

Friday, 8 September 2006

Marathon Resources Ltd
ABN 31 107 531 822
10 George Street
Stepney SA 5069
T 08 8366 2500
F 08 8362 5955
admin@marathonresources.com.au
www.marathonresources.com.au



**COMPANY ANNOUNCEMENTS OFFICE
AUSTRALIAN STOCK EXCHANGE**

ASX CODE MTN

**TARGET'S STATEMENT
OFF-MARKET TAKEOVER BID BY BUTTERMERE AUSTRALIA PTY LTD**

Dear Sir/Madam,

We refer to the unsolicited off-market takeover bid by Buttermere Australia Pty Ltd (Buttermere), an indirect wholly owned subsidiary of Crosby Capital Partners Ltd, for all the issued shares in the capital of Marathon Resources Ltd.

We enclose by way of service pursuant to item 14 of subsection 633(1) of the *Corporations Act 2001* (Cth) a copy of Marathon's Target's Statement dated 8 September 2006, prepared in response to Buttermere's Bidder's Statement dated 15 August 2006.

The attached Target's statement has been dispatched today to Marathon shareholders, and served on Buttermere.

We also enclose copy correspondence dispatched today to Marathon option holders.

A handwritten signature in black ink that reads "John Santich".

**Dr John Santich
Chief Executive Officer**



TARGET'S STATEMENT

IN RESPONSE TO THE OFFER TO ACQUIRE ALL THE ORDINARY SHARES OF
MARATHON RESOURCES LTD BY

BUTTERMERE AUSTRALIA PTY LIMITED
ACN 120 663 710

(An indirect wholly owned subsidiary of Crosby Capital Partners Inc)

MARATHON DIRECTORS ADVISE YOU TO

REJECT

THE OFFER FOR YOUR MARATHON SHARES

TO REJECT THE OFFER SIMPLY DO NOTHING

***THIS IS AN IMPORTANT DOCUMENT. IF YOU DO NOT UNDERSTAND IT, OR ARE
IN DOUBT AS TO HOW TO ACT, YOU SHOULD CONSULT YOUR FINANCIAL OR
OTHER PROFESSIONAL ADVISER IMMEDIATELY.***

Legal Adviser to Marathon



Corporate Adviser to Marathon



IMPORTANT INFORMATION

TARGET'S STATEMENT

On 6 July 2006 Crosby Capital Partners Inc (**Crosby**) announced a proposed takeover bid for 100% of the issued Marathon Shares, together with any Shares to be issued upon the exercise of Marathon Options. The Bidder (an indirect wholly owned subsidiary of Crosby) served its Bidder's Statement on Marathon on 15 August 2006. This Target's Statement dated 8 September 2006 (being the date lodged with ASIC) is given by Marathon in response to the Bidder's Statement, under Part 6.5 of Chapter 6 of the Corporations Act, in compliance with Section 638 of the Corporations Act. A copy of this Target's Statement has been lodged with the Australian Securities and Investments Commission. Neither the Australian Securities and Investments Commission nor any of its officers take any responsibility for the content of this Target's Statement.

DISCLAIMER REGARDING FORWARD LOOKING STATEMENTS

This Target's Statement contains various forward-looking statements. All statements other than statements of historical fact are forward-looking statements, particularly those statements in respect of the future prospects of Marathon and any forecasts on future uranium prices. Marathon Shareholders should note that those forward-looking statements are inherently subject to uncertainties in that they may be affected by a variety of known and unknown risks, variables and factors which could cause actual values or results, performance or achievements to differ materially from the expectations described in such forward-looking statements.

The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement. Marathon does not give any assurance that the anticipated results, performance or achievements expressed or implied in those forward-looking statements will be achieved.

NO ACCOUNT OF PERSONAL CIRCUMSTANCES

This Target's Statement does not take into account the individual investment objectives, financial situation and particular needs of each Marathon Shareholder and it does not contain personal financial and taxation advice. Marathon encourages you to seek independent financial advice from your financial or other professional adviser if you are in doubt how to act with respect to the Offer.

GLOSSARY

You will find a glossary in Section 9 of this Target's Statement. Expressions used in this Target's Statement with an upper case initial letter are defined in that glossary.

DATES FOR KEY EVENTS

Key Events	Date
Announcement of the takeover bid	6 July 2006
Bidder's Statement served on Marathon and lodged with ASIC	15 August 2006
Date for determining holders of Marathon Shares	21 August 2006
Received advice Bidder's Statement sent to Marathon Shareholders	31 August 2006
Target's Statement lodged with ASIC and ASX and served on Bidder	8 September 2006
Target's Statement sent to Marathon Shareholders	8 September 2006
Date for Section 630(1) notice on status of conditions (subject to extension of the Offer)	25 September 2006
Scheduled closing date of Offer	3 October 2006

MARATHON INFORMATION LINE

If you have any questions regarding the Offer 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.



CHAIRMAN'S LETTER

8 September 2006

Dear Marathon Shareholder,

Buttermere Australia Pty Limited, 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**).

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

The reasons for this recommendation are explained in detail in this Target's Statement, but 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 to 5 July (the date immediately before the Offer was announced); and
- is highly conditional and uncertain.

The positive changes occurring in the world market for uranium and the resulting increase in demand for, and the price of, uranium oxide (**U₃O₈**) makes Marathon's inferred uranium resource in its wholly owned tenement EL 3258 in the Paralana Mineral System at Mt Gee, a very attractive and potentially valuable asset.

The inferred uranium resource at Mt Gee is, in total, 45.6 million tonnes of mineralisation at an average grade of 0.068% U₃O₈ (68.8 million lbs of U₃O₈, at a cut off grade of 300ppm), which includes 25.4 million tonnes of mineralisation at an average grade of 0.081% U₃O₈ (45.3 million lbs of U₃O₈, at a cut off grade of 500ppm) and 10.1 million tonnes of mineralisation at an average grade of 0.133% U₃O₈ (29.7 million lbs of U₃O₈, at a cut off grade of 1,000ppm). This places Mt Gee among the major uranium resources in Australia. Further details regarding this resource can be found in Marathon's announcement lodged with ASX on 30 August 2006 entitled "Mt Gee Deposit: Revised Resource Estimates", a copy of which is set out in Annexure B to this Target's Statement.

Marathon readily acknowledges the time, capital requirements and regulatory approvals needed to mine uranium at Mt Gee, as well as the risk of Mt Gee not coming into production. However, the Offer of \$33.4 million (fully diluted) for the whole of Marathon attributes only 48.5 cents per lb of U₃O₈ estimated to be contained in your total inferred resource (68.8 million lbs) at Mt Gee, and this ignores Marathon's cash reserves and the potential value of Marathon's interests in the balance of the Paralana Mineral System and its other exploration assets.

The implied value attributed by the Offer to the U₃O₈ estimated to be contained in your Mt Gee resource of 48.5 cents per lb of U₃O₈ is in stark contrast to the current spot price for U₃O₈, which at 28 August 2006 was US\$48.50 per lb of U₃O₈.

Essentially the Offer is being made for the benefit of Crosby shareholders at your expense. In fact the Crosby Chief Executive Officer told Crosby shareholders, in their interim result for the six months ended 30 June 2006, that "*Marathon offers Crosby the potential to benefit from very attractive returns post privatisation.*" Your Directors want you, not Crosby shareholders, to benefit from the attractive returns which the Marathon Directors, and Crosby, believe are realisable from Marathon's assets.

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.

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

You are encouraged to read this Target's Statement fully and, if in doubt, you should consult your financial or other professional adviser immediately.

If you have any questions regarding the Offer 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

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SUMMARY OF DIRECTORS' RECOMMENDATION

Marathon Directors recommend you **REJECT** the Offer for the following reasons.

The detailed reasons for this recommendation are set out in Section 2 of this Target's Statement with the key points being summarised below. You are encouraged to read this Target's Statement in full.

➤ **The Offer is totally inadequate.**

Marathon is acutely aware of the costs, time, challenges and risks involved to develop Mt Gee to production, including the risk of Mt Gee not coming into production. However the Offer of \$33.4 million (fully diluted) for the whole of Marathon attributes only 48.5 cents per lb of U₃O₈ estimated to be contained in your inferred resource of 45.6 million tonnes of mineralisation at an average grade of 0.068% U₃O₈ (68.8 million lbs of U₃O₈, at a cut off grade of 300ppm) at Mt Gee, and this ignores Marathon's cash reserves (\$4.2 million at 30 June 2006) and the potential value of Marathon's interests in the balance of the Paralana Mineral System and its other exploration assets.

The implied value attributed by the Offer to the U₃O₈ estimated to be contained in your Mt Gee resource of 48.5 cents per lb of U₃O₈ is in stark contrast to the current spot price for U₃O₈, which at 28 August, 2006 was US\$48.50 per lb of U₃O₈.

➤ **The Offer is opportunistic.**

Concern regarding environmental damage from green house gas emissions has seen uranium again become an important part of the global energy market debate with a resulting increase in demand for, and the price of, U₃O₈. The changing sentiment towards nuclear power has been accompanied by a significant change in political attitudes in Australia. Marathon Directors consider the Offer is timed to take advantage of these positive changes towards uranium at the expense of Marathon Shareholders.

➤ **The Offer does not reflect Marathon's potential.**

Marathon's inferred uranium resource in the Paralana Mineral System at Mt Gee in the wholly owned exploration tenement EL 3258 is a very important discovery and potentially valuable asset. Marathon believes this value will increase as it implements plans to upgrade and delineate the resource estimate and prepares the studies necessary to commence negotiations on permitting and project finance.

As each stage of these plans are successfully implemented the potential exists for the market value of Marathon to be significantly re-rated.

➤ **The Offer does not recognise Marathon's significant achievements.**

Marathon has only been listed on the ASX for 17 months and during this short time it has defined the major inferred uranium resource at Mt Gee and formulated plans for the future of Mt Gee.

The market has recognised the success of Marathon at Mt Gee together with the exploration program being conducted on its other tenements as it was able to place 5.5 million new Marathon Shares (14.5% of undiluted pre-placement Share capital) at 66 cents per Share in March 2006, representing a 230% increase over the initial public offering price of 20 cents per Share.

➤ **The Offer is below recent market price.**

Since the Offer was announced on 6 July 2006 until 4 September 2006 Marathon Shares have consistently traded above the Offer Price of 68 cents per Marathon Share. The closing market price of Marathon Shares on 4 September 2006 was 86 cents.

During 2006, Marathon Shares have traded at prices significantly above the Offer with a high of \$1.45 per Share being achieved on 4 April 2006. The volume weighted average market price of Marathon Shares during 2006 for the period 1 January to 5 July (the date immediately before the Offer was announced) was \$0.90 per Marathon Share. The Offer Price is 24.4% below this average Share price.

➤ **The Offer is being made to create value for Crosby shareholders at your expense.**

In Crosby's interim result for the six months ended 30 June 2006 the Chief Executive Officer of Crosby in his "Review and Outlook" stated the following:

".....we believe that the Marathon offers Crosby the potential to benefit from very attractive returns post privatisation."

Crosby is seeking to buy your company cheaply and profit, at your expense, from Marathon's assets and potential.

➤ **Acceptance of the Offer gives the Bidder a free right over your Marathon Shares until you receive payment.**

If you accept the Offer you will not be paid until the earlier of:

➤ *one month after the date of acceptance or, if the Offer is still subject to a defeating condition when you accept, then one month after the Offer becomes unconditional; and*

➤ *21 days after the end of the Offer Period.*

If the Offer Period is extended for more than one month, and the Offer is still subject to a defeating condition, the time for payment is also extended. If you then decide to retain your Marathon Shares, sell them on-market or wish to take advantage of any other proposal that may arise for Marathon Shares you would have to seek to withdraw your acceptance in accordance with Section 650E of the Corporations Act.

