

# Freehills

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**To** Company Announcements  
Australian Stock Exchange  
Limited  
Fax 1900 999 279

**Pages** 92

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15 August 2006

Matter no 81068925

Doc no Melbourne:004857939

## **Takeover bid by Buttermere Australia Pty Limited (ACN 120 663 710) for Marathon Resources Limited**

We act for Buttermere Australia Pty Limited (**Buttermere**) in relation to its off-market takeover bid under Chapter 6 of the Corporations Act 2001 (Cth) (the **Corporations Act**) for all the ordinary shares in Marathon Resources Limited (**Marathon**).

We attach, by way of service pursuant to item 5 of subsection 633(1) of the Corporations Act 2001 (Cth), a copy of Buttermere's bidder's statement.

In addition, by way of service pursuant to subsection 633(4) of the Corporations Act, we attach a notice confirming the people to whom information is to be sent under items 6 and 12 of subsection 633(1) of the Corporations Act.

Yours faithfully

Freehills



Neil Pathak  
Partner

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**Buttermere Australia Pty Limited ACN 120 663 710****Company Notice – paragraph 633(4)(a) Corporations Act****Notice of people to whom information is to be sent under items 6 and 12 of subsection 633(1) of the Corporations Act**

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**To: Australian Stock Exchange Limited**

In accordance with paragraph 633(4)(a) of the Corporations Act 2001 (Cth) (the **Corporations Act**), Buttermere Australia Pty Limited ACN 120 663 710 (**Buttermere**) has set 5.00pm (Melbourne time) on 21 August 2006 as the time and date for determining the people to whom information is to be sent under items 6 and 12 of subsection 633(1) of the Corporations Act in relation to its off-market takeover bid for all of the ordinary shares in Marathon Resources Limited ACN 107 531 822, as described in its bidder's statement dated 15 August 2006.

**Date:** 15 August 2006

Signed for and on behalf of Buttermere Australia Pty Limited by:



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Bhagyesh Dash

Director

This is an important document and requires your immediate attention.  
If you are in any doubt about how to deal with this document, you should contact your broker,  
financial adviser or legal adviser immediately.

## **Bidder's Statement**

containing an Offer by

**Buttermere Australia Pty Limited ACN 120 663 710**

(a wholly-owned subsidiary of Crosby Capital Partners Inc.)

to purchase all of your ordinary shares in

**Marathon Resources Limited ABN 31 107 531 822**

**("Marathon")**

**For each ordinary share in Marathon,  
you will receive  
\$0.68 cash\***

\* Subject to satisfaction or waiver of the conditions to the Offer

This Offer is dated [●] 2006 and will close at 7:00pm (Sydney time) on [●] 2006, unless extended.

Key dates	
Date of this Bidder's Statement	15 August 2006
Date of Offer	[●] 2006
Offer closes (unless extended or withdrawn)	7:00 pm (Sydney time) on [●] 2006]
Key Contacts	
Share registrar for the Offer	
Link Market Services Limited Level 12, 680 George Street, Sydney NSW 2000, Australia	

### Important information

This document is a Bidder's Statement and is issued by Buttermere Australia Pty Limited ACN 120 663 710 (**Buttermere**) in accordance with Chapter 6 of the Corporations Act.

A copy of this Bidder's Statement was lodged with the Australian Securities and Investments Commission (ASIC). Neither ASIC, nor any of its officers, take any responsibility for the content of this Bidder's Statement.

### Investment advice

This Bidder's Statement constitutes only general advice and does not take into account your individual investment objectives, financial situation or particular needs. It does not contain personal advice. Buttermere encourages you to seek independent financial and taxation advice before making a decision whether to accept the Offer.

### Disclaimer as to forward-looking statements

Some of the statements appearing in this Bidder's Statement may be in the nature of forward-looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Marathon operates, as well as general economic conditions, prevailing exchange rates and interest rates, conditions in the financial markets and geopolitical events. Actual events or results may differ materially from the events or results expressed or implied in any forward-looking statement. None of Buttermere, the officers of Buttermere, any persons named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement, except to the extent required by law. Buttermere cautions you not to place undue reliance on any forward-looking statement. The forward-looking statements in this Bidder's Statement reflect views held only as at the date of this Bidder's Statement.

### Defined terms

A number of defined terms are used in this Bidder's Statement. Unless the contrary intention appears, the context requires otherwise or words are defined in section 10 of this Bidder's

Statement, words and phrases in this Bidder's Statement have the same meaning and interpretations as in the Corporations Act.

# Buttermere Australia Pty Limited

## ACN 120 663 710

15 August 2006

Dear Marathon Shareholder,

### **Takeover Bid for Marathon Resources Limited (Marathon)**

I am pleased to enclose an offer by Buttermere Australia Pty Limited (**Buttermere**), to acquire all of your shares in Marathon (**the Offer**).

Buttermere is a wholly owned subsidiary of Crosby Capital Partners Inc. (**Crosby**), which has been established to make the Offer.

**The Offer is \$0.68 cash for every share that you hold in Marathon and values Marathon at approximately \$33.4 million on a fully diluted basis. This represents a 23.6% premium to the market value of Marathon before Crosby's announcement of its intention to make a takeover bid on 6 July 2006.**

We believe that our Offer is full and fair and represents the best opportunity for Marathon shareholders to receive a certain, attractive cash return for an investment that carries significant risks moving forward. In Buttermere's view, Marathon has failed to maximise the potential of its exploration tenements and has therefore failed to deliver value to its shareholders since its Initial Public Offering in 2005.

In evaluating the Offer, we encourage you to consider the following:

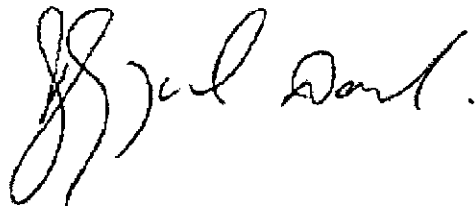
- Marathon's projects are at an extremely early stage of development with even its most advanced project, the Mt. Gee project, several years away from possible commercialisation.
- A significant amount of capital and management expertise is required to unlock the full potential of Marathon's Assets and this appears very unlikely given that:
  - Buttermere does not believe that Marathon's existing management team has demonstrated that it has the necessary expertise to develop a mining project and in particular a uranium project, which involves environmental and regulatory issues that are significantly more complex when compared with other mining projects
  - Marathon's small market capitalisation and unproven capacity to raise funds will be a significant hurdle to raising capital on commercially acceptable terms
- Failure to obtain adequate and appropriate financing on a timely basis and lack of management expertise is likely to force Marathon to either postpone its development plans, or terminate or joint venture its interest in some or all of its tenements on terms that are extremely dilutive and unfavourable to current shareholders, as evidenced by the recent joint venture agreements executed with UraniumSA Ltd on 1 August 2006.

For all the above reasons we believe that if the Offer does not proceed, Marathon shareholders will face an uncertain future with limited potential upside. By accepting Buttermere's Offer, you

are transferring all risks associated with the future development of Marathon's assets to Buttermere in return for an attractive and certain cash return.

On behalf of Buttermere, I encourage you to carefully read the details of our Offer.

Sincerely,

A handwritten signature in black ink, appearing to read "Bhagyesh Dash". The signature is fluid and cursive, with the first name being more prominent.

**Bhagyesh Dash**

**Director, Buttermere Australia Pty Limited**

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## Why you should accept the Offer



### An Attractive Premium

The Offer represents an attractive premium over the historical market price of Marathon Shares. The Offer at A\$0.68 per share represents a premium of approximately:

- 23.6% to the closing price of Marathon Shares quoted on ASX on 5 July 2006 of \$0.55 per share;
- 28.8% to the average closing price of Marathon Shares quoted on the ASX of approximately \$0.53 per share for the 5 trading days prior to the Announcement Date;
- 10.3% to the average closing price of Marathon Shares quoted on the ASX of approximately \$0.62 per share for the 30 trading days prior to the Announcement Date; and
- 25.5% to the average closing price of Marathon Shares quoted on the ASX of approximately \$0.54 per share since Marathon listed on the ASX on 17 March 2005.

The Offer will allow Marathon's shareholders to dispose of a large number of shares at an appealing premium to the Marathon Share price prior to the Announcement Date.

Whilst as of 14 August 2006 (being the day before the date of this Bidder's Statement) Marathon Shares were trading at prices slightly above the Offer price, Buttermere believes that this is a reaction to Buttermere's takeover announcement.

If the Offer does not proceed, and no other competing bidder emerges, the current Marathon Share price may not be sustainable and is likely to fall below the Offer price. Further, given the low average daily turnover of Marathon Shares there is no guarantee that Marathon shareholders would be able to liquidate any material shareholding in Marathon without having an adverse effect on Marathon's Share price.

Subject to satisfaction or waiver of the conditions, the Offer provides certainty of value for Marathon's shareholders by enabling them to not only achieve an immediate cash exit for all their shares, but also to do so without incurring any brokerage charges.



## Avoidance of Project Development Risk

Marathon's projects are all at an extremely early stage of development with only one project, the Mt. Gee project, actually having any identified resources. According to Marathon's ASX announcement on 27 July 2006, Mt. Gee has an inferred resource of 57 million tonnes of uranium mineralisation at an average grade of 0.06% containing approximately 33,200 tonnes of uranium oxide.

It should be noted that inferred resources are the lowest confidence category of resource classification and a significant amount of work needs to be undertaken to determine the commercial viability of the Mt. Gee project. Accordingly, it is likely to be several years before commercial operations at Mt. Gee may commence.

Successful commercialisation of the Mt. Gee project requires a combination of a number of things:

- a successful exploration and development program
- a strong and capable management team with the appropriate mix of specific skills – from geology, metallurgy, engineering and construction through to project finance
- significant amount of capital
- regulatory approvals, which will require a change in current government policy
- compliance with environmental and native title regulation

A successful exploration program involves a high degree of risk that increases substantially, particularly when the projects are at an early stage of exploration, which is the case with the Mt. Gee project. A strong, capable and appropriately skilled and experienced management team will contribute greatly to the success of the exploration program and the eventual development of the project, but this is something that, in Buttermere's view, Marathon severely lacks. As far as Buttermere is aware, Marathon's existing management team has only 2 full time executives, neither of whom has any experience in developing a successful uranium project. This lack of management expertise jeopardises the future prospects of the project and the likelihood of Marathon shareholders realising any value greater than the value ascribed to Marathon by the Offer.

By accepting the Offer, Marathon shareholders will be able to ensure certainty of their share value and avoid the project development risks going forward.



## Avoidance of Future Funding Uncertainties

Given the early stage of development of its projects, Marathon will require a significant amount of capital to advance its projects from their current exploratory stage to eventual commercialisation.

Buttermere believes that the Mt. Gee project alone will require in excess of \$150 million which is several multiples of the current market capitalisation of Marathon and its cash balance as of 30 June 2006 of approximately \$4.2 million.

Failure to secure appropriate funding on a timely basis is likely to force Marathon to either postpone its development plans, or terminate or joint venture its interest in some or all of its tenements any of which will not maximise shareholder value.

Marathon's funding constraints have been clearly demonstrated by its recently announced conditional joint venture arrangement with UraniumSA in relation to 3 of its exploration tenements. The arrangement is conditional upon UraniumSA successfully raising funds through an initial public offering and will dilute Marathon by as much as 70% in relation to uranium resources on one tenement and all mineral resources in relation to 2 other tenements. It is unclear from Marathon's announcements what the precise details or value of the consideration (in UraniumSA shares) Marathon is to receive for its foregone interest in its tenements.

Buttermere is certain that the future development of Marathon's Mt. Gee project will necessitate Marathon entering into similar dilutive and conditional commercial arrangements with third parties that will not be in the best interests of Marathon's shareholders.

The Offer allows Marathon shareholders to eliminate the risk associated with future funding uncertainties in exchange for a cash payment now.



### **Avoidance of Regulatory Uncertainty**

Currently, Marathon's tenements and development efforts are primarily concentrated in the exploration for uranium. It is important to note that under current policies of the State Labor 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 that such a policy change will occur, the timing of any such 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, Marathon faces substantial regulatory uncertainty over the successful development of its uranium projects.

The Offer allows Marathon shareholders to eliminate the regulatory risk associated with uranium mining in Australia in exchange for a cash payment now.

## **Conclusion**

The Offer represents a unique opportunity for Marathon shareholders to exit their investment at an attractive premium without any risks whatsoever and without any brokerage fees.

If you choose not to accept the Offer and Marathon remains a listed company, there is no certainty of dividends or capital returns at any time for Marathon shareholders given the exploration and regulatory risks associated with the Marathon projects and the management and financial limitations of Marathon. Furthermore, brokerage fees may be payable if you choose to sell your Marathon Shares on the share market.

## 1 Summary of the Offer and How to Accept It

<b>What Buttermere is offering to buy</b>	<p>Buttermere is offering to buy all Marathon Shares, including Marathon Shares that are issued on the conversion of any Marathon Options, on the terms set out in this Bidder's Statement.</p> <p>You may only accept this Offer in respect of all the Marathon Shares held by you.</p>
<b>What you will receive if you accept the Offer</b>	<p>If you accept the Offer you will receive \$0.68 cash for each of Your Shares, subject to the satisfaction or waiver of the conditions to the Offer.</p>
<b>When you will be paid</b>	<p>If you accept the Offer and the Offer is, or becomes, unconditional, you will be paid on the earlier of:</p> <ul style="list-style-type: none"> <li>• one month after you accept the Offer, or the Offer goes unconditional (whichever is the later), and</li> <li>• the date which is 21 days after the Offer closes.</li> </ul> <p>Full details of when payments will be made are set out in section 9.6 of this Bidder's Statement.</p>
<b>No brokerage on acceptances</b>	<p>You will not pay brokerage if you accept the Offer. Any such costs will be borne by Buttermere.</p>
<b>Close of the Offer</b>	<p>The Offer closes at 7:00pm (Sydney time) on [●] 2006, unless it is extended under the Corporations Act.</p>
<b>Conditions</b>	<p>The Offer is subject to the following conditions:</p> <ul style="list-style-type: none"> <li>• 90% minimum acceptance;</li> <li>• all Marathon Options being exercised or cancelled or, in the alternative, Buttermere being entitled to compulsorily acquire all Options outstanding during or at the end of the Offer Period;</li> <li>• all necessary regulatory approvals and consents in relation to acquisition of 100% of Marathon and its subsidiaries on an unconditional basis;</li> <li>• no material adverse change from the Announcement Date;</li> <li>• none of the exploration licences or mining tenements have expired or have been terminated or if due to expire, are renewed or extended;</li> <li>• no prescribed occurrences;</li> <li>• no inaccurate public information and Marathon's board confirming that Marathon has no knowledge that published information is inaccurate;</li> </ul>

- Marathon providing Buttermere with all access and information which Buttermere may from time to time reasonably request, including but not limited to, access and information requested by an independent expert nominated by Buttermere and approved by Marathon (acting reasonably) for the purpose of confirming the Inferred Resources Estimates for the Mt Gee Project;
- no change of control rights;
- no material legal proceedings being commenced, instituted or threatened against Marathon or any of its subsidiaries;
- at any time during the Offer Period, the ASX 200 Index not falling below 4,000 on any trading day; and
- no substantial acquisitions or disposals other than in the ordinary course of business.

Full terms of the conditions are set out in section 9.7 of this Bidder's Statement.

**What happens if the conditions of the Offer are not satisfied or waived**

If the conditions of the Offer are not satisfied or waived by the closing date, the Offer will lapse.

**Treatment of Marathon Options**

Marathon Option holders whose Options are converted into Marathon Shares during the Offer Period will be able to accept the Offer in respect of the Marathon Shares which they are issued.

Further details in relation to the treatment of Marathon Options are set out in sections 4.8 and 8.1.

**How do you accept the Offer**

You may only accept the Offer for all your Marathon Shares.

**Issuer sponsored shareholders**

If your Marathon Shares are held on Marathon's issuer sponsored sub register (such holdings will be evidenced by an "I" appearing next to your holder number on the enclosed Acceptance Form), to accept this Offer, you must complete and sign the Acceptance Form enclosed with this Bidder's Statement and return it to the address indicated on the form so that it is received before the Offer closes.

**CHESS sponsored shareholders**

If your Marathon Shares are in a CHESS Holding (such holdings will be evidenced by an "X" appearing next to your holder number on the enclosed Acceptance Form), you may accept the Offer by either:

- completing and signing the Acceptance Form enclosed with this booklet and returning it to the address indicated on the form so that it is received before the Offer closes; or
- calling your broker and instructing your broker to accept the Offer on your behalf,

before the Offer closes.

### **Participants**

If you are a Participant, acceptance of this Offer must be initiated in accordance with rule 14.14 of the ASTC Settlement Rules before the Offer closes.

Full details on how to accept the Offer are set out in section 9.3 of this Bidder's Statement.

