



## **\$2m FULLY FUNDED OPEN OFFER for Challenger**

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### **Open offer to Kingsgate (ASX:KCN)**

#### **Key New Points**

- **FULLY FUNDED offer**  
Marmota's offer for the Challenger Gold Mine (and related assets) is now **fully funded**
- **Byrne-cut announced as preferred operator**

#### **Fully Funded offer**

Marmota Energy Limited (ASX: MEU) ("**Marmota**") has entered into a binding Heads of Agreement with Asymmetric Investment Management Pty Ltd (a WA-based hedge fund) to effect that Marmota's AUD\$2m offer for the Challenger Gold Mine (and related assets) is now **fully funded**.

In the event that Marmota's offer is successful, an account will be established for settling the acquisition, with the AUD\$2m funds lodged to be used exclusively to pay Kingsgate Consolidated Ltd for the Challenger Gold Mine. In the event that Marmota's fully funded bid does not proceed, Marmota does not incur any costs.

#### **Terms of Marmota Offer**

**Price:** \$2 million **FULLY FUNDED** (TWICE the price offered by WPG)

**All other terms IDENTICAL to WPG offer (as disclosed).**

## Preferred operator announced

Marmota is also pleased to announce underground mining specialists, Byrncut Australia Pty Ltd, as preferred contract operator to operate the mine, contingent on Marmota's bid being successful.

- Byrncut are the **existing operator** for Kingsgate of the underground mine at Challenger, and so bring with them unparalleled knowledge and experience of the existing operations.
- Marmota and Byrncut believe that there are **further synergies** to be obtained by Byrncut running both the underground operations *and* the above ground **plant**.

Dr Colin Rose, Marmota's Chairman, said:

“Byrncut are the current operators of the mine and so know the mine intimately. Byrncut are **already there** ... up and running. By utilising Byrncut as operator, a successful Marmota offer will ensure that any mine downtime during the transition of ownership will be minimized: the machinery is there, the staff are there — all already operational. Marmota's offer will minimize unemployment, minimise redundancies, minimize unnecessary costs, minimise any downtime: it is an elegant combination. Add to that the potential of Marmota's Westpoint Hill just 25km to the west, and the attraction of Marmota's offer is easy to see.”

## Why is Marmota offering more?

- Marmota has recently identified a **NEW, LARGE GOLD anomaly** in the Gawler Craton, **just 25km west** of the Challenger gold mine, near Westpoint Hill [ see ASX release: **26 October 2015** ]
- The discovery of the exceptional anomalism at Westpoint Hill closely mirrors how Challenger was discovered.
- Marmota seeks to exploit the potential **synergy** from Westpoint Hill and the Challenger gold mine (just 25km apart) ... a potential uplift that only Marmota is able to offer.<sup>1</sup>

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<sup>1</sup> By contrast, WPG's Tarcoola and Tunkillia tenements are located over 100km away from Challenger — more than 4 times the distance.

## Why an open offer?

*Prior to the announcement* by Kingsgate (30 Oct 2015) of an ‘exclusive option’ to WPG:

- 1) Following a discussion between the chairs of Kingsgate and Marmota, Marmota formally engaged the services of highly respected financial broker, Empire Securities, on 28 October 2015, to act on behalf of Marmota, to purchase Challenger from Kingsgate. The financial broker is well known to Kingsgate, and was responsible for the floats that took Kingsgate from a 10c company to subsequent success.
- 2) Kingsgate Chairman, Ross Smyth-Kirk, advised the broker that Marmota’s interest to acquire Challenger was acknowledged, and had been passed on to Kingsgate CEO, Greg Foulis.
- 3) Empire Securities formally advised Kingsgate that Marmota would better *any* offer on the table. Marmota can do this because, over and above the intrinsic value of Challenger itself, Marmota also has the potential synergy of its new Westpoint Hill prospect just 25km away from Challenger.
- 4) Kingsgate’s letter to the ASX of 4 November 2015 confirms that they *were* formally approached *prior* to Kingsgate entering into an option with WPG.
- 5) Kingsgate did not get back to the broker or Marmota. Instead, it announced on 30 October 2015 that it had entered into an “exclusive option” with WPG for \$25,000 — an option which does not lock in any obligations for Kingsgate or Kingsgate shareholders, but does serve to lock out all other interested parties.
- 6) Nor does the granting of such option on 30 October 2015 negate the fact that Marmota’s offer (to better all other offers) *was made* prior to Kingsgate entering into the option agreement with WPG.

