

Marmota Energy Limited

Corporate Governance Statement

The following statement sets out a summary of the Company's corporate governance practices that were in place during the financial year and how those practices relate to the revised Corporate Governance Principles and Recommendations issued by the Australian Stock Exchange Corporate Governance Council ("ASX Recommendations"). The ASX Recommendations comprise the 3rd Edition which were published on 27 March 2014 and the Financial Year ended 30 June 2015 is the first time this edition of the ASX Recommendations is reported on.

These recommendations are not intended to be prescriptions to be followed by all ASX listed companies, but rather guidelines that are likely to achieve good governance outcomes and meet the reasonable expectations of most investors in most situations.. The Corporate Governance Council has recognised that different entities may legitimately adopt different governance practices, based on a range of factors, including their size, complexity, history and corporate culture. A company may consider that a recommendation is inappropriate to its particular circumstances and has flexibility not to adopt it and explain why.

In ensuring the highest standard of ethical behaviour and accountability, the Board has included in its corporate governance policies those matters contained in the ASX Recommendations where applicable. However, the Board also recognises that full adoption of the ASX Recommendations may not be practical nor provide the optimal result given the particular circumstances and structure of the Company. The Board is, nevertheless, committed to ensuring that appropriate Corporate Governance practices are in place for the proper direction and management of the Company. This statement outlines the main Corporate Governance practices of the Company disclosed under the ASX Recommendations, including those that comply with best practice and which, unless otherwise disclosed, were in place during the whole of the financial year ended 30 June 2015.

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1 – Recommendation followed

The Board is governed by the Corporations Act 2001, ASX Listing Rules and a formal constitution adopted by the company in 2006 and amended in 2011.

The role of the Board is to provide leadership and direction to management and to agree with management the aims, strategies and policies of the Company for the protection and enhancement of long-term shareholder value.

The Board takes responsibility for the overall Corporate Governance of the Company including its strategic direction, management goal setting and monitoring, internal control, risk management and financial reporting.

The Board has an established framework for the management of the entity including a system of internal control, a business risk management process and appropriate ethical standards. In fulfilling its responsibilities, the Board is supported by an Audit Governance and Remuneration Committee to deal with internal control, ethical standards and financial reporting and to monitor the composition of the Board and review the compensation of the Company's Executive Directors and senior management with the overall objective of motivating and appropriately rewarding performance.

The Board appoints a Managing Director responsible for the day to day management of the Company including management of financial, physical and human resources, development and implementation of risk management, internal control and regulatory compliance policies and procedures, recommending strategic direction and planning for the operations of the business and the provision of relevant information to the Board.

The Board has not adopted a formal statement of matters reserved to them or a formal board charter that details their functions and responsibilities nor a formal statement of the areas of authority delegated to senior executives.

Recommendation 1.2 – Recommendations followed

The Board carefully considers the character, experience, education and skillset, as well as interests and associations of potential candidates for appointment to the Board and conducts appropriate checks to verify the suitability of the candidate, prior to their election. The Company has appropriate procedures in place to ensure that material information relevant to a decision to elect or re-elect a director, is disclosed in the notice of meeting provided to shareholders.

Recommendation 1.3 – Recommendations followed

The roles and responsibilities of Directors are also formalised in the letter of appointment which each Director receives and commits to on their appointment. The letters of appointment specify the term of appointment, time commitment envisaged, expectations in relation to committee work or any other special duties attaching to the position, reporting lines, remuneration arrangements, disclosure obligations in relation to personal interests, confidentiality obligations, insurance and indemnity entitlements and details of the Company's key governance policies, such as the Securities Dealing Policy.

A copy of the key governance policies can be found on the Company's website www.marmotaenergy.com.au.

Each senior executive enters into a service contract which sets out the material terms of employment, including a description of position and duties, reporting lines, remuneration arrangements and termination rights and entitlements.

Contract details of senior executives who are KMP are summarised in the Remuneration Report in the Company's Annual Report.

Recommendation 1.4 – Recommendations followed

The Company Secretary is accountable to the Board for facilitating the Company's corporate governance processes and the proper functioning of the Board. Each Director is entitled to access the advice and services of the Company Secretary.

In accordance with the Company's Constitution, the appointment or removal of the Company Secretary is a matter for the Board as a whole. Details of the Company Secretary's experience and qualifications are set out in the Annual Report.

Recommendation 1.5 – Recommendation not followed

The Company is committed to creating a diverse working environment and promoting a culture which embraces diversity.

