

Monday, 25 September 2006

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**COMPANY ANNOUNCEMENTS OFFICE
AUSTRALIAN STOCK EXCHANGE**

ASX CODE MTN

**SUPPLEMENTARY TARGET 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 section 647(3)(b) of the *Corporations Act 2001* (Cth), a copy of Marathon's first Supplementary Target Statement dated 25 September 2006.

The attached Supplementary Target's Statement has been sent to Buttermere and will be dispatched to Marathon shareholders by Wednesday, 27 September 2006.

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

Dr John Santich
Chief Executive Officer

The logo for Marathon Resources Ltd features a stylized 'M' with three yellow rays above it, followed by the company name in a bold, black, sans-serif font.

Marathon Resources Ltd

ACN 107 531 822



*The letter below is the first Supplementary Target's Statement issued by Marathon Resources Ltd (**Marathon**). It supplements Marathon's Target's Statement dated 8 September 2006 relating to the unsolicited off-market takeover bid for all shares issued in the capital of Marathon by Buttermere Australia Pty Limited, an indirect wholly owned subsidiary of Crosby Capital Partners Inc. This Supplementary Target's Statement is to be read together with the Target's Statement. Terms used below have the meanings given in section 9 of the Target's Statement.*

SUPPLEMENTARY TARGET'S STATEMENT

25 September 2006

Dear Marathon Shareholder,

Marathon wishes to clarify certain statements in its Target's Statement dated 8 September 2006 and provide further relevant information on the value of uranium resources.

Reference to spot price

In the Chairman's Letter and on pages 1 and 5 of the Target's Statement, Marathon draws to Shareholders' attention the value the Offer attributes to Marathon's inferred resource at Mt Gee on a per pound of U₃O₈ basis and, by way of a comparison, provides Shareholders with the spot price for U₃O₈ as at 28 August 2006.

As is stated in the Chairman's Letter and on pages 1 and 6 of the Target's Statement, 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. It is clear that Marathon's value cannot be calculated on the basis of the per pound price of U₃O₈ and that Marathon would not, in the event Mt Gee goes into production, necessarily receive the full value of the prevailing U₃O₈ price net of capital costs and operating expenses. However, Marathon Directors believe that there is a sufficient difference between the current U₃O₈ spot price

(which as disclosed in the Target's Statement was US\$48.50 per pound as at 28 August 2006 and as at 18 September 2006 was US\$53.25 per pound) and the value attributed by the Offer to the U₃O₈ estimated to be contained in your Mt Gee resource to support their belief that the Offer is totally inadequate.

To further illustrate the inadequacy of the Offer, Marathon refers you to the recent ASX announcement, on 13 September 2006, by PepinNini Minerals Limited (**PepinNini**) and Sinosteel Corporation (**Sinosteel**), a Chinese state owned enterprise.

According to that announcement, Sinosteel has, subject to legally binding agreements and necessary Government approvals, agreed to

- pay PepinNini \$30.5 million for a 60% interest in a newly formed company that will develop and operate the Crocker Well and Mt Victoria uranium deposits. The project currently has a JORC compliant inferred resource of 14.85 million lbs of U₃O₈.
- contribute \$6 million over a 2 year period for exploration of commodities other than uranium.
- enter into an offtake agreement for 100% of the projected output of the uranium prospects on normal commercial terms, subject to the successful completion of a bankable feasibility study to develop the uranium prospects.

Based on the JORC compliant inferred resource (the same resource category as Marathon's Mt Gee deposit), and the \$30.5 million cash component, this transaction effectively values PepinNini's in ground inferred resource at **\$3.42** per lb of U₃O₈. This compares to 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.

While the above comparison does not take into account factors such as the relative extraction costs, grade and size of resource, stage of exploration and development, possibility of the presence of other minerals and the risks associated with production of the Mt Gee resource and the PepinNini resource, Marathon considers the PepinNini deal an indication of the value the market is prepared (in particular circumstances) to place on an in-situ inferred resource of U₃O₈. It is a further basis for Marathon Directors' recommendation that Shareholders **REJECT** the Bid on the ground that the Offer is totally inadequate.