### **Can you accept the Offer for part of your holdings**

No. You can only accept for all of your holding. Your acceptance of the Offer will be treated as being for all your Marathon Shares plus any additional Marathon Shares registered as held by you at the date your acceptance is processed.

### **What if you are a foreign shareholder**

Foreign shareholders will receive the same cash consideration as stipulated under the Offer. However, the tax implications under the Offer for those foreign shareholders may be different from those relating to Australian resident shareholders.

### **What happens if you do not accept the Offer**

You will remain a Marathon shareholder and will not receive the cash consideration under the Offer. If Buttermere becomes entitled to compulsorily acquire your Marathon Shares, it intends to proceed with the compulsory acquisition. If your Marathon Shares are compulsorily acquired by Buttermere, it will be on the same terms (including the same consideration for each Marathon Share acquired) as the Offer.

### **Important notice**

The information in this section 1 is a **summary only** of Buttermere's Offer and is qualified by the detailed information set out elsewhere in this Bidder's Statement.

You should read the entire Bidder's Statement and the Target's Statement that Marathon will be sending to you, before deciding whether to accept the Offer.

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## 2 Information on Buttermere and the Crosby Group

### 2.1 Overview of Buttermere and its principal activities

The bidder under the Offer is Buttermere, a wholly-owned subsidiary of Crosby. Buttermere was incorporated in July 2006 and has not undertaken any business other than making the Takeover Bid.

Brief profiles of the directors of Buttermere as at the date of this Bidder's Statement are as follows:

- **Mr Bhagyesh Dash** – Mr. Dash is a Managing Director of Crosby Capital Partners in Singapore and a member of Crosby's natural resources and energy team. Mr. Dash joined Crosby in 2002 and has worked on most of Crosby's mining and energy related deals including the takeover bids for Novus Petroleum and Tethyan Copper Company.

Prior to joining Crosby, Mr. Dash was a Director with Triton Advisory, a corporate finance advisory firm based in Indonesia focused on mergers and acquisitions advisory work in the natural resources sector. Whilst at Triton, he was involved in the privatization of PT. Timah (at the time the world's largest tin mining company), PT. Aneka Tambang (state owned nickel and gold producer) and PT. Bukit Asam (one of Indonesia's largest coal producers). He was also involved in advising investors on the acquisition of various coal mining companies including Kaltim Prima Coal, Arutmin, Adaro Coal and Berau Coal all of whom are amongst the 5 largest coal producers in Indonesia.

Mr. Dash has a Bachelors degree in Economics from The London School of Economics and Political Science, U.K.

- **Mr Paul McPhee** – Mr McPhee is currently the Chief Executive Officer of ACIRL Pty Ltd, Australia's leading provider of analytical and coal technology services to the black coal industry. He is also a Director of Navitas Pty Ltd, a company which he founded in August 2003 to offer consultancy services in the areas of energy marketing, procurement and trading of physical and derivative products, market development, risk management, structured deals, business development and training.

Prior to establishing Navitas Pty Ltd, Mr McPhee held senior business development and marketing positions with various multi-national energy and mining companies (including American Electric Power, BHP Billiton and Rio Tinto) between 1989 and 2003, focusing primarily on the development of Asia Pacific energy markets. He is currently based in Brisbane, Australia.

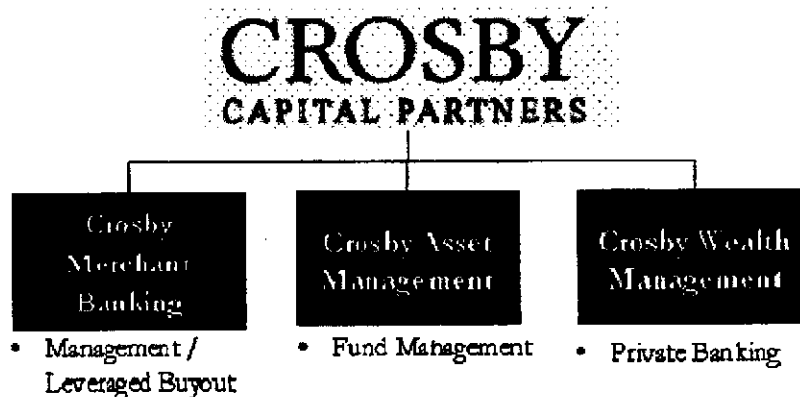
### 2.2 Overview of Crosby and its principal activities

#### 2.2.1 Principal activities

Crosby is a leading independent, deal-focused, Asia-oriented merchant banking and asset management group. Crosby has dual headquarters in London and Hong Kong, and offices across Asia, and is quoted on the London Stock Exchange's

Alternative Investment Market (AIM). As at the close of business on 11 August 2006, Crosby had a market capitalisation of approximately US\$326 million.

The following chart shows the various types of activities in which Crosby is engaged.



Crosby operates businesses across Asia with a presence in London, China and Hong Kong, Singapore, Pakistan, and representation in the Philippines. Crosby's clients include large blue chip investors and various governments across the Asia Pacific region.

Crosby's merchant banking division focuses on principal investments and buy-out transactions primarily in the Asia-Pacific regions and in particular, the natural resources sector.

The fund management division which includes asset management and wealth management manage a range of asset classes, ranging from venture capital, private equity, stocks and bonds and other alternate investment classes and advise high net worth individuals. The current assets under management rose to over US\$1 billion at the end of 2005 from US\$400 million at the end of 2004. Clients include the Government of Korea and the Hong Kong Government, and fund types include buy-out funds, debt funds and venture capital funds.

Crosby through its merchant banking activities also owns a variety of oil and gas assets in its own right. These include a 24% share holding in JASDAQ-listed IB Daiwa Corporation (**IB Daiwa**) and via its subsidiary, a 7.4% effective interest in AIM-listed Indago Petroleum Limited (**Indago Petroleum**).

## 2.2.2 Financials

For the financial year ended 31 December 2005, Crosby generated total income of US\$150.7 million which represented a 173% increase from the US\$55.2 million generated in 2004. Profit after taxation rose to US\$125.3 million in 2005 from US\$38.7 million in 2004. Total equity and equity attributable to shareholders were US\$170.7 million and US\$150.8 million respectively, both increasing by over 200% when compared with 2004.

For the first six months of 2006, Crosby's total income was US\$86.1 million and profit after taxation was US\$66.4 million. Crosby had cash and bank balances of US\$18.9 million and net current assets of US\$237.2 million. Total equity and

equity attributable to shareholders was US\$239.1 million and US\$223.1 million respectively.

### 2.2.3 Ownership

Crosby is owned and controlled by Techpacific Capital Limited (**Techpacific**). Techpacific is a Hong Kong-based merchant banking and private equity fund management group listed on the Growth Enterprise Market (GEM) of the Hong Kong Stock Exchange and acts as the holding company for the Techpacific group of companies. Techpacific is primarily owned by directors and employees of Crosby who own approximately 38.5% of Techpacific. The remaining shares are held by the public.

Techpacific carries on the businesses of merchant banking, asset management, venture capital fund management and direct investments. Techpacific's venture capital fund management business involves the management of a technology focused venture capital fund e.g., the Hong Kong SAR government's Applied Research Fund (commitments of US\$32 million).

### 2.2.4 Regulatory and Legal Compliance

Crosby is currently regulated in its markets in Asia by the Securities and Futures Commission of Hong Kong, the Monetary Authority of Singapore and the Securities and Exchange Commission of Pakistan. Since Crosby's parent company, Techpacific, is listed on the Hong Kong Stock Exchange (on GEM), Crosby is also subject to the authority of this exchange.

In the United Kingdom, Crosby is subject to the regulation and oversight of the Financial Services Authority as well as the London Stock Exchange by virtue of its listing on AIM.

Crosby is currently in good standing with these regulatory authorities, as well as in its jurisdictions of incorporation.

### 2.2.5 Board Members and Senior Executives

The directors of Crosby are:

- **Simon Fry** - Mr Fry became the Chief Executive Officer of Crosby in June 2003.

Between 1994-2000, Mr Fry worked for Nomura where he was a Managing Director and European Board member as well as a member of Nomura's Risk Committee and Credit Committee.

Mr Fry initiated and built Nomura's Asset Investment Group, whose focus was to create specific product and strategy groups within it to invest in mis-priced and undervalued credit and equity exposures.

During this period, Mr Fry was also responsible for Nomura's highly regarded International Markets Division. This division was responsible for all the capital market activity in equity, fixed income and derivatives as well as the fixed income primary origination.

From 1980, Mr Fry worked at Credit Suisse First Boston (CSFB) for 14 years trading a variety of securities including both fixed income and equities. From 1990, Mr Fry developed CSFB's Asset Trading Group, and as Managing Director built a team that generated significant returns over a number of years for CSFB.

Mr Fry is a non executive member of the board of directors of JASDAQ-listed, IB Daiwa.

- **Robert Owen** - Mr Owen is the Non-Executive Chairman of Crosby, and has over 35 years' experience in the financial services industry. Since 1992, he has held senior positions in the Asian operations of Nomura Group, as well as being a director of Sunday Communications Limited, the International Securities Consultancy Limited and various other enterprises.

From 1993-96 he was a council member of Lloyds of London.

In 1988, Mr Owen became the Advisor on Securities Markets to implement extensive reforms to the Hong Kong securities and futures regulatory system, which resulted in the establishment of the Securities and Futures Commission (SFC). In 1989 he became the first Chairman of the SFC, where he served until 1992. He is currently a member of the Regulatory Council of the Dubai International Finance Centre and a Non-Executive Director of the Singapore Stock Exchange.

Mr Owen is also non-executive Chairman of the JASDAQ-listed, IB Daiwa.

- **Ilyas Khan** – Mr Khan is the Group Managing Director responsible for the merchant banking activities of Crosby and is based in Hong Kong. Mr Khan is also the Chairman and a director of Techpacific, the ultimate holding company of Crosby, which he founded in December 1998.

Prior to December 1998 Mr Khan was a senior member of the management team and a Managing Director of Nomura, responsible for a regional (non-Japan Asia) investment banking and fixed income businesses, where he worked closely with Simon Fry (the CEO of Crosby).

Mr Khan has more than 20 years' corporate finance and investment banking experience with financial institutions such as Citicorp, UBS and Schroders. At Citicorp and UBS, Mr Khan initiated, built, and then managed regional corporate finance and capital market businesses in Asia.

- **Stuart Westwater** – Mr Westwater is an independent non-executive director of Crosby. Mr Westwater began his career with Citibank in 1973 where he became treasurer for the Netherlands. He was recruited in 1981 by Bank of America as senior vice president responsible for its North American foreign exchange and Eurodollar trading operation. Mr Westwater left Bank of America in 1996 and became associated with Gulf International Bank, Lazard Brothers and the United Bank of Kuwait PLC in various capacities, capitalising on his extensive knowledge of the Middle Eastern private and public sectors. At present, Mr Westwater is chairman of the Mauritius Mayur Fund, which manages funds of a Middle East-based government institution for investment in India and Asia.
- **Peter Moss** – Mr Moss is an independent non-executive director of Crosby. Mr Moss has over 26 years of experience in the financial markets,

the last 19 of which have been in London. He has held senior positions with firms including Dresdner Kleinwort Wasserstein, Donaldson Lufkin & Jenrette, Commerzbank and Christopher Street Capital, a division of GFI Group Inc., with particular emphasis on product sales to hedge funds involved in risk and capital structure arbitrage. He is currently a Director of Osmium Capital Management, a Bermuda-based hedge fund.

The key executives with responsibility for the Crosby Group's operations are:

- **Chief Executive** – Simon Fry (profile as given above).
- **Group Managing Director – Merchant Banking** – Ilyas Khan (profile as given above).
- **Group Managing Director – Asset Management** – Johnny Chan directs the strategic development of Crosby's asset management businesses and leads the origination of various innovative products in this area.

Mr Chan has over 20 years of experience of corporate finance and investment banking in leading global financial institutions. In 1999, he was a Managing Director of Bear Stearns Asia Limited. Prior to that, he was an Executive Director at UBS. At UBS and Bear Stearns, Mr Chan was responsible for a number of innovative capital market and corporate finance transactions, including several landmark deals for Chinese issuers.

Mr Chan is based in Hong Kong and is also a director of Techpacific, and the principal portfolio manager for the Hong Kong government's Applied Research Fund.

Mr Chan is an Executive Director of the Crosby managed, and JASDAQ-listed, IB Daiwa.

- **Chief Financial Officer** – Martin Angus joined Crosby in 2003 as its Chief Financial Officer based in Hong Kong. Mr Angus is also the Chief Financial Officer of Techpacific.

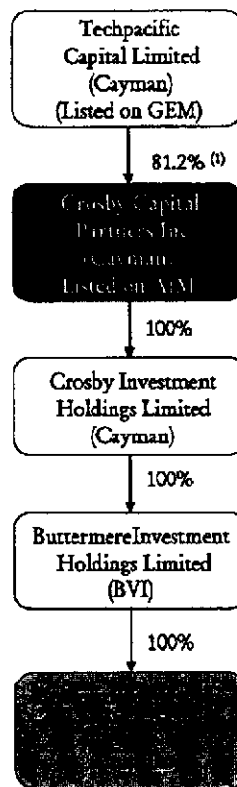
Mr Angus has over 18 years of experience in the investment and financial sectors. For nine years, Mr Angus was involved in public practice with KPMG, split between London and Hong Kong, and for five years he worked with a significant private investment group with a substantial and diversified investment portfolio with a focus on alternative asset classes. Mr Angus is a member of the Institute of Chartered Accountants of England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants.

- **Chief Operating Officer** – Steve Fletcher joined Crosby in 2006 as its Chief Operating Officer based in London. Mr Fletcher has 20 years of investment banking and management consultancy experience. Most recently, he was Chief Operating Officer of Nomura's International Markets Division where he worked alongside both Simon Fry and Ilyas Khan. Prior to joining Nomura in 1996, Mr Fletcher worked with Mr Fry at Credit Suisse First Boston for seven years.

Further information about Crosby can be obtained from [www.crosby.com](http://www.crosby.com).

### 2.3 Relationship between Buttermere and Crosby

The relationship between Buttermere and Crosby is shown in the diagram below:



Note:

1. Based on Crosby's current issued share capital of 242,675,000. If Techpacific's current outstanding US\$20 million convertible bonds are exercised (exchangeable for Crosby shares owned by Techpacific), Techpacific's shareholding in Crosby will reduce to approximately 76.5%.

Buttermere is a wholly-owned subsidiary of Buttermere Investment Holdings Limited (**Buttermere BVI**), a company domiciled in the British Virgin Islands.

Crosby Investment Holdings Limited (**CIH**) is incorporated in the Cayman Islands and is a wholly owned subsidiary of Crosby. Crosby is currently 81.2% owned by Techpacific.

### 2.4 Announcement by Buttermere and the Crosby Group in relation to the Offer

On 6 July 2006, Crosby made a public announcement to the ASX in relation to the Offer. A copy of that announcement is contained in Annexure A of this Bidder's Statement.

On 3 August 2006, Crosby made a media announcement in response to the announcement made by Marathon regarding its Gawler Craton – Kingoonya Paleochannel joint venture with UraniumSA Ltd (**UraniumSA**). A copy of Crosby's media announcement is contained in Annexure A of this Bidder's Statement.

In the media announcement, Crosby highlighted the following:

- The nature of the proposed joint venture with UraniumSA reinforces Crosby's view highlighted in Crosby's bid announcement that Marathon lacks the management and financial capability to advance and develop its projects and thereby maximise value for its shareholders;
- Without the necessary management and financial capability to develop its projects, Marathon is compelled to seek out conditional arrangements such as the one with UraniumSA, which may in fact be extremely disadvantageous to Marathon Shareholders given the significant dilution of its interests in, and apparent loss of operational and day-to-day control over, certain exploration tenements;
- If Marathon remains as a public listed company, Marathon shareholders may be subjected to similar dilutive, conditional and uncertain arrangements for the other tenements that Marathon controls including its primary asset, the Mt Gee Project, which may not be in the best interest of shareholders; and
- The Offer gives Marathon shareholders the opportunity to eliminate their exposure to these matters and cash in their shareholdings at a substantial premium to the pre-announcement Marathon share price.

In addition, Crosby's media announcement noted that Crosby would have expected Marathon's ASX announcement on 1 August 2006 to have disclosed more detail on UraniumSA and its management and financial capability, as well as details on the material terms of the joint venture agreements, such as:

- the expected timing of the UraniumSA initial public offering and the amount it plans to raise;
- the UraniumSA offer structure (including pricing and the number of shares to be offered);
- the percentage shareholding in UraniumSA that Marathon will receive in consideration for entering into the agreements; and
- the extent of the Marathon Shareholders' participation entitlements.