Given the size of the Company and scale of its operations, however, the Board is of the view that a written diversity policy with measurable objectives for achieving gender diversity is not required at this time. Further as the Company has not established measurable objectives for achieving gender diversity, the Company has not reported on progress towards achieving them.

The following table provides details of the proportion of women employees in the Company and in senior executive positions and on the Board.

	Women	Total	Proportion of women
Organisation	2	4	50%
Senior executives	0	1	0%
Directors	0	3	0%

Recommendation 1.6 – Recommendation not followed

The Board recognises that as a result of the Company's size and the stage of the entity's life as a publicly listed junior exploration company, the assessment of the Board's overall performance and its own succession plan is conducted on an informal basis. Whilst this is at variance with the ASX Recommendations, for the financial year ended June 2015, the Directors consider that at the date of this report an appropriate and adequate process for the evaluation of Directors is in place. Directors also note that during the financial year ended 30 June 2015, the Board underwent a complete change of personnel. A more formal process of Board assessment will be considered in the future as the Company develops.

Recommendation 1.7 – Recommendations followed

The Audit, Governance and Remuneration Committee meets at least annually and recommendations are made in line with the Company's present circumstances and goals to ensure maximum shareholder benefits from the attraction and retention of a high quality Board and senior management team. During the financial year the Board considered and reviewed the performance of and recommended appropriate remuneration for Executive Director's and senior management including any equity participation by such Executive Directors and senior management. The Board evaluates the performance of the Managing Director and Company Secretary on a regular basis and encourages continuing professional development.

Principle 2 – Structure the board to add value

Recommendation 2.1 – Recommendation not followed

As a result of the Company's size and the stage of the entity's life as a publicly listed junior exploration company and given the size of the Board at present (there are only 3 Directors) a Nomination Committee has not been established. The Board meets as a whole to consider. The Board from time to time reviews the skill mix required for the Board and, where gaps are identified, embarks on a process to fill those gaps. This is undertaken on an informal basis.

Recommendation 2.2 – Recommendation not followed

The details of the skill set of the current Board members are set out in the description of each Director in the Annual Report and on the Company's website – www.marmotaenergy.com.au/site/corporate/directors.html. The Board believes that the current skill mix is appropriate given the Company's size and the stage of the entity's life as a publicly listed junior exploration company.

Recommendation 2.3 – Recommendation followed

During the 2015 financial year, the composition of the Board changed completely. At the start of the 2015 financial year the Board consisted of three directors of whom two, including the Chairman, were non-executives. Mr Davis was not considered to be an Independent Director as a result of his being a partner of the firm DMAW which is a provider of material professional services to the Company. At the end of the 2015 and as at the date of this

Statement, the Board comprises three directors of whom two are non-executive. Dr Rose, the Chairman, is considered not to be an Independent Director as he is a substantial shareholder of the Company.

Recommendation 2.4 – Recommendation not followed

As noted under Recommendation 2.3, the Board comprises three Directors of whom only one is considered to be an Independent Director. The Board is of the opinion that the current structure of the Board is appropriate given the size and nature of the Company. Whilst this is at variance to the ASX Recommendations that the majority composition of the Board comprise Independent Directors, the Board considers that all Directors bring an independent judgement to bear on Board decisions and that the Board's expertise and experience adds considerable value to the Company.

Recommendation 2.5 – Recommendation not followed

The Chairman, Dr Rose, is not an Independent Director due to he being a substantial shareholder. The Chairman is not the CEO, who is the Managing Director, Mr Williams.

The Board recognises that as a result of the Company's size and the stage of the entity's life as a publicly listed junior exploration company and the availability of time to perform the role of Chairman, coupled with the view that , where possible the CEO should not be the Chairman, it is not possible to meet this recommendation in relation to the independence of the Chairman.

Dr Rose's role as Chairman of the Board is separate from that of the Managing Director who is responsible for the day to day management of the Company and is in compliance with the ASX Recommendation that these roles not be exercised by the same individual.

Recommendation 2.6 – Recommendation not followed

The Board recognises that as a result of the Company's size and the stage of the entity's life as a publicly listed junior exploration company, the Board has not put in place a formal program for inducting new directors. However, it does provide a package of background information on commencement and provides ready interaction with the Company's personnel to gain a stronger understanding of the business. Similarly the Company does not at this stage provide professional development opportunities for Directors. More formal processes for both of these areas will be considered in the future as the Company develops.