A copy of Sinosteel's and PepinNini's ASX announcement can be found on the ASX website at www.asx.com.au. If you would like a copy of the announcement, you may telephone the Marathon information line during business hours in the

Offer Period on 1300 138 684 (toll free in Australia) or +61 3 9415 4349 for international calls, and Marathon will make a copy available to you free of charge. Calls to information line will be recorded in accordance with the Corporations Act.

Cross reference to risks in Prospectus

In section 7 of the Target's Statement, Marathon refers Shareholders to a number of the risks outlined on pages 70 through to 72 of the Marathon Prospectus. For your convenience, an extract of those risks, to the extent that they remain relevant (the International Financial Reporting Standards having now come into effect), are set out in Annexure A of this Supplementary Target's Statement.

Marathon also notes the regulatory uncertainty surrounding the development of uranium projects as one of the risks associated with holding shares in a company like Marathon, and recommends that Shareholders read the Bidder's discussion of that uncertainty on page 5 of the Bidder's Statement together with Marathon Directors' views on the issue set out in section 3.4 of the Target's Statement.

Amendment of typographical error

In the first bullet point of section 4 of the Target's Statement, after the number "13,496" the word "million" should be deleted so that it reads:

- *at a cut off grade of 1,000 ppm, 10.1 million tonnes of mineralisation at an average grade of 0.133% U₃O₈ containing 13,496 tonnes (29.7 million lbs) of U₃O₈*

Extension of Offer Period

The Bidder has, by notice lodged with ASIC on 21 September 2006, extended the Offer Period such that the Offer will now close at 7.00pm (Sydney time) on 3 November 2006.

In its notice, the Bidder advised that, as far as it was aware, none of the conditions of the Offer had been satisfied. It did not, however, advise whether or not it intended to rely on the public information condition, the cooperation and access condition and the no change of control rights condition, which conditions Marathon advised in its Target's Statement had not been satisfied (see section 2.10). Without any indication from the Bidder of what its intentions are in this regard, the Offer remains highly conditional and uncertain.

The extension of the Offer Period provides the Bidder with an extended free right over your Marathon Shares if you choose to accept the Offer. Not only will the time for payment for your Marathon Shares be extended, but the Bidder will also

be entitled to receive communications from Marathon in relation to your Marathon Shares for the extended Offer Period.

Marathon has not received advice from the Bidder that it has received any acceptances of the Offer. Marathon considers this to indicate that Shareholders share Marathon Directors' view that the Offer is totally inadequate and opportunistic.

Further information

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.

Signed for and on behalf of Marathon Resources Limited by Peter Williams being a director authorised to sign this Supplementary Target's Statement pursuant to a resolution passed by Marathon Directors on 25 September 2006.

Dated: 25 September 2006

A handwritten signature in black ink, appearing to read 'P. Williams', with a stylized flourish at the end.

Peter L Williams

Chairman

Marathon Resources Ltd

ANNEXURE A

EXTRACT FROM MARATHON PROSPECTUS

Risk factors

Investment in Marathon Resources is speculative and prospective investors in the Company should consider the risk factors described in this section, together with the information contained elsewhere in this Prospectus, before deciding whether to apply for Shares. The Company operates in the mining and exploration industry and accordingly will be subject to the risks inherent in that industry which include, but are not limited to, the following:

Commodity Price Fluctuations

Commodity prices will depend on available markets at acceptable prices and transmission and distribution costs. Any substantial decline in the prices of commodities or an increase in transmission or distribution costs could have a material adverse effect on the Company.

General Economic Climate

Factors such as inflation, currency fluctuation, interest rates, supply and demand and industrial disruption have an impact on operating costs, commodity prices and stock market prices. The Company's future revenues and share price can be affected by these factors which are beyond the control of the Company.

Operations Risk

The occurrence of industry operating risks could result in substantial losses due to injury or loss of life; damage to or destruction of property, natural resources, or equipment; pollution or other environmental damage; clean-up responsibilities; regulatory investigation; and penalties or suspension of operations. Damages occurring to third parties as a result of such risks may give rise to claims against the Company.

Drilling

Drilling activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of rigs and/or other equipment. Drilling may result in wells that, whilst encountering mineralisation, may not achieve economically viable results.

Commercialisation

Even if the Company discovers commercial mineralisation, there is no guarantee that the Company will be able to successfully mine or commercially develop or sell its product to customers to achieve a commercial return.