➤ **Acceptance of the Offer gives the Bidder the right to receive communications in relation to your Marathon Shares.**

By accepting the Offer you will irrevocably authorise the Bidder to notify Marathon, on your behalf, that your place of address for the purpose of serving notices upon you in respect of your Marathon Shares is the address specified by the Bidder. You should think carefully before giving such an authorisation to the Bidder as it may affect the communications you receive in relation to your Marathon Shares.

➤ **The Offer is highly conditional and uncertain.**

The Offer is subject to a number of conditions many of which are unlikely to be satisfied on their current terms and, if strictly observed, would constrain the conduct of Marathon's business and curtail its ability to seize new opportunities.

An example of a condition that is unlikely to be satisfied is the minimum acceptance condition that the Bidder obtains a relevant interest in at least 90% of Marathon Shares. As at the date of this Target's Statement, Marathon Directors collectively control 22.8% of Marathon's fully diluted issued capital (or 14.2% of Marathon's undiluted issued capital) and do not intend to accept the Offer. This means the minimum acceptance condition will not be met and consequently the takeover bid will fail, unless this condition is waived or varied.

**TO REJECT THE OFFER SIMPLY DO NOTHING AND
IGNORE ALL DOCUMENTS SENT TO YOU BY THE
BIDDER**

If you have any questions or need assistance please call the Marathon information line on 1300 138 684 (toll free in Australia) or +61 3 9415 4349 for international calls. As required by the Corporations Act, calls to the Marathon information line will be tape recorded, indexed and stored.

1. MARATHON DIRECTORS' RECOMMENDATION

1.1 Who the Marathon Directors are

As at the date of this Target's Statement, the Marathon Directors are:

<u>Name</u>	<u>Position</u>
Mr Peter Williams	Non-Executive Chairman
Dr John Santich	Chief Executive Officer
Dr Wieslaw Bogacz	Executive Director
Mr Sam Appleyard	Non-Executive Director
Mr William Latimer	Non-Executive Director

1.2 Directors justified in making recommendation

Each of Mr Peter Williams, Dr John Santich, Dr Wieslaw Bogacz, Mr Sam Appleyard and Mr William Latimer desires to make, and feels justified in making, a recommendation to you in relation to the Offer.

1.3 Recommendation

The Directors of Marathon unanimously recommend that you **REJECT** the Offer in respect of all your Marathon Shares (including those Shares to be issued to you upon the exercise of any Marathon Options you hold). To reject the Offer **simply do nothing** and ignore all documents sent to you by the Bidder.

See Section 2 of this Target's Statement for the detailed reasons for this recommendation.

1.4 Directors' current intentions

Each Marathon Director currently intends to reject the Offer in respect of the Marathon Shares the disposal of which he can control.

1.5 Personal circumstances

It is not possible for the Marathon Directors' recommendation to take into account the personal circumstances of each Marathon Shareholder, such as the size or nature of your holding, your investment strategy or your tax position. However, the Marathon Directors consider the Offer is totally inadequate, opportunistic and significantly undervalues Marathon's achievements and potential. You should read this Target's Statement carefully and, if in doubt as to how to act with respect to the Offer, Marathon encourages you to seek independent advice from your financial, taxation or other professional adviser.

2. WHY MARATHON DIRECTORS RECOMMEND THAT YOU REJECT THE OFFER

2.1 Introduction

Marathon Directors consider the Offer is totally inadequate, opportunistic and significantly undervalues Marathon's achievements and potential.

Marathon Directors consider the Offer to be strategically timed to take advantage of Marathon's early stage of development without recognition of its significant inferred uranium resource at Mt Gee.

Marathon was only admitted to the Official List of the ASX on 17 March 2005 and has since then focused on exploring its tenements. Although Marathon is progressing with its ambitious exploration program, it is only in the early stages of exploration and is yet to determine and realise the value of each tenement. Marathon Directors consider the portfolio of tenements held by Marathon and initial drilling results signify a promising future for Marathon. As such, Marathon Directors view the Offer as an attempt by the Bidder to acquire Marathon at a cheap price before its true value is recognised.

In Crosby's quarterly results for the 3 months to 31 March 2006, lodged with AIM on 12 May 2006, Crosby (a holding company of the Bidder) states that its strategy is to:

"focus on corporate situations that are opaque and under-researched and identify under valued assets that are often hidden within complex or inefficient management, ownership and capital structures."

While Marathon does not have a complex or inefficient management, ownership or capital structure, its short public life has resulted in Marathon being generally under researched and thus not having achieved full recognition of its assets in the market.

Crosby's business strategy is evidently opportunistic and designed to ensure that Crosby's shareholders, rather than current shareholders, benefit from the recognition of a company's true worth. Marathon Directors believe Marathon Shareholders should be the people who benefit from the recognition of Marathon's true worth, not Crosby's shareholders.

2.2 The Offer is totally inadequate.

Marathon has defined a significant uranium resource in the Paralana Mineral System in its wholly owned tenement EL 3258 at Mt Gee, which ranks among the major uranium resources in Australia. The inferred resource at Mt Gee has been estimated to contain 45.6 million tonnes of mineralisation at an average grade of 0.068% U₃O₈ (68.8 million lbs of U₃O₈, at a cut off grade of 300ppm). Details regarding the Mt Gee resource can be found in Marathon's announcement to ASX lodged on 30 August 2006, a copy of which is set out in Annexure B to this Target's Statement.

As at 28 August 2006, the spot price of U₃O₈ was US\$48.50 per lb. In contrast, the Offer of \$33.4 million (fully diluted) for the whole of Marathon attributes only 48.5 cents per lb of U₃O₈ estimated to be contained in the inferred resource of U₃O₈ at Mt Gee, which you own. This does not even take into account Marathon's cash reserves (\$4.2 million as at 30 June 2006 or around 9.7 cents per Marathon Share (undiluted)) or the potential value

of Marathon's interests in the balance of the Paralana Mineral System and its other exploration assets.

Marathon Directors recognise the time, capital requirements, regulatory approvals and operating costs needed to mine uranium at Mt Gee, and the risks of Mt Gee not coming into production. Nevertheless, Marathon Directors are certain that the Offer is totally inadequate having regard to the analysis above.

2.3 The Offer is opportunistic.

The market for uranium has been undergoing change with forecast increases in demand being reflected in significant price rises for U_3O_8 , particularly over the past two years. In addition during the last year there has been a marked change in attitude by emerging and industrial economies in recognising the environmental damage caused by green house gas emissions. This has led to a shift in sentiment towards nuclear energy accompanied by a significant change on the political front in Australia.

During recent times we have seen the economies of China and India grow substantially and their demand for uranium increase as a means to support that growth. Future demand for uranium is likely to remain high in order to sustain China's and India's predicted growth levels.

Marathon is ideally placed to participate in the expansion of the world wide market for uranium.

The Offer, in the opinion of the Marathon Directors, is timed to take advantage of the positive changes occurring in the uranium market at the expense of Marathon Shareholders.

2.4 The Offer does not reflect Marathon's potential.

The increased global demand for uranium and the ongoing political debate has made the uranium in EL 3258 at Mt Gee and the prospects in the balance of the Paralana Mineral System a very important discovery and a potentially valuable asset for Marathon.

Plans are being formulated for further exploration of the Paralana Mineral System and the development of Mt Gee, covering at least the following:

- A program to drill 93 holes with the intention to upgrade resource estimation at Mt Gee from an inferred category resource to an indicated/measured resource category, scheduled to commence in early November 2006.
- A drilling program at Armchair/Streitberg in the Paralana Mineral System.
- A detailed mining scoping study for Mt Gee, which is planned to commence in early 2007;
- A pre-feasibility study and additional drilling for resource delineation.
- Negotiations on permitting.
- A feasibility study for project finance.

Each step in these development plans will be contingent on successfully completing the previous step. As the plans progress Marathon will augment its skills and financial resources in a staged way to maximise value for Marathon Shareholders.

The Marathon Directors are acutely aware, as, no doubt, Marathon Shareholders are, of the challenges and risks involved in developing potentially major resources, such as Mt Gee, but believe with careful planning Marathon has an exciting future.

2.5 The Offer does not recognise Marathon's significant achievements.

Marathon has only been listed on the ASX for 17 months and in that short time its capable board and management team has delivered the following:

- Defined a major inferred uranium resource at Mt Gee of 45.6 million tonnes of mineralisation at an average grade of 0.068% U₃O₈ (68.8 million lbs of U₃O₈, at a cut off grade of 300ppm) which includes 25.4 million tonnes of mineralisation at an average grade of 0.081% U₃O₈ (45.3 million lbs of U₃O₈, at a cut off grade of 500ppm) and 10.1 million tonnes of mineralisation at an average grade of 0.133% U₃O₈ (29.7 million lbs of U₃O₈, at a cut off grade of 1,000ppm).
- Commenced a thorough exploration program on its portfolio of exploration tenements.
- Expanded and realigned its portfolio of exploration tenements, including, where appropriate, by way of joint ventures.
- Successfully completed a placement of 5.5 million new Marathon Shares (14.5% of undiluted pre-placement Share capital) at \$0.66 per Share, representing a 230% increase over Marathon's initial public offering price of \$0.20 per Share.
- Commenced the formulation of a plan for the future (see section 2.4) with the intention to realise value for Marathon Shareholders.

2.6 The Offer is below recent market price.

Since the Offer was announced on 6 July 2006 until 4 September 2006 Marathon Shares have consistently traded above the offer price of 68 cents per Marathon Share. The closing market price of Marathon Shares on 4 September 2006 was 86 cents.

During 2006 Marathon shares have traded at prices significantly above the Offer Price with a high of \$1.45 per Share being achieved on 4 April 2006. The volume weighted average market price of Marathon Shares during 2006 for the period 1 January to 5 July (the date immediately before the Offer was announced) was \$0.90 per Marathon Share. The volume weighted average market price of Marathon Shares during the period 6 July 2006 to 4 September 2006 was \$0.75 per Marathon Share. The Offer Price is 24.4% and 9.3% respectively below these average Share prices.

Marathon Directors cannot guarantee that once the Offer lapses Marathon Shares will maintain current trading prices but they consider Marathon has a promising future and expect that, as Marathon continues its growth and development, this will be reflected in its Share price.

2.7 The Offer is being made to create value for Crosby shareholders at your expense.

In Crosby's interim result for the six months ended 30 June 2006, lodged with AIM on 10 August 2006, the Chief Executive Officer of Crosby, in his "Review and Outlook" stated the following:

"In July the merchant banking team made an unsolicited A\$0.64 per share offer for Marathon Resources Ltd, an ASX listed, uranium

exploration company with prospects in South Australia. Although this is a relatively small deal, we believe that the Marathon offers Crosby the potential to benefit from very attractive returns post privatisation.”

As you are aware, the unsolicited offer is 68 cents per Marathon Share not 64 cents but the inference is clear – Crosby, through the Bidder, is seeking to buy your company cheaply and profit, at your expense, from Marathon’s assets and potential.

2.8 Acceptance of the Offer gives the Bidder a free right over your Marathon Shares until you receive payment

If you accept the Offer you will not be paid until the earlier of:

- one month after the date of your acceptance or, if the Offer is still subject to a defeating condition when you accept, one month after the Offer becomes unconditional; and
- 21 days after the end of the Offer Period.

If the Offer Period is extended for more than one month, and the Offer is still subject to a defeating condition, the time for payment will also be extended. If you then decide to retain your Marathon Shares, sell them on-market or if you wish to take advantage of any other proposal that may arise for Marathon Shares, you will have to seek to withdraw your acceptance in accordance with Section 650E of the Corporations Act.