## An invitation to Kingsgate shareholders:

### ... to share in the potential of Westpoint Hill

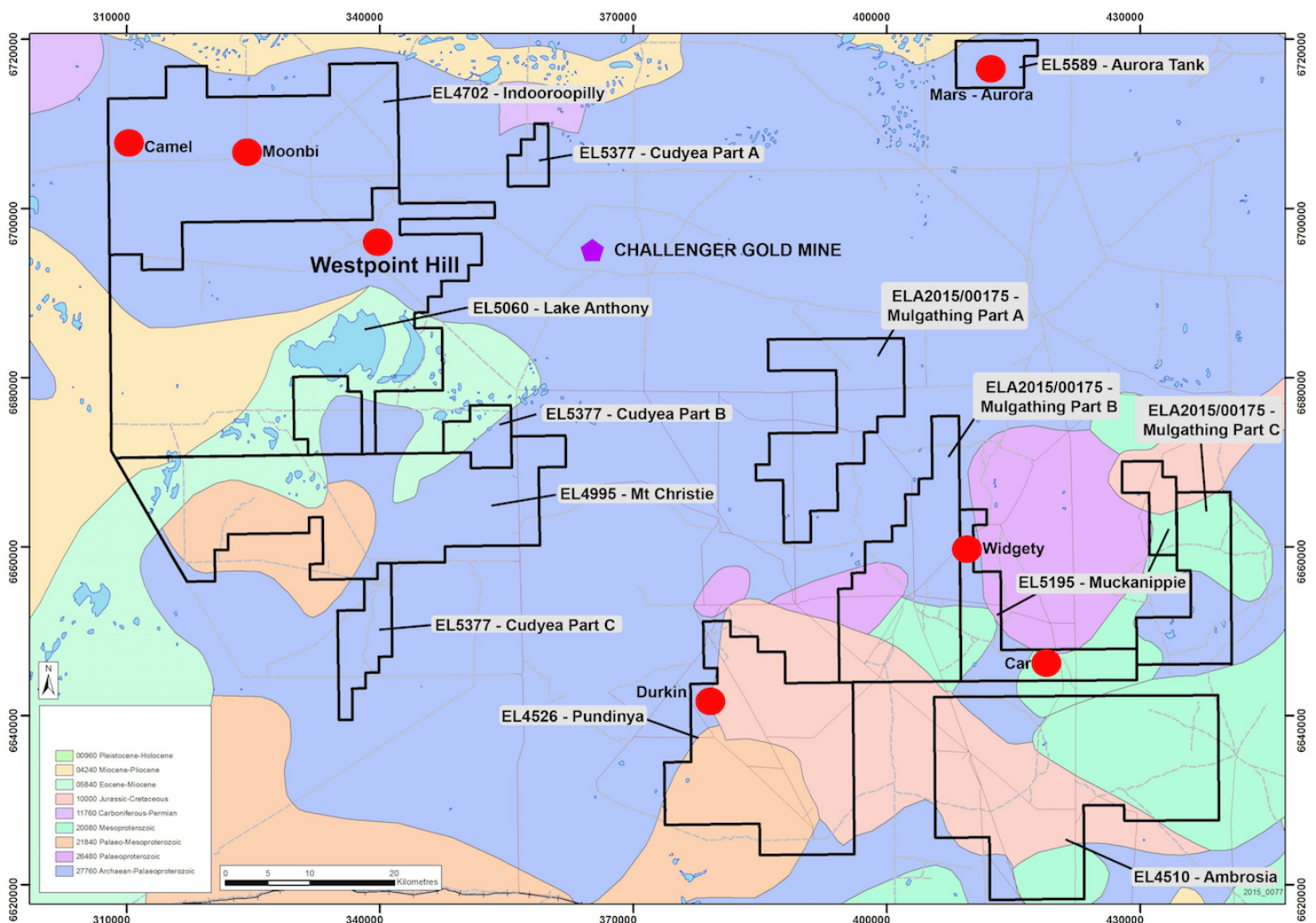
The WPG offer (30 October 2015) provides almost no upside potential to Kingsgate shareholders. Kingsgate has to pay all the costs of putting the mine into care and maintenance (in the millions); Kingsgate receives no payment beyond the initial \$100,000 option and deposit fees until the mine re-opens (if it does); Kingsgate gets **no royalty** from ore from the main Challenger area; **no royalty** from ore from Challenger West; **no royalty** from any ore mined from any of Kingsgate’s surrounding tenements (bundled in deal too); **no royalty** from any ore processed from any neighbouring company’s tenements: the only royalty is \$25 per ounce from the Challenger SSW Zone, should it ever be developed, and even then, only after 30,000 ounces have been produced.

