other income	85,415	-
Total revenue from ordinary activities	589,681	551,024
3 *Profit from ordinary activities before income tax expense has been determined after*		
Expenses		
Administration expenses		
ASX fees	45,205	15,147
Share registry fees	43,595	35,526
Insurance	36,426	34,991
Audit and other services	25,250	23,000
Travel	25,280	2,089
Marketing	42,539	13,625
Software licences and IT services	70,684	2,537
Other	62,967	80,740
	351,946	207,655
Consulting expenses		
Legal fees	15,205	47,089
Corporate consulting	88,769	60,000
Accounting and secretarial services	12,973	9,574
	116,947	116,663
Depreciation expense		
Plant and equipment	26,293	23,358
Employment expenses		
Salaries and wages	627,026	568,139
Directors fees	168,500	167,500
Superannuation	62,683	43,552
Provisions	31,633	15,096
Share-based payments	25,200	23,750
Other	41,595	40,809
Reallocation to exploration costs	(669,248)	(579,368)
	287,389	279,478
Service fees	128,124	136,828

	Consolidated 2010 $	Consolidated 2009 $
4 *Income tax expense*		
The components of tax expense comprise:		
Current income tax	9,963	-
Deferred tax	-	-
Tax portion of capital raising costs	(57,467)	-
Income tax (expense)/benefit reported in the Statement of Comprehensive Income	(47,504)	-
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	127,754	64,903
Tax effect of:		
Deferred tax asset in respect of tax losses not brought to account	(127,754)	(64,903)
Research and development rebate	9,963	-
Tax portion of capital raising costs	(57,467)	-
Income tax (expense)/benefit attributable to loss from ordinary activities	(47,504)	-
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%	2,806,930	1,793,862

5 Remuneration of Directors and key management personnel

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the group's key management personnel for the year ended 30 June 2010. The totals of remuneration paid to key management personnel during the year are as follows:

	Consolidated	
	2010	2009
	$	$
Short term employee benefits	473,246	489,577
Post employment benefits	44,954	32,674
Other long term benefits	-	-
Termination benefits	-	-
Share-based payments	4,725	16,150
	522,925	538,401

Detailed remuneration disclosures are provided in the remuneration report.

(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 AJ Andrejewskis	Alternate Director
Ms RC Healy	Alternate Director
Key management personnel	
Ms VK Suttell	Chief Financial Officer / Company Secretary

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

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options together with the terms and condition of the options can be found in the remuneration report.

(ii) 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 during the year as remuneration.

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

Shares	Balance 1/07/09	Received as remuneration	Options exercised	Net change other[1]	Balance 30/06/10	Total held in escrow 30/06/10
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	-	-	-	-	-	-
Mr AJ Andrejewskis	-	-	-	-	-	-
Ms RC Healy	-	-	-	-	-	-
	4	-	-	-	4	-
Held by Directors' personally related entities						
Mr RM Kennedy	3,146,666	-	-	421,426	3,568,092	-
Mr RG Nelson	940,000	-	-	214,284	1,154,284	-
Mr GS Davis	2,950,000	-	-	-	2,950,000	-
Dr NF Alley	2,710,000	-	-	17,857	27,27,857	-
Mr DJ Calandro	2,080,000	-	-	-	2,080,000	-
Mr AJ Andrejewskis	-	-	-	-	-	-
Ms RC Healy	-	-	-	-	-	-
Total held by Directors	11,826,670	-	-	653,567	12,480,237	-
Key management personnel excluding Directors						
Ms VK Suttell	30,000	-	175,000	-	205,000	-
Total	11,856,670	-	175,000	653,567	12,685,237	-

Shares	Balance 1/07/08	Received as remuneration	Options exercised	Net change other[1]	Balance 30/06/09	Total held in escrow 30/06/09
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	-	-	-	-	-	-
Mr AJ Andrejewskis	-	-	-	-	-	-
Ms RC Healy	-	-	-	-	-	-
	4	-	-	-	4	-
Held by Directors' personally related entities						
Mr RM Kennedy	3,146,666	-	-	-	3,146,666	2,740,000
Mr RG Nelson	940,000	-	-	-	940,000	900,000
Mr GS Davis	2,950,000	-	-	-	2,950,000	2,825,000
Dr NF Alley	2,710,000	-	-	-	2,710,000	2,700,000
Mr DJ Calandro	2,080,000	-	-	-	2,080,000	2,040,000
Mr AJ Andrejewskis	-	-	-	-	-	-
Ms RC Healy	-	-	-	-	-	-
Total held by Directors	11,826,670	-	-	-	11,826,670	11,205,000
Key management personnel excluding Directors						
Ms VK Suttell	30,000	-	-	-	30,000	-
Total	11,856,670	-	-	-	11,856,670	11,205,000

1. Net change other represents shares purchased and/or sold during the financial year.

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

(iii) 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.