2.9 Acceptance of the Offer gives the Bidder the right to receive communications in relation to your Marathon Shares

By accepting the Offer you will irrevocably authorise the Bidder to notify Marathon, on your behalf, that your place of address for the purpose of Marathon serving notices upon you in respect of your Marathon Shares is the address specified by the Bidder. This means that, once you accept the Offer, all Marathon notices (including any notice of a competing bid) that would otherwise be sent to you will more than likely be sent to the Bidder instead. You should think carefully before giving such an authorisation to the Bidder as it may effect the communications you receive in relation to your Marathon Shares.

2.10 Offer is highly conditional and uncertain

The Offer is subject to a number of conditions which make it unlikely to succeed under its current terms. Some of these conditions are discussed below.

A number of the conditions, if strictly observed by Marathon, would constrain the conduct of Marathon’s business and curtail its ability to seize opportunities as they present themselves. Marathon Directors intend that the business and affairs of Marathon will continue to be conducted in the best interests of Marathon as a whole. Whether a particular action may result in a condition of the Offer not being satisfied is but one of the matters which Marathon Directors will have regard to in deciding whether to take that action. As a result, it is possible that the actions of Marathon, taken in the best interests of Marathon as a whole, will cause the Bidder’s conditions not to be satisfied.

➤ **90% acceptance condition**

Most notably, the Offer requires that the Bidder and its associates obtain a relevant interest in **at least 90%** of Marathon Shares.

As of the date of this Target's Statement, Marathon Directors collectively control 22.8% of Marathon's fully diluted issued capital (or 14.2% of Marathon's undiluted issued capital) and intend to reject the Offer in respect of the Marathon Shares they collectively control. Even if the Marathon Directors did intend to accept the Offer, which they don't, 83.47% of the Marathon Shares they collectively control (representing 11.9% of Marathon's undiluted share capital) are escrowed until 17 March 2007. According to the terms of the relevant restriction agreements (read in conjunction with the Listing Rules), Marathon Directors cannot accept the Offer, in respect of those escrowed Marathon Shares, without the consent of ASX and that consent will not be given by ASX until holders of 50% of the unescrowed Marathon Shares have accepted the Offer.

This means the minimum acceptance condition will not be met and consequently the takeover bid will fail, unless this condition is waived or varied.

While the Bidder may waive this condition, it has not said in its Bidder's Statement whether or not it would do so or what factors may motivate its decision one way or the other. It should be noted that, according to the Bidder's Statement (see section 5), the arrangements the Bidder has made to fund payment of the Offer Price are conditional on the Bidder satisfying this condition. Accordingly, the Marathon Directors consider it reasonable for you to assume that the minimum acceptance condition will not be waived unless the Bidder tells you otherwise.

➤ **Marathon Options condition**

Another condition of the Offer is that all Marathon Options are exercised or cancelled, or that the Bidder becomes entitled to compulsorily acquire any outstanding Marathon Options during the Offer Period.

The Marathon Directors control 5,074,300 of the 5,825,000 Marathon Options on issue and have no intention of cancelling or exercising their Marathon Options. Even if the Marathon Directors did wish to exercise their Marathon Options and accept the offer for the resultant shares, those Marathon Options are escrowed until 17 March 2007 and, under the terms of the relevant restriction agreements (read in conjunction with the Listing Rules), cannot be exercised during the escrow period. As such, it is unlikely that this condition will be satisfied unless the Bidder can exercise the right to compulsorily acquire the outstanding Marathon Options.

The Corporations Act only gives the Bidder a right to compulsorily acquire the Marathon Options in limited circumstances. This includes if the Bidder has at least 90% of the voting power of Marathon and it, either alone or with a related body corporate, holds full beneficial interests in at least 90% (by value) of all the securities of Marathon that are either Marathon Shares or securities convertible into Marathon Shares (ie, Marathon Options).

The Corporations Act also gives the holders of Marathon Options the right to be bought out in certain circumstances, including where the Bidder and its associates have relevant interests in at least 90% of the bid class (ie, the Marathon Shares) at the end of the Offer Period.

The Bidder will not, either alone, with a related body corporate or with its associates, be able to satisfy the Corporations Act thresholds for compulsory acquisition or the buy out of Marathon Options for two reasons.

Firstly, the Marathon Directors, as at the date of this Target's Statement, collectively control 14.2% of Marathon's undiluted share capital, have voting power in Marathon of 14.2% and do not intend to accept the Offer.

Secondly, even if Marathon Directors did intend to accept the Offer, which they don't, of the Shares they collectively control, 5,167,500 are escrowed Marathon Shares (representing 11.9% of Marathon's undiluted share capital). The Marathon Directors cannot, under the terms of the relevant restriction agreements (read in conjunction with the Listing Rules), accept the Offer in respect of the escrowed Marathon Shares they control without the consent of ASX, which ASX will not give until holders of 50% of the unescrowed Marathon Shares have accepted the Offer.

On the analysis above, it is not evident how this condition can be satisfied in its current terms.

➤ **Regulatory Approvals Condition**

The Offer is conditional on the Bidder obtaining all approvals or consents that are required by law or a public authority (including any stock exchange) in Australia or elsewhere, necessary to permit the Offer to be lawfully made and accepted and for the transaction contemplated by the Bidder's Statement to be completed, being obtained. The Bidder has not said, in the Bidder's Statement, what approvals or consents the Bidder believes are necessary or when the Bidder will identify the approvals and consents required and apply for them. Further, the Bidder has not given any undertaking or assurance that it will apply for necessary approvals and consents.

The Bidder's Statement (paragraph 2.2.4) identifies a number of regulatory regimes which apply to the Bidder's holding company, Crosby and its holding company Techpacific Capital Limited. These include the Securities and Futures Commission of Hong Kong, the Monetary Authority of Singapore, the Securities and Exchange Commission of Pakistan, the Financial Services Authority of the United Kingdom, the London Stock Exchange Plc (by virtue of its listing on AIM) and the Hong Kong Stock Exchange. Marathon does not know whether there is any approval or consent required under any of these regimes to which this condition applies and the Bidder has not said, in the Bidder's Statement, whether or not there are.

➤ **No Acquisitions or Disposals Condition**

The Offer is further conditional on neither Marathon nor any subsidiary, other than in the ordinary course of its business, doing certain things, including disposing of a substantial asset or entering

into a substantial joint venture, in the period from the Announcement Date to the end of the Offer Period (see paragraph 9.7.12).

In paragraph 2.4 of the Bidder's Statement the Bidder draws attention to the two joint ventures between Marathon and UraniumSA announced by Marathon on 1 August 2006 and says the Bidder is concerned that these joint ventures may constitute a breach of that condition. The Bidder further says that, until certain information is disclosed, it is unable to advise whether or not the condition has been breached and, if it has been breached, whether or not the Bidder intends to rely on that condition.

A copy of Marathon's announcement to ASX on 1 August 2006 in relation to the two joint ventures is set out in Annexure A to this Target's Statement. The joint ventures relate to exploration over three of Marathon's central Gawler Craton tenements in the Kingoonya Palaeochannel System. The material details of the joint ventures are set out in the annexed announcement. In addition to those details, it should also be noted that both joint venture agreements are conditional on Ministerial consent, UraniumSA raising at least \$4 million in its initial public offering and UraniumSA issuing and allotting to Marathon 4,370,061 shares in the capital of UraniumSA (approximately 7.13% of UraniumSA's undiluted post IPO share capital assuming the IPO is fully subscribed) on or before 31 December 2006.

The joint ventures with UraniumSA, together with the equity interest in UraniumSA that Marathon will acquire under the terms of the joint ventures, provide Marathon and Marathon Shareholders with:

- a joint venture partner that is focussed on exploration in the Kingoonya Palaeochannel System; and
- greater exposure to uranium exploration in the Kingoonya Palaeochannel System and other prospective areas of South Australia through UraniumSA's exploration rights over extensive tracts of the Kingoonya Palaeochannel System, including areas of that System held by ASX listed Stellar Resources Ltd.

Marathon Shareholders will have the opportunity to further benefit from UraniumSA's extensive exploration rights in the Kingoonya Palaeochannel System through a priority of application for Marathon Shareholders in UraniumSA's initial public offering. The priority of application offer to Marathon Shareholders, and the details of that offer, are set out in UraniumSA's prospectus lodged with ASIC on 25 August 2006. Under that priority of application, UraniumSA will allot up to 6,269,797 UraniumSA shares (representing approximately 10.24% of UraniumSA's undiluted post IPO share capital assuming the IPO is fully subscribed) at \$0.20 per share to Marathon Shareholders on a first-come-first-serve basis. If the priority of application is oversubscribed then applications may either be scaled back to a maximum of 5% of those 6,269,797 UraniumSA shares or be declined at UraniumSA's discretion. Those Marathon Shareholders eligible to subscribe for UraniumSA shares under the priority of application are those registered as Shareholders as at 1 September 2006.

Based on this information and the information detailed in the annexed announcement in relation to the joint ventures, it is incumbent on the

Bidder to advise whether or not this condition has been breached and, if so, whether it will rely on this condition.

➤ **Public Information Condition**

As a condition of the Offer the Bidder requires that this Target's Statement contain a statement, expressed to be made with the approval of the Marathon Directors, which confirms, after due enquiry, that Marathon has no knowledge of any facts or circumstances that lead it to believe that any information published in the public domain or given to the Bidder is inaccurate, false or misleading (see paragraph 9.7.7 of the Bidder's Statement). This Target's Statement does not contain such a statement. As a result this condition is not satisfied.

Marathon Directors note that Marathon is publicly listed on the ASX and subject to the requirements of the Corporations Act and the Listing Rules regarding continuous disclosure of information and maintaining an informed market. Marathon Directors believe Marathon has, and is, satisfying these disclosure requirements. Marathon Directors do not see a need for Marathon to incur the expense of undertaking a due diligence review of all public information to enable the statement to be made and do not believe that they have any obligation to potentially incur legal liability to the Bidder by making the statement sought.

In these circumstances it is incumbent on the Bidder to promptly advise whether or not it intends to rely on the non-satisfaction of this condition.

➤ **Cooperation and Access to Information Condition**

The Bidder expects, as a condition of the Offer, that Marathon will give the Bidder all information and access to exploration assets, operations, and data bases (including site visits) which the Bidder reasonably requests (see paragraph 9.7.8 of the Bidder's Statement). This condition also obliges Marathon to provide information and access to an expert to confirm Marathon's resource estimate announced on 22 June 2006.

On 23 August 2006, the Bidder made such a request of Marathon accompanied by an extensive document list, which was considered to be unreasonable. Marathon is publicly listed on ASX and subject to the requirements of the Corporations Act and the Listing Rules regarding continuous disclosure of information and maintaining an informed market. As such, the Marathon Directors do not consider it appropriate or reasonable to provide the Bidder with the quantum of information it has requested, particularly when Marathon has just announced to ASX its revised resource estimates for, and the results of its resource analysis of, its Mt Gee uranium deposit in the Paralana Mineral System. A copy of that announcement made to ASX on 30 August 2006 is set out in Annexure B to this Target's Statement.

Further, in light of the Marathon Directors' belief that the Offer is totally inadequate, opportunistic and ignores Marathon's achievements and potential, they do not intend that Marathon's management team be deflected from attending to Marathon's business or spend the unnecessary time and expense which would be involved in providing

the requested information and access to the Bidder and its appointed independent expert.

For these reasons, the Bidder's request for information and access was denied by Marathon's Directors on 24 August 2006. Marathon remains prepared to consider any reasonable request made by the Bidder. Provision of any information reasonably requested by the Bidder will be subject to Marathon's continuous disclosure obligations under the Corporations Act and the Listing Rules.

