



Marmota Energy Limited

Consolidated Entity

ABN 38 119 270 816

Financial Statements for the year ended 30 June 2012

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

Marmota Energy Limited – Consolidated Entity

Directors' Report (continued)

The Directors present their report on Marmota Energy Limited – consolidated entity ('Group') for the year ended 30 June 2012 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*

Independent Non-Executive Chairman

Experience and expertise

Mr Kennedy has been non-executive chairman of Marmota Energy Limited since April 2006.

He is a Chartered Accountant and a consultant to Kennedy & Co, Chartered Accountants, a firm he founded.

Mr Kennedy brings to the Board his expertise and extensive experience as chairman and non-executive director of a range of listed public companies in the resources sector.

He conducts the review of the Board including the Managing Director in his executive role. Mr Kennedy leads the development of strategies for the development and future growth of the Company. Apart from his attendance at Board and Committee meetings Mr Kennedy leads the Board's external engagement of the Company meeting with Government, investors and is engaged with the media. He is a regular attendee of Audit Committee functions of the major accounting firms and is a regular presenter on topics relating to directors with the AICD and the CSA. During the year he attended the Masterclass of the Australian Institute of Directors with members of top ASX200 company boards.

Current and former directorships in the last 3 years

Mr Kennedy is a director of ASX listed companies Beach Energy Limited (since 1991), Flinders Mines Limited (since 2001), Ramelius Resources Limited (since listing in March 2003), Maximus Resources Limited (since 2004), ERO Mining Limited (since 2006), Monax Mining Limited (since 2004) and formerly Somerton Energy Limited (from 2010 to 2012). He was appointed the Chairman of the University of Adelaide's Institute of Minerals and Energy Resources in 2008.

Responsibilities

His special responsibilities include membership of the Audit and Corporate Governance Committee and the Remuneration and Nomination Committee.

Interests in Shares and Options – 5,352,140 ordinary shares of Marmota Energy Limited.

Mr Reginald George Nelson *BSc, Hon Life Member Society of Exploration Geophysicists, FAusIMM, FAICD.*

Non-executive Director

Experience and expertise

Board member since 28 April 2006 until August 2012. Mr Nelson is an exploration geophysicist with a career spanning four decades in 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.

Responsibilities

Special responsibilities include membership of the Remuneration and Nomination Committee.

Current and former directorships in the last 3 years

Managing Director of Beach Energy Limited (since 1992), Ramelius Resources Limited (since 1995 until August 2012), Monax Mining Limited (since 2004 until August 2012) and Sundance Energy Australia Limited (since 2010 until March 2012).

Interests in Shares and Options – 1,731,428 ordinary shares of Marmota Energy Limited.

Marmota Energy Limited – Consolidated Entity

Directors' Report (continued)

Mr Glenn Stuart Davis LLB, BEc

Non-executive Director

Experience and expertise

Board member since 28 April 2006. A solicitor and 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.

Responsibilities

Special responsibilities include membership of the Audit and Corporate Governance Committee.

Current and former directorships in the last 3 years

Beach Energy Limited (Director since July 2007 and Deputy Chairman since June 2009) and Monax Mining Limited (since 2004).

Interests in Shares and Options – 3,057,143 ordinary shares of Marmota Energy.

Directors (continued)

Dr Neville Foster Alley Phd, PSM

Executive Technical Director

Experience and expertise

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.

Current and former directorships in the last 3 years

InterMet Resources Limited (since 2004 until August 2008), Beach Energy Limited (since July 2007), Monax Mining Limited (since 2005 until November 2011) and ERO Mining Limited (from January 2011 until June 2011) and is a Visiting Research Fellow, School of Earth and Environmental Sciences, The University of Adelaide.

Interests in Shares and Options – 2,977,858 ordinary shares of Marmota Energy Limited.

Mr Domenic Joseph Calandro BSc, AIG

Managing Director

Experience and expertise

Board member since 9 July 2007. Experience of 15 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 – 3,080,000 ordinary shares of Marmota Energy Limited and options to acquire a further 375,000 ordinary shares.

Directors' meetings

The Company held 17 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:

Marmota Energy Limited – Consolidated Entity

Directors' Report (continued)

Director	Directors' Meetings		Audit and Corporate Governance Committee Meetings		Remuneration and Nomination Committee Meetings		Due Diligence Committee Meetings	
	Number Eligible to attend	Number attended	Number Eligible to attend	Number attended	Number Eligible to attend	Number attended	Number Eligible to attend	Number attended
	Robert Michael Kennedy	10	10	3	3	2	2	-
Reginald George Nelson	10	9	-	-	2	2	-	-
Glenn Stuart Davis	10	10	3	3	-	-	-	-
Neville Foster Alley	10	10	-	-	-	-	2	1
Domenic Joseph Calandro	10	10	-	-	-	-	2	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.

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 19 years experience working in public practice and in commerce with publicly listed entities.

Principal activities

The Group's principal activity is minerals exploration.

Review and results of operations

During the period Marmota Energy completed exploration programs across the Company's key exploration assets. Marmota continued to execute successful exploration programs on its South Australian mineral exploration projects along with maintaining the Company's interest in gold projects in joint venture with Ramelius Resources. Exploration results from the 2012 Junction Dam exploration program have enabled the increase of the Inferred Resource at the Saffron deposit. Outstanding assay results have been received, confirming the already significant grades reported from downhole logging at Junction Dam understate the true grade by up to a factor of 2.25. This year's phase of drilling has also confirmed significant expansion potential to the Saffron resource into the adjoining Bridget prospect, offering 6.5 km of consistent uranium mineralisation inventory. This has facilitated a significant upgrade to the exploration target for uranium at Junction Dam to 400 to 700 parts per million (ppm) U3O8, for 10,000t to 15,000t U3O8 or 22Mlb to 33Mlb U3O8. Marmota has continued to grow its equity interest to now own 87.3% of the uranium rights at Junction Dam.

At the Melton copper-gold project on South Australia's Yorke Peninsula further exploration has identified several new target areas. This follows on from significant grades of up to 2.25% copper and 112.1 g/tonne silver that were intercepted in Phase 2 drilling. In addition the discovery of iron ore at the Company's Western Spur project in early 2011 is 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 along with the defining of a first stage exploration target ranging up to 125 million tonnes at a grade of 40-59% Fe hematite potential was determined. This target is quite comparable to other existing hematite iron projects in South Australia. At the Indooroopilly project several drill ready targets were identified with the project also attracting collaborative government funding.

In Nevada, Marmota with partner Ramelius Resources (RMS) conducted further drill testing on the Angel Wing gold project intercepting gold and silver mineralisation. High grades of gold up to 4.45 g/t Au and silver up to 147 g/t Ag have been returned from chemical assay. Follow up drilling is planned to continue into the second half of 2012.

Marmota Energy Limited – Consolidated Entity

Directors' Report (continued)

Results

During the year, the Group continued exploration activities at its tenements. Total cash expenditure on exploration and evaluation activities totalled \$3,122,155.

The net profit/(loss) of the group after income tax was a loss of \$9,210,725 (2011: profit \$23,279).

The net assets of the group have decreased by \$9,131,364 during the financial year from \$27,476,567 at 30 June 2011 to \$18,345,203 at 30 June 2012.

