

1 September 2006

Marathon Resources Ltd
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**Australian Stock Exchange
Companies Announcements Office**

Letter to Shareholders

Please find attached letter to shareholders in respect of the Bidder's Statement released by Buttermere Australia Pty Ltd.

Yours sincerely

A handwritten signature in black ink, appearing to read "Peter L Williams", with a stylized flourish at the end.

**Peter L Williams
Chairman**

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Dear Marathon Shareholder,

Buttermere Australia Pty Limited (**Buttermere**), an indirect wholly owned subsidiary of Crosby Capital Partners Inc which is a deal-focused, Asia-orientated merchant banking and asset management group, has made an unsolicited off-market takeover bid for all of your Marathon shares, together with any Marathon shares to be issued following the exercise of any Marathon options you hold, at a price of 68 cents per Marathon share (**Offer**).

We have been advised that Buttermere has posted the Bidder's Statement for its Offer to Marathon shareholders.

Your directors unanimously recommend that you **REJECT** the Offer.

The reasons for this recommendation are explained in detail in the Target's Statement which is currently being finalised and will be sent to you in the next few days. In essence your directors believe the Offer:

- is totally inadequate, opportunistic and does not reflect Marathon's achievements;
- does not reflect Marathon's potential;
- is well below the volume weighted average market price of Marathon shares during 2006 for the period 1 January 2006 to 5 July 2006 (the date immediately before the Offer was announced); and
- is highly conditional and uncertain.

Marathon is a relatively new company that has added significant value to its exploration interests since it listed on the ASX 17 months ago. We have plans in place to further develop our exploration interests, and in particular Mt Gee, which are intended to create further value for shareholders. Updated details regarding the resource at Mt Gee were lodged with the ASX on 30 August 2006 and are included in the Target's Statement.

To reject the Offer simply do nothing and ignore all documentation sent to you by the Bidder.

If you have any questions regarding the Offer either now or after receipt of the Target's Statement, please call the Marathon information line on 1300 138 684 (toll free in Australia) or +61 3 9415 4349 for international calls. Calls to these numbers will be recorded in accordance with the Corporations Act.

Yours sincerely

Peter L Williams
Chairman