The Offer is subject to a condition that Marathon does not, other than in the ordinary course of business, acquire or dispose of (or enter into or announce any agreement for the acquisition or disposal of) any asset or business or exploration licence. That condition is set out in full in section 9.7.12.

Buttermere is concerned that the transaction announced by Marathon on 1 August 2006 may constitute a breach of that condition. However, Buttermere is unable to properly determine whether the condition has been breached, and if breached the effect of such breach on Marathon, until Marathon discloses the missing information outlined above.

Until that information has been disclosed, Buttermere is not able to advise whether or not it considers the condition breached and, if it has been breached, whether or not Buttermere intends to rely on that condition.

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### **3 Information on Marathon and the Marathon Group**

#### **3.1 Disclaimer**

The following information on Marathon and the Marathon Group has been prepared by Buttermere based on publicly available information.

Information in this Bidder's Statement concerning Marathon's business has not been independently verified. Accordingly, Buttermere does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Further information relating to Marathon's business may be included in Marathon's target statement which Marathon must provide to its shareholders in response to this Bidder's Statement.

#### **3.2 Overview of Marathon and its principal activities**

Listed on the ASX on 17 March 2005, Marathon is an Australian mineral exploration company with a portfolio of prospective copper, gold, and uranium exploration tenements in South Australia and Western Victoria.

The Company's current primary focus is to advance its Mt Gee Project covered under South Australian Exploration Licence 3258. The Mt Gee Project is estimated to contain an inferred resource of 57 million tonnes of uranium mineralisation at an average grade of 0.06% containing approximately 33,200 tonnes of uranium oxide ( $U_3O_8$ ).

#### **3.3 Directors**

As at the date of this Bidder's Statement, there are five directors of Marathon:

- Mr Peter Williams (Non-Executive Chairman);
- Dr John Santich (Chief Executive Officer);
- Dr Wieslaw Bogacz (Executive Director);
- Mr William Latimer (Non-Executive Director); and
- Mr Stuart Appleyard (Non-Executive Director).

Profiles of Marathon's directors are contained in Marathon's website at [www.marathonresources.com.au](http://www.marathonresources.com.au), as well as Marathon's annual report for the year ended 30 June 2005, a copy of which can be found on Marathon's website.

#### **3.4 Publicly available information on Marathon**

Marathon is listed on the ASX and is obliged to comply with the continuous disclosure requirements of the ASX.

On 25 October 2005, Marathon released its final audited results in respect of the financial year ended 30 June 2005 on the ASX.

On 16 March 2006, Marathon released its audit-reviewed financial report in respect of the half-year ended 31 December 2005 to the ASX. A copy of this report is attached as Annexure B to this Bidder's Statement.

A description of each announcement made by Marathon to ASX between the Announcement Date and the date of this Bidder's Statement is set out in Annexure C of this Bidder's Statement. Copies of these announcements can be obtained from the ASX website at [www.asx.com.au](http://www.asx.com.au).

Further information on Marathon may also be obtained from Marathon's website at [www.marathonresources.com.au](http://www.marathonresources.com.au).

### **3.5 Announcement by Marathon in relation to the Offer**

On 6 July 2006 and 12 July 2006, Marathon made public announcements on the ASX in relation to the Offer. Copies of those announcements are contained in Annexure D of this Bidder's Statement.

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## **4 Information on Marathon securities**

### **4.1 Disclaimer**

The following information on Marathon securities has been prepared by Buttermere based on publicly available information.

Information in this Bidder's Statement concerning Marathon's securities has not been independently verified. Accordingly Buttermere does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Further information relating to Marathon's securities may be included in Marathon's target statement which Marathon must provide to its shareholders in response to this Bidder's Statement.

### **4.2 Marathon's issued securities**

According to documents provided by Marathon to the ASX, as at the date of this Bidder's Statement, Marathon's issued securities consisted of:

- 43,345,395 Marathon Shares (including 5,167,500 escrowed shares restricted from dealing until 15 March 2007 pursuant to the Listing Rules of the ASX); and
- 5,825,000 Marathon Options.

### **4.3 Marathon Share and Option Plans**

According to documents provided by Marathon to ASX, as at the date of this Bidder's Statement, the only share or option plan currently in operation is the Company's Employees Share Option Plan established to assist in the attraction, retention and motivation of employees or officers of the Company. All employees (full and part-time) and consultants will be eligible to participate in the Plan after a qualifying period of 6 months' employment (or, in the case of a consultant, having provided consulting services on a continuous basis for at least 6 months). The allocation of options to each employee, officer or consultant is in the discretion of the Board. If permitted by the Board, options may be issued to an employee's, officer's or consultant's nominee (for example, a spouse or family company).

Each option is to subscribe for one fully paid ordinary share in the Company and will expire 5 years from its date of issue. Shares issued as a result of the exercise of options will rank equally with the Company's previously issued shares. An option is exercisable at any time from its date of issue. Options will be issued free. The exercise price of the options shall be 90% of the volume-weighted average price at which Marathon Shares traded on the ASX over the five days prior to the grant date, unless otherwise agreed by the Board in conformity with the Listing Rules. The total number of shares the subject of options issued under the Plan, when aggregated with issues during the previous five years pursuant to the Plan, must not exceed 10% of the Company's issued share capital.

All Options issued under the Employee Share Option Plan may be exercised in the event of, among other things, a takeover bid being publicly announced in respect of the shares in Marathon.

As at the date of this Bidder's Statement, 360,000 Options had been granted pursuant to the Employee Share Option Plan (**Employee Options**).

#### 4.4 Marathon Options

According to documents provided by Marathon to ASX, Options issued by Marathon since Marathon's listing on ASX on 17 March 2005 have been issued under the Employee Share Option Plan pursuant, in the case of each issue of Options, to specific terms and conditions determined by the board of Marathon.

In addition to the 360,000 Options issued under the Employee Share Option Plan after the Company's listing on the ASX, according to documents provided by Marathon to ASX, Marathon also has, as at the date of this Bidder's Statement, a further 5,465,000 Options on issue. So far as Buttermere is aware, these Options were issued prior to the Company's listing on the ASX. None of these 5,465,000 Options were issued pursuant to the current option plan. These Options comprise:

- 5,265,000 Options exercisable at 20 cents and expiring on 30 June 2009 (**Escrowed Options**). Pursuant to the Listing Rules, the Escrowed Options are restricted from being exercised until 15 March 2007.
- 200,000 Options exercisable at 20 cents and expiring on 30 June 2009 (**Non-escrowed Options**).

So far as is known to Buttermere, the exercise prices and expiry dates for the Marathon Options on issue as at the date of this Bidder's Statement are as follows:

Escrowed Options	5,265,000	20c	30/06/2009
Non-escrowed Options	200,000	20c	30/06/2009
Employee Options	200,000	20c	30/06/2010
Employee Options	160,000	45c	30/06/2010
<b>Total</b>	<b>5,825,000</b>		

#### 4.5 Interests in Marathon securities

As at the date of this Bidder's Statement, Buttermere's voting power and relevant interest in Marathon was nil.

As at the date of the Offer, Buttermere has [●] voting power and [●] relevant interest in Marathon.

#### 4.6 Dealings in Shares and Options

Neither Buttermere nor any associate of Buttermere has provided, or agreed to provide, consideration for Shares or Options under any purchase or agreement during the four months before the date of this Bidder's Statement.

[Neither Buttermere nor any associate of Buttermere has provided, or agreed to provide, consideration for Shares or Options under any purchase or agreement

during the period starting on the date of this Bidder's statement and ending on the date immediately before the date of the Offer.]

#### **4.7 Recent share price performance of Marathon**

The latest recorded sale price of Marathon Shares on ASX 1 day prior to the Announcement Date was \$0.55 per share.

On 14 August 2006, the latest recorded sale price of Marathon Shares on ASX before the date on which this Bidder's Statement was lodged with ASIC was \$0.715 per share.

#### **4.8 Offer extends to new Marathon Shares issued following exercise of the Options**

The Offer extends to Marathon Shares that are issued on the exercise of Marathon Options during the period from the Register Date to the end of the Offer Period.

#### **4.9 Compulsory Purchase**

If Buttermere and its associates have relevant interests in at least 90% of the Marathon Shares during, or at the end of the Offer Period, Buttermere will give a notice of compulsory acquisition to all outstanding Marathon shareholders, even if the Marathon Shares to which those notices relate are issued:

- after the Offer closes but before the notices are given (pursuant to paragraph 661A(4)(b) of the Corporations Act); or
- on exercise of Marathon Options, up to six weeks after the notices are given (pursuant to paragraph 661A(4)(c) of the Corporations Act).

If not all of the Marathon Options are acquired by Buttermere or cancelled pursuant to agreements or other arrangements, and Buttermere is entitled to compulsorily acquire any outstanding Shares, Buttermere presently intends to seek to compulsorily acquire or cancel any outstanding Options pursuant to Part 6A.2 of the Corporations Act (although it reserves the right not to do so).

#### **4.10 No pre-Offer benefits**

During the period of four months before the date of this Bidder's Statement, neither Buttermere nor any associate of Buttermere gave, or offered to give, or agreed to give a benefit to another person which was likely to induce the other person, or an associate of the other person, to:

- accept the Offer; or
- dispose of Marathon Shares,

and which is not offered to all holders of Marathon Shares under the Offer.

#### **4.11 No escalation agreements**

Neither Buttermere nor any associate of Buttermere has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

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## 5 Sources of cash consideration

### 5.1 Total cash consideration

The consideration for the acquisition of the Shares to which the Offer relates will be satisfied wholly in cash.

If acceptances are received for all Shares on issue as at the date of this Bidder's Statement, the amount of cash that Buttermere would be required to pay under the Offer would be approximately \$29.5 million.

In addition, if holders of all Options on issue as at the date of this Bidder's Statement exercise those Options and accept the Offer in respect of the Shares issued to them, an additional amount of approximately \$4.0 million will be payable by Buttermere under the Offer.

Accordingly, the maximum amount that Buttermere could be required to pay under the Offer is approximately \$33.4 million.

### 5.2 Sources of cash consideration

Buttermere has arranged the necessary funding to pay the maximum amount that Buttermere could be required to pay under the Offer and Buttermere's costs (together the **Acquisition Costs**).

These Acquisition Costs will be made available to Buttermere by means of the funding arrangements by Crosby described below.

#### (a) Funding arrangements between Crosby and Buttermere BVI

Crosby has entered into a funding agreement with Buttermere BVI under which Crosby, through CIH, has agreed to loan to Buttermere BVI, such funds as are necessary to fund the total cash consideration required to satisfy Buttermere's obligations under the Offer, together with amounts required to cover all transaction costs associated with the Offer. There are no restrictions to the availability of the funds save that:

- they will only be available in respect of a drawdown notice given before 31 December 2006, and
- availability of the funds is conditional on Buttermere and its associates acquiring a relevant interest in at least 90% (by number) of Marathon Shares.

Under the terms of the funding agreement, subject to satisfaction of these conditions, Buttermere BVI can ensure that CIH makes funds available to Buttermere BVI before Buttermere BVI is required to pay any sums to Buttermere under the arrangements described in section 5.2(b) below.

Crosby has confirmed that it has sufficient financial resources to fulfil its obligations to provide the maximum funds required under the funding arrangements described in this section 5.2. As at 30 June 2006, the Crosby Group has internal cash reserves of approximately US\$18.9 million. In addition to cash balances, the Crosby Group has a portfolio of listed marketable securities which includes shares in JASDAQ-listed IB Daiwa and AIM-listed Indago Petroleum. These marketable securities have a combined market value, based on market

prices as at the close of business on 11 August 2006, of approximately US\$158.85 million. As such, Crosby has financial resources significantly in excess of the maximum amount payable under the Offer, which can be made available to Buttermere BVI (and in turn to Buttermere as described in section 5.2(b) below) to fulfil the cash consideration required under the Offer.

**(b) Funding arrangements between Buttermere BVI and Buttermere**

Buttermere BVI, which holds the entire issued capital of Buttermere, has entered into a subscription agreement with Buttermere under which Buttermere BVI has agreed to provide to Buttermere, by way of equity funding, such funds as may be required by Buttermere:

- to pay the consideration payable by it for any Marathon Shares it acquires under the Offer, any separate offer made to acquire Marathon Options or the compulsory acquisition of any Marathon Shares or Marathon Options, and
- to pay associated transaction costs, and any other costs relating to the Offer, any separate offer made to acquire Marathon Options or the compulsory acquisition of any Marathon Shares or Marathon Options.

There are no outstanding conditions precedent to the availability of the funds under the subscription agreement other than:

- they will only be available in respect of a subscription notice given before 31 December 2006, and
- availability of the funds is conditional on Buttermere and its associates acquiring a relevant interest in at least 90% (by number) of Marathon Shares.

Under the terms of the subscription agreement Buttermere can ensure that Buttermere BVI makes funds available to Buttermere before Buttermere is required to pay for any Marathon Shares under the Offer.

The funds that Buttermere BVI will provide to Buttermere under the subscription agreement will be sourced from funds available to Buttermere BVI as described in section 5.2(a).

### **5.3 No hedging**

There are no hedging arrangements in place for movements in exchange rates in respect of the arrangements described in this section 5. Notwithstanding, Buttermere expects the funds available under those arrangements to be sufficient to fulfil the requirements under the Offer, even in the event of a material adverse movement in exchange rates.

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## **6 Bidder's intentions in relation to Marathon**

### **6.1 Introduction**

This section sets out Buttermere's intentions in relation to the following:

- the continuation of the business of Marathon,
- any major changes to the business of Marathon and any redeployment of Marathon's Assets, and
- the future employment of the present employees of Marathon.

These intentions are based on the information concerning Marathon, its business and the general business environment which is known to Buttermere at the time of preparing this Bidder's Statement. Final decisions will only be reached by Buttermere in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this section are statements of current intention only and accordingly may vary as new information becomes available or circumstances change.

The articulation and formulation of Buttermere's intentions are necessarily limited by virtue of the fact that it has only had access to publicly available information about Marathon and its affairs.

Buttermere's intentions set out in this Bidder's Statement have been approved by, and also reflect the intentions of Crosby.

### **6.2 Intentions upon acquisition of 90% or more of Marathon Shares**

Without limiting the comments in section 6.1, this section 6.2 describes Buttermere's specific intentions if Buttermere and its associates acquire a relevant interest in 90% or more (by number) of the Shares, and so becomes entitled to proceed to compulsory acquisition of the outstanding Shares in accordance with Part 6A.1 of the Corporations Act.

In that circumstance, Buttermere's current intentions are as follows:

#### **6.2.1 General strategic review**

Buttermere has not had access to all information necessary to determine the current status of Marathon's projects and the financial and other resources required in connection with the development of these projects.

It is a condition of the Offer that Marathon provides Buttermere with all access and information relating to Marathon which Buttermere reasonably requests (including without limitation site visits and access to all of Marathon's exploration assets, operations, databases). This condition is set out in full at section 9.7.8.

Buttermere intends to send to Marathon shortly after the date of this Bidder's Statement a written request for information it considers necessary to conduct a broad based review of Marathon's operations, on a strategic, operational and financial level, to determine (amongst other things):

- The accuracy and understanding of the facts, information and circumstances concerning Marathon's activities, Marathon's Assets and employees;
- how best to optimise Marathon's Assets and resources to further develop Marathon's business;
- the level of capital currently deployed in connection with Marathon's projects;
- the likely level of capital required to be deployed in connection with exploration drilling, feasibility studies and development of Marathon's projects in the short to medium term, compared with the expected return on capital employed;
- the limitations of the current management team to successfully advance and develop Marathon's projects and in particular, the Mt Gee Project, on schedule; and
- the requirement to strengthen the management team.

If Buttermere's request for information is not fully satisfied by Marathon but the Offer proceeds successfully in any event, Buttermere intends to conduct a review in the nature outlined above immediately after the end of the Offer Period.

Once the review mentioned above has been completed, Buttermere will determine the level of financial and other resources necessary to optimise the development of Marathon's projects, and in particular the Mt Gee Project, so as to bring those projects into commercialisation in a manner and within a timeframe that maximises Marathon's return on investment.

Buttermere will then determine the optimal strategy in terms of realising maximum value for its investment in Marathon. In doing so, Buttermere will keep all options for value maximisation open.

Buttermere does not have sufficient information available to it as at the date of this Bidder's Statement to pre-empt the results of its review, or express a definitive opinion on whether any of Marathon's projects (if any) ought to be developed or sold, and therefore has not formed any intentions in this regard.

It is important to note however that Marathon shareholders would have exited from their investments in Marathon and therefore would be fully disassociated from any and all uncertainties in Marathon's future business outlook.

#### **6.2.2 Impact on Employees**

Buttermere expects that, in order to further develop Marathon's projects, in particular the Mt Gee Project, additional management and technical resources will be required.

Buttermere intends to cooperate with Marathon's existing management to ascertain the extent to which they may continue to be involved in this process. Additional resources will be sought from external sources to the extent required.