Options	Option class	Balance 1/07/09	Received as remun-eration	Options exercised	Net change other	Balance 30/06/10	Total vested 30/06/10	Total exer-cisable 30/06/10
Held by Directors in own name								
Mr RM Kennedy		-	-	-	-	-	-	-
Mr RG Nelson		-	-	-	-	-	-	-
Mr GS Davis		-	-	-	-	-	-	-
Dr NF Alley		-	-	-	-	-	-	-
Mr DJ Calandro		-	-	-	-	-	-	-
Mr AJ Andrejewskis		-	-	-	-	-	-	-
Ms RC Healy		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
Directors' personally related entities								
Mr RM Kennedy	(a)	1,350,000	-	-	-	1,350,000	1,350,000	1,350,000
Mr RG Nelson	(a)	450,000	-	-	-	450,000	450,000	450,000
Mr GS Davis	(a)	1,350,000	-	-	-	1,350,000	1,350,000	1,350,000
Dr NF Alley	(a)	1,350,000	-	-	-	1,350,000	1,350,000	1,350,000
Mr DJ Calandro	(a)	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000
Mr DJ Calandro	(b)	250,000		-	-	250,000	250,000	250,000
Mr AJ Andrejewskis		-	-	-	-	-	-	-
Ms RC Healy		-	-	-	-	-	-	-
Total held by Directors		5,750,000		-	-	5,750,000	5,750,000	5,750,000
Key management personnel excluding Directors								
Ms VK Suttell	(b)	175,000	-	(175,000)	-	-	-	-
	(c)	-	75,000	-	-	75,000	75,000	75,000
Total		5,925,000	75,000	(175,000)		5,825,000	5,825,000	5,825,000

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

Options	Option class	Balance 1/07/08	Received as remun-eration	Options exercised	Net change other	Balance 30/06/09	Total vested 30/06/09	Total exer-cisable 30/06/09
Held by Directors in own name								
Mr RM Kennedy		-	-	-	-	-	-	-
Mr RG Nelson		-	-	-	-	-	-	-
Mr GS Davis		-	-	-	-	-	-	-
Dr NF Alley		-	-	-	-	-	-	-
Mr DJ Calandro		-	-	-	-	-	-	-
Mr AJ Andrejewskis		-	-	-	-	-	-	-
Ms RC Healy		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
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	-
Mr DJ Calandro	(b)	-	250,000	-	-	250,000	250,000	250,000
Mr AJ Andrejewskis		-	-	-	-	-	-	-
Ms RC Healy		-	-	-	-	-	-	-
Total held by Directors		5,500,000	250,000	-	-	5,750,000	5,750,000	250,000
Key management personnel excluding Directors								
Ms VK Suttell	(b)	-	175,000	-	-	175,000	175,000	175,000
Total		5,500,000	425,000	-	-	5,925,000	5,925,000	425,000

(a) Unlisted options exercisable at $0.40 by 11/07/2012, escrowed until 12/11/2009.
(b) Unlisted options exercisable at $0.04 by 23/12/2013.
(c) Unlisted options exercisable at $0.1016 by 05/03/2015.

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

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

Other key management personnel transactions
There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with key management personnel, refer to Note 24: Related parties.

