Marmota Energy Limited
and Controlled Entities

Consolidated Half-Year Financial Report

31 December 2011

CORPORATE DIRECTORY

Marmota Energy Limited
ACN 119 270 816
ABN 38 119 270 816
Incorporated in SA

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Share Registrar
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Auditor
Grant Thornton
Chartered Accountants
67 Greenhill Road
Wayville SA 5034

Marmota Energy Limited and Controlled Entities

Directors' Report

The directors present their report together with the half-year financial report of Marmota Energy Limited ("the Company") and its controlled entities ("Consolidated entity") for the period ended 31 December 2011 and the auditor's independent review report thereon.

Directors

The directors of the Company at any time during or since the end of the half-year are:

Robert M Kennedy *(Chairman)*
Reginald G Nelson
Glenn S Davis
Dr Neville F Alley
Domenic J Calandro *(Managing Director)*

Principal activities

The consolidated entity's principal activity is mineral exploration.

Review and results of operations

During the period, Marmota Energy Limited continued to develop its flagship uranium project – Junction Dam whilst conducting exploration on other high potential projects in its portfolio.
Phase 3 drilling was completed on the Company's Junction Dam uranium project, 10 km from Uranium One's Honeymoon ISL uranium mine. A maiden Inferred Resource was announced for the Saffron deposit and drilling continued to return high uranium grades of up to 8,143 ppm U_3O_8 over a 15km strike length open to the north and south. Other prospective priority target areas within a 20km extent of the same palaeochannel system that hosts the nearby Honeymoon ISL uranium mine have been identified.
In January 2011, Marmota announced the discovery of hematite iron mineralisation at its Western Spur project located in the north-east of South Australia. Grades of up to 55.8% Fe and 28% Mn were returned from assay in outcrop sampling. Down hole logging was completed in late December 2011 of 10 Western Mining drill holes drill holes which had remained open since 1981. The results displayed signatures typical of other hematite iron deposits in Australia.

Significant grades were returned from drilling at Marmota's Melton copper – gold project on the northern Yorke Peninsula. Results include 9 metres at 1.03% copper including 1 metre at 2.25% copper and 0.46 g/tonne gold intersected in drill hole MIRDD08. The project is near to the Rex Minerals Hillside Project, located just to the south of Melton, where an Inferred and Indicated resource of 217Mt @ 0.7% Cu and 0.2 g/t gold has been defined.

Phase 1 drilling was completed in 2011 at the Angel Wing project located in north-eastern Nevada. The 2011, drill holes intersected significant gold and silver grades of up to 1.53 Au (g/t) and 147 Ag (g/t). Potential bonanza zones will now be targeted at Angel Wing after successful new assay results more than doubled the strike length and increased the depth extent of known gold mineralisation at the Angel Wing project.

The net loss after income tax for the half-year was $213,474.

Likely developments

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

Competent person statement

The information in the Half-Year Financial Report that relates to Exploration Results, Mineral Resources, Ore Reserves or targets is based on information compiled by Mr D J Calandro, who is a Member of the Australian Institute of Geoscientists. Mr Calandro is employed full time by the Company as Managing Director and, has a minimum of five years relevant experience in the style of mineralisation and type of deposit under consideration and qualifies as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Calandro consents to the inclusion of the information in this report in the form and context in which it appears.

Auditors independence declaration

Section 307C of the Corporations Act 2001 requires the Company's auditors, Grant Thornton, to provide the directors of Marmota Energy Limited with an Independence Declaration in relation to the review of the half-year financial report. The Independence Declaration is set out on the following page and forms part of this Directors' Report.

Dated at ……Adelaide…… this ………15th…… day of ………March…… 2012.

