


MARATHON

31 August 2006

Australian Stock Exchange Limited
Company Announcements Office

Priority Offer to Shareholders in Proposed Float of UraniumSA Limited

Attached is copy correspondence sent to Marathon Resources Limited Shareholders advising details of, and priority offer to Shareholders in, the proposed UraniumSA Limited IPO.

Yours faithfully



S M Appleyard
Director/Company Secretary



Thursday, August 31, 2006

Dear Shareholder

Priority Offer to Shareholders in Proposed Float of UraniumSA Limited.

On 1st August 2006 **Marathon Resources Ltd** (Marathon) announced to ASX that it had entered into two joint venture agreements with **UraniumSA Ltd** for uranium exploration over three of Marathon's exploration licences, Mulga Well, McDowell Hill and Bon Bon, located in the Glendambo region of the central Gawler Craton. Details of those joint ventures are set out in Marathon's ASX announcement.

The joint ventures are subject to, and conditional on, UraniumSA:

- obtaining ministerial consent to the joint venture arrangements;
- completing a successful initial public offering (IPO) to raise at least \$4 million; and
- issuing and allotting 4,370,061 shares to Marathon

by 31 December 2006.

As part of the joint venture negotiations, UraniumSA agreed to allow Marathon shareholders a priority of application in respect of a pre-determined number of UraniumSA shares in its IPO.

UraniumSA has advised that a Prospectus in respect of its IPO was registered with ASIC on Friday 25th August 2006. The Prospectus aims to raise \$6.0 million through the offer of 30 million 20c shares. Under the terms of the Prospectus:

- UraniumSA will, after completing the IPO, issue and allot to Marathon 4,370,061 UraniumSA shares representing 7.13% of its post-IPO issued capital (assuming the issue is fully subscribed) as consideration for entering into the joint ventures.
- Marathon shareholders on the register at the Record Date (Friday 1st September 2006) (Eligible Shareholder) will have a priority of application for 6,269,797 shares in UraniumSA at 20 cents per share representing 20.9% of the total number of UraniumSA shares being offered under the IPO and 10.24% of UraniumSA's post-IPO issued capital assuming the issue is fully subscribed.
- The UraniumSA shares being offered under the priority of application will be allotted to Eligible Shareholders on a first-come-first-serve basis and, if the offer is oversubscribed, applications will either be scaled back to a maximum of 5% of those UraniumSA shares or be declined at UraniumSA's discretion.
- Eligible Shareholders will receive a copy of the UraniumSA prospectus and a personalized Priority Application Form.

On successful completion of the UraniumSA IPO Marathon will have a direct equity interest of 7.13% in UraniumSA in addition to its retained 30% free carried interest in the Mulga Well and McDowell Hill/Bon Bon joint ventures (Figure 1). Note that the Mulga Well joint venture applies only to palaeochannel uranium, with Marathon retaining a 100% interest in all other minerals.

In addition to Marathon's joint venture tenements, UraniumSA has agreements with ASX-listed Stellar Resources Limited and with Peninsula Exploration Pty Ltd, giving UraniumSA a combined tenement package covering some 5,273 square km of the Kingoonya Palaeochannel system, infilling Marathon's joint venture tenement coverage and extending it to the west (Figure 2).

On completion of the IPO, UraniumSA will have exploration control of a major portion of the Kingoonya Palaeochannel system and, through its equity and joint venture interests, Marathon will have a significantly expanded exposure to palaeochannel uranium exploration.

UraniumSA is also looking to explore for roll-front and basement style uranium mineralisation within the Cleve Sub-domain of the southern Gawler Craton, details of which are set out in the UraniumSA Prospectus. Marathon will have an interest in all of these exploration areas through its 7.13% equity holding in UraniumSA.

The priority of application offer provides Marathon shareholders with an opportunity to directly benefit from UraniumSA's extensive exploration rights in the Kingoonya Palaeochannel system.

If you are able to participate under the terms of the UraniumSA Prospectus and you wish to acquire UraniumSA shares under the priority of application offer you will be required to complete the Priority Application Form accompanying the prospectus UraniumSA sends you. Further information regarding UraniumSA, including access to the UraniumSA Prospectus, is available on their web site at www.uraniumsa.com.au.

Marathon encourages you to read UraniumSA's prospectus carefully before applying for shares in the IPO and to consult your stock broker, accountant or independent financial advisor if you have any questions about any aspect of the priority of application offer or a potential investment in UraniumSA.