Dividends

No dividends have been paid or provided by the Group since the end of the previous financial year (2011: nil).

State of affairs

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

Marmota Energy Limited – Consolidated Entity

Directors' Report (continued)

Events subsequent to reporting date

On 1 July 2012, 700,000 share rights vested and resulted in the issue of 500,000 fully paid ordinary shares to the Managing Director and 200,000 fully paid ordinary shares to the Company Secretary.

On 24 July 2012, 250,000 share options were granted to employees under the Marmota Energy Limited Employee Share Option Plan. The exercise price of the options is 3.6 cents with an expiry date of 24 July 2017.

On 13 July 2012, a non-renounceable rights issue closed raising approximately \$240,000 before costs and resulting in the issue of 6,017,960 new ordinary shares.

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

Likely developments

Further information about likely developments in the operations of the Group 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 Group.

Environmental regulation and performance statement

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

Indemnification and insurance of officers

Indemnification

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

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

Insurance premiums

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

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

Marmota Energy Limited – Consolidated Entity

Directors' Report (continued)

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 (\$)
23/12/2013	\$0.04	250,000	250,000	-	-
05/03/2015	\$0.1016	325,000	325,000	-	-
21/12/2015	\$0.083	125,000	125,000	-	-
29/07/2016	\$0.073	250,000	250,000	-	-
24/07/2017	\$0.036	250,000	250,000	-	-

* 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 2012.

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 2012 is set out immediately following the end of the Directors' report.

Marmota Energy Limited – Consolidated Entity

Directors' Report (continued)

Remuneration Report – Audited (continued)

Remuneration policy

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

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

Remuneration and Nomination Committee

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

Non-executive Remuneration Policies

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

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

Executive Remuneration Policies

The remuneration of the Managing Director is determined by the Non-executive Directors on the 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.

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 remuneration structure and packages offered to executives are summarised below:

- Fixed remuneration
- Short term incentive - The Company does not presently emphasise payment for results through the provision of cash bonus schemes or other incentive payments based on key performance indicators of Marmota Energy Limited given the nature of the Company's business as a mineral exploration entity and the current status of its activities. However the Board may approve the payment of cash bonuses from time to time in order to reward individual executive performance in achieving key objectives as considered appropriate by the Board.

Marmota Energy Limited – Consolidated Entity

Directors' Report (continued)

Remuneration Report – Audited (continued)

Executive Remuneration Policies (continued)

- Long term incentive – equity grants, which may be granted annually at the discretion of the Board. From time to time, the Company may grant retention rights as considered appropriate by the Remuneration and Nomination Committee and the Board, as a long term incentive for key management personnel. These rights are subject to shareholder approval at the Annual General Meeting in the year of grant. The intention of this remuneration is to facilitate the retention of key management personnel in order that the goals of the business and shareholders can be met. Under the terms of the issue of the retention rights, the rights will vest over a period of time, with a proportion of the rights vesting each year.

The Company also has an Employee Share Option Plan approved by shareholders that will enable the Board to offer eligible employees options to acquire ordinary fully paid shares in the Company. Under the terms of the Plan, options for ordinary fully paid shares may be offered to the Company's eligible employees at no cost unless otherwise determined by the Board in accordance with the terms and conditions of the Plan. The objective of the Plan is to align the interests of employees and shareholders by providing employees of the Company with the opportunity to participate in the equity of the Company as an incentive to achieve greater success and profitability for the Company and to maximise the long term performance of the Company.

Service Agreements

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. Ms Suttell is employed by Groundhog Services Partnership to act as Chief Financial Officer and Company Secretary of Monax Mining Limited and Marmota Energy Limited. The employment conditions are set out in a contract of employment and include a three month notice period.

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, rights and options

Directors' relevant interests in shares, rights 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 (until August 2012)
Mr GS Davis	Director – Non-executive
Dr NF Alley	Director – Executive
Mr DJ Calandro	Managing Director – Executive
Key management personnel	
Ms VK Suttell	Chief Financial Officer / Company Secretary

Marmota Energy Limited – Consolidated Entity

Directors' Report (continued)

Remuneration Report – Audited (continued)

(b) Directors' remuneration

	Directors' fees	Salary, fees and leave	Cash bonus	Non cash items	Super contributions	Options/ rights	Total	Proportion of remuneration related to performance
2012 primary benefits	\$	\$	\$	\$	\$	\$	\$	
Directors								
Mr RM Kennedy	73,395	-	-	-	6,605	-	80,000	-
Mr RG Nelson	41,973	-	-	-	3,777	-	45,750	-
Mr GS Davis*	45,750	-	-	-	-	-	45,750	-
Dr NF Alley	-	84,000	-	-	7,560	-	91,560	-
Mr DJ Calandro	-	232,401	-	24,824	15,775	43,301	316,301	13.7%
	161,118	316,401	-	24,824	33,717	43,301	579,361	7.5%

	Directors' fees	Salary, fees and leave	Cash bonus	Non cash items	Super contributions	Options/ rights	Total	Proportion of remuneration related to performance
2011 primary benefits	\$	\$	\$	\$	\$	\$	\$	
Directors								
Mr RM Kennedy	73,395	-	-	-	6,605	-	80,000	-
Mr RG Nelson	41,973	-	-	-	3,777	-	45,750	-
Mr GS Davis*	45,750	-	-	-	-	-	45,750	-
Dr NF Alley	-	80,000	-	-	7,200	-	87,200	-
Mr DJ Calandro	-	215,972	-	28,828	15,200	82,244	342,244	24.0%
	161,118	295,972	-	28,828	32,782	82,244	600,944	13.6%

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

Marmota Energy Limited – Consolidated Entity

Directors' Report (continued)

Remuneration Report – Audited (continued)

(c) Key management personnel remuneration

	Directors' fees	Salary, fees and leave	Cash bonus	Non cash items	Super contributions	Options/ rights	Total	Proportion of remuneration related to performance
2012 primary benefits	\$	\$	\$	\$	\$	\$	\$	

Key management personnel excluding Directors

Ms VK Suttell*	-	105,341	-	4,897	7,888	17,320	135,446	12.7%
	-	105,341	-	4,897	7,888	17,320	135,446	12.7%

	Directors' fees	Salary, fees and leave	Cash bonus	Non cash items	Super contributions	Options/ rights	Total	Proportion of remuneration related to performance
2011 primary benefits	\$	\$	\$	\$	\$	\$	\$	

Key management personnel excluding Directors

Ms VK Suttell*	-	100,574	-	4,326	7,600	29,298	141,798	20.6%
	-	100,574	-	4,326	7,600	29,298	141,798	20.6%

* Ms Suttell was appointed as Company Secretary and Chief Financial Officer on 21 November 2007. Ms Suttell is employed by Groundhog Services Partnership to act as Company Secretary and Chief Financial Officer for Marmota Energy Limited and Monax Mining Limited. Marmota Energy Limited 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.

(d) Service agreements

The Managing Director was appointed in 2007 on an ongoing employment basis. The salary was reviewed in July 2012 and set at \$281,000 per annum inclusive of superannuation guarantee contributions and includes a three month 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.