*By contrast*, Marmota is happy to extend to Kingsgate shareholders an invitation to share in the potential of both the Challenger mine (which is, after all, your asset)

and from the potential of Marmota’s exciting new Westpoint Hill discovery of exceptional gold-in-calcrete anomalism, with strong parallels to the discovery of Challenger itself. While Marmota is happy to make a pure cash deal, Marmota is alternatively *also* willing to make a combination cash (minimum \$1m to match WPG offer) + equity offering to Kingsgate shareholders, so that Kingsgate shareholders can join in and benefit from any uplift from a successful rejuvenation of Challenger, and also prosper from the potential of the exceptional anomalism at Marmota’s Westpoint Hill. Either way, in Marmota’s opinion, Marmota’s fully funded offer is unequivocally superior.

### Location of the Westpoint Hill target

Marmota’s Westpoint Hill target is located about 25 km west of the Challenger Gold Mine, in Marmota’s 100% owned Lake Anthony tenement (EL 5060), in the Woomera Prohibited Defence Area, in the highly prospective and significantly underexplored Gawler Craton [see Figure 1].



**Figure 1:** Marmota’s Gawler Craton Gold Project  
**Westpoint Hill is located about 25km west of Challenger**  
 [ The WPG tenements lie outside the map area, to the South East ]

## COMPARISON TO DISCOVERY OF CHALLENGER

### How Challenger was discovered

Challenger was discovered by a calcrete sampling program on a 1.6km x 1.6km grid. This program yielded a stand-out sample point of 180ppb Au, surrounded on all sides by grid points yielding below 10ppb Au [see Figure 2a].

The 180ppb Au point was approximately 400m away from where the Challenger gold deposit was ultimately discovered.

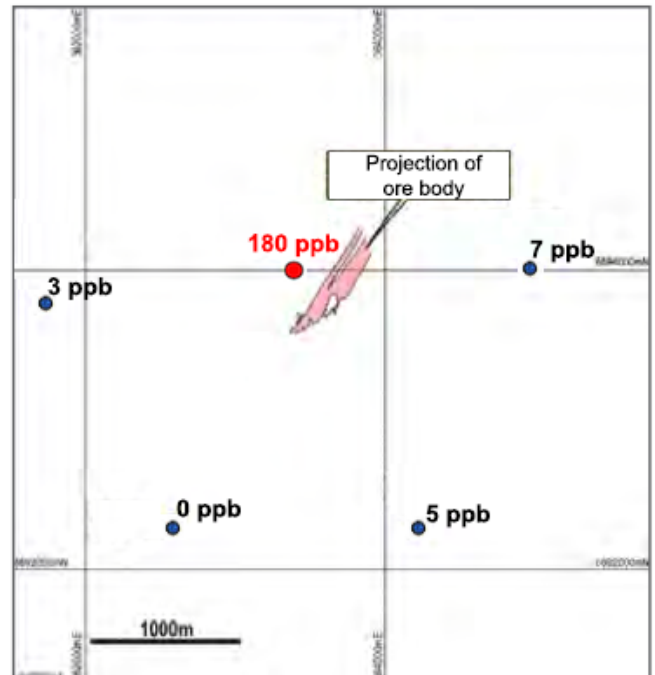


Figure 2a: How Challenger was found: gold-in-calcrete  
Adaptation of diagram from Wills and Edgecombe (2014) <sup>2</sup>