	Consolidated 2010 $	Consolidated 2009 $
6 Auditors' remuneration		
Audit services:		
Auditors of the Company – Grant Thornton		
Audit and review of the financial reports	25,250	23,000
	25,250	23,000

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
- 290,000 unlisted options exercisable at $0.04 by 23/12/2013
- 400,000 unlisted options exercisable at $0.1016 by 05/03/2015

	Consolidated 2010 $	Consolidated 2009 $
(c) Earnings used in the calculation of earnings per share		
Profit/(loss) after income tax expense	(473,352)	(216,344)
Weighted average number of shares outstanding during the year in calculating earnings per share		
Number for basic earnings per share		
Ordinary shares	133,332,214	120,721,009
Number for diluted earnings per share		
Ordinary shares and options	133,481,811	120,846,009

		Consolidated 2010 $	Consolidated 2009 $
8	***Cash and cash equivalents***		
	Cash at bank	427,192	65,588
	Deposits at call	1,520,000	920,000
		1,947,192	985,588
9	***Trade and other receivables***		
	Current		
	Other debtors	269,304	242,691
	Loan to parent	130	603
	Loan to associate	164,018	164,018
		433,452	407,312
	Other debtors represent accrued interest receivable and GST refunds. Receivables are not considered past due and/or impaired.		
10	***Other current assets***		
	Prepayments	19,051	18,921
11	***Financial assets***		
	Held-to-maturity investments		
	Fixed interest short term deposit	7,500,000	7,460,890
12	***Plant and equipment***		
	Plant and equipment		
	At cost	561,829	371,044
	Accumulated depreciation	(173,757)	(92,020)
	Net book value	388,072	279,024

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

Plant and equipment

	2010 $	2009 $
Carrying amount at beginning of year	279,024	271,157
Additions	190,785	85,391
Disposals	-	(3,472)
Accumulated depreciation	(81,737)	(74,052)
Carrying amount at end of year	388,072	279,024

13 *Investments in associates*

Interests are held in the following associated companies.

Name	Principal activities	Country of incorporation	Shares	Ownership interest		Carrying amount of investment	
Unlisted				2010	2009	2010	2009
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	
	2010	2009
	$	$
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

Current assets	217,585	190,181
Non-current assets	191,183	236,591
Total assets	408,768	426,772
Current liabilities	(333,165)	(334,922)
Non-current liabilities	(75,601)	(91,848)
Total liabilities	(408,766)	(426,770)
Net assets	2	2

14 Interests in unincorporated joint ventures

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

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, EL 3357, EL 3359, EL 3458, EL 3561, EL 3684, EL 3685, and 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(MOX)	MOX gives MSA the right to explore for all minerals in the area covered by Exploration Licence EL 4510 (formerly EL 3358). During the financial year, MSA has achieved its first $1 million earn in and now has 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 and EL 3910. MSA and MOX enter into a joint venture to explore for uranium.
4	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). During the financial year, MEU has achieved its 51% earn in by completing at least 2000m of drilling and expending an additional $300,000.
5	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 4000 and EL 3911. During the year MEU has achieved its 50% earn in by expending $400,000.
6	USA	Big Blue Joint Venture, Nevada	Ramelius Resources Limited (RMS), Miranda Gold Corporation (MIR) and Marmota Energy Limited (MEU).	MEU will have the right to earn 40% of the RMS 70% rights in the Big Blue Gold Project in Nevada.

15 *Controlled entities*

(a) Controlled entities consolidated

	Country of incorporation	Percentage owned (%)	
		2010	**2009**
Parent entity:			
Marmota Energy Limited*	Australia	-	-
Subsidiaries of Marmota Energy Limited:			
Marmosa Pty Ltd	Australia	100	100

* Monax Mining Limited is considered to control Marmota Energy Limited as four of the five directors of Marmota Energy Limited are directors of Monax Mining Limited which is incorporated and domiciled in Australia

(b) The investment in Groundhog Services Pty Ltd has been classified as a financial asset at cost of $1 in the Statement of Financial Position.

16 *Exploration and evaluation expenditure*

	Note	Consolidated 2010 $	Consolidated 2009 $
Costs carried forward in respect of areas of interest in:			
Exploration and evaluation phase	(i)	17,563,655	14,881,192
Total exploration and evaluation expenditure		17,563,655	14,881,192

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.

	Consolidated 2010 $	Consolidated 2009 $
Carrying amount at beginning of year	14,881,192	12,146,007
Additional costs capitalised during the year	2,682,463	2,735,185
Carrying amount at end of year	17,563,655	14,881,192

	Consolidated 2010 $	Consolidated 2009 $

17 *Trade and other payables*

	2010 $	2009 $
Trade creditors	215,219	35,019
Other creditors and accruals	137,390	72,475
Amounts payable to Director related entities*	77,529	6,427
	430,138	113,921

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

18 *Provisions*

	2010 $	2009 $
Current		
Employee benefits	49,684	30,235
Non-current		
Employee benefits	31,455	19,271

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 has been included in Note 1 to this report.