The Executive Director was appointed in 2007. The Executive Director's employment is on an ongoing employment basis. The Executive Director's remuneration was reviewed effective 1 July 2012 and set at \$94,300 per annum inclusive of superannuation guarantee contributions and includes 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.

Marmota Energy Limited – Consolidated Entity

Directors' Report (continued)

Remuneration Report – Audited (continued)

(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

No options were granted to directors or key management personnel of the company during the financial year.

Options	Grant Details			For the financial year ended 30 June 2012					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 J Calandro	21.12.2010	125,000	9,000	-	-	-	-	125,000	100	-	-
		<u>125,000</u>	<u>9,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,000</u>			

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 have 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 have 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.

No share rights were granted to key management personnel during the financial year:

Retention Rights	Grant Details			For the financial year ended 30 June 2012					Overall		
	Date	No.	Value \$	Exercised No.	Exercised \$	Lapsed No.	Lapsed \$	Vested No.	Vested %	Unvested %	Lapsed %
Group key management personnel											
Mr D J Calandro*	19.11.2010	1,500,000	136,500	-	-	-	-	500,000	33.33	66.67	-
Ms V Suttell*	19.11.2010	600,000	54,600	-	-	-	-	200,000	33.33	66.67	-
		<u>2,100,000</u>	<u>191,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>700,000</u>			

*Retention rights vest one third on each of 1 July 2011, 1 July 2012 and 1 July 2013.

Marmota Energy Limited – Consolidated Entity

Directors' Report (continued)

Remuneration Report – Audited (continued)

Description of options/rights issued as remuneration

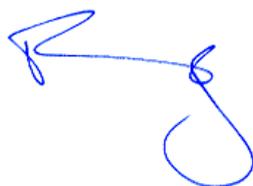
Details of the options and rights granted as remuneration to those key management personnel listed in the previous table are as follows:

Grant date	Issuer	Entitlement on exercise	Dates exercisable	Exercise price	Value per option/right at grant date	Amount paid/payable by recipient
Options						
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	-
21.12.2010	Marmota Energy Limited	1:1 Ordinary shares in Marmota Energy Limited	From issue date to 21.12.2015	\$0.083	\$0.072	-
Rights						
19.11.2010	Marmota Energy Limited	1:1 Ordinary shares in Marmota Energy Limited	One third vesting on each of 1 July 2011, 1 July 2012 and 1 July 2013	\$0.00	\$0.091	-

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

Retention right values at grant date were determined using the Binomial 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 17th day of September 2012.

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**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 2012, I declare that, to the best of my knowledge and belief, there have been:

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

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants



S.J. Gray
Partner

Adelaide, 17 September 2012

Marmota Energy Limited – Consolidated Entity

Statement of Comprehensive Income

For the year ended 30 June 2012

	Note	Consolidated	
		2012	2011
		\$	\$
Other revenues from ordinary activities	2	465,251	908,420
Total revenue		465,251	908,420
Administration expenses	3	302,563	297,735
Consulting expenses	3	94,463	93,525
Depreciation expense	3	8,326	23,496
Employment expenses	3	335,310	346,108
Service fees	3	154,808	158,408
Impairment of exploration and evaluation assets		8,769,591	-
Other expenses		-	25,212
(Loss)/profit before income tax expense		(9,199,810)	(36,064)
Income tax (expense)/benefit	4	(10,915)	59,343
(Loss)/profit for the period		(9,210,725)	23,279
Loss attributable to members of the parent entity		(9,210,725)	23,279
Other comprehensive income		-	-
Total comprehensive income for the period		(9,210,725)	23,279
Basic earnings per share (cents)	7	(6.08)	0.015
Diluted earnings per share (cents)	7	(6.08)	0.015

The accompanying notes form part of these financial statements.

Marmota Energy Limited – Consolidated Entity

Statement of Financial Position

As at 30 June 2012

		Consolidated	
	Note	2012	2011
		\$	\$
Current assets			
Cash and cash equivalents	8	2,218,934	2,759,057
Trade and other receivables	9	273,803	454,987
Other current assets	10	25,317	20,703
Financial assets	11	20,000	3,020,000
Total current assets		<u>2,538,054</u>	<u>6,254,747</u>
Non-current assets			
Plant and equipment	12	266,603	379,294
Investments in associates	13	1	1
Exploration and evaluation expenditure	16	16,190,408	21,287,215
Total non-current assets		<u>16,457,012</u>	<u>21,666,510</u>
Total assets		<u>18,995,066</u>	<u>27,921,257</u>
Current liabilities			
Trade and other payables	17	567,716	381,898
Short term provisions	18	36,755	29,357
Total current liabilities		<u>604,471</u>	<u>411,255</u>
Non-current liabilities			
Long term provisions	18	45,392	33,435
Total non-current liabilities		<u>45,392</u>	<u>33,435</u>
Total liabilities		<u>649,863</u>	<u>444,690</u>
Net assets		<u>18,345,203</u>	<u>27,476,567</u>
Equity			
Issued capital	19	26,112,440	26,107,908
Reserves	27	2,683,921	2,609,092
Retained losses		<u>(10,451,158)</u>	<u>(1,240,433)</u>
Total equity		<u>18,345,203</u>	<u>27,476,567</u>

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 2012

	Issued capital (Note 19) \$	Reserves (Note 20) \$	Retained losses \$	Total \$
Consolidated				
Balance at 1 July 2010	26,106,308	2,497,550	(1,263,712)	27,340,146
Total comprehensive income	-	-	23,279	23,279
	-	-	23,279	23,279
Transactions with owners in their capacity as owners:				
Shares issued during the period	1,600	-	-	1,600
Options issued during the period	-	111,542	-	111,542
	1,600	111,542	-	113,142
Balance at 30 June 2011	26,107,908	2,609,092	(1,240,433)	27,476,567
Total comprehensive income	-	-	(9,210,725)	(9,210,725)
	-	-	(9,210,725)	(9,210,725)
Transactions with owners in their capacity as owners:				
Shares issued during the period	30,000	-	-	30,000
Options issued during the period	-	74,829	-	74,829
Transaction costs associated with the issue of shares net of tax	(25,468)	-	-	(25,468)
	4,532	74,829	-	79,361
Balance at 30 June 2012	26,112,440	2,683,921	(10,451,158)	18,345,203

The accompanying notes form part of these financial statements.

Marmota Energy Limited – Consolidated Entity

Statement of Cash Flows

For the year ended 30 June 2012

		Consolidated	
	Note	2012	2011
		\$	\$
Cash flows from operating activities			
Cash receipts in the course of operations		5,125	44,372
Cash payments in the course of operations		(832,069)	(895,632)
Interest received		372,626	477,468
Income tax		-	59,342
Net cash (used in) operating activities		<u>(454,318)</u>	<u>(314,450)</u>
	23(b)		
Cash flows from investing activities			
Payments for plant and equipment		(2,939)	(119,495)
Payments for exploration and evaluation assets		(3,122,155)	(3,224,297)
Loans from related entities		92,818	(11,383)
Loans repaid to related entities		(17,145)	(110)
Net cash (used in) investing activities		<u>(3,049,421)</u>	<u>(3,355,285)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	1,600
Payment of transaction costs associated with capital raising		(36,384)	-
Net cash (used in)/provided by financing activities		<u>(36,384)</u>	<u>1,600</u>
Net (decrease) in cash held		(3,540,123)	(3,668,135)
Cash at the beginning of the financial year		<u>5,779,057</u>	<u>9,447,192</u>
Cash at the end of the financial year	23(a)	<u><u>2,238,934</u></u>	<u><u>5,779,057</u></u>

The accompanying notes form part of these financial statements.

