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Pages 9

5 July 2006

Matter no 81068925

Doc no Melbourne\004839872

Dear Sir/Madam

Takeover announcement

We act for Crosby Capital Partners Inc (**Crosby**).

Please see the attached announcement from Crosby in relation to its intention to make an off-market takeover bid for all of the ordinary shares in Marathon Resources Limited.

Yours faithfully

Freehills

Freehills.

NP
Neil Pathak
Partner

CROSBY

CAPITAL PARTNERS

July 5, 2006

CROSBY CAPITAL PARTNERS INC. ANNOUNCES OFF-MARKET TAKEOVER BID FOR MARATHON RESOURCES LTD (ASX: MTN)

Crosby Capital Partners Inc., a Hong Kong based merchant banking and asset management company ("Crosby"), announced today its intention to make an off-market takeover bid, either on its own or together with a consortium of investors (the "Crosby Group" or the "Bidder") for 100% of the shares in Marathon Resources Ltd ("Marathon" or "the Company").

Under the terms of the bid, the Crosby Group, through a nominee company, will offer to purchase all the ordinary shares of Marathon, including ordinary shares to be issued on the exercise of outstanding options, for A\$0.68 cash per share (the "Bid"). On the basis of the Bid, Marathon is being valued at approximately A\$33.4 million on a fully diluted basis.

The Bid is subject to the conditions set out in Annexure to this announcement.

Benefits of the Bid to Marathon Shareholders

The Crosby Group believes that the acquisition of Marathon provides material benefits to the shareholders of Marathon including:

Liquidity for Marathon Shareholders

Since its listing, the average daily turnover of Marathon shares on the ASX has been very low. The recent precipitous fall in the company's share price has highlighted the fact that the Company's shares have low liquidity and cannot easily be traded.

The Crosby Group's bid will allow Marathon's shareholders to dispose of a large number of shares, and to realise full value for their shares. Such opportunities have been limited to date.

Turnover of Marathon's shares has been:

- a daily average volume of approximately 309,979 Marathon shares or approximately 0.7% of total outstanding shares for the 5 trading days prior to the date of this announcement;
- a daily average volume of approximately 177,426 Marathon shares or approximately 0.4% of total outstanding shares for the 30 trading days prior to the date of this announcement; and

- a daily average volume of approximately 535,600 Marathon shares or approximately 1.2% of total outstanding shares for the 12 months prior to the date of this announcement.

In the absence of the Bid, there is no guarantee that Marathon shareholders would be able to liquidate any material shareholding in Marathon without having an adverse effect on the Marathon share price.

Subject to satisfaction or waiver of the conditions, the Bid provides certainty of value for Marathon's shareholders, by enabling them to achieve an immediate cash exit for all of their shares.

Avoidance of Project Development Risk – and the Uncertainty Related to the Financing of the Projects

Marathon is an exploration company with all its projects still at an extremely early stage of development. At present, there are no proven mineral reserves, although the Company's most advanced project – the Mt Gee project under South Australian Exploration Licence 3258 ("Mt Gee Project") was estimated to contain (according to Marathon's latest ASX announcement on 22 June 2006) an inferred resource of 57 million tonnes of uranium mineralization at an average grade of 0.06% containing approximately 33,000 tonnes of uranium oxide (U_3O_8) ("Inferred Resources Estimates").

It should be noted that Mt. Gee's Inferred Resources Estimates are the lowest confidence category of resource classification and a significant amount of drilling will be required just to bring the resource estimates to a commercially viable status. Any cash flow from development of the Company's projects will be subject to successful advancement of further exploration programs and feasibility, which would likely be several years away. As such, there are substantial development risks associated with advancing the Company's projects, particularly given the significant time and capital requirements.

More importantly, the development risks for Marathon's projects are exacerbated by their future funding requirements, which on the Mt Gee Project alone, would require an amount that is a multiple of the current market capitalisation of the Company. The successful advancement of the Company's projects will substantially hinge on the Company's ability to raise further funding and subsequently secure project financing, which have no clarity and certainty at this stage. Based on a review of Marathon's half year accounts (issued on 16 March 2006) and its Third Quarter Cash Flow Report (issued on 26 April 2006), Crosby's estimate of Marathon's total expenditure to date on exploration and evaluation of its mining tenements is approximately A\$2.4 million. Crosby believes that the amount required to develop the Mt Gee Project alone is expected to be well in excess of A\$150 million.

Given these circumstances, the ability of the Company to successfully advance its projects is by no means certain. The Bid enables the Marathon shareholders to avoid the project risks going forward.