As a result of the implementation of Buttermere's intentions in regards to corporate matters (discussed below), it is likely that certain operational and administrative functions, for example, those relating to the maintenance of Marathon's listing on the ASX, and those relating to the performance of certain of Marathon's administrative functions will become redundant. If redundancies do

occur, the relevant employees will receive benefits in accordance with their contractual and other legal entitlements.

### 6.2.3 Corporate matters

Buttermere intends to:

- proceed with compulsory acquisition of the outstanding Shares in accordance with the provisions of Part 6A.1 of the Corporations Act, including any Marathon Shares which are issued after the close of the Offer as a result of the exercise of Options (see section 4.8 of this Bidder's Statement);
- arrange for Marathon to be removed from the official list of the ASX; and
- review and replace some or possibly all of the existing members of the board of Marathon with its own nominees, whom it expects will be senior members of the Crosby management team and industry experts with the appropriate experience.

### 6.3 Intentions for Marathon as a part owned controlled entity

Buttermere's Offer is subject to a 90% minimum acceptance condition (see section 9.7.1 of this Bidder's Statement).

Buttermere reserves its right to declare the Offer free from the 90% minimum acceptance condition (or any other condition) to the Offer. However, it should be noted that Buttermere will require the consent of Crosby to free the Offer of the 90% minimum acceptance condition. Buttermere has not decided whether it will free the Offer from the 90% minimum acceptance condition (or any other condition) and has not approached Crosby for the required consent. Buttermere will only declare the Offer free of the 90% minimum acceptance condition if Crosby has also waived the matching conditions precedent under the funding agreements.

This section 6.3 describes Buttermere's intentions if it were to declare the Offer free of the 90% minimum acceptance condition and if Marathon becomes a controlled entity of Buttermere, but Buttermere is not entitled to proceed to compulsory acquisition in accordance with Part 6A.1 of the Corporations Act.

In that circumstance, Buttermere's current intentions are as follows:

#### 6.3.1 Corporate matters

After the end of the Offer Period, Buttermere would intend:

- (a) subject to the Corporations Act and the constitution of Marathon, to take steps to reconstitute the Marathon board so that its nominees are in the majority and are proportionately commensurate to Buttermere's level of control. Buttermere has not made any decision on who would be nominated for appointment to the board of directors of Marathon in this case. Buttermere would consider (but not necessarily comply with) the recommendations in the ASX Corporate Governance Guidelines when determining the composition of the board; and
- (b) subject to continued compliance by Marathon with the Listing Rules (including sufficient spread of investors), maintain Marathon's listing on the ASX (although Marathon shareholders should be aware that in this

circumstance the liquidity of Marathon Shares on ASX may be materially adversely affected).

It is possible that, even if Buttermere is not entitled to proceed to compulsory acquisition of minority holdings after the end of the Offer Period under Part 6A.1 of the Corporations Act, it may subsequently become entitled to exercise rights of general compulsory acquisition under Part 6D.2 of the Corporations Act; for example, as a result of acquisitions of Shares in reliance on the "3% creep" exception in item 9 of section 611 of the Corporations Act. If so, it intends to exercise those rights to the extent it is able to do so.

### **6.3.2 General strategic review**

Buttermere, through its nominees on the Marathon board, would propose that Marathon pursue the strategic review referred to in clause 6.2.1 to the extent appropriate (if Buttermere had not already received the relevant information from Marathon).

Buttermere intends, subject to the approval of the board of Marathon and to applicable legal principles, to participate in this review.

### **6.3.3 Dividends and funding**

Buttermere notes that Marathon did not pay any dividends in the past two financial years ended 30 June 2005 and 2006 respectively.

The present intention of Buttermere is not to seek to have any changes made to the dividend policy of Marathon. In any event, Buttermere does not expect Marathon to be in a position to pay dividends for several years.

### **6.3.4 Limitations in giving effect to intentions**

Buttermere would only make a decision on the above matters in this section following receipt of appropriate legal and financial advice. Buttermere's intentions must be read as being subject to the legal obligation of Marathon directors, including any nominees of Buttermere, to have regard to the interests of Marathon and all Marathon shareholders.

In particular, if Buttermere obtains control (but not 100%) of Marathon, Buttermere will be a "related party" of Marathon within the meaning of Chapter 2E of the Corporations Act and within the meaning of the Listing Rules. Buttermere's ability to implement its intentions would therefore be subject to its obligations and the obligations of Marathon, to comply with applicable provisions of the Corporations Act and (provided Marathon remains listed) the Listing Rules relating to transactions between related parties.

## **6.4 Other intentions**

Subject to the matters described above in this section 6 and elsewhere in this Bidder's Statement, it is the intention of Buttermere, on the basis of the facts and information concerning Marathon that are known to it and the existing circumstances affecting the assets and operations of Marathon at the date of this Bidder's Statement, that:

- the business of Marathon will be conducted in materially the same manner as at the date of this Bidder's Statement;
- there will be no redeployment of the Marathon's Assets; and

- the present employees of Marathon will continue to be employed by Marathon.

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## **7 Tax considerations**

### **7.1 Introduction**

Sections 7.2 and 7.3 below contain a general description of the Australian income and capital gains tax consequences to Marathon shareholders of the acceptance of the Offer. The comments set out below are relevant only to those Marathon shareholders who hold their Shares as capital assets for investment purposes and not for the purposes of speculation or a business of dealing in securities (e.g. as trading stock).

Marathon shareholders who are not resident in Australia for tax purposes should take into account the tax consequences under the laws of their country of residence, as well as under Australian law, of acceptance of the Offer.

The following description is based upon the Australian law and administrative practice in effect at the date of this Bidder's Statement, but it is general in nature and is not intended to be an authoritative or complete statement of the laws applicable to the particular circumstances of every Marathon shareholder. Marathon shareholders should seek independent professional advice in relation to their own particular circumstances.

### **7.2 Australian resident shareholders**

Acceptance of the Offer will involve the disposal by Marathon shareholders of their Shares by way of transfer to Buttermere. This change in the ownership of the Shares will constitute a capital gains tax event for Australian capital gains tax purposes.

Marathon shareholders who are Australian residents may make a capital gain or capital loss on the transfer of Shares acquired on or after 20 September 1985 (or treated under the capital gains tax rules as if they were acquired after that date). Shareholders will make a capital gain if their capital proceeds from the disposal of the Shares are more than the cost base (or in some cases indexed cost base) of those Shares. Shareholders will make a capital loss if the capital proceeds are less than their reduced cost base of those Shares.

The capital proceeds of the capital gains tax event will be the consideration price of \$0.68 per Share received by the Marathon shareholder in respect of the disposal of the Shares. The cost base of the Shares generally includes their cost of acquisition and any incidental costs of acquisition and disposal that are not deductible to the shareholder.

Individuals, complying superannuation entities or trustees that have held Shares for at least 12 months should be entitled to discount the amount of the capital gain (after application of capital losses) from the disposal of Shares by 50% in the case of individuals and trusts or by 33.33% for complying superannuation entities.

For CGT purposes, Shares acquired on exercise of the Options are acquired on the date the Options are exercised.

Capital gains and capital losses of a taxpayer in a year of income are aggregated to determine whether there is a net capital gain. Any net capital gain is included in assessable income and is subject to income tax. Capital losses may not be

deducted against other income for income tax purposes, but may be carried forward to offset against future capital gains.

### **7.3 Non-resident shareholders**

Marathon shareholders who are not resident in Australia for income tax purposes are generally not subject to Australian capital gains tax on the disposal of Shares if they and their associates have not held 10% or more of the issued Shares at any time in the five years preceding the disposal of their Shares. There are currently proposed amendments before Parliament which, if passed, will alter the application of capital gains tax to non-residents.

### **7.4 Option holders who exercise their Options and accept the Offer**

For those Marathon Option holders who hold their Options on capital account, and exercise those Options to receive Marathon Shares, no capital gain or loss will arise from the exercise of the Option. The effect of the exercise of the Option is that the Option will be regarded as having been 'merged' into the Marathon Share received. The cost base of the share for CGT purposes will be the amount, if any, paid for the Option, plus the amount paid on the exercise of the Option. The CGT treatment for the Option holder will then be as outlined in 7.2 above.

It is important to note however, that for the Marathon Option holders, the 12 month holding period for the discount on the capital gain tax starts when the Options are exercised and the Marathon Shares are received, not when the Options were granted. For this reason, it is unlikely that the CGT discount outlined in 7.2 above will be applicable to gains arising from the disposal of Marathon Shares acquired as result of the exercise of Options that are currently on issue.

Option holders who hold Options issued under the Employee Share Option Plan may have different taxation implications if they did not previously make the election to be taxed on the value of the Options in the income year of issue. These Option holders are encouraged to seek specific independent professional advice in relation to their individual position.

In any event, Buttermere encourages all Marathon Option holders to seek independent professional advice in relation to their own particular circumstances.

### **7.5 Goods and services tax**

Holders of Marathon Shares or Options should not be liable to GST in respect of a disposal or exercise of those Shares or Options.

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## **8 Other material information**

### **8.1 Offers for Options**

Buttermere is considering making separate offers for the Marathon Options. However, it reserves the right not to do so. Any such offers would be conditional on, amongst other things, all the conditions to the Offer being satisfied or waived.

### **8.2 Date for determining holders of Shares**

For the purposes of section 633 of the Corporations Act, the date for determining the people to whom information is to be sent under items 6 and 12 of subsection 633(1) is the Register Date.

### **8.3 Consents**

This Bidder's Statement contains statements made by, or statements said to be based on statements made by Crosby. Crosby has consented to the inclusion of:

- each statement it has made; and
- each statement which is said to be based on a statement it has made,

in the form and context in which the statements appear and neither has withdrawn that consent as at the date of this Bidder's Statement.

This Bidder's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX. Under the terms of ASIC Class Order 01/1543, the parties making those statements are not required to consent to, and have not consented to, inclusion of those statements in this Bidder's Statement. Any Marathon shareholder who would like to receive a copy of any of those documents, or the relevant parts of the documents containing the statements, may obtain a copy (free of charge) during the Offer Period by writing to Link Market Services Limited at the address referred to on the Acceptance Form. In addition, as permitted by ASIC Class Order 03/635, this Bidder's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or a published book, journal or comparable publication.

### **8.4 Other material information**

Except as disclosed elsewhere in this Bidder's Statement, there is no other information that is:

- material to the making of a decision by a Marathon shareholder whether or not to accept the Offer; and
- known to Buttermere,

which has not previously been disclosed to Marathon shareholders.

## **8.5 Social Security and superannuation implications of the Offer**

Acceptance of the Offer may have implications under your superannuation arrangements or on your social security entitlements. If in any doubt, you should seek specialist advice.

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## **9 The terms and conditions of the Offer**

### **9.1 Offer**

- 9.1.1** Buttermere offers to acquire all of Your Shares on and subject to the terms and conditions set out in this section 9 of this Bidder's Statement.
- 9.1.2** The consideration under the Offer is \$0.68 cash per Share.
- 9.1.3** By accepting this Offer, you undertake to transfer to Buttermere not only the Shares to which the Offer relates, but also all Rights attached to those Shares (see section 9.5.3(e) and section 9.6.3).
- 9.1.4** This Offer is being made to each person registered as the holder of Shares in the register of Marathon shareholders as at open of business (Sydney time) on the Register Date. It also extends to:
- (a)** holders of securities that come to be Shares during the period from the Register Date to the end of the Offer Period due to the conversion of, or exercise of rights conferred by, such securities and which are on issue as at the Register Date; and
  - (b)** any person who becomes registered, or entitled to be registered, as the holder of Your Shares during the Offer Period.
- 9.1.5** If, at the time the Offer is made to you, or at any time during the Offer Period, another person is, or is entitled to be, registered as the holder of some or all of the Shares to which this Offer relates:
- (a)** a corresponding offer on the same terms and conditions as this Offer will be deemed to have been made to that other person in respect of those Shares;
  - (b)** a corresponding offer on the same terms and conditions as this Offer will be deemed to have been made to you in respect of any other Shares you hold to which the Offer relates; and
  - (c)** this Offer will be deemed to have been withdrawn immediately at that time.
- 9.1.6** If at any time during the Offer Period you are registered or entitled to be registered as the holder of one or more parcels of Shares as trustee or nominee for, or otherwise on account of, another person, you may accept as if a separate Offer on the same terms and conditions as this Offer had been made in relation to each of those parcels and any parcel you hold in your own right. To validly accept the offer for each parcel, you must comply with the procedure in subsection 653B(3) of the Corporations Act. If, for the purposes of complying with that procedure, you require additional copies of this Bidder's Statement and/or the Acceptance Form, please contact Link Market Services to request those additional copies.
- 9.1.7** If Your Shares are registered in the name of a broker, investment dealer, bank, trust company or other nominee you should contact that nominee for assistance in accepting the Offer.
- 9.1.8** The Offer is dated [●].

## 9.2 Offer Period

9.2.1 Unless withdrawn, the Offer will remain open for acceptance during the period commencing on the date of this Offer and ending at 7.00 pm (Sydney time) on the later of:

- (a) [●]; or
- (b) any date to which the Offer Period is extended.

9.2.2 Buttermere reserves the right, exercisable in its sole discretion, to extend the Offer Period in accordance with the Corporations Act.

9.2.3 If, within the last seven days of the Offer Period, either of the following events occurs:

- (a) the Offer is varied to improve the consideration offered; or
- (b) Buttermere's voting power in Marathon increases to more than 50%,

then the Offer Period will be automatically extended so that it ends 14 days after the relevant event.

## 9.3 How to accept this Offer

### 9.3.1 General

- (a) Subject to section 9.1.5 and section 9.1.6, you may accept this Offer only for all of Your Shares.
- (b) You may accept this Offer at any time during the Offer Period.

### 9.3.2 Shares held in your name on Marathon's issuer sponsored subregister

To accept this Offer for Shares held in your name on Marathon's issuer sponsored sub-register (in which case your Security Holder Reference Number will commence with "T"), you must:

- (a) complete and sign the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form; and
- (b) ensure that the Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at one of the addresses shown on the Acceptance Form.

### 9.3.3 Shares held in your name in a CHESS Holding

- (1) To accept this Offer for Shares held in a CHESS Holding (in which case your Holder Identification Number will commence with "X") you should:
  - (A) instruct your broker or Controlling Participant (for Marathon shareholders who are not institutions, this is normally the stockbroker either through whom you bought Your Shares or through whom you ordinarily acquire shares on ASX) to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASTC Settlement Rules before the end of the Offer Period; or
  - (B) if you are a Participant, initiate acceptance of this Offer in accordance with rule 14.14 of the ASTC Settlement Rules before the end of the Offer Period.

- (2) Alternatively, to accept this Offer for Shares held in a CHESS Holding (in which case your Holder Identification Number will commence with "X"), you may sign and complete the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form and ensure that it (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at one of the addresses shown on the Acceptance Form.

#### **9.3.4 Shares of which you are entitled to be registered as holder**

To accept this Offer for Shares which are not held in your name, but of which you are entitled to be registered as holder, you must:

- (a) complete and sign the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form; and
- (b) ensure that the Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at one of the addresses shown on the Acceptance Form.

#### **9.3.5 Acceptance Form and other documents**

- (a) The Acceptance Form forms part of the Offer.
- (b) If your Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is returned by post, for your acceptance to be valid you must ensure that they are posted or delivered in sufficient time for them to be received by Buttermere at one of the addresses shown on the Acceptance Form before the end of the Offer Period.
- (c) If your Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is returned by facsimile, it will be deemed to be received in time if the facsimile transmission is received (evidenced by a confirmation of successful transmission) before the end of the Offer Period, but you will not be entitled to receive the consideration to which you are entitled until your original Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received at one of the addresses shown on the Acceptance Form.
- (d) When using the Acceptance Form to accept this Offer in respect of Shares in a CHESS Holding, you must ensure that the Acceptance Form (and any documents required by the terms of this Offer and the instruction on the Acceptance Form) are received by Buttermere in time for Buttermere to instruct your Controlling Participant to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASTC Settlement Rules before the end of the Offer Period.
- (e) The transmission of the Acceptance Form and other documents is at your own risk.

### **9.4 Validity of acceptances**

**9.4.1** Subject to this section 9.4, your acceptance of the Offer will not be valid unless it is made in accordance with the procedures set out in section 9.3.

**9.4.2** Buttermere will determine, in its sole discretion, all questions as to the form of documents, eligibility to accept the Offer and time of receipt of an acceptance of the

Offer. Buttermere is not required to communicate with you prior to making this determination. The determination of Buttermere will be final and binding on all parties.

- 9.4.3 Notwithstanding section 9.3.2, section 9.3.3(2) and section 9.3.5, Buttermere may, in its sole discretion, at any time and without further communication to you, deem any Acceptance Form it receives to be a valid acceptance in respect of Your Shares, even if a requirement for acceptance has not been complied with.