Signed in accordance with a resolution of the Board of Directors:

Robert Michael Kennedy
Director

Grant Thornton

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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 review of Marmota Energy Limited for the half-year ended 31 December 2011, 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 review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

P S Paterson
Partner

Adelaide, 15 March 2012

Marmota Energy Limited and Controlled Entities

Consolidated Statement of Comprehensive Income

For the half-year-ended 31 December 2011

	Note	Consolidated Dec 2011 $	Consolidated Dec 2010 $
Other revenues from ordinary activities	3	260,991	304,694
Total other revenue		260,991	304,694
Administrative expenses		175,359	142,472
Consultancy expenses		52,210	46,339
Depreciation		4,171	13,256
Employment expenses		174,464	105,077
Service fees		78,080	99,617
Exchange (gain)/loss		(9,819)	19,173
Loss before income tax expense		(213,474)	(121,240)
Income tax benefit/(expense)		-	59,342
Loss for the period		(213,474)	(61,898)
Loss attributed to members of the parent entity		(213,474)	(61,898)
Other comprehensive income		-	-
Total comprehensive income for the period		(213,474)	(61,898)
Basic earnings per share (cents)		(0.142)	(0.041)
Diluted earnings per share (cents)		(0.142)	(0.041)

The accompanying notes form part of these financial statements.

Marmota Energy Limited and Controlled Entities

Consolidated Statement of Financial Position

As at 31 December 2011

	Note	Consolidated Dec 2011 $	June 2011 $
Current assets			
Cash and cash equivalents	6	729,613	2,759,057
Trade and other receivables		243,173	454,987
Financial assets	7	3,020,000	3,020,000
Other current assets		80,444	20,703
Total current assets		4,073,230	6,254,747
Non-current assets			
Plant and equipment		321,588	379,294
Investments in associates	9	1	1
Exploration and evaluation expenditure		23,194,586	21,287,215
Total non-current assets		23,516,175	21,666,510
Total assets		27,589,405	27,921,257
Current liabilities			
Trade and other payables		185,687	381,898
Short term provisions		32,862	29,357
Total current liabilities		218,549	411,255
Non-current liabilities			
Long term provisions		34,898	33,435
Total non-current liabilities		34,898	33,435
Total liabilities		253,447	444,690
Net assets		27,335,958	27,476,567
Equity			
Issued capital		26,137,908	26,107,908
Reserves		2,651,957	2,609,092
Retained earnings		(1,453,907)	(1,240,433)
Total equity		27,335,958	27,476,567

The accompanying notes form part of these financial statements.

Marmota Energy Limited and Controlled Entities

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2011

	Issued capital $	Reserves $	Retained earnings $	Total $
Balance at 1 July 2010	26,106,308	2,497,550	(1,263,712)	27,340,146
Shares issued during the period	-	-	-	-
Options issued during the period	-	9,000	-	9,000
Total comprehensive income	-	-	(61,898)	(61,898)
Balance as at 31 December 2010	26,106,308	2,506,550	(1,325,610)	27,287,248
Balance at 1 July 2011	26,107,908	2,609,092	(1,240,433)	27,476,567
Shares issued during the period	30,000	-	-	30,000
Options issued during the period	-	42,865	-	42,865
Total comprehensive income	-	-	(213,474)	(213,474)
Balance as at 31 December 2011	26,137,908	2,651,957	(1,453,907)	27,335,958

The accompanying notes form part of these financial statements.

Marmota Energy Limited and Controlled Entities

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2011

	Consolidated	
	Dec 2011	Dec 2010
	$	$
Cash flows from operating activities		
Cash payments in the course of operations	(410,396)	(410,924)
Cash receipts in the course of operations	5,125	1,919
Interest received	280,135	392,891
Income tax rebate	-	59,342
Finance costs	(7,639)	(6,362)
Net cash provided by/(used in) operating activities	(132,775)	36,866
Cash flows from investing activities		
Payments for plant and equipment	(886)	(56,938)
Loans to related parties	(52,122)	-
Payments for mining tenements and exploration	(1,843,661)	(1,682,808)
Net cash (used in)/provided by investing activities	(1,896,669)	(1,739,746)
Cash flows from financing activities		
Proceeds from issue of shares	-	-
Payments associated with capital raising	-	-
Net cash provided by/(used in) financing activities	-	-
Net (decrease)/increase in cash held	(2,029,444)	(1,702,880)
Cash at the beginning of the half-year	5,779,057	9,447,192
Cash at the end of the half-year	3,749,613	7,744,312

The accompanying notes form part of these financial statements.

