



Marmota Limited

Consolidated Half-Year Financial Report

31 December 2019

CORPORATE DIRECTORY

Marmota Limited

ACN 119 270 816
ABN 38 119 270 816
Incorporated in SA

Registered Office

Marmota Limited

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Share Registrar

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Auditor

Grant Thornton

Chartered Accountants
Level 3
170 Frome Street
Adelaide
SA 5000

Directors' Report

The directors present their report together with the half-year financial report of Marmota Limited ("the Company") and its controlled entities ("Consolidated entity") for the period ended 31 December 2019 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:

		<u>Date Appointed</u>	<u>Date Resigned</u>
Dr Colin Rose	<i>Executive Chairman</i> ¹	1 May 2015	-
Mr Peter Thompson	<i>Non-Executive Director</i>	26 May 2015	1 September 2019
Dr Kevin Wills	<i>Executive Director – Exploration</i>	5 June 2017	-
Mr Shane Barker	<i>Executive Director – Production</i>	1 September 2019	-

Principal activities

The consolidated entity's principal activity is minerals exploration.

Review and results of operations

The net loss after income tax for the half-year was \$2,223,976 (Dec 2018 loss: \$194,324), consisting of (i) an operating loss of \$160,179 (Dec 2018 loss: \$189,824) and (ii) an impairment write-off of \$2,063,796 (Dec 2018 loss: \$0). The impairment write-off reflects the Company relinquishing tenements on the Yorke Peninsula which lie outside the Company's focus/ prospectivity matrix.

During the half-year ended 31 December 2019, Marmota focused exploration on its highly prospective gold tenements in the Gawler Craton.

Gold exploration update: Aurora Tank 100% ownership

During the half-year period, Marmota yielded its highest ever 1m gold intersection of 120 g/t gold just 21m from surface [Hole 19ATAC049] [ASX:MEU 19 Sept 2019], surpassing Marmota's previous best 1m intersections at Aurora Tank of 105 g/t gold (located 120m to the North; 38m from surface) and 93 g/t gold (located 200m to the NE; 32m from surface). Marmota's exploration success and innovative methodology including the use of biogeochemical sampling (tree sampling) received substantial media coverage on radio, TV, in mainstream newspapers, and in international media including a feature article in *New Scientist*.

Phase 3 Metallurgy Work

The first *column leach* testwork on Aurora Tank samples, carried out by Bureau Veritas, returned excellent gold recoveries of 83% ... which is considered very high by industry standards for column leach metallurgy [ASX:MEU 10 Oct 2019]. It suggests Aurora Tank is likely to be amenable to gold recovery via low-cost low-capex heap leach techniques. A heap leach means Marmota would not need to construct a mill, nor share revenue with external parties for toll treatment in a mill.

Phase 2 2019 RC Drilling commenced

Towards the end of the half-year, in December 2019 (and continuing into January 2020), Marmota commenced Phase 2 RC drilling at Aurora Tank. Subsequent to the end of the half-year, Marmota was pleased to report that the Phase 2 drilling produced multiple outstanding high-grade gold intersections. [ASX:MEU 27 Feb 2020].

¹ Changed from Non-Executive Chairman to Executive Chairman on 5 June 2017

Directors' Report (continued)

Impairment

For the first time in a number of years, the Board has carried out a process of significant rationalisation, relinquishing less prospective copper-focused tenements on the Yorke Peninsula, and reflecting the company's focus on its highly prospective gold tenements. This has in turn resulted in an impairment write-off of previous expenditure on the relinquished tenements. While this does give rise to 'concreting a paper loss' relating to the impairment, it also has the potential advantage, particularly in an environment where a Company is contemplating a pathway to production, of increasing the amount of capital losses which may be used to offset future potential profits, for the potential benefit of shareholders.

Fundamentals

Underlying fundamentals of gold spot prices improved substantially over the half-year period, and they have continued to improve further subsequent to the end of the half-year.

Capital injections

In November 2019, Marmota carried out its first SPP (Share Purchase Plan) in 3 years. Successful Australian resident participants are eligible to receive JMEI (Junior Mineral Exploration Incentive) Taxation credits. The Company received application funds from eligible shareholders of over \$2.67m, more than 350% (3.5 times) the anticipated \$750,000 SPP target. The Board scaled-back applications from over \$2.67m to \$2.5m, and returned \$179,200 to unsuccessful applicants. The strength of the support has placed the Company not only with its strongest exploration results, but also with its strongest financial position in many years.

