

Iron outcrops targeted for drill testing at the Western Spur iron project in South Australia

- **First stage high resolution geophysical surveys and RC and diamond drilling planned to test two large outcrops containing iron mineralisation at the Western Spur project mid 2012.**
- **Design of high resolution geophysical surveys currently being finalised across target areas.**

Western Spur Iron Project (SA)

(100% Marmota Energy)

Marmota Energy is pleased to announce that it intends to undertake comprehensive geophysical data acquisition and reverse circulation (RC) drilling on its 100% owned Western Spur iron project in South Australia. The program will be designed to confirm the extent and quality of iron mineralisation at depth as described by Western Mining Corporation (WMC) from previous drilling completed in 1981. The program will also test other outcrop zones not previously drilled, but have yielded strong iron results from outcrop sampling completed by the Company in 2011. Results from the program will assist in developing the previously announced exploration target to Inferred Resource status.

Details of the proposed exploration program include:

- Infill sampling program across high priority zone targeted for drill testing.
- High resolution ground gravity throughout an initial 6x2.5 km zone that contains two large outcrops of iron that have been previously sampled by the Company.
- Staged 30 hole RC drilling program augmented with several diamond holes to return good quality drill core to determine mineralisation style.
- Targeted pilot bulk sampling to assist in gaining a better understanding of the iron mineralisation and to commence processing test work to determine what potential product grades can be achieved.

The geophysical acquisition is scheduled to commence in June 2012, the results will be used to complete final drill pattern design with drilling planned to commence in late July 2012.

About the Project

Since the discovery in January 2011 by Marmota of a number of large-scale iron outcrops the Company has completed consecutive sampling programs. Previously announced assays of samples produced grades ranging up to **58.9% Fe**, and **28.07% Mn**. Surface sampling was conducted by Marmota over outcrops and one mine shaft. The Company believes portions of Western Spur's zone of mineralisation remain unexposed, potentially complementing the large scale iron exposures. This is not unusual for iron projects as seen elsewhere that have substantial ore zones but with only limited surface outcrop.

The zone of iron outcrop is located near to major road infrastructure being approximately 13 kilometres from the Moomba gas field arterial road and north east of the rail head located at Leigh Creek (Figure 2).