Principle 3 – Act ethically and responsibly

Recommendation 3.1 – Recommendation followed

The Company requires all its directors and employees to abide by the standards of behaviour and business ethics in accordance with the law. In discharging their duties, Directors of the Company are required to:

- act in good faith and in the best interests of the Company;
- exercise the care and diligence that a reasonable person in that role would exercise;
- exercise their powers in good faith for a proper purpose and in the best interests of the Company;
- not improperly use their position or information obtained through their position to gain a personal advantage or for the advantage of another person to the detriment of the Company;
- disclose material personal interests and avoid actual or potential conflicts of interests;
- keep themselves informed of relevant Company matters;
- keep confidential the business of all directors meetings; and
- observe and support the Board's Corporate Governance practices and procedures.

All directors have signed deeds with the Company which require them to comply with all the obligations of a director under the Corporations Act 2001. Directors also are required to provide the Company with details of all securities registered in the director's name or an entity in which the director has a relevant interest within the meaning of section 9 of the Corporations Act 2001 and details of all contracts, other than contracts to which the Company is a party to which the director is a party or under which the director is entitled to a benefit, and that confer a right to call for or deliver shares in the Company and the nature of the director's interest under the contract.

Directors are required to disclose to the Board any material contract in which they may have an interest. In accordance with Section 195 of the Corporations Act 2001, a director having a material personal interest in any matter to be dealt with by the Board, will not be present when that matter is considered by the Board and will not vote on that matter, subject to the discretion of the Board.

Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.1 – Recommendation not followed in full

Marmota was not a Company required by ASX Listing Rule 12.7 to have an Audit Committee although it is included in the ASX Recommendations. Notwithstanding this, an Audit, Governance and Remuneration Committee ("Committee") has been established to oversee corporate governance, internal controls, ethical standards, financial reporting, and external accounting and compliance procedures.

The responsibilities of the Committee include:

- reviewing, assessing and making recommendations to the Board on the annual and half year financial reports;
- overseeing establishment, maintenance and reviewing the effectiveness of the Company's internal controls and ensuring efficacy and efficiency of operations, reliability of financial reporting and compliance with applicable Accounting Standards and ASX Listing Rules;
- liaising with and reviewing reports of the external auditor; and
- reviewing the performance and independence of the external auditor and where necessary making recommendations for appointment and removal of the Company's auditor.

During the first part of the 2015 Financial Year, the Committee consisted of two non-executive Board directors, Messrs Davis and Kennedy, and was chaired by Mr Davis. Mr Kennedy is a qualified Chartered Accountant. In the latter part of the 2015 Financial Year and as at the date of this Statement, the Committee consisted of the two non-executive Board directors, Dr Rose and Mr Thompson. The Board believes that given the size of the Company and the stage of the entity's life as a publicly listed junior exploration company and the current board structure the establishment of an audit committee in line with ASX Recommendation 4.1 cannot be justified by the perceived benefits of doing so. The existing composition of the Committee is such that review and authorisation of the integrity of the Company's financial reporting and the independence of the external auditor is via the exercise of independent and informed judgement.

The Board has adopted a formal Charter for the audit and governance activities of the Committee. The Charter details the Committee's role and responsibilities, composition and membership requirement.

Details of the Committee members' qualifications and attendance at meetings are set out in the Directors' Report section of the Annual Report of the Company.

The Committee meets at least three times per annum and reports to the Board. The Managing Director, Company Secretary and external auditor may, by invitation, attend meetings at the discretion of the Committee.

Recommendation 4.2 – Recommendation followed

In accordance with ASX Recommendation 4.2 the Chief Executive Officer (or their equivalent) and Chief Financial Officer (or their equivalent) are required to provide assurances that the written declarations under s295A of the Corporations Act (and for the purposes of ASX Recommendation 4.2) are founded on a sound framework of risk management and internal control and that the framework is operating effectively in all material respects in relation to financial reporting risks. Both the Chief Executive Officer and Chief Financial Officer provide such assurances at the time the s295A declarations are provided to the Board.

Recommendation 4.3 – Recommendation followed

The Company's external audit function is performed by Grant Thornton (GT). Representatives of GT will attend the Annual General Meeting and be available to answer shareholder questions regarding the audit.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1 – Recommendations not followed

The Company operates under the continuous disclosure requirements of the ASX Listing Rules and ensures that all information which may be expected to affect the value of the Company's securities or influence investment decisions is released to the market in order that all investors have equal and timely access to material information concerning the Company. The information is made publicly available on the Company's website following release to the ASX.