[ASX:MEU 5 Dec 2019]

Competent person statement

The information in this Release relating to Exploration Results and Mineral Resources is based on information compiled by Dr Kevin Wills who is a Fellow of the Australasian Institute of Mining and Metallurgy. He has sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activities being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Wills consents to the inclusion in this report of the matters based on his information 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 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 Sydney this 5th day of March 2020

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

A handwritten signature in blue ink, appearing to read "Colin Rose".

Dr Colin Rose
Chairman

Auditor's Independence Declaration

To the Directors of Marmota Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Marmota Limited for the half year ended 31 December 2019, 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 AUDIT PTY LTD
Chartered Accountants



B K Wundersitz
Partner – Audit & Assurance

Adelaide, 05 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2019

	Note	Consolidated	
		Dec 2019	Dec 2018
		\$	\$
Other revenues from ordinary activities	3	9,582	10,635
Total other revenue		9,582	10,635
Administrative expenses		(96,609)	(84,284)
Consultancy expenses		(17,980)	(38,940)
Depreciation		(781)	(1,179)
Employment expenses		(51,485)	(73,246)
Occupancy expenses		(2,906)	(2,810)
Impairment of assets		(2,063,797)	-
(Loss) before income tax expense		(2,223,976)	(189,824)
Income tax (expense)		-	-
(Loss) for the period		(2,223,976)	(189,824)
Other comprehensive income			
<i>Items that will not be subsequently reclassified to profit or loss</i>			
Loss on equity instruments designated at fair value through other comprehensive income		-	(4,500)
Total comprehensive income for the period		(2,223,976)	(194,324)
Basic earnings per share (cents)		(0.30 cents)	(0.03 cents)
Diluted earnings per share (cents)		(0.30 cents)	(0.03 cents)

The accompanying notes form part of these financial statements.

Marmota Limited and Controlled Entities
Consolidated Statement of Financial Position
As at 31 December 2019



	Note	Consolidated	
		Dec 2019 \$	Jun 2019 \$
Current assets			
Cash and cash equivalents	7	3,118,091	1,374,131
Trade and other receivables		17,003	36,924
Other assets		21,053	16,772
Total current assets		3,156,147	1,427,827
Non-current assets			
Plant and equipment		24,598	24,337
Financial assets	9	4,000	4,000
Trade and other receivables		30,000	30,000
Exploration and evaluation expenditure	11	6,200,235	7,800,725
Total non-current assets		6,258,833	7,859,062
Total assets		9,414,980	9,286,889
Current liabilities			
Trade and other payables		251,773	391,170
Provisions		12,050	10,162
Total current liabilities		263,823	401,332
Non-current liabilities			
Provisions		13,750	11,375
Total non-current liabilities		13,750	11,375
Total liabilities		277,573	412,707
Net assets		9,137,407	8,874,181
Equity			
Issued capital	12	41,103,951	38,616,749
Reserves	13	5,956	10,356
Retained losses		(31,972,500)	(29,752,924)
Total equity		9,137,407	8,874,181

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2019

	Issued capital \$	Share option reserve (Note 13) \$	Available for sale reserve (Note 13) \$	FVOCI reserve (Note 13)	Retained losses \$	Total \$
Balance at 1 July 2018	37,344,550	21,856	(7,500)	-	(29,435,171)	7,923,735
Transactions with owners in their capacity as owners:						
Shares issued during the period	-	-	-	-	-	-
Cost associated with shares issued during period	-	-	-	-	-	-
Options expired during the period	-	-	-	-	-	-
Total comprehensive income	-	-	(4,500)	-	(189,824)	(194,324)
Balance as at 31 December 2018	37,344,550	21,856	(12,000)	-	(29,624,995)	7,729,411
Balance at 1 July 2019	38,616,749	21,856	-	(11,500)	(29,752,924)	8,874,181
Transactions with owners in their capacity as owners:						
Shares issued during the period	2,500,000	-	-	-	-	2,500,000
Cost associated with shares issued during period	(12,798)	-	-	-	-	(12,798)
Options expired during the period	-	(4,400)	-	-	4,400	-
Total comprehensive income	2,487,202	(4,400)	-	-	4,400	2,487,202
Total comprehensive income	-	-	-	-	(2,223,976)	(2,223,976)
Balance as at 31 December 2019	41,103,951	17,456	-	(11,500)	(31,972,500)	9,137,407

The accompanying notes form part of these financial statements.