Figure 1: Example of visible hematite iron outcrop at Western Spur

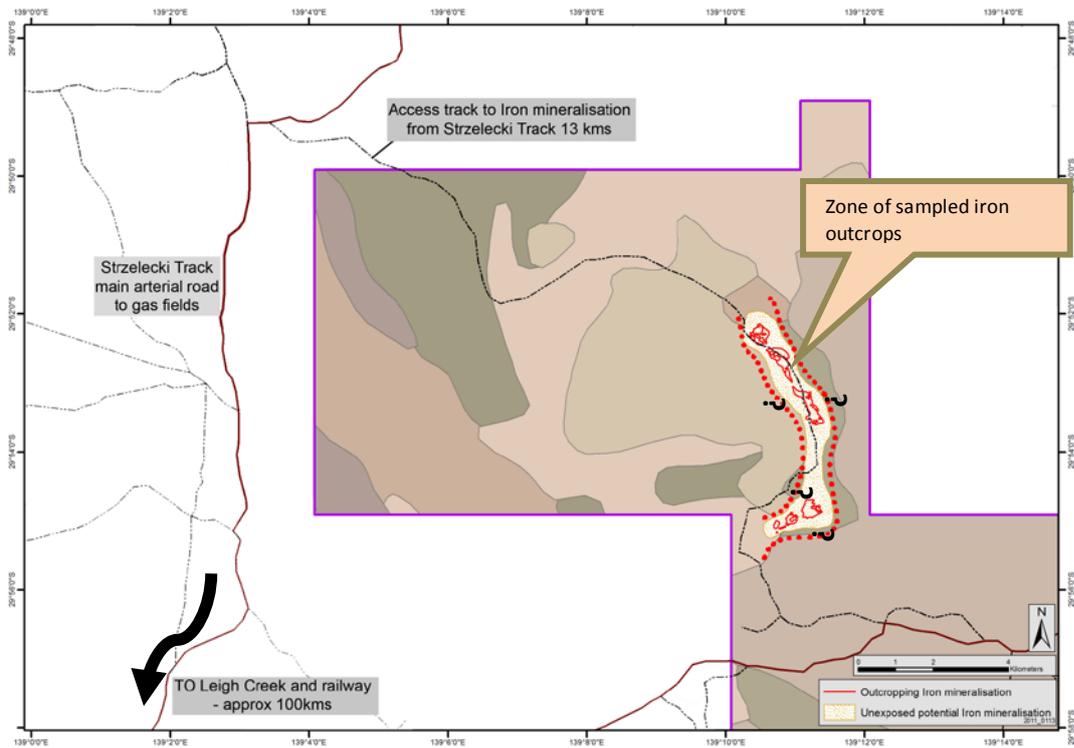


Figure 2: Location of Marmota sampled iron outcrops at Western Spur with potential contiguous zone of unexposed iron mineralisation highlighted by red dashed line.

Based on available data a range of estimated tonnage and grade potential was calculated to provide an iron exploration target for ongoing investigation. A conservative low-end composite figure of 60 million tonnes of iron at a grade range of 50-65% Fe₂O₃ was estimated for three prospects sampled by Marmota during 2011 (Location 1, 4 and 6). Anomalous Fe and Mn in WMC stream sediment samples indicated the possibility that the ironstone at Location 4 and 6 is continuous in between these prospects. Mineralisation potentially extends along strike to the southwest (Figure 5, Location 7 and 8) for about 8km, resulting in a high-end tonnage estimate of 125 million tonnes Fe₂O₃ (Table 1).

Additional information was obtained from previous exploration conducted on the project by Western Mining Corporation (WMC) and other companies. Drilling completed by WMC intercepted significant intervals of massive hematite and siliceous and limonitic ironstone. Intervals of hematite of up to 30 metres were associated with significant intervals of siderite (FeCO₃) achieving intercepts of up to 60 metres thickness. Deleterious elements such as silica and aluminium appear to be within furnace feed tolerance.

Iron ore in siderite is mined elsewhere at the Deveci iron mine in Turkey and Styria, Steirischer Erzberg, in Austria. It is a valuable iron mineral, comprising 48% iron and typically contains no sulphur or phosphorus. The iron in the siderite has not been included in this preliminary estimate of the exploration target, offering further scope for growth. A review is underway to assess the additional mineralisation that may add to a potential deposit.

South Australia iron ore projects comparison table

(Source: PIRSA M20 Information sheet – October 2011)

SA Iron ore project	Type	Size (Mt)	Grade (% Fe)
Iron Chieftain	hematite	18.2	58
Wilgerup	hematite	13.2	57.7
Peculiar Knob	hematite	19.2	64
Warrambo	magnetite	110.5	19.4
Hawks Nest	hematite and magnetite	102.5	37.4
Western Spur (exploration target)	hematite	~60 -125	40 – 59

Table 1: Comparison table of Western Spur with other known iron projects in South Australia

The estimates of exploration target sizes mentioned above should not be misunderstood or misconstrued as estimates of Mineral Resources. The estimates of exploration target sizes are conceptual in nature and there has been insufficient results received from drilling completed to date to estimate a Mineral Resource compliant with the JORC Code (2004) guidelines. Furthermore, it is uncertain if further exploration will result in the determination of a Mineral Resource.