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

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. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

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

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

(b) *Principles of consolidation*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Marmota Energy Limited ('parent entity') as at 30 June 2012 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 expense/(income).

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

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

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

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

(c) Income tax (continued)

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:

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

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

(e) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

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

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

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

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal and rehabilitation of the site in accordance with clauses of the mining permits. Such costs are determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs are determined on the basis that the restoration will be completed within one year of abandoning the site.

(f) Leases

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

(g) Financial instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the interest rate method or cost. 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.

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

(g) Financial instruments (continued)

Impairment

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

(h) Impairment of non-financial assets

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

(i) Employee benefits

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

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

Equity settled compensation

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

(j) Provisions

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

(k) Cash and cash equivalents

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

(l) Revenue

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

All revenue is stated net of goods and services tax (GST).

(m) Goods and services tax

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

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

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

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.

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

(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 Group's 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. Details of the Group's interest in associates is shown at Note 13.

(p) Trade and other payables

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

(q) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(r) Comparative figures

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

(s) Critical accounting estimates and judgements

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

Key estimates – impairment

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

Key judgements - exploration and evaluation expenditure

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

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

(t) Carbon tax impact

On 10 July 2011, the Commonwealth Government announced the 'Securing a Clean Energy Future – the Australian Government's Climate Change Plan'. Whilst the announcement provides further details of the framework for a carbon pricing mechanism, uncertainties continue to exist on the impact of any carbon pricing mechanism on the Group as legislation must be voted on and passed by both houses of Parliament. In addition, as the Group will not fall within the 'Top 500 Australian Polluters', the impact of the Carbon Scheme may be through indirect effects of increased prices on many production inputs and general business expenses as suppliers subject to the carbon pricing mechanism may pass on their burden to their customers in the form of increased prices.

(u) Adoption of the new and revised accounting standards

During the current year the Company adopted all of the new and revised Australia Accounting Standards and Interpretations applicable to its operations which became mandatory.

Recently issued accounting standards to be applied in future accounting periods

The accounting standards that have not been early adopted for the year ended 30 June 2012, but will be applicable to the Group in future reporting periods are detailed below. Apart from these standards, we have considered other accounting standards that will be applicable in future reporting periods, however they have been considered insignificant to the Group.

i) AASB 9 Financial Instruments (effective from 1 January 2013)

The AASB aims to replace AASB 139 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (AASB 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed. Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.

ii) Consolidation Standards

A package of consolidation standards are effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

a. AASB 10 Consolidated Financial Statements (AASB 10)

AASB 10 supersedes the consolidation requirements in AASB 127 Consolidated and Separate Financial Statements (AASB 127) and Interpretation 112 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

b. AASB 11 Joint Arrangements (AASB 11)

AASB 11 supersedes AASB 131 Interests in Joint Ventures (AASB 131). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. It introduces two accounting categories (joint operations and joint ventures) whose applicability is determined based on the substance of the joint arrangement. In addition, AASB 131's option of using proportionate consolidation for joint ventures has been eliminated. AASB 11 now requires the use of the equity accounting method for joint ventures, which is currently used for investments in associates.

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

(u) Adoption of the new and revised accounting standards (continued)

c. AASB 12 Disclosure of Interests in Other Entities (AASB 12)
AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

iii) AASB 2011-9 Amendments to Australian Accounting Standards Presentation of Items of Other Comprehensive Income s (AASB 101 Amendments)

The AASB 101 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs:

- a. will not be reclassified subsequently to profit or loss and
- b. will be reclassified subsequently to profit or loss when specific conditions are met.

It is applicable for annual periods beginning on or after 1 July 2012. The Group's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

iv) Amendments to AASB 119 Employee Benefits (AASB 119 Amendments)

The AASB 119 Amendments include a number of targeted improvements throughout the Standard. The main changes relate to defined benefit plans. They:

- a. eliminate the 'corridor method', requiring entities to recognise all gains and losses arising in the reporting period in other comprehensive income
- b. streamline the presentation of changes in plan assets and liabilities
- c. enhance the disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in them.

The amended version of AASB 119 is effective for financial years beginning on or after 1 January 2013. The Group's management have yet to assess the impact of this revised standard on the Group's consolidated financial statements.

v) AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124 Amendments)

AASB 2011-4 makes amendments to AASB 124 Related Party Disclosures to remove individual key management personnel disclosure requirements, to achieve consistency with the international equivalent (which includes requirements to disclose aggregate (rather than individual) amounts of KMP compensation), and remove duplication with the Corporations Act 2011. The amendments are applicable for annual periods beginning on or after 1 July 2013. The Group's management have yet to assess the impact of these amendments.

vi) Other

In addition to the above recently issued accounting standards that are applicable in future years, we note the following new accounting standards that are applicable in future years:

- Amendments to IAS 32 "Financial Instruments: Presentation and IFRS 7 Financial Instruments: Disclosures";
- AASB Interpretation 20 "Stripping Costs in the Production Phase of a Surface Mine";
- Consequential amendments to AASB 127 Separate Financial Statements (AASB 127) and AASB 128 Investments in Associates and Joint Ventures (AASB 128); and
- AASB 13 Fair Value Measurement (AASB 13).

We do not expect these standards to materially impact our financial results upon adoption.

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

(v) Parent entity financial information

The financial information for the parent entity, Marmota Energy Limited, disclosed in Note 28 has been prepared on the same basis as the consolidated financial statements.

(w) Foreign currency translation

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

(x) Going Concern

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

The Consolidated Entity incurred a net loss before tax of \$9,210,725 during the year ended 30 June 2012, had a net cash outflow of \$3,503,739 from operations and investing activities, and its planned expenditure exceeds its current cash held. The directors have identified a current shortfall in available funds to meet the ongoing requirements of the Group. The Group continues to be reliant on the completion of a capital raising for continued operations and the provision of working capital.

If the additional capital is not obtained, the going concern basis may not be appropriate, with the result that the company and consolidated entity may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and in amounts different from those stated in the financial report.

No allowance for such circumstances has been made in the financial report.

(y) Authorisation for issue of financial statements

The financial statements were authorised for issue by the Board of Directors on 17 September 2012.

