

17 May 2012

ASX ANNOUNCEMENT

RIGHTS ISSUE - LETTER TO OPTIONHOLDERS

Please find attached for release to the market a letter to optionholders in relation to participation in an upcoming non-renounceable rights issue ("Rights Issue") by Marmota Energy Limited (ASX:MEU).

This Letter to Optionholders has been sent to all optionholders.



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17 May 2012

Dear Optionholder,

Participation in non-renounceable rights issue

The purpose of this letter is to give you notice, as a holder of options over unissued shares (**Options**) in Marmota Energy Limited (**Company**), of an upcoming non-renounceable rights issue (**Rights Issue**).

The Company is undertaking a one for two non-renounceable rights issue at an issue price of \$0.04 per share to raise approximately \$3 million (**Offer**). The Company has applied to the ASX for the shares under the Rights Issue to be granted official quotation.

Only shareholders of the Company with an address on the Company's register in Australia or New Zealand at 7:00pm (Adelaide time) on 25 May 2012 (**Record Date**) will be eligible to participate in the Offer.

The directors of the Company reserve their right to issue shortfall shares under the Offer at their discretion within three months after the close of the Offer.

As an optionholder, you do not have any entitlement to participate in the Offer unless your Options are exercised in time for shares to be allotted to you before the Record Date. To ensure that your shares are allotted and issued before the Record Date, your Exercise of Option Forms and relevant payment must be received by the Company no later than 25 May 2012.

Before making a decision whether to exercise your Options or to participate in the Offer, you should seek independent advice from your professional advisor.

Yours Faithfully

A handwritten signature in black ink, appearing to read "V. Suttell", with a horizontal line extending to the right.

Virginia Suttell

Company Secretary

A large, stylized yellow swoosh graphic that starts from the bottom left and curves upwards and to the right, ending near the bottom right of the page.