### How the anomaly at Westpoint Hill was found

Marmota has adopted the same calcrete sampling methodology that was used to find Challenger. However, instead of using a coarse 1.6km x 1.6km grid (which can easily miss anomalies), Marmota implemented a 800m x 800m grid at Westpoint Hill.

Like Challenger, highly anomalous gold-in-calcrete samples stand out at Westpoint Hill relative to the surrounding grid [see Figure 2b], including a result of 107ppb Au.

Importantly, the stand-out results at Westpoint Hill cover not just one grid point, but three contiguous grid points, spanning approximately 2km. [ see ASX release: 26 October 2015 ]

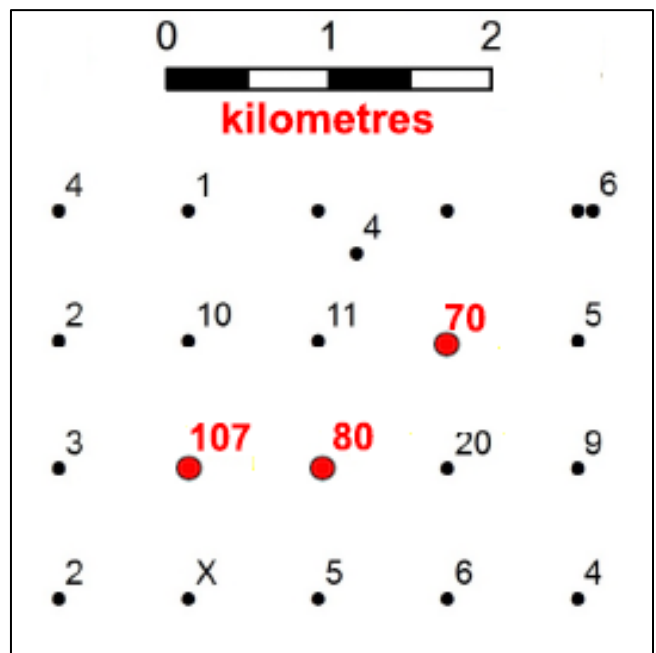


Figure 2b: Anomaly at Westpoint Hill  
(gold-in-calcrete ppb)

<sup>2</sup> Wills, K. and Edgecombe, D. (2014), *Discovery of the Challenger Gold Mine*, Presentation 6 June 2014, Adelaide Conference (South Australia Branch: Australian Institute of Geoscientists).

For further information, please contact:

**Marmota Energy Limited**

**David Williams** Managing Director

Email: [info@marmotaenergy.com.au](mailto:info@marmotaenergy.com.au)

Level 30, Westpac House

91 King William Street

Adelaide SA 5000

ABN: 38 119 270 816

T: (61 8) 7088 4883

F: (61 8) 7088 4884

[www.marmotaenergy.com.au](http://www.marmotaenergy.com.au)

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**About Marmota Energy Limited**

Marmota Energy Limited (ASX: MEU) is a South Australian mining exploration company, focused on gold, copper and uranium. Gold exploration is centred on the Company's dominant tenement holding in the highly prospective and significantly underexplored Gawler Craton, near the Challenger gold mine, in the Woomera Prohibited Defence Area. The Company's cornerstone copper project is based at the Melton project on the Yorke Peninsula. The Company's largest uranium project is at Junction Dam adjacent to the Honeymoon mine.

For more information, please visit: [www.marmotaenergy.com.au](http://www.marmotaenergy.com.au)