Joint Venture

The Company will become a party to joint venture agreements in which it will earn majority interests. Under these agreements the Company may be unable to carry out programs and budgets, and may also be required to contribute to any increases in capital expenditure

requirements and/or operating costs. Furthermore, the situation could arise where any or all of the joint venture parties are unable to fund their pro rata contributions to expenditure, in which case the Company may have to make increased contributions to ensure that the program succeeds.

Exploration and Development Risks

Mineral exploration and mining are high risk enterprises, only occasionally providing high rewards. In addition to the normal competition for prospective ground, and the high average costs of discovery of an economic deposit, factors such as demand for commodities, stock market fluctuations affecting access to new capital, sovereign risk, environmental issues, labour disruption, project financing difficulties, foreign currency fluctuations and technical problems all affect the ability of a company to profit from any discovery.

Environmental Risks

The Company's projects are subject to laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. A preliminary review of each of the Company's tenements revealed no material existing environmental liabilities. However, as with all mining projects, these projects would be expected to have a variety of environmental impacts should development proceed, and the costs of managing them may impact on the profitability of any proposed mining development.

Title Risks

All of the tenements in which the Company has an interest will be subject to applications for renewal, the success of which cannot be guaranteed. The Directors are not aware of any reason why any current application or renewal of the term of any tenement should not be granted.

Native Title Risks

The Company's tenements are located within areas which may be the subject of claims or applications for native title. The Native Title Act 1993 (Commonwealth) and related State native title legislation and aboriginal lands rights and aboriginal heritage legislation may affect access to exploration areas or obtaining production titles. The nature of these provisions is discussed in more detail in the Solicitor's Report (this Prospectus). Settling claims may incur costs to the Company. The degree to which this may impact on the Company's activities will depend on factors including the status of particular tenements and their locations. At this stage, the Company is not able to quantify the impact, if any, of such matters on its operations.

Economic and Share Market Conditions

Changes in both domestic and world economic conditions may adversely affect the financial performance of the Company. The Company intends to seek listing on the ASX. As a listed company, its share price may be subject to influences that may affect the trend of the stock market and the share price of individual companies. Such factors are beyond the control of the Company and its Directors. The market price of the Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource stocks in particular.

Commodity Price Risk

The Company is exploring for metal commodities including gold. The value of any ore containing economic quantities of these commodities will be closely related to the price of these commodities, and will be affected by factors beyond the control of the Company. These factors include world supply and demand for metals and fluctuations in foreign currency exchange rates.

Legal Risks

The introduction of new legislation or amendments to existing legislation by governments, developments in existing common law, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern the Company's operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial performance of the Company and its securities.

Operational Issues

In the event that the Company commences mining and production, there are risks and hazards beyond the Company's control that may adversely affect its operations. These include, but are not limited to extended interruptions due to inclement or dangerous weather conditions, flooding, earthquakes, fire, explosions and other accidents, industrial disruptions or work stoppages, technical equipment failure, refurbishment and unexpected changes in rock lithologies and structures.

Government Policy Changes

Government policies are subject to review and changes beyond the control of the Company. Such changes may affect industry profitability as well as the Company's capacity to explore and mine. Changes in community attitudes on matters such as taxation, competition policy, environmental and indigenous lands right issues may impose pressures for reviews and possibly changes in government policies. There is a risk that such changes may affect the Company's exploration plans, its tenement rights and obligations, or may require increased capital or operating expenditures or prevent or delay company operations.

Additional Funding and Future Capital Needs

The Company believes that its available funds as disclosed in this Prospectus and the net proceeds of this Offer will be adequate to fund continued exploration and other Company objectives as stated in this Prospectus. Further capital may need to be raised but there is no assurance that additional funding will be available on acceptable terms, or at all. Any inability to obtain additional funding, if required, may have a material adverse effect on the Company's business and its financial condition and performance.

Uninsured Loss and Liability

There is a risk that the Company may not be insured against all losses or liabilities that could arise from the hazards and risks of exploration for and development and mining of minerals, and general operations of the corporation, and the Company could incur loss and liability to third parties. If the Company is not covered by its insurance policies, the funds available for operations will be reduced and the value and/or tenure of the Company's assets may be at risk.

Valuation

No formal valuation has been completed of the exploration projects or the Shares of the Company. The Company makes no representation as to the value of the exploration assets. Investors and their advisers should make their own assessment as to the value of the exploration projects and the Shares.