Yours sincerely,



Dr John Santich
Chief Executive Officer

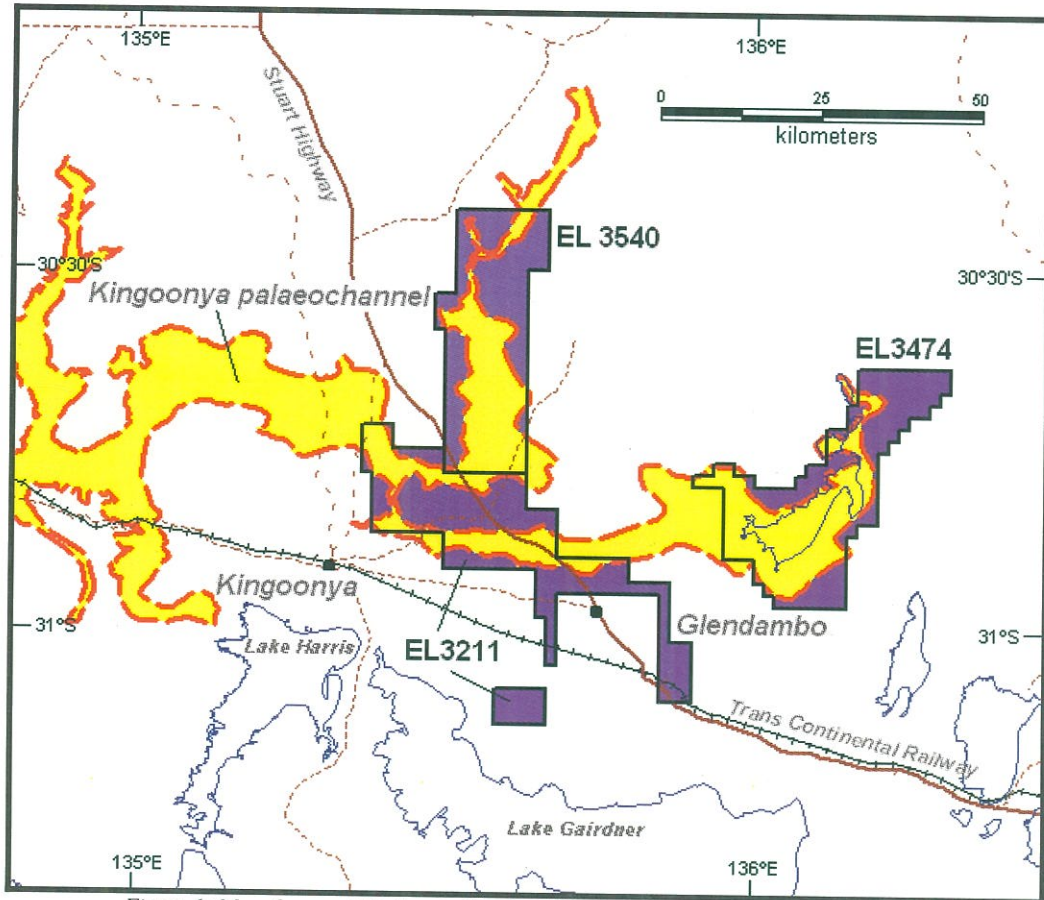


Figure 1: Marathon contribution to UraniumSA's Kingoonya Palaeochannel coverage

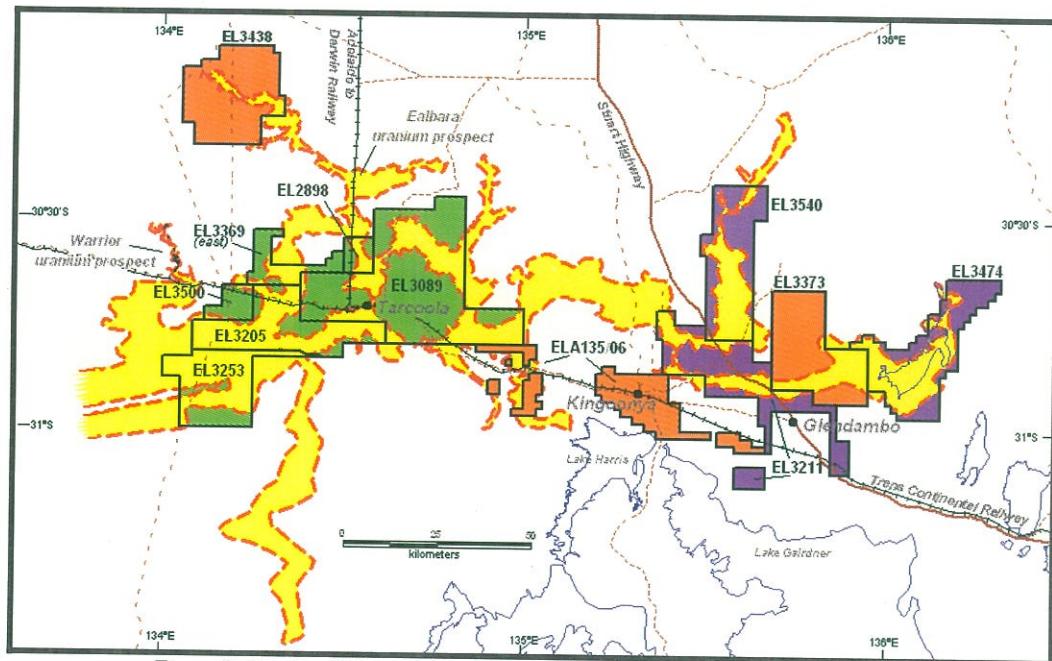


Figure 2: UraniumSA's overall coverage of the Kingoonya Palaeochannel system