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

	Consolidated	
	2012	2011
	\$	\$
2 Revenue from ordinary activities		
Other revenues:		
From operating activities		
Interest received from other parties	228,451	454,928
Administration fees – joint ventures	138,488	391,570
Other income	98,312	61,922
Total revenue from ordinary activities	465,251	908,420
3 (Loss)/profit from ordinary activities before income tax expense has been determined after		
Expenses		
Administration expenses		
ASX fees	25,293	21,915
Share registry fees	33,119	25,573
Insurance	47,182	42,294
Audit and other services	32,570	34,837
Travel	44,352	39,303
Marketing	45,737	47,090
Software licences and IT services	22,037	22,871
Other	52,273	63,852
	302,563	297,735
Consulting expenses		
Legal fees	12,229	7,483
Corporate consulting	72,486	73,504
Accounting and secretarial services	9,748	12,538
	94,463	93,525
Depreciation expense		
Plant and equipment	8,326	23,496
Employment expenses		
Salaries and wages	612,313	686,469
Directors fees	171,500	171,500
Superannuation	49,967	57,545
Provisions	19,355	(18,347)
Share-based payments	74,829	111,542
Other	61,399	83,122
Reallocation to exploration costs	(654,053)	(745,723)
	335,310	346,108
Service fees	154,808	158,408

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

	Consolidated	
	2012	2011
	\$	\$
4 Income tax benefit/ (expense)		
The components of tax expense comprise:		
Current income tax	-	59,343
Deferred tax	-	-
Tax portion of capital raising costs	(10,915)	-
	<hr/>	<hr/>
Income tax benefit/(expense) reported in the Statement of Comprehensive Income	(10,915)	59,343
	<hr/>	<hr/>
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	2,759,943	10,819
Tax effect of:		
Deferred tax asset in respect of tax losses not brought to account	(129,066)	(10,819)
Impairment expense previously brought to account	(2,630,877)	-
Research and development rebate	-	59,342
Tax portion of capital raising costs	(10,915)	-
	<hr/>	<hr/>
Income tax benefit/(expense) attributable to loss from ordinary activities	(10,915)	59,342
	<hr/>	<hr/>
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%	5,286,885	3,918,854
Temporary differences	24,644	18,837

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

5 **Key management personnel disclosures**

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 2012. The totals of remuneration paid to key management personnel during the year are as follows:

	Consolidated	
	2012	2011
	\$	\$
Short term employee benefits	612,581	590,818
Post employment benefits	41,605	40,382
Other long term benefits	-	-
Termination benefits	-	-
Share-based payments	60,621	111,542
	<u>714,807</u>	<u>742,742</u>

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 (until August 2012)
Mr GS Davis	Director – Non-executive
Dr NF Alley	Director – Executive
Mr DJ Calandro	Managing Director – Executive
Key management personnel	
Ms VK Suttell	Chief Financial Officer / Company Secretary

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

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

Details of options/rights provided as remuneration and shares issued on the exercise of such options/rights together with the terms and condition of the options/rights 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.

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

5 Key management personnel disclosures (continued)

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

Shares	Balance 1/07/11	Received as remuneration	Options exercised	Net change other ¹	Balance 30/06/12	Total held in escrow 30/06/12
Held by Directors in own name						
Mr RM Kennedy	1	-	-	-	1	-
Mr RG Nelson	1	-	-	-	1	-
Mr GS Davis	1	-	-	-	1	-
Dr NF Alley	1	-	-	-	1	-
Mr DJ Calandro	-	-	-	-	-	-
	4	-	-	-	4	-
Held by Directors' personally related entities						
Mr RM Kennedy	3,568,092	-	-	-	3,568,092	-
Mr RG Nelson	1,154,284	-	-	-	1,154,284	-
Mr GS Davis	3,057,142	-	-	-	3,057,142	-
Dr NF Alley	2,727,857	-	-	-	2,727,857	-
Mr DJ Calandro	2,080,000	-	500,000	-	2,580,000	-
Total held by Directors	12,587,379	-	500,000	-	13,087,379	-
Key management personnel excluding Directors						
Ms VK Suttell	205,000	-	200,000	-	405,000	-
Total	12,792,379	-	700,000	-	13,492,379	-

Shares	Balance 1/07/10	Received as remuneration	Options exercised	Net change other ¹	Balance 30/06/11	Total held in escrow 30/06/11
Held by Directors in own name						
Mr RM Kennedy	1	-	-	-	1	-
Mr RG Nelson	1	-	-	-	1	-
Mr GS Davis	1	-	-	-	1	-
Dr NF Alley	1	-	-	-	1	-
Mr DJ Calandro	-	-	-	-	-	-
	4	-	-	-	4	-
Held by Directors' personally related entities						
Mr RM Kennedy	3,568,092	-	-	-	3,568,092	-
Mr RG Nelson	1,154,284	-	-	-	1,154,284	-
Mr GS Davis	3,057,142	-	-	-	3,057,142	-
Dr NF Alley	2,727,857	-	-	-	2,727,857	-
Mr DJ Calandro	2,080,000	-	-	-	2,080,000	-
Total held by Directors	12,587,379	-	-	-	12,587,379	-
Key management personnel excluding Directors						
Ms VK Suttell	205,000	-	-	-	205,000	-
Total	12,792,379	-	-	-	12,792,379	-

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

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

5 Key management personnel disclosures (continued)

(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 1/07/11	Received as remun- eration	Options exercised	Net change other	Balance 30/06/12	Total vested 30/06/12	Total exercisable 30/06/12
Held by Directors in own name								
Mr RM Kennedy		-	-	-	-	-	-	-
Mr RG Nelson		-	-	-	-	-	-	-
Mr GS Davis		-	-	-	-	-	-	-
Dr NF Alley		-	-	-	-	-	-	-
Mr DJ Calandro		-	-	-	-	-	-	-
Directors' personally related entities								
Mr RM Kennedy	(a)	1,350,000	-	-	-	1,350,000	1,350,000	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 DJ Calandro	(d)	125,000	-	-	-	125,000	125,000	125,000
Total held by Directors		5,875,000	-	-	-	5,875,000	5,875,000	5,875,000
Key management personnel excluding Directors								
Ms VK Suttell	(c)	75,000	-	-	-	75,000	75,000	75,000
Total		5,950,000	-	-	-	5,950,000	5,950,000	5,950,000

Options	Option class	Balance 1/07/10	Received as remun- eration	Options exercised	Net change other	Balance 30/06/11	Total vested 30/06/11	Total exercisable 30/06/11
Held by Directors in own name								
Mr RM Kennedy		-	-	-	-	-	-	-
Mr RG Nelson		-	-	-	-	-	-	-
Mr GS Davis		-	-	-	-	-	-	-
Dr NF Alley		-	-	-	-	-	-	-
Mr DJ Calandro		-	-	-	-	-	-	-
Directors' personally related entities								
Mr RM Kennedy	(a)	1,350,000	-	-	-	1,350,000	1,350,000	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 DJ Calandro	(d)	-	125,000	-	-	125,000	125,000	125,000
Total held by Directors		5,750,000	125,000	-	-	5,875,000	5,875,000	5,875,000
Key management personnel excluding Directors								
Ms VK Suttell	(c)	75,000	-	-	-	75,000	75,000	75,000
Total		5,825,000	125,000	-	-	5,950,000	5,950,000	5,950,000

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

5 Key management personnel disclosures (continued)

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

- (a) Unlisted options exercisable at \$0.40 by 11/07/2012.
- (b) Unlisted options exercisable at \$0.04 by 23/12/2013.
- (c) Unlisted options exercisable at \$0.1016 by 05/03/2015.
- (d) Unlisted options exercisable at \$0.083 by 21/02/2015.

(iv) Share rights holdings

The number of rights 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.