## 9.5 The effect of acceptance

- 9.5.1 Once you have accepted this Offer, you will be unable to revoke your acceptance, the contract resulting from your acceptance will be binding on you and you will be unable to withdraw Your Shares from the Offer or otherwise dispose of Your Shares, except as follows:

- (a) if, by the relevant times specified in section 9.5.2, the conditions in section 9.7 have not all been fulfilled or freed, this Offer will automatically terminate and Your Shares will be returned to you; or
- (b) if the Offer Period is extended for more than one month and, at the time, this Offer is subject to one or more of the conditions in section 9.7, you may be able to withdraw your acceptance and Your Shares in accordance with section 650E of the Corporations Act. A notice will be sent to you at the time explaining your rights in this regard.

- 9.5.2 The relevant times for the purposes of section 9.5.1(a) are:

- (a) in relation to the conditions in section 9.7.6, the end of the third Business Day after the end of the Offer Period; and
- (b) in relation to all other conditions in section 9.7, the end of the Offer Period.

- 9.5.3 By signing and returning the Acceptance Form, or otherwise accepting this Offer pursuant to section 9.3, you will be deemed to have:

- (a) accepted this Offer (and any variation of it) in respect of, and, subject to all of the conditions to this Offer in section 9.7 being fulfilled or freed, agreed to transfer to Buttermere, Your Shares (even if the number of Shares specified on the Acceptance Form differs from the number of Your Shares), subject to section 9.1.5 and section 9.1.6;
- (b) represented and warranted to Buttermere, as a fundamental condition going to the root of the contract resulting from your acceptance, that at the time of acceptance, and the time the transfer of Your Shares to Buttermere is registered, that all Your Shares are and will be free from all mortgages, charges, liens, encumbrances and adverse interests of any nature (whether legal or otherwise) and free from restrictions on transfer of any nature (whether legal or otherwise), that you have full power and capacity to accept this Offer and to sell and transfer the legal and beneficial ownership in Your Shares to Buttermere, and that you have paid to Marathon all amounts which at the time of acceptance have fallen due for payment to Marathon in respect of Your Shares;
- (c) irrevocably authorised Buttermere (and any director, secretary or nominee of Buttermere) to alter the Acceptance Form on your behalf by inserting correct details of Your Shares, filling in any blanks remaining on the form and rectifying any errors or omissions as may be considered necessary by Buttermere to make it

an effective acceptance of this Offer or to enable registration of Your Shares in the name of Buttermere;

- (d) if you signed the Acceptance Form in respect of Shares which are held in a CHES Holding, irrevocably authorised Buttermere (or any director, secretary or agent of Buttermere) to:
  - (A) instruct your Controlling Participant to initiate acceptance of this Offer in respect of Your Shares in accordance with Rule 14.14 of the ASTC Settlement Rules; and
  - (B) give any other instructions in relation to Your Shares to your Controlling Participant, as determined by Buttermere acting in its own interests as a beneficial owner and intended registered holder of those Shares;
- (e) irrevocably authorised and directed Marathon to pay to Buttermere, or to account to Buttermere for, all Rights in respect of Your Shares, subject, if this Offer is withdrawn, to Buttermere accounting to you for any such Rights received by Buttermere;
- (f) irrevocably authorised Buttermere to notify Marathon on your behalf that your place of address for the purpose of serving notices upon you in respect of Your Shares is the address specified by Buttermere in the notification;
- (g) with effect from the date on which all the conditions to this Offer in section 9.7 have been fulfilled or freed:
  - (A) irrevocably appointed Buttermere (and any director, secretary or nominee of Buttermere) severally from time to time as your true and lawful attorney to exercise all your powers and rights in relation to Your Shares, including (without limitation) powers and rights to requisition, convene, attend and vote in person, by proxy or by body corporate representative, at all general meetings of Marathon and to request Marathon to register, in the name of Buttermere or its nominee, Your Shares, as appropriate, with full power of substitution (such power of attorney, being coupled with an interest, being irrevocable); and
  - (B) agreed not to attend or vote in person, by proxy or by body corporate representative at any general meeting of Marathon or to exercise or purport to exercise any of the powers and rights conferred on Buttermere (and its directors, secretaries and nominees) in section 9.5.3(g)(A);
- (h) agreed that in exercising the powers and rights conferred by the powers of attorney granted under section 9.5.3(g)(A), the attorney will be entitled to act in the interests of Buttermere as the beneficial owner and intended registered holder of Your Shares;
- (i) agreed to do all such acts, matters and things that Buttermere may require to give effect to the matters the subject of this section 9.5.3 (including the execution of a written form of proxy to the same effect as this section 9.5.3 which complies in all respects with the requirements of the constitution of Marathon) if requested by Buttermere;
- (j) agreed to fully indemnify Buttermere in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your Holder Identification Number or Security holder Reference Number or in consequence of the transfer of your Shares to Buttermere being

registered by Marathon without production of your Holder Identification Number or your Security holder Reference Number for Your Shares;

- (k) represented and warranted to Buttermere that, unless you have notified it in accordance with section 9.1.6, Your Shares do not consist of separate parcels of Shares;
- (l) irrevocably authorised Buttermere (and any nominee) to transmit a message in accordance with Rule 14.17 of the ASTC Settlement Rules to transfer Your Shares to Buttermere's Takeover Transferee Holding, regardless of whether it has paid the consideration due to you under this Offer; and
- (m) agreed, subject to the conditions of this Offer in section 9.7 being fulfilled or freed, to execute all such documents, transfers and assurances, and do all such acts, matters and things that Buttermere may consider necessary or desirable to convey Your Shares registered in your name and Rights to Buttermere.

9.5.4 The undertakings and authorities referred to in section 9.5.3 will remain in force after you receive the consideration for Your Shares and after Buttermere becomes registered as the holder of Your Shares.

## 9.6 Payment of consideration

9.6.1 Subject to this section 9.6 and the Corporations Act, Buttermere will provide the consideration due to you for Your Shares on or before the earlier of:

- (a) 1 month after the date of your acceptance or, if this Offer is subject to a defeating condition when you accept this Offer, within 1 month after this Offer becomes unconditional; and
- (b) 21 days after the end of the Offer Period.

9.6.2 Where the Acceptance Form requires an additional document to be delivered with your Acceptance Form (such as a power of attorney):

- (a) if that document is given with your Acceptance Form, Buttermere will provide the consideration in accordance with section 9.6.1;
- (b) if that document is given after your Acceptance Form and before the end of the Offer Period while this Offer is subject to a defeating condition, Buttermere will provide the consideration due to you on or before the earlier of:
  - (A) 1 month after this Offer becomes unconditional; and
  - (B) 21 days after the end of the Offer Period;
- (c) if that document is given after your Acceptance Form and before the end of the Offer Period while this Offer is not subject to a defeating condition, Buttermere will provide the consideration due to you on or before the earlier of:
  - (A) 1 month after that document is given; and
  - (B) 21 days after the end of this Offer period; and
- (d) if that document is given after the end of the Offer Period, and the Offer is not subject to a defeating condition Buttermere will provide the consideration within 21 days after that document is delivered. However, if at the time the document is given, the Offer is still subject to a defeating condition that relates only to the happening of an event or circumstance referred to in subsection 652C(1) or (2) of

the Corporations Act, Buttermere will provide the consideration due to you within 21 days after the Offer becomes unconditional.

- 9.6.3 If you accept this Offer, Buttermere is entitled to all Rights in respect of Your Shares. Buttermere may require you to provide all documents necessary to vest title to those Rights in Buttermere, or otherwise to give it the benefit or value of those Rights. If you do not give those documents to Buttermere, or if you have received the benefit of those Rights, Buttermere will deduct from the consideration otherwise due to you the amount (or value, as reasonably assessed by Buttermere) of those Rights, together with the value (as reasonably assessed by Buttermere) of the franking credits, if any, attached to the Rights.
- 9.6.4 The consideration payable by Buttermere to you under the Offer will be paid to you by cheque in Australian currency. Cheques will be posted to you at your risk by ordinary mail at the address as shown on your Acceptance Form.
- 9.6.5 If at the time you accept the Offer any of the following:
- (a) Banking (Foreign) Exchange Regulations 1959 (Cth);
  - (b) Charter of the United Nations (Terrorism and Dealing with Assets) Regulations 2002 (Cth);
  - (c) Iraq (Reconstruction and Repeal of Sanctions) Regulations 2003 (Cth); or
  - (d) any other law of Australia,

require that an authority, clearance or approval of the Reserve Bank of Australia, the Australian Taxation Office or any other government authority be obtained before you receive any consideration for Your Shares, or would make it unlawful for Buttermere to provide any consideration to you for Your Shares, you will not be entitled to receive any consideration for Your Shares until all requisite authorities, clearances or approvals have been received by Buttermere. As far as Buttermere is aware, as at the date of this Bidder's Statement, the persons to whom this section 9.6.5 will apply are: prescribed supporters of the former government of Yugoslavia; ministers and senior officials of the Government of Zimbabwe; persons associated with the former government of Iraq (including senior officials, immediate family members of senior officials, or an entities controlled by any of those persons); Osama bin Laden; the Taliban; members of the Al-Qaeda organisation; and a person named in the list maintained pursuant to paragraph 2 of Resolution 1390 of the Security Council of the United Nations.

## 9.7 Conditions of this Offer

Subject to section 9.8, the completion of this Offer, and any contract that results from an acceptance of this Offer, are subject to the fulfilment of the conditions set out below:

### 9.7.1 Minimum acceptance

At the end of the Offer Period, Buttermere and its associates have relevant interests in at least 90% (by number) of the Shares.

### 9.7.2 Options

During or at the end of the Offer Period, either:

- (a) all Options have been exercised or cancelled; or
- (b) Buttermere is entitled to compulsory acquire all outstanding Options.

### 9.7.3 Regulatory approvals

Before the end of the Offer Period, all approvals or consents that are required by law, or by any Public Authority, as are necessary to permit:

- (a) the Offer to be lawfully made to and accepted by Marathon shareholders; and
- (b) the transaction contemplated by this Bidder's Statement to be completed (including, without limitation, full, lawful and effectual implementation of the intentions set out in section 6 of this Bidder's Statement),

are granted, given, made or obtained on an unconditional basis, remain in full force and effect in all respects, and do not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same.

### 9.7.4 No material adverse change

- (a) On or before the end of the Offer Period no:
  - (A) event, change, condition, matter or thing occurs;
  - (B) information is disclosed or announced by Marathon or any of its subsidiaries concerning any event, change, condition, matter or thing; or
  - (C) information concerning any event, change, condition, matter or thing becomes known to Buttermere (whether or not becoming public),

which will have, could reasonably be expected to have or which evidences that there has been a material adverse effect on the business, assets, liabilities, financial or trading position and/or performance, profitability or prospects of Marathon or any of its subsidiaries, from that announced or disclosed by Marathon prior to the Announcement Date.

- (b) For the purposes of section 9.7.4(a)(C), Buttermere shall not be taken to know of information concerning any event, change, condition, matter or thing before the Announcement Date, unless Buttermere knows or ought reasonably to have known (having regard to the information actually known by Buttermere and the information disclosed by Marathon in its public filings with the ASX and ASIC before the Announcement Date), of the extent or magnitude of the event, change, condition, matter or thing.
- (c) Section 9.7.4(a)(B) does not apply in relation to particular information, if that information was previously disclosed by Marathon in a public filing with the ASX or ASIC provided that the disclosure was full and fair (including, without limitation, in relation to the extent and magnitude of the event, change, condition, matter or thing, as the case may be) and was not, and is not likely to be, incomplete, incorrect, untrue or misleading.

### 9.7.5 Exploration Licences

- (a) 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.
- (b) 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.

#### **9.7.6 No prescribed occurrences**

Between the Announcement Date and the date three Business Days after the end of the Offer Period (each inclusive), none of the following prescribed occurrences (being the occurrences listed in section 652C of the Corporations Act) happen:

- (a) Marathon converting all or any of the Shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (b) Marathon or a subsidiary of Marathon resolving to reduce its share capital in any way;
- (c) Marathon or a subsidiary of Marathon entering into a buyback agreement or resolving to approve the terms of a buyback agreement under subsections 257C(1) or 257D(1) of the Corporations Act;
- (d) Marathon or a subsidiary of Marathon making an issue of Shares (other than Shares issued as a result of the exercise of Options into Shares) or granting an option over the Shares or agreeing to make such an issue or grant such an option;
- (e) Marathon or a subsidiary of Marathon issuing, or agreeing to issue, convertible notes;
- (f) Marathon or a subsidiary of Marathon disposing or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (g) Marathon or a subsidiary of Marathon charging, or agreeing to charge, the whole, or a substantial part, of its business or property;
- (h) Marathon or a subsidiary of Marathon resolving that it be wound up;
- (i) the appointment of a liquidator or provisional liquidator of Marathon or of a subsidiary of Marathon;
- (j) the making of an order by a court for the winding up of Marathon or of a subsidiary of Marathon;
- (k) an administrator of Marathon or of a subsidiary of Marathon being appointed under section 436A, 436B or 436C of the Corporations Act;
- (l) Marathon or a subsidiary of Marathon executing a deed of company arrangement;
- (m) the appointment of a receiver, receiver and manager, other controller (as defined in the Corporations Act) or similar official in relation to the whole, or a substantial part, of the property of Marathon or of a subsidiary of Marathon.

#### **9.7.7 No inaccurate public information**

Marathon's Target's Statement containing a statement, expressed to be made with the approval of the Marathon directors, which confirms, after due inquiry, that Marathon has no knowledge of any facts or circumstances that lead it to believe that any information published in the public domain and/or given to Buttermere is inaccurate, false or misleading in any material respect, including (without limitation) in relation to Marathon's Inferred Resources Estimates.

#### **9.7.8 Cooperation and access to information**

- (a) At all times during the period from the Announcement Date to the end of the Offer Period, Marathon promptly (and in any event within two Business Days)

provides Buttermere with all access and information which Buttermere 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 its or their respective assets or business operations (including without limitation access to all of Marathon's Assets comprising exploration assets, operations and database, including site visits by Crosby Group personnel or advisors appointed by Buttermere).

- (b) Without limiting the general nature of section 9.7.8(a), an independent expert nominated by Buttermere 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.

For the purposes of this condition, a request by Buttermere will be deemed to be reasonable if it is for:

- (A) information which a bidder in the position of Buttermere 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
- (B) information which has been provided by Marathon or its associates to any other bidder or potential bidder for Marathon (whether by takeover, scheme of arrangement or any other proposal or proposals likely to lead to a change of control of Marathon or Marathon's, or its subsidiaries', operations and licences).

#### **9.7.9 No change of control rights**

Between the Announcement Date and the end of the Offer Period (each inclusive), there is no person having any rights, being entitled to have any rights, alleging an entitlement, or expressing or announcing an intention (whether or not that intention is stated to be a final or determined decision of that person) (in all cases whether subject to conditions or not), as a result of any change of control event in respect of Marathon (including Buttermere acquiring shares in Marathon) or any of its subsidiaries or assets, to:

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

#### **9.7.10 No legal proceedings**

Between the Announcement Date and the end of the Offer Period (each inclusive), no litigation or arbitration proceedings or other legal proceedings against Marathon or any of its subsidiaries which are material in the context of Marathon's operations as a whole are commenced, instituted or threatened to be commenced, other than that which is in the public domain as at the Announcement Date.

### **9.7.11 No Fall in Index**

Between the Announcement Date and the end of the Offer Period (each inclusive), the ASX 200 Index not falling below 4,000 on any trading day.

### **9.7.12 No Acquisitions and Disposals**

Between the Announcement Date and the end of the Offer Period (each inclusive), neither Marathon nor any of its subsidiaries, other than in the ordinary course of its business, acquires or disposes of, or enters into or announces any agreement for the acquisition or disposal of, any asset or business or exploration licence, or enters into any corporate transaction, which would (or would be likely to) involve:

- (a) Marathon or any subsidiary of Marathon acquiring, or agreeing to acquire, one or more substantial companies, businesses or assets or exploration licences;
- (b) Marathon or any subsidiary of Marathon disposing, or agreeing to dispose of, one or more substantial companies, businesses or assets or exploration licences (or any interest therein);
- (c) Marathon or any subsidiary of Marathon entering into any substantial joint venture or partnership;
- (d) Marathon or any subsidiary of Marathon committing to or granting a right to a third party the exercise of which would involve Marathon or any of its subsidiaries incurring or committing to any substantial capital expenditure or other substantial liability of any nature (conditional or otherwise); or
- (e) announcing the occurrence of any of the matters referred to in paragraphs (a) to (d) above, or its intention to do any of these things.

