



## Marmota makes \$2m OPEN OFFER for Challenger

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### Open offer to Kingsgate (ASX:KCN) and Kingsgate shareholders

Marmota Energy Limited (ASX: MEU) (“**Marmota**”) is pleased to extend an **OPEN OFFER** to Kingsgate Consolidated Limited (ASX: KCN) (“**Kingsgate**”) and Kingsgate shareholders for the Challenger Gold Mine and related assets, the subject of Kingsgate ASX announcement of Friday 30 October 2015 with WPG Resources Ltd (“**WPG**”).

### Terms of Marmota Offer

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

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

### 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 — a distance so large that practical reality must be acknowledged.

## Why an open offer?

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

- i. Marmota formally engaged the services of a highly respected financial broker 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.
- ii. 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.
- iii. The broker 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 discovery just 25km away from Challenger.
- iv. Kingsgate did not get back to the broker. Instead, it announced on 30 October 2015 that it entered into an "exclusive option" with WPG for \$25,000 for a 'deal' that appears to offer almost no potential uplift to Kingsgate shareholders, and in any event in Marmota's opinion, is unambiguously and unequivocally inferior to Marmota's offer.

## 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; Kingsgate receives no payment whatsoever 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 would like 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. 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) + bonus 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 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].

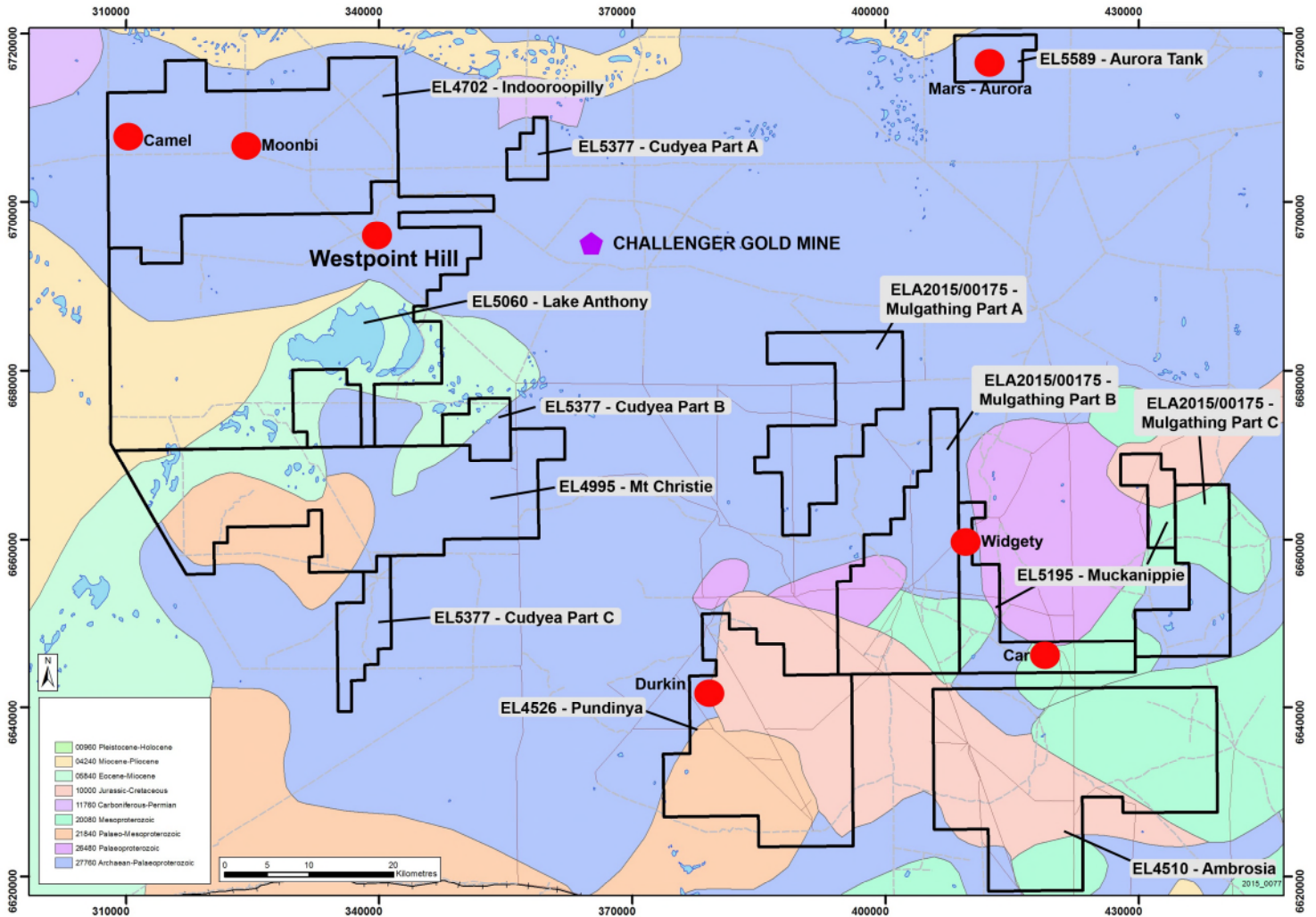


Figure 1: Marmota's Gawler Craton Gold Project  
Westpoint Hill is located about 25km west of Challenger

[ 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.

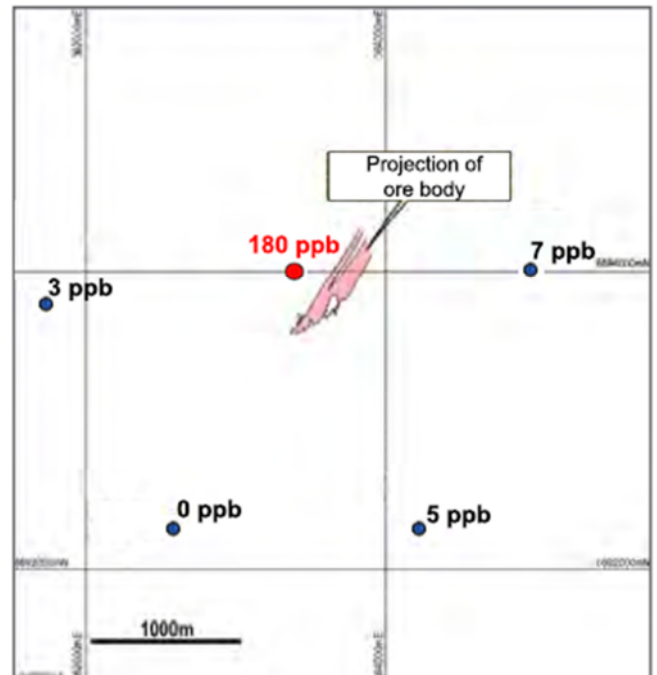


Figure 2a: How Challenger was found: gold-in-calcrete  
Adaptation of diagram from Wills and Edgecombe (2014) <sup>2</sup>

### 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.

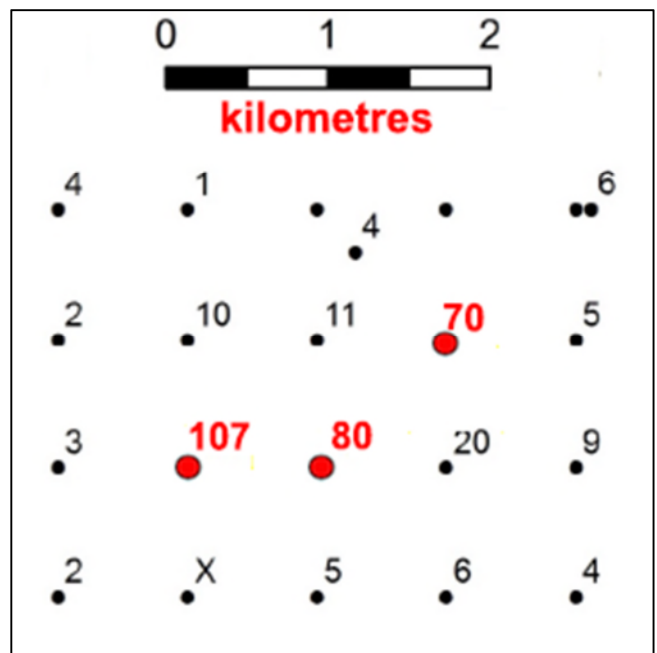


Figure 2b: Anomaly at Westpoint Hill  
(gold-in-calcrete ppb)

<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)