

Thursday, 13 March 2008

Manager – Company Announcements  
Australian Stock Exchange Limited

**ASX E Lodgement**

Dear Sir/Madam

**ASX Code MTN**  
**Interim Financial Report**

Please find attached the Company's Interim Financial Report for the period ending 31 December 2007, in accordance with its reporting obligations.

Yours faithfully



Sam Appleyard  
Company Secretary

Marathon Resources Limited  
ACN 107 531 822

Interim Financial Report

31<sup>st</sup> December 2007



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MARATHON RESOURCES LIMITED  
ACN 107 531 822  
DIRECTORS' REPORT

The directors present their report on Marathon Resources Ltd for the half year ended 31<sup>st</sup> December 2007 and the state of the affairs of the Company at that date.

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

Directors

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

Peter Williams BEc FCA  
*Chairman (non-executive)*  
Appointed 21<sup>st</sup> May 2004

John Santich  
BE MEngSc PhD DipLaw MSocSc  
*Executive Director*  
Appointed 28<sup>th</sup> January 2004

Wieslaw Bogacz Msc Eng PhD Eng  
*Executive Director*  
Appointed 28<sup>th</sup> January 2004

Denis Wood BSC (Geology)  
*Director (non-executive)*  
Appointed 29<sup>th</sup> November 2006

Chen Zeng Masters Degree International Finance  
Shanghai University of Finance & Economics  
*Director (non-executive)*  
Appointed 27<sup>th</sup> December 2006

Christopher Schacht  
*Director (Non-executive)*  
Appointed 23<sup>rd</sup> January 2008

Secretary  
Stuart Appleyard LLB  
Appointed 28<sup>th</sup> January 2004

## Review of Operations

### **Rights Issue**

On 31<sup>st</sup> October, Marathon announced it had raised \$ 15.5 million of its \$ 27 million, one-for-five rights issue. The rights issue closed with Marathon shareholders taking up about 57% of the entitlement, representing the issue of 6.2 million new shares.

Talbot Group Holdings Pty Ltd and CITIC Australia Pty Ltd, which together hold approximately 19.59% of Marathon's share capital took up their full respective entitlements under the Rights Issue. Marathon's Directors, who collectively control 11.23% of the Company, also took up the majority of their full entitlements.

The Board considered a placement of shares not taken up in the rights issue but decided, with the substantial diminution of prices for shares on the ASX, including Marathon's, that a placement within the three month time limit was inappropriate.

Review of Operations (con't)

**PIRSA & EPA Investigation**

In January 2008 Primary Industries and Resources SA (PIRSA) and the Environmental Planning Authority (EPA) conducted an investigation into burial of waste material at Mt Gee following the Company's drilling program in 2006 and 2007. PIRSA advised the company to cease drilling operations pending the investigation. On 12<sup>th</sup> February 2008 Marathon Resources Limited accepted restrictions and directions to date imposed by the State Government after investigations conducted by PIRSA and the EPA into the manner in which exploration materials were disposed of at Mt Gee. Refer Note 7

**Drilling Program**

The planned \$ 7.2 million, 50-hole drilling program commenced in November 2007 with up to four drill rigs operating at one time, ceased in February 2008 following the PIRSA and EPA investigation. The results of the program completed to February 2008, which aims to increase the confidence of the existing inferred resource, are not expected until June 2008.

**New Executive Team**

The company announced a restructuring of its Executive Team on 1<sup>st</sup> November, with Denis Wood appointed as Executive Director in charge of Mt Gee Uranium Project, and John Santich, a founder of the company and founding CEO, managing exploration and new project generation. Following the end of the period the company has announced further strengthenings to the management team with Hon. Chris Schacht joining the Board and W. Ian McRae engaged as Mt Gee Project Executive.

**Pre-Feasibility Study and Environmental Impact Statement**

SMG Consultants were commissioned to undertake the comprehensive Pre-Feasibility Study of the mining process, while Enesar Consulting – a subsidiary of highly respected engineering group, Coffey International – has been secured for the Environmental Impact Statement.