19 *Issued capital*

	Consolidated 2010 $	Consolidated 2009 $
Issued and paid-up share capital		
149,909,490 (2009: 120,721,009) ordinary shares, fully paid	26,106,308	22,187,511
(a) Ordinary shares		
Balance at the beginning of year	22,187,511	22,187,511
Shares issued during the year:		
10,853,481 (2009: nil) shares issued to shareholders as part of a Share Purchase Plan at $0.14	1,519,487	-
18,000,000 (2009:nil) shares issue to shareholders as part of a share placement at $0.14	2,520,000	-
335,000 (2009: nil) shares issued to employees on exercise of options at $0.04	13,400	-
Less transaction costs arising from issue of shares net of tax	(134,090)	-
Balance at end of year	26,106,308	22,187,511

19 *Issued capital (continued)*

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.

(b) Options

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

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 20.

At 30 June 2010, there were 28,690,000 (2009: 28,625,000) unissued shares for which the following options were outstanding.

- 28,000,000 unlisted options exercisable at $0.40 by 11/07/2012.
- 290,000 unlisted options exercisable at $0.04 by 23/12/2013
- 400,000 unlisted option exercisable at $0.1016by 05/03/2015

(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.

20 *Share-based payments*

The following share-based payment arrangements existed at 30 June 2010:

	2010		2009	
Marmota Energy Limited	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Outstanding at the beginning of the year	625,000	0.04	-	-
Granted – December 2008	-	-	625,000	0.04
Granted – March 2010	400,000	0.10		
Forfeited	-	-	-	-
Exercised	(335,000)	0.04	-	-
Expired	-	-	-	-
Outstanding at year-end	690,000		625,000	
Exercisable at year-end	690,000		625,000	

On 5 March 2010, 400,000 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 $0.1016 each. These options are exercisable on or before 5 March 2015.

On 23 December 2008, 625,000 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 $0.04 each. These options are exercisable on or before 23 December 2013.

The options are non-transferable except as allowed under the Employee Share Option Plan and are not quoted securities. At balance date, 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.

20 *Share-based payments (continued)*

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

	March 2010 issue	**December 2008 issue**
Weighted average fair value	$0.063	$0.038
Weighted average exercise price	$0.1016	$0.04
Weighted average life of the option	1,825 days	1,825 days
Underlying share price	$0.09	$0.04
Expected share price volatility	90%	181%
Risk free interest rate	4.0%	4.25%

The life of the options is based on the days remaining until expiry.

Included under employment expenses in the Statement of Comprehensive Income is $25,200 (2009: $23,750), and relates, in full, to equity-settled share-based payment transactions.

Options granted to Executive Directors and key management personnel on share-based payments are as follows:

Grant Date	Number
23 December 2008	425,000
5 March 2010	75,000

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. There are no vesting conditions attached to the options.

21 *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	
	2010	2009
	$	$
Financial assets		
Cash and cash equivalents	1,947,192	985,588
Held-to-maturity investments		
- Fixed interest securities	7,500,000	7,460,890
Loans and receivables	433,452	407,312
	9,880,644	8,853,790
Financial liabilities		
Trade and other payables	430,138	113,921
	430,138	113,921

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.

21 Financial risk management (continued)

(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.

(b) 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 company 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. At 30 June 2010 approximately 99% 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.

(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 2010, 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	
	2010	2009
	$	$
Change in loss		
Increase in interest rates by 2%	188,944	168,930
Decrease in interest rates by 2%	(188,944)	(168,930)
Change in equity		
Increase in interest rates by 2%	188,944	168,930
Decrease in interest rates by 2%	(188,944)	(168,930)

21 Financial risk management (continued)

(d) 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 balance date.

(e) Net fair values of financial assets and liabilities

Fair values are amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The net fair values of financial assets and liabilities are determined by the entity on the following bases:

(i) 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.

(ii) Non monetary financial assets and financial liabilities are recognised at their carrying values recognised in the Statement of Financial Position.