## **9.8 Nature and benefit of conditions**

**9.8.1** The conditions in section 9.7 are conditions subsequent. The non-fulfilment of any condition subsequent does not, until the end of the Offer Period (or in the case of the conditions in section 9.7.6, until the end of the third Business Day after the end of the Offer Period), prevent a contract to sell Your Shares from arising, but entitles Buttermere by written notice to you, to rescind the contract resulting from your acceptance of this Offer.

**9.8.2** Subject to the Corporations Act, Buttermere alone is entitled to the benefit of the conditions in section 9.7, or to rely on any non-fulfilment of any of them.

**9.8.3** Each condition in section 9.7 is a separate, several and distinct condition. No condition will be taken to limit the meaning or effect of any other condition.

## **9.9 Freeing the Offer of conditions**

Buttermere may free this Offer, and any contract resulting from its acceptance, from all or any of the conditions subsequent in clause 9.7, either generally or by reference to a particular fact, matter, event, occurrence or circumstance (or class thereof), by giving a notice to Marathon and to ASX declaring this Offer to be free from the relevant condition or conditions specified, in accordance with section 650F of the Corporations Act. This notice may be given:

**9.9.1** in the case of the conditions in section 9.7.6, not later than 3 Business Days after the end of the Offer Period; and

9.9.2 in the case of all the other conditions in section 9.7, not less than 7 days before the end of the Offer Period.

If, at the end of the Offer Period (or in the case of the conditions in section 9.7.6, at the end of the third Business Day after the end of the Offer Period), the conditions in section 9.7 have not been fulfilled and Buttermere has not declared the Offer (or it has not become) free from those conditions, all contracts resulting from the acceptance of the Offer will be automatically void.

#### **9.10 Notice on status of conditions**

The date for giving the notice on the status of the conditions required by subsection 630(1) of the Corporations Act is [●] (subject to extension in accordance with subsection 630(2) if the Offer Period is extended).

#### **9.11 Withdrawal of this Offer**

9.11.1 This Offer may be withdrawn with the consent in writing of ASIC, which consent may be subject to conditions. If ASIC gives such consent, Buttermere will give notice of the withdrawal to ASX and to Marathon and will comply with any other conditions imposed by ASIC.

9.11.2 If, at the time this Offer is withdrawn, all the conditions in section 9.7 have been freed, all contracts arising from acceptance of the Offer before it was withdrawn will remain enforceable.

9.11.3 If, at the time this Offer is withdrawn, the Offer remains subject to one or more of the conditions in section 9.7, all contracts arising from its acceptance will become void (whether or not the events referred to in the relevant conditions have occurred).

9.11.4 A withdrawal pursuant to section 9.11 will be deemed to take effect:

- (a) if the withdrawal is not subject to conditions imposed by ASIC, after the date that consent in writing is given by ASIC; or
- (b) if the withdrawal is subject to conditions imposed by ASIC, after the date those conditions are satisfied.

#### **9.12 Variation of this Offer**

Buttermere may vary this Offer in accordance with the Corporations Act.

#### **9.13 No stamp duty or brokerage**

9.13.1 Buttermere will pay any stamp duty on the transfer of Your Shares to it.

9.13.2 As long as Your Shares are registered in your name and you deliver them directly to Buttermere, you will not incur any brokerage in connection with your acceptance of this Offer.

#### **9.14 Governing laws**

This Offer and any contract that results from your acceptance of it are to be governed by the laws in force in South Australia.

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## 10 Definitions and interpretation

### 10.1 Definitions

In this Bidder's Statement and in the Acceptance Form unless the context otherwise appears, the following terms have the meanings shown below:

<b>Acceptance Form</b>	the acceptance form enclosed with this Bidder's Statement
<b>AIM</b>	The Alternative Investment Market of the London Stock Exchange
<b>Announcement Date</b>	the date of the announcement of the Offer, being 6 July 2006
<b>ASIC</b>	the Australian Securities and Investments Commission
<b>ASTC</b>	ASX Settlement and Transfer Corporation Pty Ltd ABN 49 008 504 532
<b>ASTC Settlement Rules</b>	the operating rules of the ASTC which govern the administration of the Clearing House Electronic Sub-register System
<b>ASX</b>	the Australian Stock Exchange Limited
<b>ASX 200 Index</b>	Standard & Poors / ASX 200 index for the Australian market
<b>Bidder's Statement</b>	this document, being the statement of Buttermere under Part 6.5 Division 2 of the Corporations Act relating to the Offer
<b>Business Day</b>	a day on which banks are open for business in Perth and Sydney excluding a Saturday, Sunday or public holiday
<b>Buttermere</b>	Buttermere Australia Pty Limited ACN 120 663 710
<b>Buttermere BVI</b>	Buttermere Investment Holdings Limited, a company incorporated in the British Virgin Islands
<b>CGT</b>	capital gains tax
<b>CHESS Holding</b>	a number of Shares which are registered on Marathon share register being a register administered by the ASTC and which records uncertificated holdings of Shares
<b>CIH</b>	Crosby Investment Holdings Limited, a company incorporated in the Cayman Islands and wholly-owned by Crosby
<b>Controlling Participant</b>	in relation to Your Shares, has the same meaning as in the ASTC Settlement Rules
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth)
<b>Crosby</b>	Crosby Capital Partners Inc., a company incorporated in the Cayman Islands and which is listed on the AIM

<b>Crosby Group</b>	Crosby and its controlled entities
<b>Employee Share Option Plan</b>	Marathon's employee share option plan introduced by Marathon on 22 September 2003 and summarised in section 4.3 of this Bidder's Statement
<b>GEM</b>	the Growth Enterprise Market of the Hong Kong Stock Exchange
<b>Indago Petroleum</b>	Indago Petroleum Limited, a company listed on AIM in the United Kingdom
<b>Inferred Resources Estimates</b>	an inferred resource of 57 million tonnes of uranium mineralization at an average grade of 0.06% containing approximately 33,200 tonnes of uranium oxide
<b>IB Daiwa</b>	IB Daiwa Corporation, a company listed on the JASDAQ exchange in Japan
<b>JASDAQ</b>	the Japan Securities Dealers Association Quote System
<b>Listing Rules</b>	the Official Listing Rules of ASX, as amended and waived by ASX from time to time
<b>Marathon or Company</b>	Marathon Resources Limited ACN 107 531 822
<b>Marathon's Assets</b>	assets owned or controlled by Marathon, including but not limited to, fixed assets, exploration tenements, licences and licence applications, intellectual properties such as information and database relating to Marathon's exploration activities
<b>Marathon Group</b>	Marathon and its subsidiaries
<b>Marathon Options or Options</b>	options to subscribe for Shares
<b>Marathon Shares or Shares</b>	fully paid ordinary shares in the capital of Marathon
<b>Marathon Tenements</b>	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)
<b>Mt Gee Project</b>	Marathon's mineral exploration project at Mt Gee covered under South Australian Exploration Licence 3258
<b>Offer</b>	the offer for Shares under the terms and conditions contained in section 9 of this Bidder's Statement
<b>Offer Period</b>	the period during which the Offer will remain open for acceptance in accordance with section 9.2 of this Bidder's Statement

<b>Participant</b>	an entity admitted to participate in the Clearing House Electronic Sub-register system under Rule 4.3.1 and 4.4.1 of the ASTC Settlement Rules
<b>Public Authority</b>	any government or any governmental, semi-governmental, statutory or judicial entity, agency or authority, whether in Australia or elsewhere, including (without limitation) any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions, and ASX or any other stock exchange
<b>Register Date</b>	the date set by Buttermere under subsection 633(2) of the Corporations Act, being 21 August 2006
<b>Rights</b>	all accreditations, rights or benefits of whatever kind attaching or arising from Shares directly or indirectly at or after the Announcement Date (including, but not limited to, all dividends and all rights to receive them or rights to receive or subscribe for shares, notes, bonds, options or other securities declared, paid or issued by Marathon or any of its subsidiaries)
<b>Takeover Bid</b>	the off-market takeover bid constituted by the dispatch of the Offers in accordance with the Corporations Act
<b>Techpacific</b>	Techpacific Capital Limited, a company incorporated in the Cayman Islands and listed on GEM
<b>U<sub>3</sub>O<sub>8</sub></b>	Uranium oxide
<b>Your Shares</b>	subject to section 9.1.5 and section 9.1.6, the Shares (a) in respect of which you are registered, or entitled to be registered, as holder in the register of shareholders of Marathon at the open of business Sydney time) on the Register Date, or (b) to which you are able to give good title at the time you accept this Offer during the Offer Period.

## 10.2 Interpretation

In this Bidder's Statement and in the Acceptance Form, unless the context otherwise appears:

- (a) other words and phrases have the same meaning (if any) given to them in the Corporations Act;
- (b) words importing a gender include any gender;
- (c) words importing the singular include the plural and vice versa;
- (d) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (e) a reference to a clause, annexure and schedule is a reference to a clause of and an annexure and schedule to this Bidder's Statement as relevant;
- (f) a reference to any statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances, or by-laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;

- (g) headings and boldings are for convenience only and do not affect the interpretation of this Bidder's Statement;
- (h) a reference to time is a reference to time in Sydney, Australia;
- (i) a reference to writing includes facsimile transmissions;
- (j) a reference to dollars, \$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia; and
- (k) a reference to US\$ is a reference to the lawful currency of the United States.

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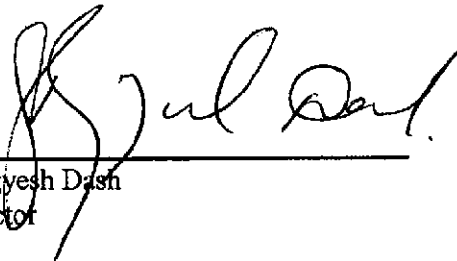
## 11 Approval of Bidder's Statement

This Bidder's Statement has been approved by a resolution passed by the directors of Buttermere.

Dated: 15 August 2006

### Signed

for and on behalf of Buttermere



Bhagyesh Dash  
Director

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**Annexure A – Announcements made by Buttermere and the Crosby Group in relation to the Offer**

**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<sub>3</sub>O<sub>8</sub>) ("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:  
 Mr. John Gardner  
 Savage & Horrigan  
 Phone: 612 8281 3237  
 Mobile: 61 (0)413 355 997  
 Email: john@savage-horrigan.com.au

#### **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](http://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, instigated 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.

## CROSBY CAPITAL PARTNERS

### MEDIA ANNOUNCEMENT

3 August 2006

Crosby Capital Partners ("Crosby") refers to our announcement on 6 July 2006 of our intention to make a takeover bid for Marathon Resources Ltd ("Marathon").

Marathon's management issued an announcement dated 1 August 2006 with regard to proposed joint venture agreements with UraniumSA Ltd ("UraniumSA"), an unlisted company based in South Australia.

While the details of the agreements have not been made available, the nature of what has been proposed reinforces the view highlighted in Crosby's bid announcement that **Marathon lacks the management and financial capability to advance and develop its projects and thereby maximize value for its shareholders.**

In this respect, the forthcoming takeover offer by Crosby gives shareholders the opportunity to eliminate their exposure to these matters and cash in their shareholdings at a substantial premium to the pre-announcement market price.

Without the necessary management and financial capability to develop its projects, Marathon is compelled to seek out arrangements such as the one with UraniumSA, which may in fact be extremely disadvantageous to Marathon shareholders for the following reasons:

- o **The agreements are conditional upon UraniumSA successfully completing its Initial Public Offering (IPO) later this year and there is no guarantee that this will be achieved. Crosby is surprised that Marathon's management would even consider transferring control of three of its tenements to a company which is yet to secure funding for its projects.**
- o **Marathon will be diluted by as much as 70% in relation to uranium resources discovered on the Mulga Well tenement and all mineral resources discovered on the Bon Bon and McDowell Hill tenements.**
- o **It appears Marathon will lose operational and day-to-day control of three of its exploration tenements from a very early stage for an as yet indeterminable price.**

Separately, we would have expected Marathon's announcement to have disclosed more detail on UraniumSA and its management and financial capability, as well as details on the material terms of the agreements, including the expected timing of the IPO, the amount it plans on raising, the offer structure (including pricing and the number of shares to be offered), the percentage shareholding in UraniumSA that Marathon will receive in consideration for entering into the agreements and the extent of Marathon shareholders' participation

entitlements. At the same time we would also expect Marathon to advise of any connection between its officers and major shareholders and UraniumSA.

If Marathon remains a publicly listed company, Crosby believes that its shareholders may be subjected to similar dilutive, conditional and uncertain arrangements for the other tenements that Marathon controls including its primary asset, the Mount Gee project. This may not be in the best interest of shareholders.

Further detail on Crosby's comments in this announcement will be included in Crosby's bidders' statement. The bidder's statement and offer document is expected to be sent to Marathon and the ASX in two to three weeks and dispatched to Marathon shareholders as soon as possible thereafter.

**Media enquiries:**

For further details on this announcement, please contact:

John Gardner

Savage & Horigan

Phone: +61 2 8281 3237

Mobile: +61 (0)413 355 997

Email: [john@savage-horigan.com.au](mailto:john@savage-horigan.com.au)

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**Annexure B – Marathon’s audited half year financial report for the  
financial period ended 31 December 2005**

**Marathon Resources Limited**

**Half Year Financial Report**

**31<sup>st</sup> December 2005**

**MARATHON**

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**DIRECTORS' DECLARATION**  
**AUDITOR'S REPORT**  
**FINANCIAL STATEMENTS**  
**NOTES**

**Marathon Resources Limited**  
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**[www.marathonresources.com.au](http://www.marathonresources.com.au)**

## DIRECTORS' REPORT

The directors present their report on Marathon Resources Ltd for the half year ended 31<sup>st</sup> December 2005 and the state of the affairs of the Company at that date.

In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### Directors

Persons who have been Directors in the Company during or since the end of the half year are:

Peter Williams BSc FCA  
Chairman (non-executive)

John Santich  
BSc MEngSc PhD DipLaw MSocSc  
Chief Executive Officer

Wislaw Bogjcs Msc Eng PhD Eng  
Executive Director

William Latimer LLB  
Director (non-executive)

Stuart Appleyard LLB  
Director (non-executive)

### Review of Operations

During the period exploration advanced on most of the Company's tenements. Emphasis was again on the Paralana Mineral System, while exploration activity over other tenements of the Company's portfolio continued at a lower level.

The highlight of the half year was the commencement of drilling on the Company's most advanced project, the 100% owned uranium rich Paralana Mineral System of EL 3258 (Mt Gee) in the Northern Flinders Ranges of South Australia.

Drilling began at the Hodgkinson deposit, with the first four diamond holes of the current program of drilling completed immediately prior to the Christmas break. Assays were received during December and January and the results have been the subject of a separate release to the ASX on 19<sup>th</sup> January 2006.

The results confirmed structural controls on the mineralisation and the nature of the Hodgkinson deposit as relatively high grade

(12m @ 0.465% including 1m @ 0.97% U<sub>3</sub>O<sub>8</sub> DD05MN04; 51m to 63m), in comparison with other known deposits of the Paralana Mineral System. Current drilling also confirms previous explorers' open hole results, which can now be viewed with confidence. Preparation of a model of the deposit, incorporating previous open hole drilling as well as that of Marathon, is in the process.

Since the end of the half year, drilling at Hodgkinson has continued and is now almost completed, with assays pending. The UDR650 crawler mounted drill rig will shortly relocate to the Mt Gee deposit, for which Marathon has reported an Inferred Resource of 57 million tonnes of mineralisation averaging 0.06% U<sub>3</sub>O<sub>8</sub>, containing some 33,000 tonnes of U<sub>3</sub>O<sub>8</sub>.

### Auditor's independence

The auditors independence declaration is included on page 9 of the half year financial report.

### Subsequent events

At 14<sup>th</sup> March 2006, a stock exchange trading halt was requested pending the proposed placement of ordinary shares raising additional capital of up to \$ 3,680,000.

### Proceedings

The Company has not been party to any legal proceedings during the half year. Directors are not aware of any proceeding initiated or contemplated against or on behalf of the Company during the period.

### Adoption of International Financial Reporting Standards

The financial statements for the half year recognise the adoption of Australian Equivalents to IFRS as set out in Notes 1 and 17. A reconciliation of differences between previous GAAP and Australian Equivalents to IFRS has been included in note 17 of this report.

Peter Williams  
Director

Stuart Appleyard  
Director

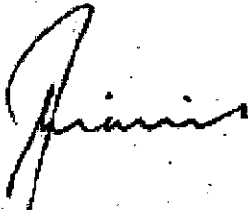
Dated this 15<sup>th</sup> day of March 2006 Page 1

**DIRECTORS' DECLARATION**

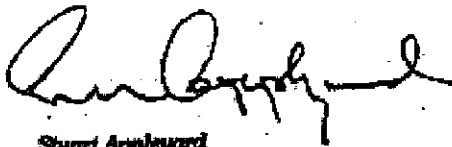
The Directors declare that:

- a) In the director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- b) In the director's opinion, the attached financial statement and notes thereto are in accordance with the Corporations Act 2001, including compliance with the accounting standards and giving a true and fair view of the financial position and performance of the Company and its controlled entities.