➤ **No Share or Option Issues Condition**

The Offer is conditional on Marathon not, between the Announcement Date and the date three Business Days after the Offer Period, issuing or agreeing to issue any Marathon Options. In June 2005, Marathon's Board resolved to issue, and agreed with Marathon's Executive Directors that it would issue, subject to Shareholder approval, 1.5 million Marathon Options to each of its Executive Directors as part of their remuneration package and under the Marathon Employee Share Option Plan. This was announced in Marathon's June 2005 Quarterly Report. Shareholder approval was intended to be sought at Marathon's 2005 Annual General Meeting but that did not eventuate. Approval will now be sought at Marathon's 2006 Annual General Meeting (being the first available opportunity since the 2005 Annual General Meeting) which may be held during the Offer Period (should the Bidder decide to extend it).

As a result of the delay in seeking Shareholder approval, and the increase in the price of Marathon Shares, Marathon's Executive Directors have agreed that the exercise price for these options will be the 5 trading day volume weighted average selling price for Marathon Shares preceding the date of the meeting of Marathon Shareholders at which they consider the issue of these options (instead of the fixed 30, 40 and 50 cent exercise prices previously proposed and announced).

If Marathon Shareholders approve the issue of these Marathon Options and, as a result, they are issued during the Offer Period or within 3 Business Days after it closes this condition would not be satisfied. Marathon does not know whether or not the Bidder would rely on the non-satisfaction of this condition.

➤ **No change of control rights condition**

The Offer includes a condition that, in general terms, no person, between the Announcement Date and the end of the Offer Period, has any right or entitlement to have any right to:

- terminate or alter any contractual relations between any person and Marathon or any of its subsidiaries;
- require the termination, modification or disposal (or offer to dispose) of any interest or asset, 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 arrangement,

as a result of any change of control event in respect of Marathon or any of its subsidiaries or assets (see paragraph 9.7.9 of the Bidder's Statement).

Marathon's wholly owned subsidiary, Bonanza Gold, is a party to a joint venture agreement with PS Forwood, JA Forwood and Chivelle Pty Ltd and a further joint venture agreement with PS & GF Forwood Pty Ltd and Chivelle Pty Ltd in respect of the exploration of two tenements. Further details of those joint ventures are set out on page 74 of Marathon's Prospectus.

Each of those joint venture agreements contain a change of control provision whereby, if control of Marathon (in the case of one joint venture agreement) or Bonanza Gold (in the case of the other joint venture agreement) passes to another entity, the other joint venture participants have the right to either tag-along and sell their interest in the joint venture mining tenements to the party obtaining control of Marathon or Bonanza Gold (as applicable) or to increase Bonanza Gold's minimum annual expenditure commitment with effect from the date control passes.

The existence of these change of control provisions will mean that this condition will not be satisfied. With this information, it is incumbent on the Bidder to promptly advise Shareholders whether or not it intends to rely on the non-satisfaction of this condition.

3. RESPONSE TO CLAIMS MADE BY BIDDER

In the Bidder's Statement (pages 3-5) the Bidder advances four arguments in support of the Offer. Marathon Directors believe, given the Offer Price, that these arguments are not convincing and do not justify your acceptance of the Offer which they believe to be opportunistic and totally inadequate. These arguments, and the claims and assertions made by the Bidder in support of them, are discussed below.

Generally, you need to be aware of the current status of Marathon's development. It has defined a major inferred resource of 45.6 million tonnes of mineralisation at an average grade of 0.068% U₃O₈ (68.8 million lbs of U₃O₈, at a cut off grade of 300ppm) at Mt Gee in its wholly owned tenement EL 3258, plans are being formulated for further exploration and development of Mt Gee and Marathon is continuing with its exploration program in its portfolio of other exploration tenements. Details regarding this inferred resource can be found in Marathon's announcement lodged with ASX on 30 August 2006 entitled "Mt Gee Deposit: Revised Resource Estimates", a copy of which is set out in Annexure B to this Target's Statement.

Marathon has the cash resources and management team and structure appropriate to its current circumstances. As has always been the case with Marathon, and with other similar companies, at later stages of its development it will need to develop and expand its management team and access further funding for feasibility study and development purposes or develop a joint venture or other working relationship with a major resources company for those purposes. Marathon Directors are confident that, as changing circumstances dictate, Marathon will be successful in expanding its management team as required and in sourcing necessary funding and/or major resource company support.

The Bidder, in the Bidder's Statement, portrays these, and other challenges, as negative risk factors for Marathon Shareholders. While Marathon does not deny that there are risks involved in Marathon's business they are typical of those faced by exploration companies like Marathon and were no doubt well known to, and taken into account by, you when you decided to invest in Marathon. It is the Marathon Directors' view that these matters should more be regarded as reflecting opportunities for reward rather than risks to be avoided. Clearly the Bidder sees the opportunities, otherwise it would not be so keen to invest \$33.4 million to acquire Marathon.

3.1 Argument 1 – An Attractive Premium

Far from the Offer reflecting an attractive premium, Marathon Directors believe that sections 2.2 and 2.6 of this Target's Statement demonstrate that the Offer is totally inadequate and is well below the volume weighted average market price of 90 cents for the Marathon Shares during 2006 for the period 1 January 2006 to 5 July 2006 (the date immediately before the Offer was announced).

The Bidder has claimed the Offer Price represents a 25.5% premium to the **average closing price** of Marathon Shares quoted on the ASX of approximately 54 cents per Share since Marathon listed on the ASX on 17 March 2005. Marathon believes it is more appropriate to use **volume weighted average market prices** for this comparison. Since listing to 5 July 2006 (the same period used by the Bidder), Marathon's volume weighted average market price has been 67 cents per Share. This is clearly

a significant difference which Shareholders need to consider when assessing claims made by the Bidder.

In addition, since the Announcement Date until 4 September 2006 investors have been prepared to pay more than the Offer Price confirming that the Offer Price is inadequate.

The Bidder also claims that given the low average daily turnover of Marathon Shares on the ASX 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.

Liquidity in Marathon Shares has been satisfactory since its listing 17 months ago, with approximately 158.85 million Marathon Shares traded from 17 March 2005 to 4 September 2006. In addition, since its listing in March 2005 the number of Marathon Shareholders has increased from approximately 500 to 1,828 at 31 August 2006.

The top 20 Marathon Shareholders at 31 August 2006 held 38.6% of Marathon's issued capital which indicates it is not a tightly held company.

The Bidder claims that the Offer enables Marathon Shareholders to achieve an immediate cash exit for all their Shares without incurring brokerage. Brokerage is generally in the order of 1% and with on line trading can be as little as \$30. You will no doubt be aware of what you pay in brokerage when you sell shares. More importantly the exit from your Marathon Shares by acceptance of the Offer will not be immediate. If you accepted the Offer on the very last day of the Offer Period the Bidder may take 21 days to pay you. Otherwise it may be a longer period before you receive payment as the Bidder can extend the Offer Period, does not have to pay you while the Offer remains conditional and could take a month to pay you after the Offer became unconditional (depending on when this occurs in relation to the close of the Offer Period). The Bidder has not offered to compensate you for the delay in payment.

3.2 Argument 2 – Avoidance of Project Development Risk

The Bidder argues that by accepting the Offer you will avoid project development risks going forward. This is a truism but does not, in the opinion of Marathon Directors, justify you relinquishing the potential rewards, which flow from successful project development, at a totally inadequate price.

The risk profile relied on heavily by the Bidder, as a reason to accept the Offer, is a profile typical of exploration companies such as Marathon. Investors in exploration companies recognise this profile more as a leverage opportunity because of the potential upside if exploration proves successful.

The Bidder clearly recognises the leverage opportunity in Marathon and is trying to acquire it opportunistically for its benefit.

The Bidder claims that Marathon severely lacks a strong, capable and experienced management team, with experience in developing a successful uranium project, such as Mt Gee, and this 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.

Marathon has a management team with the skills and experience required for its current activities. Marathon will source the people it needs, when it comes the time for a project to be developed, in the market place or through arrangements with a major resource company, depending on the decisions taken regarding the manner and structure in which a project is developed.

Contrary to the Bidder's assertions in the Bidder's Statement, in no way will Marathon's current management team jeopardise any of Marathon's future prospects or projects or the likelihood of Marathon Shareholders realising value greater than the Offer Price. The Bidder's claims and assertions concerning Marathon's management team are simply, in the Marathon Board's opinion, unfounded.

3.3 Argument 3 –Avoidance of Future Funding Uncertainties

The Bidder points to the fact that Marathon will require significant capital to advance its projects from their current exploratory stage to eventual commercialisation as a reason why you should accept its Offer, which the Marathon Directors consider to be opportunistic and totally inadequate.

Marathon readily admits further funding will be required to develop Mt Gee and believes that you and all other Marathon Shareholders have invested in Marathon in the full knowledge that, as an exploration company, Marathon would require additional funding in the happy event that it has a feasible development project (such as Mt Gee).

Marathon has adequate funding available for its current exploration programmes and immediate plans. The following statement is taken from page 31 of Marathon's Prospectus and remains applicable today.

"Marathon is an exploration company. Upon exploration success the Company may follow several paths, as any discovery requires further exploration, drilling, reserve estimation and, eventually, a project feasibility study. These processes will require further funding for which the Company will seek to involve major mining companies as well as the public."

As a demonstration of Marathon's funding capabilities, in March 2006, Marathon successfully raised \$3,630,000, by a placement of 5.5 million new Marathon Shares (representing 14.5% of Marathon's undiluted pre-placement Share capital) at \$0.66 per Share, representing a 230% increase over the initial public offering price of \$0.20 per Share.

The Bidder relies on Marathon's recently announced conditional joint ventures with Uranium SA as clearly demonstrating Marathon's funding constraints. They demonstrate no such thing. They do however demonstrate a willingness on the part of Marathon's Directors and management to take advantage of opportunities to develop Marathon's assets for the benefit of Marathon Shareholders.

The Bidder states that it is "certain" that the development of Mt Gee will necessitate Marathon entering into dilutive and conditional commercial arrangements with third parties that will not be in the best interests of Marathon's Shareholders. How the Bidder could be "certain" is beyond logical consideration. You can rest assured that any commercial arrangement Marathon may negotiate for the development of Mt Gee will be

in the interests of Marathon Shareholders. Directors have a legal duty to act in the interests of Marathon as a whole at all times.

Marathon Directors consider that the Bidder shows considerable naiveté in putting forward the propositions that a minerals exploration company should have available to it, from the outset or within 17 months of its listing, all of the capital it might one day need to develop the projects it may discover and that it is somehow prejudicial to Shareholders that a minerals exploration company should consider joint venturing exploration ground or project development. Those propositions are simply untenable.

3.4 Argument 4 – Avoidance of Regulatory Uncertainty

The Bidder argues that you should accept its Offer because the current policies of the State Labor governments in Australia regarding uranium mining create regulatory uncertainty for the successful development of Marathon's uranium projects.

Marathon Directors consider the current political climate, need for alternatives to fossil fuels for power generation throughout the world and increasing debate (in Australia) in respect of uranium mining signal good prospects, albeit not certainty, for the future development of further uranium mines in South Australia. Over recent times investors have clearly shown that they share this view with increased interest in investing in existing or new Australian uranium exploration companies.

Clearly regulatory uncertainty has not dissuaded the Bidder from seeking to opportunistically acquire Marathon. It did not dissuade Marathon Shareholders from investing in Marathon in the first place and nothing has happened, in the 17 months since Marathon's float, on this front to exacerbate these uncertainties. If anything, the prospects for a satisfactory outcome on the regulatory front have improved, albeit they are still not certain.

Again the Bidder asserts you can exchange your Marathon Shares for a "cash payment now". As explained in sections 2.8 and 3.1 of this Target's Statement, it will be some time before accepting Marathon Shareholders are paid by the Bidder.

3.5 Other Arguments

The announcement of the Offer, which was made by Crosby, is an annexure to the Bidder's Statement. In that announcement Crosby advanced an argument connected with Marathon Shareholders having a concentrated commodity risk exposure to uranium prices. The Bidder has not seen fit to include that argument among the arguments it now advances in the Bidder's Statement in support of the Offer, presumably because the Bidder has recognised that the argument does not support its Offer, which, in the Marathon Directors' opinion is opportunistic and inadequate.