Rights	Period	Opening balance	Received as remuneration	Vested	Net change other	Balance period end	Total vested period end	Total exercisable period end
Mr RM Kennedy	2012	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-
Mr RG Nelson	2012	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-
Mr GS Davis	2012	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-
Dr NF Alley	2012	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-
Mr DJ Calandro	2012	1,500,000	-	(500,000)	-	1,000,000	-	-
	2011	-	1,500,000	-	-	1,500,000	-	-
Ms VK Suttell	2012	600,000	-	(200,000)	-	400,000	-	-
	2011	-	600,000	-	-	600,000	-	-
Total	2012	2,100,000	-	(700,000)	-	1,400,000	-	-
	2011	-	2,100,000	-	-	2,100,000	-	-

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

5 Key management personnel disclosures (continued)

(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	
	2012	2011
	\$	\$

6 Auditors' remuneration

Audit services:

Auditors of the Group – Grant Thornton

Audit and review of the financial reports	32,500	34,800
	<u>32,500</u>	<u>34,800</u>

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
- 250,000 unlisted options exercisable at \$0.04 by 23/12/2013
- 325,000 unlisted options exercisable at \$0.1016 by 05/03/2015
- 125,000 unlisted options exercisable at \$0.083 by 21/12/2015
- 250,000 unlisted options exercisable at \$0.073 by 29/07/2016

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

	Consolidated	
	2012	2011
	\$	\$

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

(Loss)/profit after income tax expense	(9,210,725)	23,279
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Weighted average number of shares outstanding during the year in calculating earnings per share

Number for basic earnings per share

Ordinary shares	151,449,490	150,368,887
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Number for diluted earnings per share

Ordinary shares and options	151,449,490	150,494,856
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Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

	Consolidated	
	2012	2011
	\$	\$
8 Cash and cash equivalents		
Cash at bank	188,934	459,057
Deposits at call	2,030,000	2,300,000
	<u>2,218,934</u>	<u>2,759,057</u>
9 Trade and other receivables		
Current		
Other debtors	92,640	290,729
Loan to related parties	355	240
Loan to associate	180,808	164,018
	<u>273,803</u>	<u>454,987</u>
Other debtors represent accrued interest receivable and GST refunds. Receivables are not considered past due and/or impaired. (2011: nil)		
10 Other current assets		
Prepayments	25,317	20,703
11 Financial assets		
Held-to-maturity investments		
Fixed interest short term deposit	20,000	3,020,000
12 Plant and equipment		
Plant and equipment		
At cost	684,260	681,324
Accumulated depreciation	(417,657)	(302,030)
	<u>266,603</u>	<u>379,294</u>
Net book value	266,603	379,294
Reconciliations		
Reconciliations of the carrying amounts for each class of plant and equipment are set out below:		
Plant and equipment		
Carrying amount at beginning of year	379,294	388,072
Additions	2,936	119,496
Disposals	-	-
Depreciation	(115,627)	(128,274)
	<u>266,603</u>	<u>379,294</u>
Carrying amount at end of year	266,603	379,294

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

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	
				2012	2011	2012	2011
Unlisted						\$	\$
Groundhog Services Pty Ltd	Administration services	Australia	Ord	50%	50%	1	1
Groundhog Partnership	Administration services	n/a	n/a	50%	50%	-	-

(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	
	2012	2011
	\$	\$
Share of associate's profit before income tax	-	-
Share of associate's income tax expense	-	-
Share of associate's profit after income tax expense	-	-

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

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

Current assets	371,221	285,004
Non-current assets	108,166	164,188
Total assets	479,387	449,192
Current liabilities	(425,920)	(384,483)
Non-current liabilities	(53,465)	(64,707)
Total liabilities	(479,385)	(449,190)
Net assets	2	2

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

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	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). MSA has achieved its second earn in and has a 50% interest.
2	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 3909 and EL 3910. MSA and MOX enter into a joint venture to explore for uranium.
3	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 2011, MEU achieved its 87.3% earn in.
4	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. MOX and MEU operate a 50:50 joint venture.
5	USA	Big Blue and Angel Wing 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 and Angel Wing Gold Project in Nevada.
6	WA	Rudall East Project	Teck Australia Pty Ltd and Marmota Energy Limited (MEU)	MEU will have the right to explore for uranium, spending \$1m over three years to earn a 51% interest in the uranium rights.

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

15 *Controlled entities*

(a) **Controlled entities consolidated**

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

	Country of incorporation	Percentage owned (%)	
		2012	2011
Subsidiaries of Marmota Energy Limited:			
Marmosa Pty Ltd	Australia	100	100

16 *Exploration and evaluation expenditure*

	Consolidated	
	2012	2011
	\$	\$

Movement:

Carrying amount at beginning of year	21,287,215	17,563,655
Additional costs capitalised during the year	3,672,784	3,723,560
Impairment	(8,769,591)	-
Carrying amount at end of year	<u>16,190,408</u>	<u>21,287,215</u>

Closing balance comprises:

Exploration and evaluation		
- 100% owned	2,153,280	1,660,877
Exploration and evaluation phase		
- Joint Venture	<u>14,037,128</u>	<u>19,626,338</u>
	<u>16,190,408</u>	<u>21,287,215</u>

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.

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

	Consolidated	
	2012	2011
	\$	\$
17 Trade and other payables		
Trade creditors	161,462	196,188
Other creditors and accruals	294,060	119,564
Amounts payable to Director related entities*	112,194	66,146
	<u>567,716</u>	<u>381,898</u>

* Details of amounts payable to Director related entities are detailed in Note 24.

18 Provisions

Current

Employee benefits	<u>36,755</u>	<u>29,357</u>
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Non-current

Employee benefits	<u>45,392</u>	<u>33,435</u>
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Provision for long service leave

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

Provisions

Opening balance at beginning of year	62,792	81,139
Additional provisions	<u>19,355</u>	<u>(18,347)</u>
Balance at end of year	<u>82,147</u>	<u>62,792</u>

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

	Consolidated	
	2012	2011
	\$	\$
19 Issued capital		
Issued and paid-up share capital		
151,649,490 (2011: 150,449,490) ordinary shares, fully paid	<u>26,112,440</u>	<u>26,107,908</u>
(a) Ordinary shares		
Balance at the beginning of year	26,107,908	26,106,308
Shares issued during the year:		
Nil (2011:40,000) shares issued to employees on exercise of options at \$0.04	-	1,600
700,000 (2011:Nil) shares issued to employees on vesting of share rights	-	-
500,000 (2011:500,000) shares issued for acquisition of mineral tenement	30,000	-
Less transaction costs arising from issue of shares net of tax	<u>(25,468)</u>	-
Balance at end of year	<u>26,112,440</u>	<u>26,107,908</u>

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.

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

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

(b) Options/rights

For information relating to share options/retention rights 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 2012, there were 30,350,000 (2011: 30,875,000) unissued shares for which the following options/rights were outstanding.