This declaration is made in accordance with a resolution of the directors.



Peter Williams  
Director



Stuart Appleyard  
Director

Dated in Adelaide, South Australia this  
15th day of March 2006



Chartered Accountants and Business Address

**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF MARATHON RESOURCES LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Marathon Resources Limited for the full-year ended 31 December 2005, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

**GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP  
CHARTERED ACCOUNTANTS**

**P.S. PATERSON**  
Partner

Signed at *Adelaide SA* this *15* day of *March* 2006

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## INDEPENDENT AUDIT REPORT TO MEMBERS OF MARATHON RESOURCES LTD AND CONTROLLED ENTITIES

### Scope

#### The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, notes to the financial statements and the directors' declaration of Marathon Resources Ltd and Controlled Entities (the consolidated entity), for the half year ended 31 December 2005. The consolidated entity comprises both the company and the entities it controlled during that half year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

### Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Australian Accounting Standard AASB 134: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the accounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

### Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

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**Audit opinion**

In our opinion, the financial report of Marathon Resources Ltd and Controlled Entities is in accordance with:

- (a) the Corporations Act 2001, including:
  - i) giving a true and fair view of Marathon Resources Ltd's and consolidated entity's financial position as at 31 December 2005, and of its performance for the half-year ended on that date; and
  - ii) Australian Accounting Standard AASB 134: Interim Financial Reporting; and
- (b) other mandatory financial reporting requirements in Australia.

**GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP**  
**CHARTERED ACCOUNTANTS**



**P S PATERSON**  
Partner

Signed at *Oryville* this *16* day of *March* 2005

**CONSOLIDATED INCOME STATEMENT  
FOR THE HALF YEAR ENDED 31<sup>ST</sup> DECEMBER 2005**

	Notes	Consolidated Entity	
		31 December 2005 \$	31 December 2004 \$
Revenue	3	90,712	-
Depreciation		(18,547)	-
Explorational Expenses		(17,383)	-
Employee Expenses		(200,983)	-
Occupancy Expenses		(21,350)	(1,043)
Share based payment expenses		(52,000)	-
Other expenses from ordinary activities		(355,951)	(93,403)
<b>Profit (Loss) from ordinary activities before income tax expense</b>		<b>(570,502)</b>	<b>(94,446)</b>
Income Tax	3a	-	-
<b>Profit (Loss) from ordinary activities after income tax expense</b>		<b>(570,502)</b>	<b>(94,446)</b>
<b>Net Profit (Loss) attributable to the members of Marathon Resources Ltd</b>		<b>(570,502)</b>	<b>(94,446)</b>
<b>Earnings per share</b>			
Basic (cents per share)		(0.015)	-
Diluted		(0.015)	-

The accompanying notes form part of these financial statements

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**CONSOLIDATED BALANCE SHEET  
AS AT 31<sup>ST</sup> DECEMBER 2005**

	Notes	<i>Consolidated Entity</i>	
		31 December 2005 \$	30 June 2005 \$
<b>CURRENT ASSETS</b>			
Cash at Bank	13a	2,610,100	3,828,513
Receivables	4	42,470	6,959
Other Financial Assets	5	30,869	-
<b>Total Current Assets</b>		<u>2,683,439</u>	<u>3,835,472</u>
<b>NON-CURRENT ASSETS</b>			
Property, Plant & Equipment	6	133,503	121,543
Exploration & Evaluation costs	7	1,111,776	406,654
<b>Total Non-Current Assets</b>		<u>1,245,279</u>	<u>528,197</u>
<b>TOTAL ASSETS</b>		<u>3,928,718</u>	<u>4,363,669</u>
<b>CURRENT LIABILITIES</b>			
Payables	8	221,816	152,607
Provisions	14	35,293	25,951
<b>Total Current Liabilities</b>		<u>257,109</u>	<u>178,558</u>
<b>NET ASSETS</b>		<u>3,671,609</u>	<u>4,185,111</u>
<b>EQUITY</b>			
Contributed Equity	9	4,349,302	4,344,302
Reserves	9a	52,000	-
Retained Losses	10	(1,229,693)	(659,191)
<b>TOTAL EQUITY</b>		<u>3,671,609</u>	<u>4,185,111</u>

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR 31<sup>ST</sup> DECEMBER 2005**

	Notes	Share Capital	Retained Earnings	Reserves	Total
Balance 1/07/2004		75,000	(71,672)	-	3,328
Share Issues		4,598,827			4,598,827
Loss attributable to members of parent company			(417,044)	-	(417,044)
Balance at 30/06/2005		4,673,827	(488,716)	-	4,185,111
Effect of transition to A-IFRS	17	170,475	(170,475)		-
A-IFRS 30/06/2005		4,844,302	(659,191)		4,185,111
Share Issues		5,000			5,000
Loss attributable to members of parent			(570,502)	52,000	(518,502)
Balance at 31/12/2005		4,849,302	(1,229,693)	52,000	3,671,609

The accompanying notes form part of these financial statements

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**CONSOLIDATED CASH FLOW STATEMENT  
AS AT 31<sup>ST</sup> DECEMBER 2005**

	Notes	<i>Consolidated Entity</i>	
		31 December 2005	31 December 2004
<b>Cash flows from operating activities</b>			
Interest Received		90,712	-
Payments to suppliers		(570,423)	(34,016)
Net cash provided by (used in) operating activities	13(b)	<u>(479,711)</u>	<u>(34,016)</u>
<b>Cash flows from investing activities</b>			
Purchase of plant & equipment	6	(25,507)	(7,337)
Payment for exploration activities		(687,325)	(28,200)
Payment for investment option		(30,869)	-
Cash acquired on purchase of subsidiary		-	10,881
Net cash provided by (used in) investing activities		<u>(743,701)</u>	<u>(24,656)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	9	5,000	275,000
Payment of expenses of the issue of prospectus		-	(257,366)
Net cash provided by (used in) financing activities		<u>5,000</u>	<u>17,634</u>
Net (decrease) / increase in cash held		<u>(1,218,412)</u>	<u>41,038</u>
Cash at the beginning of the half year		3,828,512	18,797
Cash at the end of the half year	13(a)	<u>2,610,100</u>	<u>59,835</u>

The accompanying notes form part of these financial statements

## NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

### Financial Reporting Framework

The financial statements are a general purpose financial report which has been prepared in accordance with applicable Accounting Standards, IAS Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements have also been prepared on an accrual basis and are except where indicated, based on historical costs and do not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

### Conversion to A-IFRS

The consolidated entity changed its accounting policies on 1<sup>st</sup> July 2005 to comply with A-IFRS. The transition to A-IFRS is effective this date (refer Note 2). An explanation of how the transition from superseded policies to A-IFRS has effected consolidated income statement balance sheet and cash flow statements is discussed in note 17.

### Significant Accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation of the financial report.

#### a) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of Marathon Resources Limited and its controlled entity referred in the financial report. Consistent accounting principles are employed in the preparation and presentation of the consolidated financial statements.

In preparing the consolidated financial statements, all intercompany balances and transactions, and uncalculated profits arising within the consolidated entity are eliminated in full.

## NOTES TO THE FINANCIAL STATEMENTS

#### b) Accounts payable

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

#### c) Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

#### d) Exploration, evaluation and development expenditure.

Exploration, evaluation and development expenditures in relation to separate areas of interest are brought to account in the period in which they are incurred and are carried at cost.

The cost of acquisition of an area of interest and exploration expenditure relating to that area of interest is carried forward as an asset in the balance sheet where:

*it is expected that the expenditures will be recovered through the successful development and exploitation of an area of interest or by its sale or*

*exploration activities are continuing in an area of interest and activities have not yet reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves.*

Where a decision is made to proceed with development, accumulated expenditure will be amortised over the life of the reserves associated with the area of interest.

## NOTES TO THE FINANCIAL STATEMENTS

## Significant Accounting policies (con't)

## c) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

## f) Income Tax

Tax effect accounting principles are adopted whereby income tax expense is calculated on pre-tax accounting results after adjustment for permanent differences. The tax effect of timing differences, which occur when items are included or allowed for income tax purposes in period different to that for accounting, is shown at current taxation rates in the deferred tax assets and deferred tax liabilities, as applicable. Deferred tax assets are only brought to account when it is probable that they will be sufficient taxable profits against which to utilise the tax benefits. The consolidated entity is able to consolidate and be treated as a single entity for income tax purposes. The implementation of the tax consolidation system has not yet been formally notified to a Australian Taxation Office. The head entity is Marathon Resources Limited and each entity in the group has agreed to pay a tax equivalent payment to or from the head entity based on the net accounting profit or loss of the entity and the current tax rate.

## g) Joint ventures

Interests in joint venture operations are reported in the financial statements by including the consolidated entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to joint

ventures and the share of any expenses incurred in relation to joint ventures in their respective classification categories.

## h) Receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

## i) Recoverable amount of non-current assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have been discounted to their present values.

## j) Revenue Recognition

*Disposal of Assets*

Revenue from the disposal of assets is recognised when the Company has passed control of the assets to the buyer.

*Interest*

Interest revenue is recognised on an accrual basis.

## k) Depreciation

Depreciation is provided on property, plant and equipment, commencing from the time the asset is held ready for use. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life. An estimated useful life of 5 - 15 years is used in the calculation of depreciation on plant and equipment.

## l) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

## m) Cash

For the purposes of the statement of cash flows, cash includes on hand and in banks and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 2 – COMPARATIVES AND NOTES

The half year financial report does not include all notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

## NOTE 3 – REVENUE AND EXPENSE FROM OPERATIONS AND OPERATING ACTIVITIES

	Consolidated Entity	
	31 December 2005	31 December 2004
	\$	\$
Revenue from ordinary activities	-	-
Interest	90,712	-
Other expenses include:		
Accounting and Auditing	18,881	787
ASX and Registry	34,558	-
Computer costs	33,055	160
Consulting	46,877	11,993
Insurance	16,689	3,938
Travel	73,439	-

## NOTE 3a – INCOME TAX EXPENSE

	Consolidated Entity	
	31 December 2005	30 June 2006
	\$	\$
<b>I. Prima Facie income tax expenses on pre-tax Accounting loss reconciles to income tax expense in the Income Statement as follows:</b>		
Income tax benefit calculated at 30%	171,151	125,113
Tax effect of permanent difference - expenses paid - not allowable - via share issue	(16,263)	(445)
	-	34,095
Timing differences and tax losses not brought to account as future income tax benefits	(154,886)	(158,763)
Income tax expense relating to ordinary activities	-	-

## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 3a - INCOME TAX EXPENSE (cont)

H. Net future income tax benefits (FITB)  
not brought to account as assets

Tax losses - capital	131,634	131,634
Tax losses - revenue	426,231	242,917
Timing differences	121,204	149,680
Total FITB not brought to account	679,069	524,181

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

- assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realized;
- conditions for deductibility imposed by the law are complied with; and
- no changes to tax legislation adversely affect the realisation of the benefit from the deductions.

## NOTE 4 - RECEIVABLES

	Consolidated Entity	
	31 December 2005	30 June 2005
	\$	\$
Other debtors	42,470	6,959
	<u>42,470</u>	<u>6,959</u>

## NOTE 5 - OTHER FINANCIAL ASSET

	Consolidated Entity	
	31 December 2005	30 June 2005
	\$	\$
Share purchase option and due diligence costs	30,869	

The Company has acquired an option to purchase the whole of the issued capital of a company holding a 100% interest in a potential molybdenum, tungsten, copper tenement in Europe. The option was acquired for \$ 21,000 and due diligence expenditure on establishing the existence of mineral resources of \$ 9,869 has been spent to the date of this report.

## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

	Consolidated Entity	
	31 December 2005 \$	30 June 2005 \$
Plant and equipment, office equipment and vehicles	151,712	126,205
Less Accumulated Depreciation	18,209	4,662
Total Plant and Equipment	133,503	121,543
Movement		
Balance at 1 July 2005	121,543	2,785
Additions	25,507	123,469
Disposals	-	-
Depreciation	(13,547)	(4,662)
Carrying amount at 31 <sup>st</sup> December 2005	133,503	121,543

## NOTE 7- EXPLORATION AND EVALUATION COSTS

	Consolidated Entity	
	31 December 2005 \$	30 June 2005 \$
Exploration and Evaluation Costs	1,111,776	406,654
Less Accumulated Amortisation	-	-
Total Exploration and evaluation Costs	1,111,776	406,654
Movement		
Balance at 1 July 2005	406,654	25,650
Exploration and evaluation Additions	705,122	172,496
Exploration and evaluation costs recognized on acquisition of subsidiary	-	210,508
Closing balance	1,111,776	406,654

The ultimate recoupment of costs carried forward is dependant upon the successful development and/or commercial exploitation or alternatively, sale of respective area of interest. For details of the Company's interests in Joint Ventures, refer to Note 11.

## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 8 - PAYABLES

	Consolidated Entity	
	31 December 2005	30 June 2005
	\$	\$
Suppliers	165,316	115,804
Other creditors	38,703	35,803
Accrued commitments	17,797	-
	<u>221,816</u>	<u>152,507</u>

## NOTE 9 CONTRIBUTED EQUITY

	Consolidated Entity	
	31 December 2005	30 June 2005
	\$	\$
Fully paid ordinary shares	4,849,302	4,844,302

Fully paid ordinary shares entitle the holders to participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. On a show of hands every holder of fully paid ordinary shares present at a meeting in person or by proxy is entitled to one vote and upon a poll each share is entitled to one vote.

## Movements in ordinary share capital

	Number	\$
1 July 2005	37,810,295	4,844,302
Issued at 20 cents (22/12/05)	25,000	5,000
Balance at 31 <sup>st</sup> December 2005	37,835,295	4,849,302

Options granted prior to 31<sup>st</sup> December 2005 and unexercised total 5,735,000 as follows:

5,475,000	Having an exercise price of 20 cents and exercisable at anytime from grant date to expiry date of 30 <sup>th</sup> June 2009
100,000	Granted on 1 <sup>st</sup> July 2005 and having an exercise price of 20 cents. Exercisable at any time from grant date to expiry date of 30 <sup>th</sup> June 2010.
160,000	Granted on 31 <sup>st</sup> August 2005 and having an exercise price of 45 cents, exercisable at any time from grant date to expiry date of 30 <sup>th</sup> June 2010

25,000 options were exercised on 22<sup>nd</sup> December 2005

## NOTE 9a - RESERVES

	Consolidated Entity	
	31 December 2005	30 June 2005
	\$	\$
Share option reserve	32,000	-

## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 10 - ACCUMULATED LOSSES

	Consolidated Entity	
	31 December 2005 \$	30 June 2005 \$
Opening balance	(599,191)	(71,672)
Net loss	(570,502)	(587,519)
Accumulated losses at 31* December 2005	(1,229,693)	(659,191)

## NOTE 11 - TENEMENTS

Project	Tenement	Commodity	Consolidated Entity	
			31 Dec 2005 \$	30 June 2005 \$
<b>100% Interest</b>				
<b>South Australia</b>				
Midge Well	EL 3211	IOCG, Copper, Gold, Uranium	59,481	7,513
Floda Springs	EL 2159	Base metals, Copper, Gold	16,060	12,406
Mungahata	EL 3164	Gold, Copper	15,934	4,585
Mt Gee	EL 3288	Uranium, Rare earths	808,066	285,700
MacDowell Hill	EL 3474	Uranium, Copper, Gold	3,016	-
<b>Joint Ventures</b>				
<b>South Australia</b>				
Coondambo	EL 2619	IOCG, Copper, Gold, Uranium	52,782	42,921
Mabel Creek	EL 3924	IOCG, Copper, Gold, Uranium	27,386	3,006
Woorong Creek	EL 2730	IOCG, Copper, Gold, Uranium	53,599	3,893
<b>Victoria</b>				
Kalymsa	EL 4826	Gold	34,063	31,169
Glanville	EL 4621	Gold, Copper	21,260	15,176
			<b>1,051,696</b>	<b>406,339</b>
Application Monies for Grants of New Tenements			2,283	315
Accrued commitments			17,797	-
Carrying value of exploration costs	Per Note 7		<b>1,111,776</b>	<b>406,654</b>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 11 – TENEMENTS (cont)

The Company's interests in unincorporated joint venture operations at the date of this report were as follows:

<i>Name of entity</i>	<i>Principal activity</i>	<i>Joint venture Partner</i>	<i>31 Dec 2005</i>	<i>30 June 2005</i>
Coondambo	Mineral exploration	Platsearch NL	50%	50%
Mabel Creek*	Mineral exploration	Minctaur Exploration Ltd	51%	51%
Woorong Creek*	Mineral exploration	Minctaur Exploration Ltd	51%	51%
Kalymsa	Mineral exploration	PS & GF Forwood	90%	90%
Glenly's	Mineral exploration	PS & JA Forwood	90%	90%

\* The interests in the unincorporated joint venture operations with Woorong Creek and Mabel Creek are subject to the Company spending a total of \$ 1 million on exploration of the tenements.