4. MARATHON'S POTENTIAL

Marathon has an extensive tenement portfolio, with an interest in 14 exploration tenements in South Australia and Victoria.

Marathon has to date satisfied the ambitious exploration and expenditure goals set out in its Prospectus. Marathon has advanced exploration on all tenements, with drilling and drill program preparation undertaken on the tenements in Western Victoria and the Gawler Craton.

The major exploration focus has been on the Paralana Mineral System, with Marathon recently announcing revised resource estimates, and further assay and drilling results, for its Mt Gee deposit in the Paralana Mineral System. This system, in the North Flinders Ranges of South Australia, comprises a number of uranium deposits and prospects across Marathon's 100% owned EL 3258. Based on Marathon's recent resource analysis, the Mt Gee deposit contains an inferred resource of:

- at a cut off grade of 1,000 ppm, 10.1 million tonnes of mineralisation at an average grade of 0.133% U_3O_8 containing 13,496 million tonnes (29.7 million lbs) of $U_3O_8^*$;
- at a cut off grade of 500 ppm, 25.4 million tonnes of mineralisation at an average grade of 0.081% U_3O_8 , containing 20,573 tonnes (45.3 million lbs) of $U_3O_8^*$; and
- at a cut off grade of 300 ppm, 45.6 million tonnes of mineralisation at an average grade of 0.068% U_3O_8 containing 31,255 tonnes (68.8 million lbs) of $U_3O_8^*$.

** uranium resource and deposit parameters estimated by kriging method employing Yamamoto correction.*

For further details on this resource, see the announcement lodged with the ASX on 30 August 2006 and annexed to this Target's Statement as Annexure B entitled "Mt Gee Deposit: Revised Resource Estimates".

As a result of Marathon's recent resource re-estimate at Mt Gee, and its ongoing drill core review, Marathon is confident that the Mt Gee deposit contains substantial tonnage of higher grade inferred resource and considers there to be high exploration potential in the south and east of the Mt Gee resource area. Marathon's immediate future exploration strategy is to focus on these portions and nearby extensions of the Mt Gee deposit. A fully funded drilling program of 93 drill holes is planned for about 20,000 metres of RC drilling to upgrade the current inferred resource at Mt Gee to an indicated/measured category resource. A drilling company has been contracted for this drilling program, which is scheduled to start in early November this year. A mining scoping study on the Mt Gee deposit is also planned to commence in early 2007.

The increased global demand for uranium and the ongoing political and global energy market debate, has made the Paralana Mineral System in EL 3258 at Mt Gee a very important discovery and a potentially valuable asset for Marathon.

In addition to the exploration and development plans at Mt Gee, plans are being formulated for further exploration of the balance of the Paralana

Mineral System, with a drilling program scheduled to commence at the Armchair/Streitberg deposit following drilling at Mt Gee.

Marathon Directors are acutely aware, as no doubt Marathon Shareholders are, of the challenges and risks involved in developing potentially major resources, such as Mt Gee, but believe with careful planning Marathon has an exciting future.

This, combined with an experienced management team, and the use of advanced technology in exploration and analysis, give Marathon a strong outlook for future development and growth.

On 1 August 2006 Marathon announced that it had entered into conditional agreements with UraniumSA for the establishment, subject to the successful listing of UraniumSA on the ASX, of exploration joint ventures in respect of three of Marathon's wholly owned exploration licences located in the central Gawler Craton. Further details on these joint ventures are set out in section 2.10 of this Target's Statement and a copy of the announcement is contained in Annexure A to this Target's Statement.

The joint ventures, together with the equity interest that Marathon will secure in UraniumSA, will also provide Marathon and Marathon Shareholders with greater exposure to uranium exploration in the Kingoonya Palaeochannel System in the Gawler Craton due to UraniumSA's exploration rights over extensive tracts of that System, which includes areas held by UraniumSA's new joint venture partner, ASX listed Stellar Resources Ltd.

Marathon management continue to consider, investigate and discuss with third parties various possible corporate and/or commercial arrangements with a view to taking Marathon to the next stage of its growth and development. It is as yet too early in the process for any announcements to be made. Should a transaction eventuate you will be advised of it promptly.

5. YOUR CHOICES AS A MARATHON SHAREHOLDER

5.1 Introduction

Marathon Directors believe that there is only one appropriate response to the Bidder's Offer, which they consider is totally inadequate and opportunistic. That is to **do nothing** and thereby reject it.

If, in spite of the arguments advanced, and recommendation made, in this Target's Statement, you decide that you want to now realise your investment in your Marathon Shares there are two ways for you to do that. You can either accept the Offer or sell your Marathon Shares on the market.

5.2 Acceptance of the Offer

The instructions for acceptance of the Offer are set out in the Bidder's Statement (refer to section 9.3).

If you do accept the Offer, you will not receive 68 cents per Marathon Share until one month after that acceptance, unless the Offer is still conditional when acceptance occurs. In that case you will not be paid until one month after the Offer becomes unconditional, but you must be paid no later than 21 days after the end of the Offer Period (currently 3 October 2006). It is to be noted that the Bidder can extend the Offer Period. According to the Bidder's Statement (see section 5) the arrangements the Bidder has made to fund payment of the Offer Price are available to it until 31 December 2006. As those arrangements are internal to the group of companies of which the Bidder is a member that date too could be extended by agreement between the Bidder and the entities which have agreed to provide funding. In other words, there may be a considerable wait for payment of the Offer Price without any compensation for that delay.

If you do accept the Offer you may also be liable for capital gains or income tax and should contact your tax advisers to determine the tax implications of accepting.

In addition, if you accept the Offer you will irrevocably authorise the Bidder to notify Marathon, on your behalf, that your place of address for the purpose of Marathon serving notices upon you in respect of your Marathon Shares is the address specified by the Bidder. Accordingly, any Marathon notice (including notice of a competing bid) that would otherwise be sent to you after your acceptance will more than likely go to the Bidder. You should think carefully before giving such an authorisation to the Bidder.

If your Marathon Shares are subject to escrow you cannot, under the terms of the relevant restriction agreement (read in conjunction with the Listing Rules) accept the Offer without the consent of ASX, and that consent will not be given until the holders of at least 50% of the un-escrowed Marathon Shares have accepted the Offer.

5.3 Sell your Marathon Shares on market

During the Offer Period, if your Marathon Shares are not subject to escrow, you may elect to sell them on market through the ASX for cash, provided you have not already accepted the Offer. If you sell your Marathon Shares on market you:

- will receive a cash amount according to the prevailing market value of the Marathon Shares, less any brokerage payable; and
- may be liable for capital gains or income tax on sale.

If you are considering taking this option you should contact your stock broker for information on how to sell your Marathon Shares through the ASX and your tax adviser to determine the tax implications from such a sale.

Please note this choice is not available in respect of any escrowed Marathon Shares you hold.

5.4 Choices in respect of Marathon Options

The Bidder is not currently offering to acquire any of the Marathon Options you may hold but the Offer does extend to any Marathon Shares issued on the exercise of Marathon Options. The Bidder's Statement (section 4.9) says the following in respect of Marathon Options:

"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)".

The Bidder can, under the Corporations Act, compulsorily acquire Marathon Options but only in limited circumstances, including if the Bidder has at least 90% of the voting power of Marathon and it, either alone or with a related body corporate, holds full beneficial interests in at least 90% (by value) of all the securities in Marathon that are either Marathon Shares or securities convertible into Marathon Shares (ie, Marathon Options).

The Corporations Act also gives holders of Marathon Options a right to be bought out if the Bidder and its associates have relevant interests in at least 90% of the bid class (ie, the Marathon Shares) at the end of the Offer Period.

Because Marathon Directors collectively control 14.2% of Marathon's undiluted share capital and do not currently intend to accept the Offer, the Bidder will be prevented from satisfying the 90% thresholds for compulsory acquisition or buy out. Further details regarding the Bidder's ability to compulsorily acquire and/or buy out Marathon Options are set out in section 2.10 of this Target's Statement.

In section 8.1 of the Bidder's Statement the Bidder states that it is considering making separate offers for the Marathon Options, but it reserves the right not to do so.

Marathon Directors recommend that you **do nothing** in respect of your Marathon Options because of the Offer and that you continue to hold them for their leverage value.

If, contrary to the recommendation made in this Target's Statement, you decide that you want to now realise the value of your Marathon Options, if your Marathon Options are not subject to escrow, you may choose to exercise them and receive Marathon Shares. If you do that you may then:

- accept the Offer in respect of those resultant Marathon Shares (see section 5.2)
- sell those Marathon Shares on the ASX (see section 5.3)
- reject the Offer by taking no further action in respect of those Marathon Shares.

6. RISKS OF ACCEPTING THE OFFER

If, contrary to the Marathon Directors' recommendation that you **do nothing** in response to the opportunistic and totally inadequate Offer, you choose to accept the Offer, you will immediately have become bound by a conditional agreement to sell your Marathon Shares for 68 cents each and will not get paid for those Shares for some time or at all if the bid does not succeed.

If you are a holder of Marathon Options and, contrary to the recommendation made in this Target's Statement, you decide to exercise your Marathon Options and accept the Offer for the resultant Marathon Shares, not only is there the risk that you will not get paid for those Shares if the bid doesn't succeed, you will also have incurred the expense of exercising your Marathon Options.

If you do accept the Offer you will be unable to withdraw your acceptance, except in limited circumstances. This will lock you out of the opportunity to benefit from any further market increase in the Marathon Share price or a higher offer, should one be made by another offeror. There is currently considerable interest in uranium stocks as evidenced by the recent merger of Mega Uranium Ltd and Hindmarsh Resources Ltd, Mega Uranium Ltd's proposed merger with Redport Ltd and Paladin Resources Ltd's proposed merger with Valhalla Uranium Ltd. On this basis a higher or better offer for Marathon Shares is not out of the question, either now or at some time in the future.

If you intend to accept the Offer, contrary to the Marathon Directors' recommendation, you should read this Target's Statement carefully and if in doubt as to how to act, you should consult your financial or other professional adviser immediately.

7. RISKS ASSOCIATED WITH HOLDING MARATHON SHARES

There are risks associated with holding shares in a company like Marathon that operates in the mining and exploration industry. A number of these risks are identified in Marathon's Prospectus (refer to pages 70 through 72) and include those risks associated with commodity price fluctuations, changes in the economic climate, the environment, exploration and development, operations, government policy changes and the like.

The risk profile of an exploration company like Marathon should be taken into account when considering the Offer; however, such risks were no doubt well known to, and taken into account by, you when you decided to invest in Marathon. In the Marathon Directors' view, risks of the kind usually associated with exploration companies are more to be regarded as reflecting opportunities for reward rather than risks to be avoided.

Notwithstanding the risks associated with holding your Marathon Shares, there is nothing in the Bidder's Statement or otherwise that justifies, in the opinion of Marathon Directors, Marathon Shareholders accepting the Bidder's evidently opportunistic and totally inadequate Offer.

8. ADDITIONAL INFORMATION

8.1 Recommendation of the Directors

The Marathon Directors at the date of this Target's Statement are Mr Peter Williams (Non-Executive Chairman), Dr John Santich (Chief Executive Officer), Dr Wieslaw Bogacz (Executive Director) , Mr Sam Appleyard (Non-Executive Director) and Mr William Latimer (Non-Executive Director).

See sections 1 and 2 of this Target's Statement for information concerning the desire of each Marathon Director to make, and that Director's view as to being justified in making a recommendation and the recommendation of the Marathon Directors.