Avoidance of Regulatory Uncertainty

Currently, the Company's tenements and development efforts are primarily concentrated in the exploration for uranium. It is important to note that under policies of the current State

governments in Australia (including South Australia where Marathon's uranium tenements are located), uranium mining is only allowed from the three existing operational mines. While there has recently been increasing debate and speculation over a proposed change in policy such that there may be a possibility of new approvals for uranium mines in Australia being granted in the future, there is no certainty as to whether such policy change will occur, the timing of changes, and if the policy changed and Marathon's uranium tenements proved to be commercially viable, whether approval to commission and operate a mine would eventually be granted to Marathon. As such, the Company faces substantial regulatory uncertainty over the successful development of its uranium projects. The Bid allows Marathon shareholders to eliminate the regulatory risk associated with uranium mining in Australia in exchange for a cash payment now.

Addressing Concentrated Commodity Risk at Near Record High Uranium Prices

While Marathon currently holds some exploration licences for copper, gold and base metals, Marathon's primary focus is on uranium exploration. In this respect Marathon has concentrated commodity risk exposure to uranium prices. Any future potential revenues from the development of the Company's project are likely to be closely linked to world prices for uranium. The ability for the Company to secure financing for future project developments will also be based on world prices for uranium. As such, the Company faces substantial commodity price risk.

It is important to note that uranium prices are currently at record high levels after having risen by more than 500% in the past 5 years from approximately US\$6.75 per pound in 2001 to the current price of approximately US\$45 per pound. There can be no assurance that uranium prices will continue to increase or remain at the current level. Any fall in uranium prices may have a pronounced negative effect on Marathon's share price and fundamentally impact on its ability to fund and undertake further development of its projects.

The Bid offers shareholders the opportunity to sell while uranium prices are high.

Attractive Bid Premium

The Bid represents an attractive premium over the recent and historical market price of Marathon shares. The Bid at A\$0.68 per share represents a premium of approximately:

- 23.6% to the closing price of Marathon shares quoted on the Australian Stock Exchange ("ASX") on 5 July 2006 of A\$0.55 per share;
- 28.8% to the average price of Marathon shares quoted on the ASX of approximately A\$0.53 per share for the 5 trading days prior to the date of this announcement;
- 10.3% to the average price of Marathon shares quoted on the ASX of approximately A\$0.62 per share for the 30 trading days prior to the date of this announcement;
- 7.6% to the average price of Marathon shares quoted on the ASX of approximately A\$0.63 per share for the 12 months prior to the date of this announcement; and

- 25.5% to the average price of Marathon shares quoted on the ASX of approximately A\$0.54 per share since the Company listed on the ASX on 17 March 2005.

The Crosby Group believes its offer delivers a substantial and appealing premium to the shareholders of Marathon. In the absence of a superior offer, the Bid represents the best opportunity for Marathon shareholders to realise immediate and certain value.

The Crosby Group is able to offer a premium to Marathon shareholders given the Crosby Group's ability to leverage its financial expertise, fund raising capabilities and experience in the natural resources sector.

If the Bid does not proceed, and no other competing bidder emerges, it is likely that Marathon shares would trade at substantial discount to the Bid price.

Summary of Benefits for Marathon Shareholders

In summary, the Bid offers Marathon shareholders the opportunity to realise the value of their investments in Marathon in cash at a substantial premium to the current market price.

To reiterate, Marathon shareholders are currently bearing significant risks from their investments in Marathon. These include:

- project development risk and significant capital and funding required;
- regulatory uncertainty over uranium mining approval in Australia;
- concentrated commodity price risk relating to uranium prices;
- uncertainty over management's capability to advance and develop the projects; and,
- lack of liquidity in Marathon shares.

Subject to satisfaction or waiver of the conditions, the Bid allows Marathon shareholders to effectively transfer such risks to the Crosby Group and realise a substantial premium in cash for their investments.

Media enquiries

For further details on this announcement, please contact:

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Background of Crosby Capital Partners Inc.

Crosby Capital Partners Inc. is listed on the Alternative Investment Market of the London Stock Exchange (Stock Code: CSB LN) and is a leading independent, deal-focused, Asia-oriented merchant banking and asset management group.

For further information visit: www.crosby.com

ANNEXURE

Outline of Conditions of the Bid

The Bid to be made for all ordinary shares in Marathon will be subject to conditions substantially as set out below.

a) Minimum acceptance

During, or at the end of, the period for which the Bid remains open ("Offer Period"), the Bidder and its associates together have relevant interests in at least 90% of the Marathon ordinary shares.

b) Options

Either all options have been exercised or cancelled, or during or at the end of the Offer Period, the Crosby Group is entitled to compulsorily acquire all outstanding options.

c) Regulatory Approvals

Before the end of the Offer Period, the Bidder receives all regulatory approvals or consents in relation to the acquisition of 100% of Marathon and its subsidiaries on an unconditional basis and/or all required regulatory waiting periods have expired.

d) No Material Adverse Change

Before the end of the Offer Period, no event, change or condition occurs, is announced or becomes known to the Bidder (whether or not it becomes public) where that event, change or condition has had, or could reasonably be expected to have, either individually or in aggregate with all such events, changes or conditions, a material adverse effect:

- (i) on the business, assets, liabilities, financial or trading position, profitability or prospects of Marathon and its subsidiaries, taken as a whole; or
- (ii) on the status or terms of arrangements entered into by Marathon and its subsidiaries, or on the status or terms of any approvals, licenses or permits from relevant regulatory or governmental or private entities applicable to Marathon or its subsidiaries,

except to the extent that such events, changes and conditions have been publicly announced by Marathon or otherwise disclosed in public filings by Marathon or any of its subsidiaries prior to the date of this announcement ("Announcement Date").

e) Exploration Licences

- (i) None of the exploration licences or other mining tenements in which Marathon or any of its related bodies corporate holds an interest as at the

Announcement Date (including without limitation South Australian Exploration Licence 3258, relating to the Mt Gee Project) ("Marathon Tenements") expire or are otherwise terminated during period between the Announcement Date and the end the Offer Period or, if due to expire during that period, are renewed or extended before the end of the Offer Period.

- (ii) Marathon and its related bodies corporate do not take (or fail to take) any action during the period between the Announcement Date and the end of the Offer Period which would cause any Marathon Tenement which can be renewed in accordance with its terms to become incapable of renewal.

f) No Prescribed Occurrences

No prescribed occurrences (being the occurrences listed in section 652C of the Corporations Act 2001 (Cth)) occurring in relation to Marathon or its subsidiaries during the period from the Announcement Date to the date which is three business days after the end of the Offer Period (other than an issue of shares on the exercise of Marathon options on issue at the date of this announcement).

g) No Inaccurate Public Information

Bidder does not become aware, during the period from the date of this announcement to the end of the Offer Period (each inclusive), that any document filed by or announcement made on behalf of Marathon, or by or on behalf of any person in relation to Marathon, with ASX, ASIC or anywhere in the public domain, contains a statement which is incorrect or misleading in any material way or from which there is a material omission.

h) Cooperation and Access to Information

- (i) At all times from the date of this announcement to the end of the Offer Period, Marathon shall provide the Bidder with all access and information which the Bidder may from time to time reasonably request, whether or not such information is generally available (within the meaning of the Corporations Act), relating to Marathon or any of its subsidiaries, or their respective assets or business operations (including but not limited to access to all of Marathon's mining assets and operations, including site visits by the Crosby Group personnel or advisors appointed by the Crosby Group). For the purposes of this condition, a request by the Crosby Group will be deemed to be reasonable if it is for: (1) information which a reasonable bidder in the position of Crosby Group would reasonably require in order to make an informed assessment of the business, financial or trading position, assets or liabilities, profitability or prospects of Marathon or any of its subsidiaries; or (2) information which has been provided by Marathon or its associates to any other bidder or potential bidder for Marathon (whether by takeover, scheme or other proposals likely to lead to a change of control of Marathon or Marathon's, or its subsidiaries', assets).

- (ii) Without limiting the general nature of paragraph (h)(i), an independent expert nominated by the Bidder and approved by Marathon (acting

reasonably) is provided by Marathon with all access and information requested by that independent expert for the purpose of confirming the Inferred Resource Estimates for the Mt Gee Project as announced by Marathon on 22 June 2006 and that independent expert provides a report confirming that the Inferred Resource Estimates (including the assumptions underlying those estimates) are reasonable or otherwise justifiable in the view of the independent expert.

i) No Change of Control Rights

No person having any rights, being entitled to have any rights, alleging an entitlement, or expressing or announcing any intention (in all cases whether subject to conditions or not), as a result of any change of control event in respect of Marathon (including the Crosby Group acquiring shares in Marathon) or any of its subsidiaries or assets, to:

- terminate or alter any contracts between any person and Marathon or any of its subsidiaries (for this purpose an alteration includes without limitation an alteration of the operation of a contract, whether or not that altered operation is provided for under the existing terms of the contract);
- require the termination, modification or disposal (or offer to dispose) of any interest in any asset, exploration licence, corporate body, joint venture or other entity; or
- accelerate or adversely modify the performance of any obligations of Marathon or any of its subsidiaries under any agreements, contracts or other legal arrangements.

j) No Legal Proceedings

From the Announcement Date to the end of the Offer Period, no litigation or arbitration proceedings being commenced, instituted or threatened against Marathon or any of its subsidiaries, which are material in the context of Marathon's operations as a whole.

k) Fall in Index

At any time during the Offer Period, the ASX 200 Index not falling below 4,000 on any trading day.

l) No Acquisitions and Disposals

During the period commencing on the date of this announcement and ending at the end of the Offer Period, neither Marathon nor any of its subsidiaries, other than in the ordinary course of its business:

- acquiring or agreeing to acquire a substantial business, asset or undertaking, or is subjected to a substantial new liability; or

- disposing of, or agreeing to dispose of, a substantial business, asset or undertaking; or
- announcing the occurrence of any of these things or its intention to do or cause any of these things.

The above is an outline only. The full terms of these conditions will be set out in the Bidder's Statement.