The Company's interest in the unincorporated joint ventures are earned pursuant to agreements providing for minimum exploration expenditures all of which are to be met by the Company over defined time hor.

### NOTE 12 – COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

#### Exploration Expenditure Commitments

The Company has certain statutory obligations to perform exploration work and expend minimum amounts of money on such works on mineral exploration tenements.

The terms of the current and future joint ventures, grant of new licences and changes to existing licences will impact on the Company's expenditure commitments.

Total annual expenditure commitments at balance date in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	<i>At 31 December 2005 \$</i>	<i>At 30 June 2005 \$</i>
Not longer than 1 year	486,000	828,000
Longer than 1 year and not longer than 5 years	150,000	81,000
Longer than 5 years	-	-

These are maximum commitments that will vary depending on future decisions on tenement management.

## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 13 - NOTES TO THE STATEMENT OF CASH FLOWS

## a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated 31 December 2005 \$	Consolidated 31 December 2004 \$
Cash at bank	2,610,100	48,562
Cash in trust account	-	11,273
	<u>2,610,100</u>	<u>59,835</u>

## b) Reconciliation of loss from operating activities after related income tax to net cash flows from operating activities.

	Consolidated 31 December 2005 \$	Consolidated 31 December 2004 \$
Loss from ordinary activities after income tax	515,502	94,446
Non-cash operating expenses		
Depreciation	(13,547)	-
Lease provision	(9,342)	-
	<u>495,613</u>	<u>94,446</u>
Increase / (Decrease) in receivables	36,511	-
(Increase) / Decrease in suppliers and other creditors	(51,413)	(128,482)
Net Cash provided by (used in) operating activities	<u>(179,713)</u>	<u>(34,036)</u>

## NOTE - 14 - CURRENT PROVISIONS

	Consolidated 31 December 2005 \$	Consolidated 30 June 2005 \$
Employee Entitlements	85,293	28,921
Number of Employees	6	6

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 15 – SEGMENT INFORMATION

The consolidated entity operates in the mining and exploration industry in Australia.

### NOTE 16 – MATTERS SUBSEQUENT TO END OF THE HALF YEAR

The Company has announced on the 14<sup>th</sup> March 2006 a proposed placement of ordinary shares to raise additional capital of up to \$ 3,630,000.

There has not been any other matter or circumstance unless referred to in the financial statements or notes therein, that has arisen since the end of the half year that had significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in the remainder of, and future financial year(s).

### NOTE 17 – IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

The adoption of AIFRS is reflected in the consolidated financial statements for the half year ending 31<sup>st</sup> December 2005. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 have been restated.

Directors are of the opinion that there are no material differences in the consolidated entity's accounting policies on conversion to AIFRS.

Set out below are the matters considered in determining if any restatement of balances at 30<sup>th</sup> June 2005 was required on adoption of AIFRS.

#### Exploration and Evaluation

The board had elected to keep strictly in line with AASB6, in the 2005 Financial Year, the consolidated entity has completed Impairment Testing on all of its Exploration and Evaluation Expenditure capitalised which has not resulted in any write-down.

#### Recoverable Amount of non-current Assets

The consolidated entity's approach to impairment is consistent with the requirements of AASB 136. As a result the introduction of this standard has had no impact on the consolidated entity's financial statements.

#### Income Tax

AASB 112 requires the recognition of temporary differences associated with revenues and expenses taken directly to equity. The consolidated entity has previously recognised transaction costs associated with capital raising directly in equity. The effect of the recognition is to increase share capital by \$ 170,475 and increase accumulated losses by \$ 170,475. The adjustment to accumulated losses reflects the directors view that the criteria for recognition of deferred tax assets has not been met.

## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 17 (cont) – IMPACTS OF THE AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

On the Income Statement for the financial year ended 30<sup>th</sup> June 2005

	Financial Year ended AT 30 <sup>th</sup> JUNE 2005	
	Previous Australian GAAP	Effect of Transition to A-IFRS
		A-IFRS
Revenue	84,818	84,818
Depreciation	(4,662)	(4,662)
Exploration	(50,916)	(50,916)
Employer expenses	(295,923)	(295,923)
Occupancy expenses	(27,944)	(27,944)
Other expenses from ordinary activities	(111,432)	(111,432)
<b>Profit (loss) from ordinary activities Before income tax</b>	<b>(417,044)</b>	<b>(417,044)</b>
Income Tax Expense		(170,475)
<b>Profit (loss) from ordinary activities after income tax</b>	<b>(417,044)</b>	<b>(587,519)</b>

There was no A-IFRS adjustment required on the income statement for the half year ended 31<sup>st</sup> December 2004 consequently no reconciliation of profit and loss has been prepared.

## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 17 (con't) – IMPACTS OF THE AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS.

On the Balance Sheet as at 30<sup>th</sup> June 2005

	AT 30 <sup>th</sup> JUNE 2005		
	Previous Australian GAAP	Effect of Transition to A-IFRS	A-IFRS
Cash at Bank	3,828,513		3,828,513
Receivables	6,959		6,959
Other financial assets			
<b>Total Current Assets</b>	<b>3,835,472</b>		<b>3,835,472</b>
Property, Plant & Equipment	121,543		121,543
Exploration & evaluation costs	406,654		406,654
<b>Total Non-current Assets</b>	<b>528,197</b>		<b>528,197</b>
<b>Total Assets</b>	<b>4,363,669</b>		
Payables	152,607		152,607
Provisions	25,951		25,951
<b>Total Current Liabilities</b>	<b>178,558</b>		<b>178,558</b>
<b>Net Assets</b>	<b>4,185,111</b>		<b>4,185,111</b>
Equity			
Contributed	4,673,827	170,475	4,844,302
Retained losses	(488,716)	(170,475)	(659,191)
<b>Net Equity</b>	<b>4,185,111</b>		<b>4,185,111</b>

There were no A-IFRS adjustments to equity as at 1<sup>st</sup> July 2004 and 31<sup>st</sup> December 2004 and therefore no reconciliation of equity as at those dates has been prepared.

EFFECTS OF A-IFRS ON THE CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30<sup>th</sup> JUNE 2005

There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under Australian GAAP superceded policies.

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**Annexure C – Description of announcements made by Marathon to ASX between the Announcement Date and the date of this Bidder's Statement**

08/07/2006	Crosby Bid Response
10/07/2006	Paralana - Technical Presentation
12/07/2006	Letter to Shareholders re Crosby Capital Partners Inc Bid
27/07/2006	Fourth Quarter Activities & Cashflow Reports
01/08/2006	Gawler Craton – Kingoonya Palaeochannel AV
09/08/2006	Appendix 3B – notifying exercise of Options

Marathon Shareholders can obtain copies of any of these announcements, and other announcements by Marathon, from [www.asx.com.au](http://www.asx.com.au) (ASX code: MTN).

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## Annexure D – Announcements made by Marathon in relation to the Offer

Thursday, 6 July 2006

Marathon Resources Ltd  
ABN 31 107 531 022  
10 George Street  
Stepney SA 5009  
T 08 8300 2500  
F 08 8362 5655  
admin@marathonresources.com.au  
www.marathonresources.com.au

**MARATHON**

COMPANY ANNOUNCEMENT OFFICE  
AUSTRALIAN STOCK EXCHANGE

ASX CODE MTN

### RESPONSE TO CROSBY BID

The Board of Marathon has met to consider the announcement dated 5 July 2006 by Crosby Capital Partners Inc (Crosby) that it intends to make a takeover bid for Marathon.

The Board believes the unsolicited bid to be opportunistic and significantly undervalues Marathon's assets and future prospects.

The bid is also heavily conditional and uncertain. The Crosby announcement only contains an outline of conditions of the bid. The full terms of these conditions will be set out in the Bidder's Statement.

The directors of Marathon collectively control 22.8% of Marathon's fully diluted issued capital and do not intend to accept the proposed offer. This means the minimum acceptance condition set out in Crosby's announcement will not be able to be met and the proposed offer cannot succeed unless this condition is waived or varied.

Directors advise shareholders to take no action in respect of Crosby's announcement or the offer, when it eventuates, until the board of Marathon provides its detailed response in the target statement, which will be provided to all shareholders in accordance with the statutory timetable after Crosby's formal offer documents have been received by Marathon.

Peter L Williams

Chairman

Marathon Resources Ltd

ABN 81 107 621 822

10 George Street

Stepney SA 5069

T 08 8366 2500

F 08 8362 5555

admin@marathonresources.com.au

www.marathonresources.com.au

Wednesday, 12 July 2006



Dear Shareholder

We advise that on 6 July 2006 Crosby Capital Partners Inc ("Crosby") announced that it intends to make an unsolicited, and in your Board's view, highly opportunistic, takeover bid for Marathon Resources Limited ("Marathon").

The announcement states that an offer will be made at \$0.68 for each Marathon ordinary share and will be subject to a minimum acceptance condition of 90% as well as a number of other conditions which result in the proposed offer being very uncertain.

The board of Marathon believes the offer significantly undervalues Marathon's assets and future prospects.

During the period after the announcement of the takeover bid by Crosby until close of trading on 7 July 2006, Marathon's ordinary shares have traded on the Australian Stock Exchange ("ASX") in a range of \$0.72 - \$0.79 per share. The closing price for Marathon shares on the ASX on 7 July 2006 was \$0.785.

This closing share price exceeds the proposed offer price by 10.5 cents or 15.4% and, in your Board's view, reflects that the market is unimpressed by Crosby's takeover bid for Marathon. A total of 1.987 million Marathon shares representing 4.58% of Marathon's undiluted issued capital were traded during the period referred to above.

Directors of Marathon collectively control 22.8% of Marathon's fully diluted issued capital and do not intend to accept the proposed offer. This means the minimum acceptance condition set out in Crosby's announcement will not be able to be met and the proposed offer cannot succeed unless this condition is waived or varied.

Directors advise shareholders to take no action in respect of Crosby's announcement or the offer until the board of Marathon provides its detailed response in the target statement, which will be provided to all shareholders in accordance with the statutory timetable, after the formal offer documents have been received by Marathon.

The board of Marathon has appointed Baron Partners Limited to provide it with corporate advice, and Watsons Law to provide it with legal advice, with respect to the offer.

Yours sincerely

Peter L Williams  
Chairman

**BUTTERMERE AUSTRALIA PTY LIMITED**

ACN 120 663 710

**SHARE ACCEPTANCE FORM**

Use this form to accept the Offer dated [XX August 2006] by Buttermere Australia Pty Limited ACN 120 663 710 ("Buttermere") to acquire all your ordinary shares in Marathon Resources Limited ACN 107 531 822 ("Marathon Shares"). This is an important document. If you do not understand it, please consult your financial or other professional adviser immediately.

SRN/HIN

Number of your  
Marathon Shares:

Subregister:

**Step 1 Check your details above**

If any of the above details are incorrect, please amend them and initial the alterations.

By returning a validly signed form you are accepting the Offer for all of your Marathon Shares.

**Step 2 For Issuer Sponsored Holdings**

If your Marathon Shares are in an Issuer Sponsored Holding (check your details to the right – if your SRN/HIN begins with an "I" this indicates that your Marathon Shares are held on the Issuer Sponsored Subregister) or if at the time of your acceptance you are entitled to be (but are not yet) registered as the holder of your Marathon Shares, to accept the Offer you must sign in the box below and send this form to one of the addresses shown overleaf so that it is received BEFORE the Offer closes (see below).

**Step 2 For CHESSE Holdings**

If your Marathon Shares are held on the CHESSE Subregister, to accept the Offer you can either:

- Contact your Controlling Participant – normally your broker (if you do that, you do not need to return this form)

OR

- If you want us to contact your broker on your behalf, write their details here. (Broker details for CHESSE Subregister only)

Broker's name \_\_\_\_\_

Address \_\_\_\_\_

Broker's telephone number \_\_\_\_\_

**AND**

sign in the box below and return this form. You must ensure that this form is received by us in sufficient time before the end of the Offer Period to enable us to instruct your broker to effect acceptance of the Offer on CHESSE during business hours.

**Step 3 Sign in the box below**

By signing in the box below, you accept the Offer (as indicated in Step 1 above) on and subject to the terms and conditions of the Offer, and you acknowledge the effect of your acceptance as set out in section 9.5 of the Bidder's Statement. If you have a CHESSE Holding, you authorise us to give instructions to your Controlling Participant (normally your broker) in accordance with section 9.5 of the Bidder's Statement.

If you sign this form under a power of attorney, you must send a certified copy of the power of attorney with this form. For a deceased estate, all the executors and administrators must sign, and they must send the probate or letters of administration with this form. In this Acceptance Form, "us" refers to Buttermere.

Individual or first joint shareholder 1

Sole Director and Sole Secretary

Shareholder 2

Director/Secretary

Shareholder 3

Director

Date \_\_\_\_/\_\_\_\_/\_\_\_\_

Please provide a business hours telephone number so that we can contact you if necessary

Your telephone number

**Individual or joint Shareholders – each Shareholder must sign**  
**Companies – companies may execute this in any way allowed by law**

You must complete, sign and return this Acceptance Form so that it is received at one of the addresses shown overleaf BEFORE the Offer closes (see below). If the Acceptance Form is sent by mail, you may use the enclosed reply paid envelope. The Offer will close at 7:00pm Sydney time on [XX XX 2006] (unless the Offer is withdrawn or extended).

The directors of Buttermere Australia Pty Limited reserve the right to make amendments to this form where appropriate. Please refer to the instructions overleaf.

**MTNT TKO001**

## HOW TO ACCEPT THE BUTTERMERE OFFER

### Issuer Sponsored Holdings

If your Marathon Shares are in an Issuer Sponsored Holding, or if you are not yet registered as the holder of your Marathon Shares, then to accept the Offer, you must fill out this Acceptance Form overleaf and return it to one of the addresses shown below.

### CHESS Holdings

If your Marathon Shares are in a CHESS Holding, your Controlling Participant (normally your broker) must be contacted with instructions to accept the Offer. If you contact your Controlling Participant with instructions to accept, you do not need to return this Acceptance Form.

If you want us to contact your Controlling Participant on your behalf, you must fill out this Acceptance Form overleaf and return it to one of the addresses shown below. However, you must ensure that this form is received in sufficient time before the end of the Offer Period to enable us to instruct your Controlling Participant to effect acceptance on CHESS during business hours.

### Additional Notes

1. **Power of Attorney** – if you sign this form under power of attorney, you must send a certified copy of the power with the form, and will have declared that you have no notice of revocation of the power and are able to further delegate power under it under the Bidder's Statement.
2. **Sold all your Marathon Shares?** – if you have sold all your Marathon Shares, please send this form and your Bidder's Statement to the stockbroker who acted on your behalf.
3. **Bought or sold your Marathon Shares?** – if you have recently bought or sold any Marathon Shares, your holding may differ from that shown on the front of this form. If so, please alter the number of Marathon Shares shown as your registered holding on the front of this form to the number of Marathon Shares you now hold (including any Marathon Shares of which you are entitled to become registered as holder), initial the alteration and indicate on this form the name of the stockbroker who acted for you.

If you must fill out and return this Acceptance Form, it must be received at one of the addresses shown below before the end of the Offer Period (which is scheduled to be 7:00pm Sydney time on [XX XX 2006] (unless extended)).

#### POSTAL ADDRESS

Link Market Services Limited  
Buttermere Takeover Marathon Offer  
Reply Paid [XXX]  
SYDNEY SOUTH NSW 1234

#### DELIVERY ADDRESS

Link Market Services Limited  
Buttermere Takeover Marathon Offer  
Level 12, 680 George Street  
SYDNEY NSW 2000

If you have any questions about how to complete this Acceptance Form, please contact your financial or legal adviser.

### Information about you

Link Market Services Limited advise that when you cease to be a shareholder in Marathon Resources Limited, Chapter 2C of the *Corporations Act 2001 (C'th)* requires information about you (including your name, address and when you ceased to be a shareholder) to be included in the company's public register for seven years after you sell your Marathon Shares. These statutory obligations are not altered by the *Privacy Amendment (Private Sector) Act 2000*.

Information you supply on this Acceptance Form will be used by Buttermere and Link Market Services Limited for the primary purpose of processing your acceptance of the Offer and to provide you with the consideration payable under the Offer. This information may be disclosed to Buttermere's professional advisers, securities brokers, printing and mailing providers and other third parties in connection with the Offer. If you fail to supply this information, your acceptance may not be processed and you may not receive the consideration payable. You may have rights to access the personal information you have supplied. Please see Link Market Services Limited's privacy policy on its website [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).