8.2 Relevant Interests in marketable securities of Marathon held by the Directors of Marathon

The only marketable securities that Marathon has on issue are Marathon Shares and Marathon Options. The description and amount of marketable securities of Marathon each Director controls at the date of this Target's Statement are:

Name of Director	Number of Listed Marathon Shares	Number of Escrowed (unlisted) Marathon Shares	Number of Marathon Options	
			Unescrowed	Escrowed
Mr Peter Williams	70,000	Nil	Nil	1,000,000
Dr John Santich	90,000	2,000,000	Nil	500,000
Dr Wieslaw Bogacz	210,000	2,000,000	Nil	500,000
Mr Sam Appleyard	353,256	580,000	Nil	1,534,300
Mr William Latimer	300,000	587,500	Nil	1,540,000

At a meeting held on 30 June 2005, and reconvened on 7 July 2005, Marathon's Board resolved, subject to Shareholder approval, to issue to each of its Executive Directors (Dr Santich and Dr Bogacz) or their nominee, under the terms of the Marathon's Employee Share Option Plan 1.5 million Marathon Options (all exercisable up to 30 June 2010). This was announced in Marathon's June 2005 Quarterly Report.

At the time these Marathon Options were to have been exercisable at prices ranging from 30 cents to 50 cents each. While it was intended that Shareholder approval to the issue of these Marathon Options would be sought at Marathon's 2005 Annual General Meeting that did not eventuate. The Marathon Board now intends to seek approval at Marathon's next Annual General Meeting, being the first available opportunity since the 2005 Annual General Meeting. In recognition of the time which has elapsed Dr Santich and Dr Bogacz have agreed that the exercise price for these Marathon Options will now be Marathon's volume weighted average selling price on ASX for the 5 trading days preceding the date of the meeting of Marathon Shareholders at which they consider the issue of these options.

The Marathon Board considers that the issue of these Marathon Options to Executive Directors was, and remains, an appropriate part of their reasonable remuneration.

8.3 Intentions of Marathon Directors

Each Marathon Director intends to reject the Offer in respect of the Marathon Shares they respectively control by doing nothing in respect of the Offer.

8.4 Authorisation of Target's Statement

No Marathon Director voted against the resolution authorising this Target's Statement.

8.5 Relevant Interests in marketable securities of the Bidder held by the Marathon Directors

No Marathon Director is entitled to any marketable securities of the Bidder, Crosby or Techpacific Capital Limited.

8.6 Dealings in Bidder's marketable securities by Marathon Directors

There have been no acquisitions or disposals of marketable securities in the Bidder by Marathon or, to the knowledge of Marathon or any Marathon Director, by any Marathon Director, in the period of 4 months immediately preceding the date of this Target's Statement.

8.7 Dealings in Marathon Shares and Marathon Options by the Marathon Directors

To the knowledge of any Marathon Director, no Marathon Shares or Marathon Options were acquired or disposed of by a Marathon Director, within the period of 4 months immediately preceding the date of this Target's Statement.

8.8 Payments and benefits

As a result of the Offer, no benefit (other than a benefit permitted by section 200F or 200G of the Corporations Act) has been or will be given to a person:

- (1) in connection with that person's retirement from a board or managerial office in Marathon or a related body corporate of Marathon; or
- (2) who holds, or has held, a board or managerial office in Marathon or a related body corporate, or a spouse, relative or associate of such a person, or a relative of the spouse of such a person, or the spouse of an associate of such a person, in connection with the transfer of the whole or any part of the undertaking or property of Marathon.

8.9 No agreement with any Marathon Director

There is no agreement made between any Marathon Director and any other person in connection with, or conditional on the outcome of, the Offer.

8.10 Changes in financial position

So far as known to any Marathon Director, the financial position of Marathon has not materially changed between 31 December 2005 (the date of the Company's last audited financial report) and the date of this Target's Statement, except as disclosed in:

- (1) this Target's Statement;
- (2) Marathon's 2005/2006 Fourth Quarter Activities Report and Fourth Quarter Cashflow Report to Marathon Shareholders, lodged with ASX on 27 July 2006;
- (3) Marathon's releases to the ASX since 31 December 2005, specifically:

Date	Title of Announcement
12 January 2006	Appendix 3B
12 January 2006	Appendix 3B: End of Restriction Period
31 January 2006	Second Quarter Cashflow Report
31 January 2006	Second Quarter Activities Report
16 March 2006	Share Placement
16 March 2006	Half Year Accounts
22 March 2006	Placement Notice & Appendix 3B
20 April 2006	Appendix 3B – Options Exercise
26 April 2006	Third Quarter Cash Flow Report
26 April 2006	Third Quarter Activities Report
9 August 2006	Appendix 3B – notifying exercise of Options

and except for:

- (4) any change in the financial position of Marathon solely as a result of fluctuations in commodity prices, exchange rates, interest rates and inflation rates since 31 December 2005; and
- (5) expenditures by Marathon of available cash in the ordinary course of business.

8.11 Other information reasonably required by Marathon Shareholders and their professional advisers to make an informed assessment

This Target's Statement is required to include all the information that Marathon Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any of the Marathon Directors.

The Marathon Directors are of the opinion that the information that Marathon Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to reject the Offer is:

- the information contained in the Bidder's Statement dated 15 August 2006;
- the information contained in this Target's Statement;
- Marathon's 2005 Annual Report
- the information contained in Marathon's releases to the ASX prior to the date of this Target's Statement, and news releases and announcements made by Crosby and the Bidder on and since 6 July 2006.

8.12 ASIC modifications

Marathon has been granted an exemption from the requirements of section 638(5) of the Corporations Act to allow it to include in this Target's Statement (without the consent of Crosby) the statements made by Crosby that are quoted in this Target's Statement. A copy of that exemption was published by ASIC in the ASIC Gazette dated 5 September 2006.

Marathon has not sought any other modifications to, or exemptions from, the Corporations Act by ASIC in respect of the Offer or this Target's Statement.

8.13 Consents

Watsons Lawyers have given and not withdrawn their consent before the date of this Target's Statement to being named in this Target's Statement as legal adviser to Marathon. Watsons Lawyers do not make or purport to make any statement that is included in this Target's Statement and there is no statement in this Target's Statement which is based on any statement of Watsons Lawyers. Watsons Lawyers specifically disclaim responsibility for any statement included in this Target's Statement.

Baron Partners Limited have given and not withdrawn their consent before the date of this Target's Statement to being named in this Target's Statement as corporate adviser to Marathon. Baron Partners Limited do not make or purport to make any statement that is included in this Target's Statement and there is no statement in this Target's Statement which is based on any statement of Baron Partners Limited. Baron Partners Limited specifically disclaim responsibility for any statement included in this Target's Statement.

This Target's Statement contains statements which are made by, or statements said to be based on statements made by, Marathon Directors. Each of the Marathon Directors has consented to the inclusion of each statement they have made in the form and context in which the statement appears and have not withdrawn that consent as at the date of this Target's Statement.

8.14 Publicly Available Information

This Target's Statement contains statements which are made in or based on statements made in documents lodged by various parties, including the Bidder, with ASIC or given to ASX or to AIM.

Marathon will make available a copy of these documents (or relevant extracts from these documents), free of charge, to Marathon Shareholders who request it during the Offer Period.

To obtain a copy of these documents (or the relevant extracts), Marathon Shareholders may telephone the Marathon information line during business hours on 1300 138 684 (toll free in Australia) or +61 3 9415 4349 for international calls.

9. GLOSSARY AND INTERPRETATION

9.1 Defined terms

In this Target's Statement, the following words have these meanings unless the contrary intention appears:

AIM means the Alternative Investment Market of the London Stock Exchange Plc.

Announcement means the announcement issued by Crosby regarding the intention to make an off-market takeover bid for Marathon.

Announcement Date means 6 July 2006 being the date the Announcement was lodged with the ASX.

ASIC means the Australian Securities and Investments Commission.

ASX means the stock market conducted by Australian Stock Exchange Limited (ACN 008 624 691).

Bidder means Buttermere Australia Pty Limited (ACN 120 663 710), an indirect wholly owned subsidiary of Crosby.

Bidder's Statement means the Bidder's Statement dated 15 August 2006.

Bonanza Gold means Bonanza Gold Pty Ltd (ACN 008 273 756), a wholly owned subsidiary of Marathon.

Business Day means a day on which a bank is open for business in Perth and Sydney excluding a Saturday, Sunday or a public holiday.

Corporations Act means the Corporations Act 2001 (Cth).

Crosby means Crosby Capital Partners Inc of 2701, Citibank Tower 3 Garden Road, Central, Hong Kong.

Director means a director of Marathon.

Marathon means Marathon Resources Ltd (ACN 107 531 822) of 10 George Street, Stepney, South Australia 5069.

Marathon Board or **Marathon Directors** means the Marathon Board of Directors from time to time.

Marathon Option means an option to subscribe for a Marathon Share.

Marathon Shareholder and **Shareholder** means the holder of Marathon Shares.

Marathon Share and **Share** means one fully paid ordinary share in the issued capital of Marathon.

lb means one pound.

Listing Rules means the Listing Rules of the Australian Stock Exchange Limited unless otherwise specified.

Offer means the Bidder's offer to acquire all the Marathon Shares, including any Shares to be issued following the exercise of Marathon Options, on the terms and conditions set out in the Bidder's Statement.

Offer Period means the period during which the Offer will remain open for acceptance in accordance with the terms of the Offer.

Offer Price means 68 cents per Marathon Share.

Official List means the Official List of ASX.

ppm means parts per million.

Prospectus means Marathon's prospectus dated, and lodged with ASIC on, 20 October 2004.

Quarter means any period of three calendar months.

related body corporate has the meaning given in section 9 of the Corporations Act.

Relevant Interest means an interest in holding, or controlling, a security as defined in the Corporations Act.

Target's Statement means this Target's Statement dated 8 September 2006 given by Marathon in response to the Bidder's Statement.

U₃O₈ means uranium oxide.

US\$ means the lawful currency of the United States of America.

UraniumSA means UraniumSA Limited (ACN 119 978 013).

9.2 Interpretation

The following rules of interpretation apply unless the context requires otherwise:

- (1) unless specified otherwise, all words and phrases in this Target's Statement shall have the meanings given to them (if any) in the Corporations Act;
- (2) a gender includes all genders and wording denoting the singular includes the plural and vice versa;
- (3) a reference to a person includes a body corporate, an unincorporated body or other entity and conversely;
- (4) the table of contents and headings are used for convenience only and do not affect interpretation;
- (5) a reference to any instrument (such as an agreement, announcement or statement) is to that instrument (or, if required by the context, to a part of it) as amended, novated, substituted or supplemented from time to time;
- (6) where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning and "including"

and similar expressions are not and must not be treated as words of limitation;

- (7) **cents, \$ or A\$** is a reference to the lawful currency of Australia.

10. APPROVAL

Signed for and on behalf of Marathon Resources Limited by Peter Williams being a director authorised to sign this Target's Statement pursuant to a resolution passed by the Marathon Directors on 4 September 2006.

DATED: 8 September 2006

A handwritten signature in black ink, appearing to read 'P. Williams', written in a cursive style.

Peter L Williams
Chairman
Marathon Resources Ltd

ANNEXURE A – ASX Announcement made by Marathon in relation to the Gawler Craton-Kingoonya Palaeochannel Joint Venture with UraniumSA

Tuesday, 1 August 2006

Marathon Resources Ltd
ABN 31 107 531 822
10 George Street
Stepney SA 5069
T 08 8366 2500
F 08 8362 5955
admin@marathonresources.com.au
www.marathonresources.com.au



COMPANY ANNOUNCEMENTS OFFICE
AUSTRALIAN STOCK EXCHANGE

ASX CODE MTN

GAWLER CRATON KINGOONYA PALAEOCHANNEL JOINT VENTURE

Marathon Resources Ltd advises that it has executed Joint Venture agreements with **UraniumSA Ltd**, an unlisted public company, for uranium exploration over three of Marathon's central Gawler Craton tenements. The arrangements, under negotiation since early April 2006, are conditional on UraniumSA completing a successful initial public offering (IPO) later this year.