Due to the size of the Company and the stage of life of the entity as a publicly listed junior exploration company, the Board does not believe a formal policy for continuous disclosure is required. However, a summary describing how the Company will ensure its compliance with continuous disclosure requirements is posted on the Company's website www.marmotaenergy.com.au.

Principle 6 – Respect the rights of security holders

Recommendation 6.1 – Recommendations followed

The Company keeps investors informed of its corporate governance, financial performance and prospects via its website – www.marmotaenergy.com.au. Investors can access copies of all announcements to the ASX, notices of meetings, annual reports and financial statement, and Investor presentations via the 'Investors' tab and can access general information regarding the Company and the structure of its business under the 'Corporate' and 'Projects' tabs.

Recommendation 6.2 – Recommendations not followed

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. In accordance with the ASX Recommendations, information is communicated to shareholders as follows:

- the annual financial report which includes relevant information about the operations of the Company during the year, changes in the state of affairs of the entity and details of future developments, in addition to the other disclosures required by the Corporations Act 2001;
- the half yearly financial report lodged with the Australian Stock Exchange and Australian Securities and Investments Commission and sent to all shareholders who request it;
- notifications relating to any proposed major changes in the Company which may impact on share ownership rights that are submitted to a vote of shareholders;
- notices of all meetings of shareholders;
- publicly released documents including full text of notices of meetings and explanatory material made available on the Company's website at www.marmotaenergy.com.au; and
- disclosure of the Company's Corporate Governance practices and communications strategy on the entity's website.

Due to the size of the Company and the stage of life of the entity as a publicly listed junior exploration company, the Board does not believe a formal policy for shareholder communication is required. However, a summary describing how the Company will communicate with its shareholders is posted on the Company's website www.marmotaenergy.com.au.

Recommendation 6.3 – Recommendation followed

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions. The external auditor of the Company is also invited to the Annual General Meeting of shareholders and is available to answer any questions concerning the conduct, preparation and content of the auditor's report. Pursuant to section 249K of the Corporations Act 2001 the external auditor is provided with a copy of the notice of meeting and related communications received by shareholders.

Recommendation 6.4 – Recommendation followed

The Company provides its investors the option to receive communications from and send communications to, the Company and the share registry electronically.

Principle 7 – Recognise and manage risks

Recommendation 7.1 – Recommendations not followed

The Company's Audit, Governance & Remuneration Committee ('Committee') oversees the process for identifying and managing material risks in the Company in accordance with the Charter of the Committee.

Due to the size of the Company and the stage of life of the entity as a publicly listed junior exploration company, and the inherent risks associated with the industry it operates in, the Board does not believe formal policies for oversight and management of risk are required. The Board with the assistance of the Audit, Governance and Remuneration Committee conducts a formal review of the risk profile of the Company annually and monitors risk informally throughout the year. A summary describing how the Company manages risk by procedures established at Board and executive level can be found posted on the Company's website - www.marmotaenergy.com.au.

Further details regarding the Committee, its membership and the number of meetings held during the financial year are set out in the response to Recommendation 4.1

Recommendation 7.2 – Recommendations not followed

The Board recognises that there are inherent risks associated with the Company's operations including mineral exploration and mining, environmental, heritage and native title, legal and other operational risks. The Board endeavours to mitigate such risks by continually reviewing the activities of the Company in order to identify key business and operational risks and ensuring that they are appropriately assessed and managed. No formal report in relation to the Company's management of its material business risks is presented to the Board.

The Board with the assistance of the Audit, Governance and Remuneration Committee ('Committee') conducts a formal review of the risk profile of the Company annually and monitors risk informally throughout the year.

Due to changes in the composition of the Board and the Committee occurring at the time the Committee normally conducts its review of the risk management framework, such review did not occur during the 2015 Financial Year. The Committee intends to meet as soon as possible to conduct such review.

Recommendation 7.3 – Recommendation not followed

The Company does not have an internal audit function. This is the case due to the size of the Company and the stage of life of the entity as a publicly listed junior exploration company. The objectives of having such a function are achieved by the close monitoring of risk management by the Board with the assistance of the Audit, Governance & Remuneration Committee as outlined in relation to ASX Recommendations 7.1 and 7.2 above.