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 2011 amounts of approximately $2,048,000 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.

Effective 1 July 2008, Groundhog Services Pty Ltd 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.

Contingent liabilities

In 2007 Marmosa Pty Ltd was acquired by Marmota Energy Pty Ltd from Monax Mining Limited. Revenue SA considered stamp duty was payable on the basis that Marmosa Pty Ltd is a land rich company, rather than payable on the shares transferred. The action was defended and was settled for a payment of approximately $104,000 during the period.

As at 30 June 2010, there were no contingent liabilities.

	Note	Consolidated 2010 $	Consolidated 2009 $
23 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	8	1,947,192	985,588
Financial assets	11	7,500,000	7,460,890
		9,447,192	8,446,478
(b) Reconciliation of profit/(loss) from ordinary activities after income tax to net cash provided by/(used in) operating activities			
Profit/(loss) from ordinary activities after income tax		(473,352)	(216,344)
Add/(less) items classified as investing/ financing activities			
Stamp duty expense		104,830	-
Add/(less) non cash items			
Depreciation		26,293	74,351
Share-based payments		25,200	23,750
Income tax expense		57,467	-
Changes in operating assets and liabilities			
(Increase)/decrease in prepayments		(130)	(3,328)
(Increase)/decrease in receivables		(26,140)	318,724
(Decrease)/increase in accounts payable		13,159	(93,027)
(Decrease)/increase in provisions		31,633	15,095
Net cash provided by/(used in) operating activities		(241,040)	119,221

24 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	
Director	Transaction		2010	2009
		Note	$	$
GS Davis	Payments to an entity of which the Director is a partner in respect of legal fees		18,555	64,218
Parent entity	Payments to a Director related entity for logistical support.	(i)	2,579	42,125
Associated entity	Payments to a Director related entity for Company Secretarial services, tenement management and office administration and logistical support.		301,640	281,909
RM Kennedy and RG Nelson	Payments to a Director related entity for exploration on the Nevada tenements.		128,007	-
DJ Calandro	Payments to a Director related entity for rental of housing for accommodation for field operations.		8,818	-

(i) This amount relates to the provision of logistical support by Monax Mining Limited.

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

	Consolidated	
	2010	2009
	$	$
Current receivables		
Loan to parent	130	603
Loan to associate	164,018	164,018
	164,148	164,621
Current payables		
Amounts payable to director related entities*	76,374	6,427
Amounts payable to directors	1,155	114
	77,529	6,541

* Amounts payable to director related entities represent amounts payable to DMAW Lawyers for which Mr Davis is a partner and Ramelius Resources Limited for which Messrs Kennedy and Nelson are directors.

25 *Operating segments*

Segment information

Identification of reportable segments

The Consolidated entity has adopted AASB 8 Operating Segments with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Consolidated entity has identified its operating segments to be Gawler Craton, Curnamona and North America based on the differed geological regions and the similarity of assets within those regions. This is the basis on which internal reports are provided to the Board of Directors for assessing performance and determining the allocation of resources within the consolidated entity.

The Consolidated entity operates primarily in one business, namely the exploration of minerals.

Basis of accounting for purposes of reporting by operating segment

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the group.

Details of the performance of each of these operating segments for the financial years ended 30 June 2010 and 30 June 2009 are set out below:

(i) Segment Performance

	Gawler Craton		Curnamona		North America		Total	
	June 2010	June 2009	June 2010	June 2009	June 2010	June 2009	June 2010	June 2009
	$	$	$	$	$	$	$	$
Segment revenue	50,000	-	35,415	-	-	-	85,415	-
Segment results								
Gross segment result before depreciation, amortisation and impairment	50,000	-	35,415	-	-	-	85,415	-
Depreciation and amortisation	-	-	-	-	-	-	-	-
	50,000	-	35,415	-	-	-	85,415	-
Interest income							504,266	551,024
Net financing costs							-	-
Other expenses							(1,015,529)	(767,368)
Profit/(loss) before tax							(425,848)	(216,344)
Income tax expense							(47,504)	-
Net profit after tax							(473,352)	(216,344)