Marmota Limited and Controlled Entities
Consolidated Statement of Cash Flows
For the half-year ended 31 December 2019



	Note	Consolidated	
		Dec 2019	Dec 2018
		\$	\$
Cash flows from operating activities			
Cash payments in the course of operations		(169,546)	(153,579)
Cash receipts in the course of operations		-	-
Interest received		9,128	10,635
Income tax		-	-
Net cash (used in) operating activities		(160,418)	(142,944)
Cash flows from investing activities			
Payments for mining tenements and exploration		(578,189)	(747,451)
Payments for plant and equipment		(5,089)	-
Cash receipts from sale of assets		454	-
Net cash (used in) investing activities		(582,824)	(747,451)
Cash flows from financing activities			
Proceeds from issue of shares		2,500,000	45,000
Payments associated with capital raising		(12,798)	(13,868)
Net cash provided by financing activities		2,487,202	31,132
Net (decrease)/increase in cash held		1,743,960	(859,263)
Cash at the beginning of the half-year		1,374,131	1,524,225
Cash at the end of the half-year	7	3,118,091	664,962

The accompanying notes form part of these financial statements.

Directors' Declaration

For the half-year ended 31 December 2019

1 Basis of preparation of interim report

Marmota Limited (Marmota or the Company) is a company domiciled in Australia. The consolidated interim financial report of the Company for the six months ended 31 December 2019 comprises the Company and its subsidiaries (together referred to as the consolidated entity).

The consolidated annual financial report of the consolidated entity for the year ended 30 June 2019 is available upon request from the Company's registered office at Unit 6, 79-81 Brighton Road, Glenelg SA or at: www.marmota.com.au

The interim consolidated financial statements are a general purpose report prepared in accordance with AASB 134 Interim Financial Reporting, and the Corporations Act 2001. This interim financial report is intended to provide users with an update on the latest annual financial statements of the consolidated entity. As such, this interim financial report does not include full disclosures of the type normally included in the annual report. It is recommended that this interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by Marmota during the interim reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 5 March 2020.

2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2019, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

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

New or amended Accounting Standards and interpretations adopted

The group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

AASB 16 Leases became effective for periods beginning on or after 1 January 2019. Accordingly, the Group applied AASB 16 for the first time to the interim period ended 31 December 2019. Changes to the Group's accounting policies arising from this standard is summarised below:

AASB 16 Leases

This standard replaces AASB 117 Leases and for lessees will eliminate the classifications of operating leases and financial leases. Subject to exemptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term.

The operating lease commitments at 30 June 2019, related to the head office tenancy which expires 30 June 2020, satisfying the relevant criteria of a short term lease under AASB 16, therefore has no impact on the Group.

Directors' Declaration

For the half-year ended 31 December 2019

3 Other revenues from ordinary activities

	Consolidated	
	Dec 2019	Dec 2018
	\$	\$
Included in other revenues from ordinary activities:		
Interest: other parties	9,128	10,635
Other revenue	454	-
	<u>9,582</u>	<u>10,635</u>

4 Contingent liabilities

There have been no material changes to the aggregate of contingent liabilities since 30 June 2019.

5 Commitments

There have been no material changes to commitments disclosed in the 30 June 2019 annual report.

6 Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2019.

7 Cash on hand

	Consolidated	
	Dec 2019	Jun 2019
	\$	\$
Cash and cash equivalents	3,078,981	1,335,298
Deposits at call	39,110	38,833
	<u>3,118,091</u>	<u>1,374,131</u>

Cash and cash equivalents represents cash at bank and cash invested in term deposits. Bank Guarantees, which are short-term in nature, are in place to the value of \$39,110.

8 Controlled entities

Entities forming part of the Marmota Limited consolidated group are as follows:

	Country of incorporation	Percentage owned (%)	
		Dec 2019	Jun 2019
Parent entity:			
Marmota Limited	Australia	-	-
Subsidiaries of Marmota Limited:			
Marmosa Pty Ltd	Australia	100	100

Directors' Declaration

For the half-year ended 31 December 2019

9 *Financial Assets*

	Consolidated	
	Dec 2019	Jun 2019
	\$	\$
Equity instruments at fair value through OCI – shares in listed companies		
Opening balance	4,000	4,000
Fair value movement	-	-
Balance at end of period	4,000	4,000

10 *Interests in unincorporated joint operations*

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

State	Agreement name	Parties	Summary
SA	Junction Dam Uranium Agreement	Teck Australia Pty Ltd, PlatSearch NL and Eaglehawk Geological Consulting Pty Ltd (TPE) and Marmota Limited (MEU)	MEU have the right to explore for uranium in the area covered by Exploration Licence EL5682 (formerly EL4509, EL3328). MEU holds 100% of the uranium rights under the terms of the Agreement. TPE retains a NSR of 5%.