- 28,000,000 unlisted options exercisable at \$0.40 by 11/07/2012.
- 250,000 unlisted options exercisable at \$0.04 by 23/12/2013
- 325,000 unlisted option exercisable at \$0.1016 by 05/03/2015
- 125,000 unlisted options exercisable at \$0.083 by 21/12/2015
- 1,400,000 retention rights vesting 1/2 each of 01/07/2012 and 01/07/2013
- 250,000 unlisted options exercisable at \$0.073 by 29/07/2016

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

19 Issued Capital (continued)

(c) Capital Management

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

20 Share-based payments

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

(i) Options

Marmota Energy Limited	2012		2011	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding at the beginning of the year	775,000		690,000	0.07
Granted – July 2011	250,000	\$0.073	-	-
Granted – December 2010	-		125,000	0.083
Forfeited	-		-	-
Exercised	-		(40,000)	0.04
Expired	-		-	-
Outstanding at year-end	<u>1,025,000</u>		<u>775,000</u>	
Exercisable at year-end	<u>1,025,000</u>		<u>775,000</u>	

On 21 December 2010, 125,000 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 \$0.083 each. These options are exercisable on or before 21 December 2015.

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. 75,000 of these options have lapsed.

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. 375,000 of these options have been exercised.

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

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

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

20 Share-based payments (continued)

(i) Options (continued)

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

	July 2011 issue	December 2010 issue	March 2010 issue	December 2008 issue
Weighted average fair value	\$0.045	\$0.072	\$0.063	\$0.038
Weighted average exercise price	\$0.073	\$0.083	\$0.1016	\$0.04
Weighted average life of the option	1,826 days	1,825 days	1,825 days	1,825 days
Underlying share price	\$0.06	\$0.09	\$0.09	\$0.04
Expected share price volatility	102%	105%	90%	181%
Risk free interest rate	4.25%	4.75%	4.0%	4.25%

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

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
21 December 2010	125,000

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.

(ii) Retention Rights

On 19 November 2010, a total of 2,100,000 retention rights were granted to two senior executives/key management personnel subsequent to shareholder approval at the Annual General Meeting. The retention rights, being an entitlement to shares in the Company, will vest over three years with one third vesting on each of 1 July 2011, 1 July 2012 and 1 July 2013, at which time shares will be issued to the executives. The fair value of these rights at grant date was \$191,100 of which \$63,579 was recognised during the 2012 financial year in the share based payments reserve and Statement of Comprehensive Income. At reporting date, 700,000 rights had vested. The fair value of the rights was determined by obtaining an independent valuation and considering the market price of the underlying shares at the date the rights were granted and assuming that all holders continued to be employees of the Group, adjusted for the risk that vesting conditions are not met.

Each right is issued for no consideration. Once exercisable, a right entitles the holder to one fully paid ordinary share in Marmota Energy Limited. The aggregate value of rights at the grant date is \$191,100 of which \$63,579 was expensed in the 2012 financial year. \$24,979 is to be expensed in subsequent years. In accordance with the requirements of the Australian Accounting Standards, remuneration includes a proportion of the notional value of equity compensation granted or outstanding during the year. The notional value of equity instruments which do not vest during the reporting period is determined at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individuals may ultimately realise should the rights vest. The notional value of rights as at grant date has been determined in accordance with AASB 2. The calculations are performed using the binomial valuation methodology. The total minimum value of rights if vesting conditions are not met is nil.

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

20 Share-based payments (continued)

Expense arising from share-based payment transactions

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

	Consolidated	
	2012	2011
	\$	\$
Options issued under employee option plan	11,250	9,000
Retention rights issued	63,579	102,542
	<u>74,829</u>	<u>111,542</u>

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	
	2012	2011
	\$	\$
Financial assets		
Cash and cash equivalents	2,218,934	2,759,057
Held-to-maturity investments		
- Fixed interest securities	20,000	3,020,000
Loans and receivables	273,803	454,987
	<u>2,512,737</u>	<u>6,234,044</u>
Financial liabilities		
Trade and other payables	567,716	381,898
	<u>567,716</u>	<u>381,898</u>

Financial risk management policies

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

Specific financial risk exposures and management

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

(a) Liquidity risk

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

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

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

Financial liabilities are expected to be settled within 12 months.

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

21 Financial risk management (continued)

(b) Credit risk exposures

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

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

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

(c) Interest rate risk

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

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

Interest rate risk is managed with a mixture of fixed and floating rate cash deposits. At 30 June 2012 approximately 92% 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.

(d) Sensitivity analysis

Interest rate

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

Interest rate sensitivity analysis

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

	Consolidated	
	2012	2011
	\$	\$
Change in loss		
Increase in interest rates by 2%	44,779	115,580
Decrease in interest rates by 2%	(44,779)	(115,580)
Change in equity		
Increase in interest rates by 2%	44,779	115,580
Decrease in interest rates by 2%	(44,779)	(115,580)

(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.

The carrying amount of financial assets and liabilities is equivalent to fair value at reporting date.

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

22 Commitments & contingent liabilities

(a) Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group will be required to outlay in the year ending 30 June 2013 amounts of approximately \$2,574,000 (2011: 2,350,000) 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.

(b) Contingent liabilities

As at 30 June 2012, there were no contingent liabilities.

		Consolidated	
	Note	2012	2011
		\$	\$

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	2,218,934	2,759,057
Financial assets	11	20,000	3,020,000
		<u>2,238,934</u>	<u>5,779,057</u>

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

(Loss)/profit from ordinary activities after income tax		(9,210,725)	23,279
Add/(less) non cash items			
Depreciation		8,326	23,496
Share-based payments		74,829	111,542
Exploration administration fee income		(222,088)	(409,118)
Impairment of assets		8,769,591	-
Income tax expense		10,915	-
Changes in operating assets and liabilities			
(Increase)/decrease in other assets		(4,614)	(1,652)
(Increase)/decrease in trade and other receivables		181,184	(21,535)
(Decrease)/increase in trade and other payables		(81,089)	(22,115)
(Decrease)/increase in provisions		19,353	(18,347)
Net cash (used in) operating activities		<u>(454,318)</u>	<u>(314,450)</u>

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

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

Director	Transaction	Note	Consolidated	
			2012	2011
			\$	\$
GS Davis	Payments to an entity of which the Director is a partner in respect of legal fees		25,965	7,483
Related entity	Payments from a Director related entity for logistical support and exploration expenditure under joint venture agreements.	(i)	2,696	443,180
Associated entity	Payments to a Director related entity for Company Secretarial services, tenement management and office administration and logistical support.	(ii)	371,060	366,201
RM Kennedy and RG Nelson	Payments to a Director related entity for exploration on the Nevada tenements.	(iii)	513,831	364,534

- (i) This amount relates to the exploration undertaken by Marmota Energy Limited on behalf of Monax Mining for projects in South Australia
- (ii) This amount relates to the provision of administration and logistical services by Groundhog Services Pty Ltd.
- (iii) This amount relates to the exploration undertaken on behalf of Marmota Energy by Ramelius Resources Limited for access and participation in projects in Nevada.

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

24 Related parties (continued)

Directors' transactions with the Company (continued)

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

	Consolidated	
	2012	2011
	\$	\$
Current receivables		
Loan to director related entity*	355	240
Loan to associate*	180,808	164,018
	<u>181,163</u>	<u>164,258</u>
Current payables		
Amounts payable to director related entities**	112,194	66,146
Amounts payable to directors**	-	-
	<u>112,194</u>	<u>66,146</u>

* Loans to director related entities and associates represent amounts receivable from Groundhog Services Pty Ltd and Monax Mining Limited.

