

For Immediate Release
16 May 2012

ASX RELEASE

Announcement of Rights Issue

Marmota Energy Limited (ASX:MEU)(**Company**) is pleased to announce that it will be undertaking a non-renounceable rights issue (**Rights Issue**) to raise approximately \$3 million (before costs) through an offer of up to a maximum of 75,824,745 ordinary fully paid shares (**New Shares**).

The funds raised by the Rights Issue, together with the Company's existing cash reserves, will be utilised for:

- comprehensive exploration drilling of iron targets at the Western Spur iron project (refer to ASX Announcement of today's date for further information on the proposed exploration drilling for this project);
- drill testing of copper targets at the Melton and West Melton copper projects on the Yorke Peninsula, South Australia;
- drill testing of copper-gold targets at the Indooroopilly project which has attracted collaborative PACE funding from the South Australia government for drill testing (refer to ASX Announcement dated 8 May 2012 for further information on the recent award of funds for this project) ; and
- retention lease process works to facilitate field leach trials at the Saffron uranium deposit located on the Junction Dam uranium project near the Honeymoon uranium mine.

The Rights Issue is being offered on the basis of one New Share for every two ordinary fully paid shares (1:2) held in the Company on Friday 25 May 2012 (**Record Date**) at an issue price of 4 cents per share.

Shareholders with an address in Australia or New Zealand on the Company's register at 7:00pm (Adelaide Time) on the Record Date will be eligible to participate in the Rights Issue.

The Rights Issue price reflects a 37% discount to the 30-day volume weighted average price of the Company's shares for the period ending on 15 May 2012.

The directors reserve the right to place the remaining shortfall at their discretion within three months after the close of the offer. Eligible Shareholders' entitlements pursuant to this Rights Issue are non-renounceable and accordingly Eligible Shareholders may:

- Take up their rights in full or in part;
- Do nothing in which case their rights will lapse; or
- Take up their rights in full and apply for additional New Shares.

Full details of the Rights Issue will be set out in a Prospectus that will be lodged by the Company with ASIC and ASX on Thursday 17 May 2012. The shares under the Rights Issue will rank equally with existing ordinary shares on issue.

The proposed timetable for the Rights Issue is as follows:

Event	Date
Announcement of Rights Issue. Appendix 3B lodged	16 May 2012
Prospectus lodged with ASIC and ASX	17 May 2012
Notice sent to Shareholders	18 May 2012
'Ex' Date	21 May 2012
Record Date for determining Shareholders' entitlements	25 May 2012
Despatch of Prospectus and Entitlement & Acceptance Forms to Shareholders, Rights Issue opens	31 May 2012
Closing Date	18 June 2012
Notify ASX of under-subscriptions	21 June 2012
Allotment of securities	26 June 2012
New Shares commence trading on ASX	27 June 2012

There will be no deferred settlement trading.

Subject to the ASX Listing Rules, the Directors reserve the right to extend the Closing Date for the offer at their discretion. Should this occur, the extension will have a consequential effect on the anticipated date of issue for the New Shares. These dates are indicative only.

Existing option holders will need to exercise their options and be a registered holder of shares on 25 May 2012 if they wish to receive an entitlement to participate in the Rights Issue.

The Company has decided that it is unreasonable to make the offer to shareholders who have a registered address in a country outside of Australia or New Zealand, having regard to the number of shareholders in such places, the number and value of the New Shares they would be offered and the substantial costs of complying with the legal and regulatory requirements in those jurisdictions.

If after the Closing Date, all allotted shares have not been subscribed for by eligible shareholders, the Board of the Company intends to seek bids from shareholders, institutions and other prospective investors for the shares comprising the shortfall. Provision will be made for eligible shareholders to make application for additional shares beyond their entitlement on the Entitlement and Acceptance Form, which is expected to be despatched on 31 May 2012.

Yours faithfully,



Dom Calandro
Managing Director
Marmota Energy Ltd