The Joint Ventures with UraniumSA apply to Marathon's exploration tenure over the Kingoonya Palaeochannel System in the central Gawler Craton (Figure 1). The Mulga Well joint venture (EL 3211) covers palaeochannel uranium exploration only, with Marathon retaining the right to explore for all other minerals, while the Bon Bon & McDowell Hill joint ventures (ELs 3474 and 3540) allow UraniumSA to explore for all minerals.

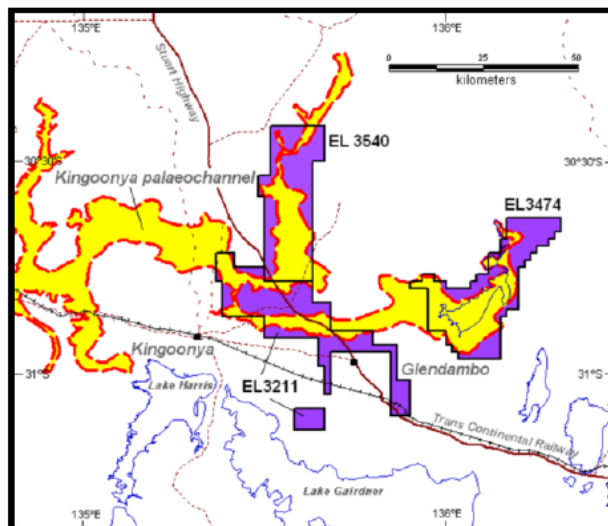


Figure 1: Marathon's tenement coverage of the Kingoonya Palaeochannel system

Uranium SA has negotiated uranium exploration rights over extensive tracts of the Kingoonya Palaeochannel, including areas held by ASX listed **Stellar Resources Ltd**. Through its retained joint venture interest in EL's 3211, 3474 and 3540, and through its shareholding in UraniumSA, Marathon will have exposure to uranium exploration over an extended portion of this area as well as other prospective areas of the State (Figure 2).

A prospectus for the offer of UraniumSA shares will be made available when the shares are offered. Any person seeking to acquire shares in UraniumSA, including Marathon shareholders, will need to complete the application form that will be in, or accompany the prospectus. Shareholders in Marathon will be entitled to priority in application for a pre-determined number of shares in UraniumSA's proposed IPO. Details will be provided in the UraniumSA Prospectus when it has been finalised and becomes publicly available.

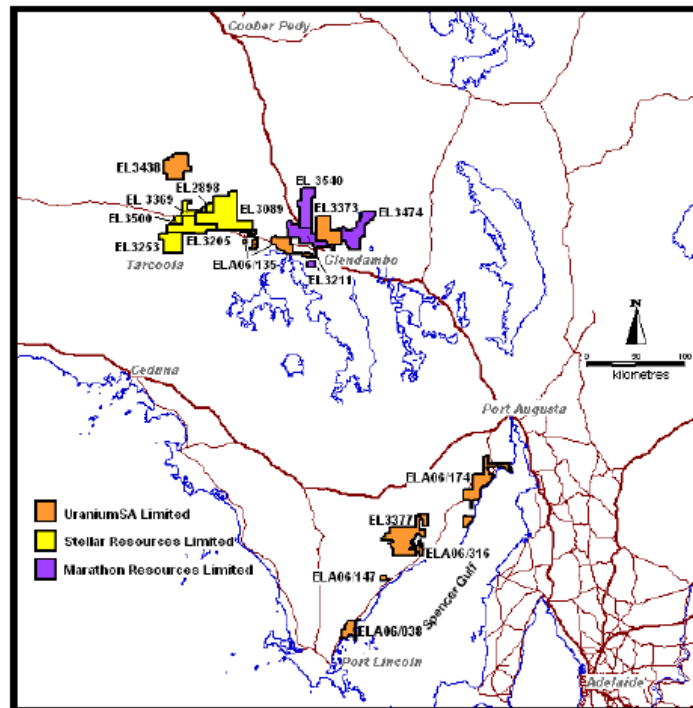


Figure 2: UraniumSA's tenement position in South Australia

Joint Venture Details

Under the Mulga Well Joint Venture (EL 3211) UraniumSA has sole rights to explore for palaeochannel uranium within the tenement, UraniumSA having 70% equity with Marathon's 30% free carried equity to the establishment of an (uranium) Indicated Resource (as defined in the JORC Code). Marathon retains an unencumbered 100% equity in all other minerals and will continue its exploration of the tenement for IOCG deposits.

Under the Bon Bon & McDowell Hill Joint Ventures (EL's 3474 and 3540) UraniumSA has 70% equity in all minerals, including uranium, with Marathon having a 30% free carried equity to the establishment of an Indicated Resource.

In consideration for entering into the Joint Ventures, Marathon will receive an agreed number of UraniumSA shares at IPO.

For Marathon and its shareholders, the benefits of the Joint Ventures and its collaboration with UraniumSA in its IPO include equity participation in a significantly enhanced coverage of the Kingoonya Palaeochannel System, well in excess of Marathon's existing land-holding over the system, and a Joint Venture partner focussed on the exploration of this system.

Focussed on the Gawler Craton, UraniumSA has collaborated with Marathon and Stellar to build a portfolio of quality exploration tenements and to establish a dominant tenure position over the highly prospective Kingoonya Palaeochannel System.

UraniumSA's Board comprises Tom Phillips (Chairman), former Chief Executive Officer of Mitsubishi Motors Australia Ltd, Russel Bluck (Executive Director), exploration geologist with a broad range of geotechnical and corporate consulting experience, and Alice McCleary (Director), Deputy Chancellor of the University of South Australia and a director of a number of companies.

UraniumSA is in the process of obtaining regulatory approvals for the transfer of tenements and registration of interests in tenements and is developing its prospectus. No date has been set for the completion of the prospectus, for meeting all regulatory requirements, or completion of the IPO.



Dr John Santich
Chief Executive Officer

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves has been compiled by Dr W Bogacz, a full time Executive Director of Marathon Resources Ltd and a Member of the Australian Institute of Geoscientists. Dr Bogacz has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person for the purposes of the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Bogacz consents to the inclusion in the report of these matters based on their information in the form and context in which it appears.

ANNEXURE B – ASX Announcement made by Marathon in relation to Paralana Mineral System

Wednesday, 30 August 2006

COMPANY ANNOUNCEMENTS OFFICE
AUSTRALIAN STOCK EXCHANGE

ASX CODE MTN



PARALANA MINERAL SYSTEM MT GEE DEPOSIT: REVISED ESTIMATES DEMONSTRATE HIGHER GRADE RESOURCE

HIGHLIGHTS

- 1. NEW ASSESSMENT CONFIRMS SUBSTANTIAL INFERRED RESOURCE AND HIGHER GRADE OF THE MT GEE DEPOSIT (KRIGING METHOD WITH RIGOROUS YAMAMOTO CORRECTION *)**
 - (a) CUT OFF GRADE 1,000ppm YIELDS 10.1Mt @ 0.133% U₃O₈ FOR AROUND 13,500t U₃O₈**
 - (b) CUT OFF GRADE 500ppm YIELDS 25.4Mt @ 0.081% U₃O₈ FOR AROUND 20,600t U₃O₈**
 - (c) CUT OFF GRADE 300ppm YIELDS 45.6Mt @ 0.068% U₃O₈ FOR AROUND 31,250t U₃O₈
(COMPARES WITH 59.0Mt @ 0.062% U₃O₈ FOR AROUND 36,650t U₃O₈ USING ORDINARY KRIGING METHOD)**
- 2. FULLY FUNDED DRILLING PROGRAM AIMING TO UPGRADE TO INDICATED/MEASURED RESOURCE SCHEDULED TO START LATER THIS YEAR**
- 3. MINING SCOPING STUDY PLANNED TO COMMENCE EARLY 2007**
- 4. ORE GENESIS STUDIES: URANINITE (UO₂) DOMINATES MT GEE MINERALISATION INDICATING SIMPLER EXTRACTION PROCESS**

*Yamamoto, J.K. (2005) *Correcting the smoothing effect of ordinary kriging estimates*. Mathematical Geology, V37, 1, 69-94

Mt Gee deposit - Resource Estimates

Marathon is pleased to announce revised resource estimates for, and the results of, geological and petrogenetic studies on mineralisation from its Mt Gee uranium deposit in the Paralana Mineral System of EL 3258 in the Northern Flinders Ranges of South Australia (Figure 1).

Assay and drilling data recently obtained by Marathon provided additional information allowing the Mt Gee deposit resource re-estimate, compared to that announced on 2 August 2005 (shown in Table 4). The updated resource estimates are provided by Marathon's consultants at the Economic Geology Centre (EGC) in Krakow, Poland.

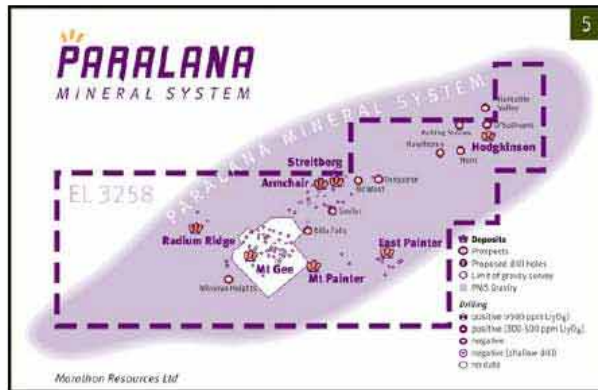


Figure 1: Paralana Mineral System, EL 3258, Flinders Ranges

Additional 39 drill holes were taken into account in the new assessment, including the results from Marathon's drilling campaign earlier this year (6 drill holes MN8-13), as well as results of drill holes not included at the time of the previous resource estimates (5 drill holes by Goldstream in 1999, 2 PIRSA holes drilled in 1976 (unassayed until this year), 1 CRAE drill hole in 1992 and additional 26 historical drill holes by Exoil).

In total, 89 drill holes for the Mt Gee deposit were included in the assessment. Their locations are predominantly concentrated along the southern and eastern areas of the deposit, and with limited drilling in the NW part of the resource area, as shown in Figure 2.

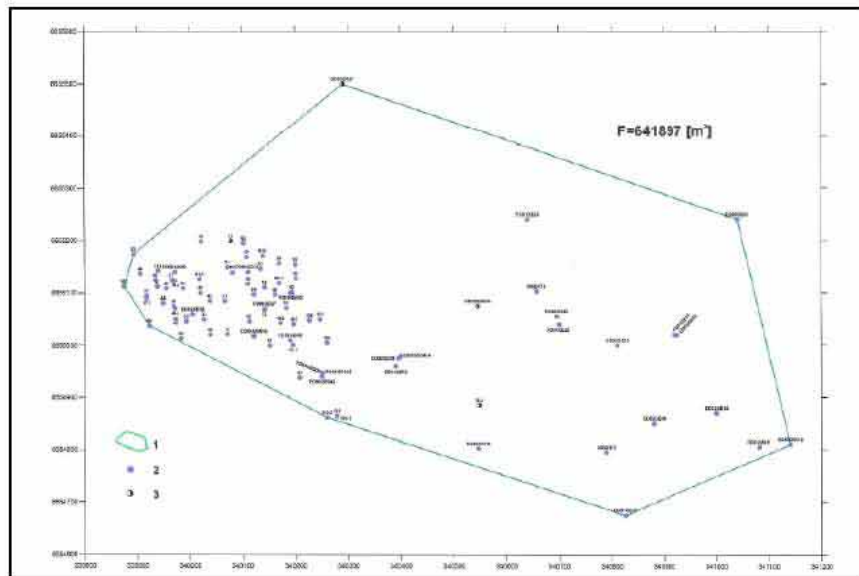


Figure 2: Drill hole location for resource estimates, Mt Gee deposit

Uranium resource estimates were carried out using the kriging method with the more demanding Yamamoto correction (Y), which were compared with estimates made by the ordinary kriging method alone (KM). The Yamamoto correction adjusts for the effects of data smoothing in ordinary kriging, implying a higher degree of rigour in the estimates thus providing more precise resource assessment.