**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, Monax Mining Limited and Groundhog Services Pty Ltd.

25 Operating segments

Segment information

Description of segments

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, Western Australia 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 2012 and 30 June 2011 are set out below:

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

25 Operating segments (continued)

	North America	Gawler Craton	Curnamona	Western Australia	Total
June 2012	\$	\$	\$	\$	\$
Segment revenue	-	-	222,088	-	222,088
Segment results					
Gross segment result before depreciation, amortisation and impairment	-	-	222,088	-	222,088
Depreciation and amortisation	-	-	-	-	-
Impairment expense	-	(8,769,591)	-	-	(8,769,591)
	-	(8,769,591)	222,088	-	(8,547,503)
Interest income	-	-	-	-	228,451
Other revenue	-	-	-	-	14,712
Net financing costs	-	-	-	-	-
Other expenses	-	-	-	-	(895,470)
(Loss) before tax	-	(8,769,591)	222,088	-	(9,199,810)
Income tax benefit/(expense)	-	-	-	-	(10,915)
(Loss) after tax	-	(8,769,591)	222,088	-	(9,210,725)

	North America	Gawler Craton	Curnamona	Western Australia	Total
June 2011	\$	\$	\$	\$	\$
Segment revenue	-	302,170	142,950	-	445,120
Segment results					
Gross segment result before depreciation, amortisation and impairment	-	302,170	142,950	-	445,120
Depreciation and amortisation	-	-	-	-	-
	-	302,170	142,950	-	445,120
Interest income	-	-	-	-	454,928
Other revenue	-	-	-	-	-
Net financing costs	-	-	-	-	8,372
Other expenses	-	-	-	-	(944,484)
Profit/(loss) before tax	-	302,170	142,950	-	(36,064)
Income tax benefit/(expense)	-	-	-	-	59,343
Net profit/(loss) after tax	-	302,170	142,950	-	23,279

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

25 Operating segments (continued)

	North America	Gawler Craton	Curnamona	Western Australia	Total
June 2012	\$	\$	\$	\$	\$
Segment assets	1,021,252	8,650,191	6,484,155	34,810	16,190,408
<i>Segment asset increases for the period:</i>					
Capital expenditure	528,711	560,353	2,548,910	34,810	3,672,784
Impairment	-	(8,769,591)	-	-	(8,769,591)
	528,711	(8,209,238)	2,548,910	34,810	(5,096,807)
<i>Reconciliation of segment assets to group assets</i>					
Cash and cash equivalents	-	-	-	-	2,218,934
Trade and other receivables	-	-	-	-	273,803
Other current assets	-	-	-	-	25,317
Financial assets	-	-	-	-	20,000
Plant and equipment	-	-	-	-	266,603
Investment in associate	-	-	-	-	1
Total assets	1,021,252	8,650,191	6,484,155	34,810	18,995,066
June 2011	\$	\$	\$	\$	\$
Segment assets	492,541	16,859,430	3,935,244	-	21,287,215
<i>Segment asset increases for the period:</i>					
Capital expenditure	364,534	1,338,834	2,020,192	-	3,723,560
	364,534	1,338,834	2,020,192	-	3,723,560
<i>Reconciliation of segment assets to group assets</i>					
Cash and cash equivalents	-	-	-	-	2,759,057
Trade and other receivables	-	-	-	-	454,987
Other current assets	-	-	-	-	20,703
Financial assets	-	-	-	-	3,020,000
Plant and equipment	-	-	-	-	379,294
Investment in associate	-	-	-	-	1
Total assets	492,541	16,859,430	3,935,244	-	27,921,257

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

25 Operating segments (continued)

	North America	Gawler Craton	Curnamona	Western Australia	Total
June 2012	\$	\$	\$	\$	\$
Segment liabilities	107,527	5,637	330,750	-	443,914
<i>Reconciliation of segment liabilities to group liabilities</i>					
Trade and other payables	-	-	-	-	123,802
Short term provisions	-	-	-	-	36,755
Long term provisions	-	-	-	-	45,392
Total consolidated liabilities	107,527	5,637	330,750	-	649,863
June 2011	\$	\$	\$	\$	\$
Segment liabilities	30,277	2,289	238,598	-	271,164
<i>Reconciliation of segment liabilities to group liabilities</i>					
Trade and other payables	-	-	-	-	110,734
Short term provisions	-	-	-	-	29,357
Long term provisions	-	-	-	-	33,435
Total consolidated liabilities	30,277	2,289	238,598	-	444,690

26 Events subsequent to reporting date

On 1 July 2012, 700,000 share rights vested and resulted in the issue of 500,000 fully paid ordinary shares to the Managing Director and 200,000 fully paid ordinary shares to the Company Secretary.

On 24 July 2012, 250,000 share options were granted to employees under the Marmota Energy Limited Employee Share Option Plan. The exercise price of the option is 3.6 cents with an expiry date of 24 July 2017.

On 13 July 2012, a non-renounceable rights issue closed raising approximately \$240,000 before costs and resulting in the issue of 6,017,960 new ordinary shares.

Other than the events noted 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 Group, the results of those operations, or the state of the Group in future years.

27 Reserves

Share options reserve

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

Marmota Energy Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

28 Marmota Energy Limited company information

	2012	2011
	\$	\$
Parent entity		
Assets		
Current assets	2,634,859	6,351,552
Non-current assets	16,360,207	21,569,705
Total assets	18,995,066	27,921,257
Liabilities		
Current liabilities	604,471	411,255
Non-current liabilities	45,392	33,435
Total liabilities	649,863	444,690
Equity		
Issued capital	26,112,440	26,107,908
Retained losses	(10,451,158)	(1,240,433)
Share-based payments reserve	2,683,921	2,609,092
Total equity	18,345,203	24,867,475
Financial performance		
(Loss) for the year	(9,210,725)	23,279
Other comprehensive income	-	-
Total comprehensive income	(9,210,725)	23,279
Guarantees in relation to the debts of subsidiaries	-	-
Contingent liabilities	-	-
Contractual commitments	-	-

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

Marmota Energy Limited

Directors' declaration

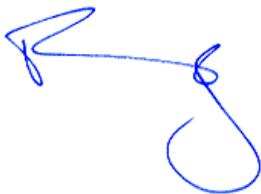
For the year ended 30 June 2012

Directors' declaration

- 1 The Directors of Marmota Energy Limited declare that
- (a) the financial statements and notes, as set out on pages 15 to 50, are in accordance with the Corporations Act 2001, and:
 - (i) giving a true and fair view of the financial position as at 30 June 2012 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 17th day of September 2012.



Robert Michael Kennedy
Director

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

Report on the financial report

We have audited the accompanying financial report of Marmota Energy Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

- a the financial report of Marmota Energy Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to Note 1(x) in the financial report which indicates that the consolidated entity incurred a loss of \$9,210,725 and net cash outflow from operating and investing activities of \$3,503,739 during the year ended 30 June 2012. These conditions, along with other matters as set forth in Note 1(x), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2012. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Marmota Energy Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants



SJ Gray
Partner

Adelaide, 17 September 2012