

Chairman's Report

Dear fellow shareholders

I am pleased to present this fourth annual report of Marmota Energy Limited ("Marmota" or the "Company"). Since listing in late 2007, Marmota Energy Limited has developed a project portfolio that represents a high quality diversified project position across the uranium, iron ore, copper and gold spaces. This has spread the Company's commodity risk in a fractious global market atmosphere.

The year has seen turbulent conditions prevail for both financial markets and for the nuclear fuel and uranium industries. Uranium prices, which rose to a record \$136 a pound in 2007 before falling to about \$40, started to rebound last year as China increased the use of nuclear power to curb emissions from burning coal. Even after the tragic events at Fukushima, nations such as China and India have recommitted to a nuclear energy future, which could bolster prices of the nuclear fuel in the longer term.

In a carbon constrained world the outlook for the requirement of developed nations, and the long term requirement of developing nations, to provide consistent base load power while reducing carbon emissions remains unchanged. The continued urbanisation of China and India in particular, is set to drive demand into the future for a wide variety of commodities with uranium expected to feature prominently in the mix. China plans to boost nuclear capacity to eight times the current level by 2020 followed by India's plans to boost nuclear power production by thirteen times by 2030. The nuclear power industry is also flourishing in South Korea (a country one tenth the size of South Australia), which plans to add as many as ten new plants by 2020 bringing their tally up to 31.

Even here in Australia the community is commencing debate about future energy security with reports commissioned by the previous federal government indicating that cost additions to fossil fuel based generation (carbon tax) would make nuclear electricity competitive in Australia.

Global uranium demand is set to increase some 33% to 2020, according to the World Nuclear Association (WNA). Currently, uranium production does not meet the demand of the industry, and the projections for production versus demand indicate that this gap will continue to widen going into 2020. This will require a significant jump in exploration and discovery rates globally over the short to medium term to ensure certainty of supply. Given the drop off in exploration globally due to the effects of the recent Global Financial Crisis, and more recently the events in Japan it will be unlikely that this shortfall will be met leaving significant opportunity for further spot price rises as the sector progresses toward a 2014-15 supply crunch.

Through the continued development of Marmota's strategically located Junction Dam and Pundinya uranium projects, the Company is well positioned in the uranium commodity space. Exploration results from the 2011 Junction Dam drilling program have enabled the development of a 4.36 million tonne maiden Inferred resource at the Saffron prospect. This year's phase of drilling has also confirmed significant expansion potential to the Saffron resource along an approximate 15km strike length of uranium mineralisation. This has facilitated a significant upgrade to the exploration target for uranium at Junction Dam to **15 – 20Mt at a grade of 300 – 500ppm U₃O₈**.

As recently announced, Marmota entered into a second uranium partnership with Teck Australia Pty Ltd, a subsidiary of major international mining group, Canada's Teck Resources Limited. This new agreement which also represents Marmota's first expansion into Western Australia follows on the back of the Company's highly successful Junction Dam uranium joint venture here in South Australia. The W.A. project lies nearby to the world class Kintyre uranium deposit with a comprehensive suite of pre-competitive data supplied by the government confirming the significant uranium prospectivity of the Rudall East project.

This second partnership with Teck is considered to be a strong endorsement of Marmota's exploration and project generation capabilities by one of Canada's largest mineral houses.

Along with this Marmota has moved to enhance its multi commodity stance by advancing its copper, gold and iron ore potential projects in South Australia and overseas in Nevada (United States).

At the Melton copper-gold project on South Australia's Yorke Peninsula significant grades of up to 2.25% copper and 112.1 g/tonne silver were intercepted in Phase 2 drilling completed earlier this year. Discovery of Iron ore at the Company's Western Spur project in January this year is also developing into an exciting project for Marmota. Grades ranging up to **58.9% iron**, and **28.07% manganese** from easily accessible large scale outcrops have been returned from assay.

Exploration is being advanced across all these projects and will be discussed in further detail in the Managing Director's report.

With the significant potential of the Company's portfolio of projects, an aggressive exploration and business development program is continuing. Your Company's experienced and committed team is advancing key projects which the company believes to have a high discovery and development potential.

The directors are excited with the progress being made on Marmota's key projects and look forward to this coming year's work programme. I thank our directors, officers and staff for their tireless hard work during 2011 and their support of the Company goals and look forward to their continuing commitment in 2012. I also acknowledge the support of our shareholders over the last year.

R M KENNEDY

CHAIRMAN