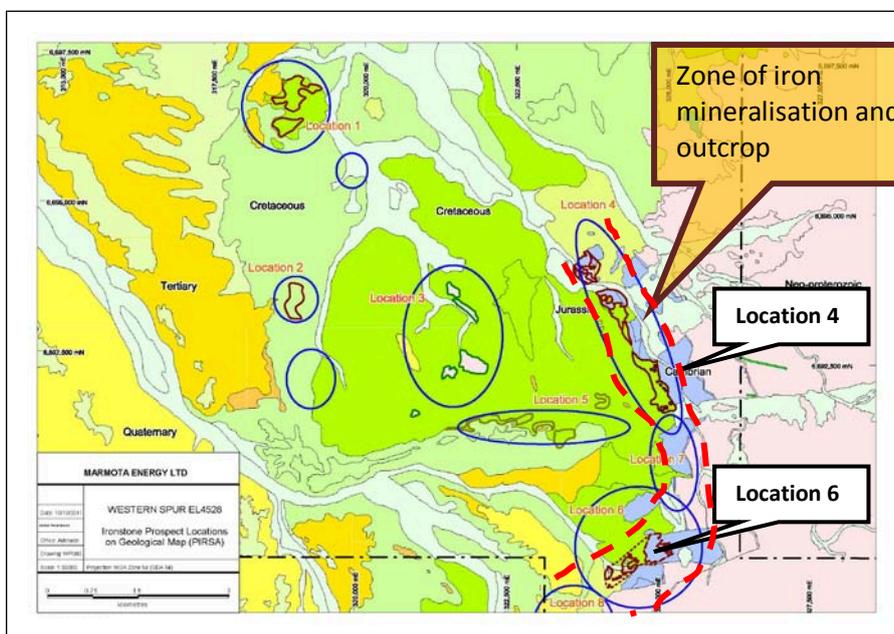


Figure 3: Location of iron outcrops and zones of anomalous iron from previous sampling over geology

First stage drill testing of a high priority target zone containing outcrop at locations 4 and 6 shown in Figure 2 is being planned at Western Spur, with design of high resolution geophysical programs underway. A staged 30 hole program is proposed across these locations which is planned to include several core holes to enable good comparison with the WMC drill logs. Consultation with geophysical contractors is currently underway regarding appropriate survey technique and design.

An Exploration Work Application (EWA) has been submitted to the government regulator for assessment which includes the proposed drilling program. Marmota is following the required regulatory and land access processes to obtain the necessary approvals for drilling of the iron targets.

Further investigation is also underway of previously identified prospective areas at the Joker prospect, as well as Mount Fitton Gold prospect located at the southern area of the Western Spur tenement (Figure 3). The Joker prospect is comprised of lead sulphides and sulphates with minor amounts of silver. Less than two km to the west marks the presence of copper carbonates associated with the Billy Springs Formation. The lead sulphides, sulphates, as well as the copper carbonates are all hosted in north-south trending veins, which in some instances are cross cutting. There are also traces of disseminated sulphides found between the lead and copper anomalous areas.

The Mount Fitton Gold prospect is comprised of quartz hosted anomalous gold. Mineralisation is confined to the Bonney Sandstone, a Precambrian formation underlying the Billy Springs formation of the Joker prospect. This may offer gold and silver prospectivity potential for the project which has not had modern exploration techniques applied to the region.

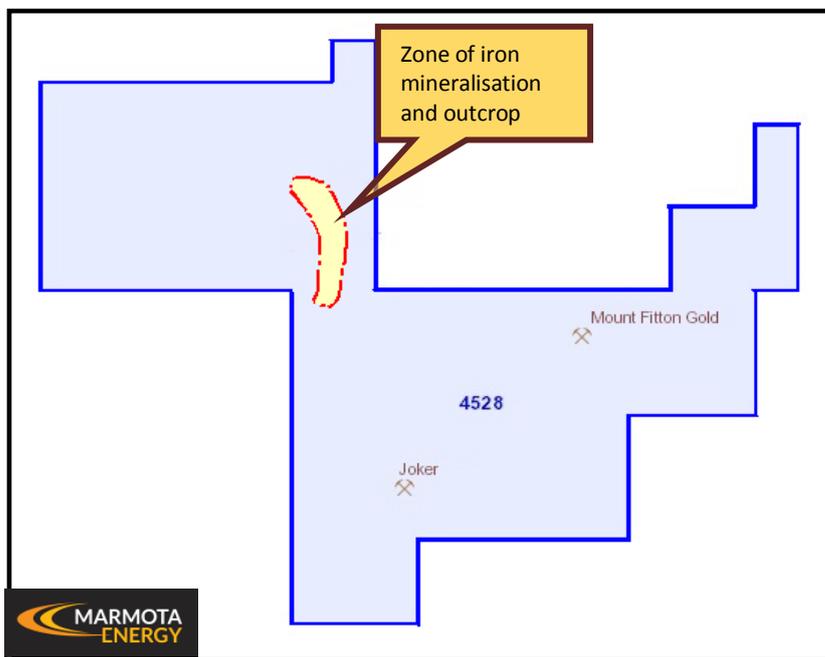


Figure 3: Western Spur tenement with locations of historic gold, copper and silver prospects shown.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves 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 sufficient 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.

Mr Dom Calandro
MANAGING DIRECTOR

16 May 2012