Recommendation 7.4 – Recommendation followed

As already outlined above in relation to various ASX Recommendations, the Company constantly monitors and reviews the key risks that affect the Company and the management of those risks. They include economic, environment and sustainability risks. The risks which the Company has identified that it has a material exposure to are its ability to raise funds within an acceptable time frame and on terms acceptable to it ("Capital Risk"); that its existing projects, or any other projects or tenements that it may acquire in the future, will result in the discovery of significant resources or be able to be economically exploited ("Exploration Risk"); the inability to obtain land access on satisfactory terms or within acceptable timeframes ("Access Risk"); and resource activities can be environmentally sensitive and can give rise to substantial costs for environmental rehabilitation, damage control and losses ("Environment Risk").

The manner in which the Company manages those risks, in the case of Capital Risk, to monitor the market and investment appetite and to raise further required capital in a timely manner such that the Company's operations are adequately funded; in the case of

Exploration Risk, to adopt a diversified portfolio approach and to adopted a focused approach using modern exploration techniques and seeking to lay off risk where possible; in the case of Access Risk, to conduct exploration activities at best practices standards so as to lessen the impact on the party from whom access is required, coupled with an active communication and interaction approach; and in the case of Environment Risk, to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1 – Recommendation not followed in full

The Company has established a single Audit, Governance and Remuneration Committee (“Committee”). The Committee is responsible for the monitoring of the composition of the Board and reviewing the compensation of the Company’s Executive Directors and senior management with the overall objective of motivating and appropriately rewarding performance. The Committee makes recommendations to the Board who is ultimately responsible for the Company’s remuneration policy.

Details regarding the Committee are provided in the response to ASX Recommendation 4.1. The Board believes that given the size of the Company and the stage of the entity’s life as a publicly listed junior exploration company that the cost of establishing a formal remuneration and nomination committee charter cannot be justified by the perceived benefits of doing so.

Recommendation 8.2 – Recommendations followed

In accordance with ASX Recommendation 8.2 the Company’s remuneration practices are set out as follows.

The Company’s Constitution specifies that the total amount of remuneration of non-executive directors shall be fixed from time to time by a general meeting. The current maximum aggregate remuneration of non-executive directors has been set at \$400,000 per annum. Directors may apportion any amount up to this maximum amount amongst the non-executive directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as directors.

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

The remuneration of the Managing Director is determined by the Board on the recommendation of the Audit, Governance and Remuneration Committee (“Committee”) as part of the terms and conditions of his employment which are subject to review from time to time. The remuneration of 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 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.

From time to time, the responsibility for conducting the review of the composition of the Board and the compensation of the executive directors and senior management is undertaken solely by the Board.

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 the Company given the nature of the Company’s business as a publicly listed mineral exploration entity and the current status of its activities. However, the Board may approve the payment of cash bonuses from time to time in order to reward individual executive performance in achieving key objectives as considered appropriate by the Board.

From time to time, the Company may grant retention rights as considered appropriate by the 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. 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 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 ("Plan") approved by shareholders that enables the Board to offer eligible employees options to acquire ordinary fully paid shares in the Company. Under the terms of the Plan, options to acquire ordinary fully paid shares may be offered to the Company's eligible employees at no cost unless otherwise determined by the Board in accordance with the terms and conditions of the Plan. The objective of the Plan is to align the interests of employees and shareholders by providing employees of the Company with the opportunity to participate in the equity of the Company as an incentive to achieve greater success and profitability for the Company and to maximise the long term performance of the Company. The non-executive directors are not eligible to participate in the Plan. Details of any options and retention rights issued to employees (including the Managing Director) during the 2015 Financial Year together with details of the terms of the Plan are disclosed in the Remuneration Report section of the Directors' Report in the Annual Report.

The employment conditions of the Managing Director and any Executive Director are formalised in contracts of employment and may be terminated at any time by mutual agreement or without notice in instances of serious misconduct.

The details of Directors' and Executives Officers' remuneration, superannuation and retirement payments are set out in the Remuneration Report section of the Directors' Report in the Annual Report.

Recommendation 8.3 - Recommendation not followed

At present the neither the Company's Share Trading Policy nor the Employee Share Option Plan ("Plan") contain any specific restriction on entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the Plan. Given the nature of the Plan and the size of the Company and the stage of life of the entity as a publicly listed junior exploration company, the Board has determined that it is not necessary to specify any such restrictions over and above the provisions of the Corporations Act 2001.