25 *Operating segments (continued)*

(ii) Segment assets

	Gawler Craton		Curnamona		North America		Total	
	June 2010	June 2009	June 2010	June 2009	June 2010	June 2009	June 2010	June 2009
	$	$	$	$	$	$	$	$
Segment assets	15,520,596	14,278,722	1,915,052	602,470	128,007	-	17,563,655	14,881,192
Segment asset increases for the period:								
Capital expenditure	1,241,874	2,284,656	1,312,582	450,529	128,007	-	2,682,463	2,735,185
	1,241,874	2,284,656	1,312,582	450,529	128,007	-	2,682,463	2,735,185

	June 2010 $	June 2009 $
Reconciliation of segment assets to group assets		
Cash and cash equivalents	1,947,192	985,588
Trade and other receivables	433,452	407,312
Other current assets	19,051	18,921
Financial assets	7,500,000	7,460,890
Plant and equipment	388,072	279,024
Investment in associate	1	1
Total consolidated assets	27,851,423	24,032,928

(iii) Segment liabilities

	Gawler Craton		Curnamona		North America		Total	
	June 2010	June 2009	June 2010	June 2009	June 2010	June 2009	June 2010	June 2009
	$	$	$	$	$	$	$	$
Segment liabilities	13,689	-	254,118	-	65,901	-	333,708	-

	June 2010 $	June 2009 $
Reconciliation of segment liabilities to group liabilities		
Trade and other payables	96,430	113,921
Short term provisions	49,684	30,235
Long term provisions	31,455	19,271
Total consolidated liabilities	511,277	163,427

26 *Events subsequent to balance date*

On 18 August 2010, Marmota Energy Limited completed the acquisition of the Wynbring uranium project and tenement from Fission Energy Limited and Tasman Resources Limited. Consideration was $350,000 and the issue of 500,000 ordinary shares, escrowed for a period of twelve months.

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

27 *Marmota Energy Limited company information*

	2010 $	2009 $
Parent entity		
Assets		
Current assets	9,996,499	8,969,515
Non-current assets	17,854,924	15,063,413
Total assets	27,851,423	24,032,928
Liabilities		
Current liabilities	479,821	144,156
Non-current liabilities	31,456	19,271
Total liabilities	511,277	163,427
Equity		
Issued capital	26,106,308	22,187,511
Retained earnings	(1,263,712)	(790,360)
Reserves		
Share-based payments reserve	2,497,550	2,472,350
Total reserves	2,497,550	2,472,350
Financial performance		
Profit/(loss) for the year	(473,352)	(216,344)
Other comprehensive income	-	-
Total comprehensive income	(473,352)	(216,344)
Guarantees in relation to the debts of subsidiaries	-	-
Contingent liabilities	-	-
Contractual commitments	-	-

28 *Reserves*

Share options reserve

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

29 *Company details*

The registered office of the Company is:

140 Greenhill Road
UNLEY SA 5061

The principal place of business is

Unit I, 5 Butler Boulevard
Burbridge Business Park
ADELAIDE AIRPORT SA 5950

Directors' declaration

1 The Directors of Marmota Energy Limited declare that

(a) the financial statements and notes, as set out on pages 12 to 44, are in accordance with the Corporations Act 2001, and:

(i) giving a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the consolidated entity; and

(ii) complying with Accounting Standards; and

(iii) Marmota Energy Limited complies with International Financial Reporting Standards as disclosed in Note 1.

(b) The Chief Executive Officer and Chief Financial Officer have 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 Adelaide this 2nd day of September 2010.

Robert Michael Kennedy
Director

Grant Thornton

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

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

Report on the financial statements

We have audited the accompanying financial statements of Marmota Energy Limited (the "Company"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial statements 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 statements

The directors of the Company are responsible for the preparation and fair presentation of the financial statements 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 statements that are 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. The directors also state, in the notes to the financial statements, 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 statements, 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 statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards which 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 statements are free from material misstatement.

Grant Thornton

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

Auditor's responsibility Cont

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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 complied with applicable independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion, the financial statements of Marmota Energy Limited are 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 2010 and of its performance for the year ended on that date;

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

iii the financial statements also comply with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

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

Auditor's opinion on the remuneration report

In our opinion, the Remuneration Report of Marmota Energy Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON
South Australian Partnership
Chartered Accountants

P S Paterson
Partner

Signed at Wayville on this 2 day of September 2010