1 *Basis of preparation*

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2011, except for the adoption of *Improvements to AASBs 2010* (2010 Improvements) as of 1 January 2011. The 2010 Improvements made several minor amendments to AASBs. The relevant amendments and their effects on the current period or prior periods are described below.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

Amendments to AASB 134 Interim Financial Reporting
The amendments clarified certain disclosures relating to events and transactions that are significant to an understanding of changes in the Group's circumstances since the last annual financial statements. The Group's interim financial statements as of 31 December 2011 reflect these amended disclosure requirements, where applicable.

It is recommended that the financial report be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by Marmota Energy Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements of the ASX Listing Rules.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

2 *Significant accounting policies*

The accounting policies applied by the consolidated entity in this consolidated half-year financial report do not differ from those applied by the parent entity in its financial report as at and for the year ended 30 June 2011.

3 *Other revenues from ordinary activities*

	Dec 2011 $	Dec 2010 $
Included in other revenues from ordinary activities:		
Interest: other parties	142,964	244,478
Other revenue	118,027	60,216
	260,991	304,694

4 *Contingent liabilities*

There has been no material changes to the aggregate of contingent liabilities since 30 June 2011.

5 *Commitments*

There has been no material changes to commitments disclosed in the 30 June 2011 annual report.

6 *Cash on hand*

	Dec 2011 $	June 2011 $
Cash and cash equivalents	299,613	459,057
Deposits at call	430,000	2,300,000
	729,613	2,759,057

Cash on hand represents cash at bank and cash invested in term deposits.

7 *Financial assets*

Fixed interest short term deposits	3,020,000	3,020,000

8 *Controlled entities*

(a) Entities forming part of the Marmota Energy Limited consolidated group are as follows:

	Country of incorporation	Percentage owned (%) Dec 2011	June 2011
Parent entity:			
Marmota Energy Limited	Australia	-	-
Subsidiaries of Marmota Energy Limited:			
Marmosa Pty Ltd	Australia	100	100

9 *Investment in associates*

Interests are held in the following associated companies:

Name	Principal activities	Country of incorporation	Shares	Ownership interest		Carrying amount of investment	
				Dec 2011	June 2011	Dec 2011	June 2011
Groundhog Services Pty Ltd	Administration services	Australia	Ord	50%	50%	1	1
Groundhog Services Partnership	Administration services	Australia	-	50%	50%	-	-

9 Investment in associates (continued)

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

	Dec 2011 $	June 2011 $
Current assets	357,889	285,004
Non-current assets	138,755	164,188
Total assets	496,644	449,192
Current liabilities	(437,687)	(384,483)
Non-current liabilities	(58,955)	(64,707)
Total liabilities	(496,642)	(449,190)
Net assets	2	2

	Dec 2011 $	Dec 2010 $
Share of associate's profit after tax	-	-

10 Operating 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, North America and Curnamona 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.

10 Operating segments (continued)

Details of the performance of each of these operating segments for the six month periods ended 31 December 2011 and 31 December 2010 are set out below:

	North America	Gawler Craton	Curnamona	Western Australia	Total
December 2011					
	$	$	$	$	$
Segment revenue	-	-	112,902	-	112,902
Segment results					
Gross segment result before depreciation, amortisation and impairment	-	-	112,902	-	112,902
Depreciation and amortisation	-	-	-	-	-
	-	-	112,902	-	112,902
Interest income					142,964
Other revenue					5,125
Net financing costs					-
Other expenses					(474,465)
Profit/(loss) before tax					(213,474)
Income tax benefit/(expense)					-
Net profit/(loss) after tax					(213,474)

10 Operating segments (continued)

December 2010	North America $	Gawler Craton $	Curnamona $	Western Australia $	Total $
Segment revenue	-	9,246	50,969	-	60,215
Segment results					
Gross segment result before depreciation, amortisation and impairment	-	9,246	50,969	-	60,215
Depreciation and amortisation	-	-	-	-	-
	-	9,246	50,969	-	60,215
Interest income					244,479
Other revenue					-
Net financing costs					-
Other expenses					(425,934)
Profit/(loss) before tax					(121,240)
Income tax benefit/(expense)					59,342
Net profit/(loss) after tax					(61,898)