11 *Exploration and evaluation expenditure*

	Consolidated	
	Dec 2019	Jun 2019
	\$	\$
Movement:		
Carrying amount at beginning of the period	7,800,723	6,446,266
Additional costs capitalised during the period	463,308	1,354,457
Impairment	(2,063,796)	-
Carrying amount at end of the period	<u>6,200,235</u>	<u>7,800,723</u>
Closing balance comprises:		
Exploration and evaluation		
- 100% owned	6,040,225	5,567,907
Exploration and evaluation		
- Joint Venture	160,010	2,232,816
	<u>6,200,235</u>	<u>7,800,723</u>

Directors' Declaration

For the half-year ended 31 December 2019

12 Issued capital

	Consolidated	
	Dec 2019 \$	Jun 2019 \$
Issued and paid-up share capital 844,392,180 (June 2019: 735,696,452) ordinary shares, fully paid	41,103,951	38,616,749
Ordinary shares		
Balance at the beginning of the period	38,616,749	37,344,550
Shares issued during the prior period		
- 108,695,728 shares: pursuant to a placement at \$0.023	2,500,000	-
Shares issued during the prior period		
- 62,500,000 shares: pursuant to a placement at \$0.016	-	1,000,000
- 20,000,000 shares: pursuant to a placement at \$0.016	-	320,000
- Less transaction costs arising from issue of shares net of tax	(12,798)	(47,801)
Balance at end of period	41,103,951	38,616,749

At 31 December 2019, there were 5,500,000 (June 2019: 6,050,000) unissued shares for which the following options/rights were outstanding.

- 500,000 unlisted options exercisable at \$0.03 by 6 October 2021
- 5,000,000 unlisted options exercisable at \$0.03 by 9 November 2021

13 Reserves**(a) Share options reserve**

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

(b) Fair Value through Other Comprehensive Income (FVOCI) reserve (previously available for sale reserve)

The FVOCI reserve comprises gains and losses relating to these types of financial instruments.

	Consolidated	
	Dec 2019 \$	Jun 2019 \$
Reserves		
<i>(a) Share option reserve</i>		
Opening balance at beginning of period	21,856	21,856
Fair value of options issued to employees	-	-
Options exercised or expired	(4,400)	-
Balance at end of period	17,456	21,856
<i>(b) FVOCI reserve (previously available for sale reserve)</i>		
Opening balance at beginning of period	-	-
Reclassification of financial instruments under AASB 9	(11,500)	(7,500)
Fair value movement	-	(4,000)
Balance at end of period	(11,500)	(11,500)
Total Reserves	5,956	10,356

Directors' Declaration

For the half-year ended 31 December 2019

14 Fair value measurement of financial instruments

AASB 13 requires disclosure of fair value measurements by level of the fair value hierarchy, as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
 Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as sales prices) or indirectly (i.e. derived from prices);
 Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The group's financial asset and financial liabilities measured and recognised at fair value at

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
31 December 2019				
Financial assets at fair value	-	-	-	-
<i>Equity instruments designated at FVOCI</i>	-	-	-	-
Listed securities	4,000	-	-	4,000
Net fair value	4,000	-	-	4,000

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
30 June 2019				
Financial assets at fair value	-	-	-	-
<i>Equity instruments classified as available for sale</i>	-	-	-	-
Listed securities	4,000	-	-	4,000
Net fair value	4,000	-	-	4,000

31 December 2019 and 30 June 2019 on a recurring basis are as follows:

Measurement of fair value of financial instruments

The methods and fair valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Listed securities

Fair values have been determined by reference to their quoted bid prices at the reporting date.

Fair values of other financial assets and financial liabilities

The carrying amounts of other current and non-current receivables and payables are considered to be a reasonable approximation of their fair value.

15 Operating segments

The Directors have considered the requirements of AASB8 – Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and have concluded that at this time there are no separately identifiable segments.

Directors' Declaration

For the half-year ended 31 December 2019

16 Events subsequent to reporting date

In the interval between 31 December 2019 and the date of this report there are no items, transactions or events 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 14, 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 2019 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 Sydney this 5th day of March 2020.

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



Dr Colin Rose
Chairman

Independent Auditor's Report

To the Members of Marmota Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Marmota Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Marmota Limited does not give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Directors' responsibility for the half year financial report

The Directors of the Company are responsible for the preparation of the half year 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 half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with 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 half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 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 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 have complied with the independence requirements of the *Corporations Act 2001*.

Grant Thornton.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B K Wundersitz
Partner – Audit & Assurance

Adelaide, 05 March 2020