Resource 1,000ppm cut off grade

In order to investigate the presence and distribution of a higher grade mineralisation with a view to future mining within the Mt Gee deposit, a resource estimation applying a higher cut off grade of 1,000ppm (0.1% U₃O₈) was carried out to determine the tonnage, grade, thickness, and other mean parameters of the deposit. Out of 88 holes investigated, 67 met the 1,000ppm cut off criteria. The results, with Yamamoto correction, indicate an inferred resource within about a 10.0m thick zone of mineralisation of order 10.1 M tonnes at 0.133% U₃O₈ for 13,496t average uranium oxide contents, as shown in Table 1.

Resource 500ppm cut off grade

The new resource estimate indicates that the deposit's average grade increases in the 500ppm U₃O₈ cut off category to 0.081%: 25.4 M tonnes at 0.081% for 20,573t U₃O₈ when applying Yamamoto correction. Updated results in this category are shown in Table 2.

In addition to the above, an estimate in this category was carried out for the resource circumference expanded radially outward by 50 metres (extended area), well within the 200m distance of continuity of resource assessment between estimate points allowed by the mineralisation distribution and kriging method applied. The inferred resource estimates in the increased deposit area indicate 24,286t (Y) and 29,228t (KM) U₃O₈, respectively, and are shown in Table 3.

Comments on resource of the Mt Gee deposit

Although concentrating on higher grade, the resource estimates for 300 - 500ppm U₃O₈ contents were also investigated. In summary, the 300 - 500ppm category mineralisation together with the inferred resource tonnage 500ppm cut off grade indicates 59.1 M tonnes of mineralization at 0.062% for 36,639t U₃O₈ applying ordinary kriging method, or 45.6 M tonnes of mineralisation at 0.068% for 31,255t U₃O₈ employing the Yamamoto correction in the resource estimation (Table 4).

Mt Gee deposit - Inferred Resource Estimates

Table 1: 1,000 ppm U₃O₈ cut off

U ₃ O ₈ Cut off	Method	N	Content [ppm]	Mineralisation [M tonnes]	Resources [tonnes U ₃ O ₈]	Resources [M lb U ₃ O ₈]
1,000ppm (estimate August 2006)	Y	88 (67)	1330	10.1	13,496	29.7

Table 2: 500 ppm U₃O₈ cut off

500ppm (updated estimate - August 2006)	KM	88 (84)	748	32.6	24,416	53.7
	Y	88 (84)	810	25.4	20,573	45.3
500ppm (previous estimate - August 2005)	KM	48	730	34.0	24,808	54.6

Table 3: 500 ppm U₃O₈ cut off (extended area)

500ppm (updated estimate - August 2006)	KM	88 (84)	750	39.0	29,228	64.3
	Y	88 (84)	813	29.9	24,286	53.4

Table 4: 300ppm U₃O₈ cut off

300ppm (updated estimate - August 2006)	KM	89 (59)	621	59.0	36,639	80.6
	Y	89 (59)	685	45.6	31,255	68.8
300ppm (previous estimate - August 2005)	KM	48	582	57.0	33,200	73.0

N – number of drill holes, () – number of drill holes meeting the estimation criteria, KM - uranium resource and average deposit parameters estimated by ordinary kriging Method, Y - uranium resource and average deposit parameters estimated by kriging method employing Yamamoto correction

Forthcoming drilling and development program

As a result of this resource analysis and ongoing drill core review, including re-logging and re-assay by the Company, Marathon is confident that the Mt Gee deposit contains substantial tonnage of higher grade inferred resource. The resource is contained within a continuous 10 – 20m thick deposit depending on cut off grade of 500 – 1,000ppm. Also, the deposit contains substantial lower grade 300ppm cut off grade resource and remains open in all directions. Particularly high exploration potential is defined to the south and east of the resource area. Marathon's immediate future exploration strategy is to focus on these portions and nearby extensions of the deposit. A program of 93 drill holes is planned for about 20,000m of RC drilling to upgrade inferred into indicated/measured resource categories. Location of drill holes of this program is illustrated in Figure 3. In addition, the planned drilling at Armchair/Streitberg will take place following the drilling at Mt Gee. A drilling company has been contracted for this fully funded drilling programme, which is scheduled to start in early November this year. A mining scoping study on the Mt Gee deposit is planned to commence early in 2007.

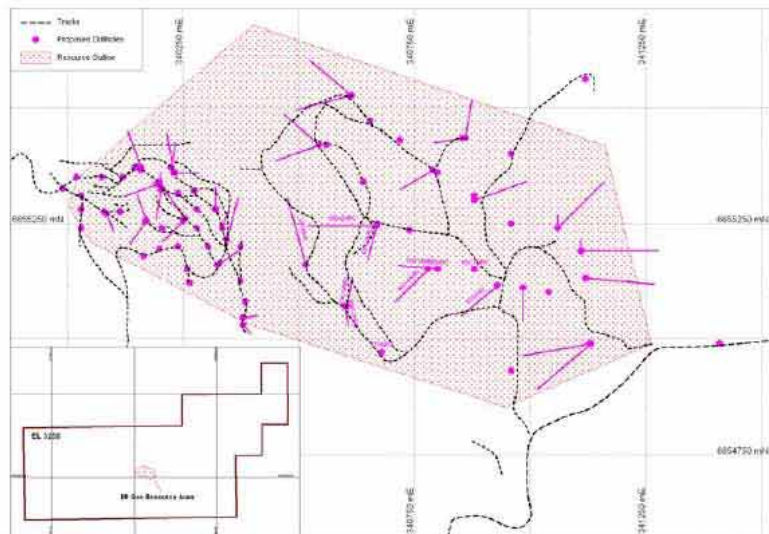


Figure 3 Proposed drill holes location towards indicated/measured resource of the Mt Gee deposit

Nature of the Mt Gee deposit and the Paralana Mineral System

Marathon has carried out research on tectonics, geology, petrology and ore genesis of the Paralana Mineral System (PMS), in particular Mt Gee and Hodgkinson deposits, which were recently drilled by the Company.

Geological logging of the core from Marathon's drill holes and logging/re-logging of the existing drill core, particularly from Exoil drilling, was carried out. About 200 samples were collected from the drill core, providing Marathon with research material for petrogenetic studies to identify ore genesis, alteration processes and timing of the U mineralisation.

Results of the studies and re-assessment of the historical petrographic database have led to the conclusion that the host rocks of the Mt Gee deposit and the PMS are mostly granites, syeno-granites and syenites, containing magnetite, monazite, hematite and other minerals.

These studies have confirmed that uranium mineralisation at Mt Gee and the PMS is structurally controlled. The PMS forms a uniform structurally controlled U-rich mineral system, which extends over an 11-12 km distance along NE trending, deep rooted basement fracture of regional significance. Along this fracture a major tectonic deformation system, the Paralana Fault System (PFS) developed. Uranium mineralisation was propagated in tectonic-breccia-fracture zones corresponding to the activity of the PFS during the mineralising processes. The matrix of tectonic-breccia-fracture zones contains, predominantly, hematite and chlorite and, less frequently, sericite, quartz, chalcedony and carbonate.

Microprobe and scanning electron microscope methods were applied to selected drill core samples from the uranium mineralised material, and Raman spectroscopic analysis was used to confirm identification of some minerals. These studies revealed that the dominant U carrying minerals of main mineralised zones at Mt Gee (and PMS) are uranium oxide: uraninite (Figure 4) and less frequently its modification pitchblende. Some uraninite crystals observed are up to 5mm of size. This suggests that increased space was created during structurally controlled extensional environment accompanied by the U mineralising processes allowing growth of this size of crystals. Based on these very large crystals the timing of the U mineralisation is capable of determination. Such a study is in progress and the results will be reported as soon as available.

Additionally to uranium oxide minerals, Mt Gee deposit is enriched in uranium silicate (coffinite) in certain zones (Figure 5). Less frequently other U carrying minerals such as brannerite, U-sorosilicate and allanite are observed. Monazite appears to be U-free and uranium mineralisation belongs to a different stage, confirming that the Mt Gee deposit (and PMS) is predominantly epigenetic, hydrothermal of origin. Uranium carrying torbernite is seen as resulting from a later epigenetic stage processes.

The dominance of uraninite in particular has major positive implications for the metallurgical recovery of uranium from the system.

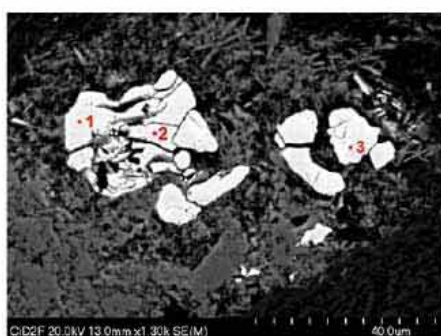


Figure 4: Scanning Electron Microscope image, fractured uraninite cemented by the fibrous matrix of hematite III (specularite) and lepidocrocite. Arabic numerals denote microprobe analysis of uraninite. Sample CiD, Mt Gee area, drill hole DD06MN08, depth 72.2m.

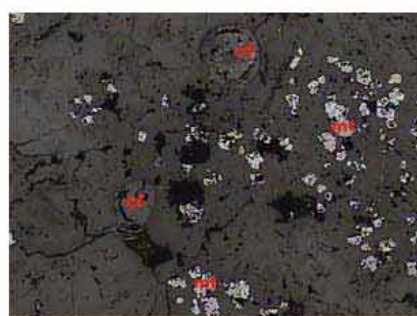


Figure 5: Videomicrograph of spherical grains of coffinite (cf) accompanied by magnetite (mt) replacement alongside edges of hematite I (process goes through martite). The matrix is quartz and K-felspar. Sample 681937/1-3, reflected light. Coffinite grains 100um across. Mt Gee area, drill hole MTG01.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves has been compiled by Dr W Bogacz, a full time Executive Director of Marathon Resources Ltd and a Member of the Australian Institute of Geoscientists. Dr Bogacz has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person for the purposes of the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Bogacz consents to the inclusion in the report of these matters based on their information in the form and context in which it appears.

Contact
Company
 Dr John Santich
 Chief Executive Officer
 Telephone (08) 8366 2500

Investor Relations
 Mr Rod North
 Bourse Communications
 Telephone (03) 9510 8309
 Mobile 0408 670 706



8 September 2006

Dear Marathon Optionholder

The unsolicited off-market takeover bid being made by Buttermere Australia Pty Limited for all Marathon Shares at a price of 68 cents per Marathon Share includes any Marathon Shares issued following the exercise of the Marathon Options you hold (**Offer**).

Your Directors have unanimously recommended that Marathon Shareholders **REJECT** the Offer. The reasons for this recommendation are explained in detail in the Target's Statement which is enclosed for your information.

Your Directors have also unanimously recommended that you **DO NOTHING** in respect of your Marathon Options because of the Offer and that you continue to hold them for their leverage value.

Section 2.10 of the enclosed Target's Statement outlines the condition in the Offer with respect to Marathon Options while Section 5.4 of the Target's Statement reviews the choices available to you in respect of your Marathon Options.

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

You are encouraged to read the enclosed Target's Statement fully and, if in doubt, you should consult your financial or other professional adviser immediately.

If you have any questions regarding the Offer 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

A handwritten signature in black ink, appearing to read "Peter L. Williams". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

Peter L Williams
Chairman