10 Operating segments (continued)

	North America	Gawler Craton	Curnamona	Western Australia	Total
December 2011					
	$	$	$	$	$
Segment assets	808,125	17,150,387	5,204,355	31,719	23,194,586
Segment asset increases for the period:					
Capital expenditure	315,584	290,959	1,269,111	31,719	1,907,373
	315,584	290,959	1,269,111	31,719	1,907,373
Reconciliation of segment assets to group assets					
Cash and cash equivalents					729,613
Trade and other receivables					243,173
Other current assets					3,020,000
Financial assets					80,444
Plant and equipment					321,588
Investment in associate					1
Total consolidated assets					27,589,405

June 2011					
	$	$	$	$	$
Segment assets	492,541	16,859,430	3,935,244	-	21,287,215
Segment asset increases for the period:					
Capital expenditure	364,534	1,338,834	2,020,192	-	3,723,560
	364,534	1,338,834	2,020,192	-	3,723,560
Reconciliation of segment assets to group assets					
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 consolidated assets					27,921,257

11 Issued capital

	Dec 2011 $	June 2011 $
Issued and paid-up share capital 151,649,490 (June 2011: 150,449,490) ordinary shares, fully paid	26,107,908	26,106,308
Ordinary shares		
Balance at the beginning of the period		
Shares issued during the period		
- 700,000 shares issued to rightsholders as part of a Employee Incentive Scheme	-	-
- Nil (June 2011: 40,000) shares issued to option holders on exercise of options to $0.04	-	1,600
- 500,000 (June 2011: 500,000 shares issued for the acquisition of a tenement	30,000	-
Less transaction costs arising from issue of shares net of tax	-	-
Balance at end of period	**26,137,908**	**26,107,908**

As at 31 December 2011, there were 30,350,000 (June 2011: 30,875,000) unissued shares for which the following options and rights were outstanding.

- 28,000,000 unlisted options exercisable at $0.40 by 11 July 2012
- 250,000 unlisted options exercisable at $0.04 by 23 December 2013
- 325,000 unlisted options exercisable at $0.1016 by 5 March 2015
- 125,000 unlisted options exercisable at $0.083 by 21 December 2015
- 250,000 unlisted options exercisable at $0.073 by 29 July 2016
- 1,400,000 retention rights vesting 1/2 each at 1 July 2012 and 1 July 2013.

12 *Share based payments*

On 29 July 2011 a grant of share options was made to employees. The terms and conditions of the grant made during the six months ended 31 December 2011 are as follows:

2011

Grant date	**Number of instruments**	**Vesting conditions**	**Contractual life of options**
29 July	250,000	On issue	1,826 days

Fair value of share options and assumptions used in determining fair value:

Fair value at grant date	$0.045 per option
Share price	$0.06
Exercise price	$0.073
Expected volatility	102%
Option life	1,826 days
Risk-free interest rate	4.25%

On 2 November 2011, Marmota Energy Limited issued 500,000 ordinary shares as part consideration for entering a farm in arrangement for a mineral tenement. The market price of the shares at this time was $0.06 per ordinary share.

13 *Events subsequent to balance date*

There has not arisen in the interval between 31 December 2011 and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future years.

Directors' Declaration

The Directors of the Company declare that:

(a) the half-year financial statements and notes, set out on pages 5 to 16, are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2011 and of its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date; and

  (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting;

(b) 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.

Dated at …Adelaide……… this ………15th…… day of …March……… 2012.

This declaration is made in accordance with a resolution of the directors:

Robert Michael Kennedy
Director

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

We have reviewed the accompanying half-year financial report of Marmota Energy Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of Marmota Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Marmota Energy Limited is not in accordance with the Corporations Act 2001, including:

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

P S Paterson
Partner

Adelaide, 15 March 2012