**Tenement Update**

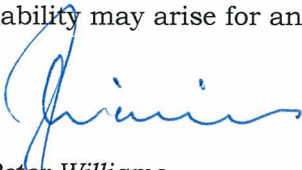
Although the major focus was on completion of the programs in the Paralana Mineral System, exploration activity continued on other tenements. Field work was conducted in the Gawler Craton where extensive calcrete sampling was completed. Regional reconnaissance were completed around Warburton in WA and around Bonang in eastern Victoria. A number of new tenements were granted to the Company.

### Auditor's independence

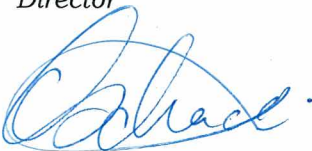
The auditors independence declaration is included on page 6 of this interim financial report.

### Proceedings

The Company is party to legal proceedings brought against it during the half year by an ex employee for alleged breach of contract. Directors intend to defend the legal action but have nevertheless made a provision in the interim accounts to 31<sup>st</sup> December 2007. A contingent liability may arise for an amount in addition to the provision.



*Peter Williams*  
Director



*Christopher Schacht*  
Director

Dated this *13<sup>th</sup>* day of *June* 2008

MARATHON RESOURCES LIMITED  
ACN 107 531 822  
DIRECTORS' DECLARATION

The Directors declare that:

In the opinion of the directors of the company:

1. The financial statements and notes, as set out on pages 9 to 15, are in accordance with the Corporations Act 2001 including:
  - (a) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
  - (b) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date.
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Peter Williams  
Director



Christopher Schacht  
Director

Dated in Adelaide, South Australia this 13<sup>th</sup> day of March 2008

**Grant Thornton South Australian Partnership**

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E [info@gtsa.com.au](mailto:info@gtsa.com.au)W [www.grantthornton.com.au](http://www.grantthornton.com.au)**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF MARATHON RESOURCES LIMITED & CONTROLLED  
ENTITY**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Marathon Resources Limited for the half-year ended 31 December 2007, I declare that, to the best of my knowledge and belief, there have been:

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

GRANT THORNTON  
South Australian Partnership  
Chartered Accountants



P S Paterson  
Partner

Signed at Adelaide this *13* day of March 2008

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF MARATHON RESOURCES LIMITED AND  
CONTROLLED ENTITIES**

**Report on the half-year financial report**

We have reviewed the accompanying half-year financial report of Marathon Resources Limited (the Company) and the entities it controlled (the consolidated entity), which comprises the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, a description of accounting policies, and other selected explanatory notes. The consolidated entity comprises both the Marathon Resources Limited (the Company) and the entities it controlled during that half-year.

**Directors' responsibility for the half-year financial report**

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards including the Australian Accounting Interpretations and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410: *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001. As the auditor of Marathon Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.



## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MARATHON RESOURCES LIMITED AND CONTROLLED ENTITIES (cont)**

### **Auditor's responsibility (cont)**

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Independence**

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

### **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Marathon Resources Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date.
- b complying with Accounting Standard AASB 134: *Interim Financial Reporting* and Corporations Regulations 2001.

GRANT THORNTON  
South Australian Partnership  
Chartered Accountants

P S Paterson  
Partner

Signed at Adelaide this 13 day of March 2008

MARATHON RESOURCES LIMITED  
ACN 107 531 822  
CONSOLIDATED INTERIM INCOME STATEMENT  
FOR THE HALF YEAR ENDED 31<sup>ST</sup> DECEMBER 2007

	Notes	<i>Consolidated Entity</i>	
		<i>31 December 2007 \$</i>	<i>31 December 2006 \$</i>
Revenue		121,838	977,247
Depreciation		(49,207)	(27,067)
Exploration Expenses - Current		(14,233)	(33,474)
- Impairment		(744,631)	-
- Previously capitalised and surrendered		-	(69,503)
Employee Benefit Expenses	5	(1,293,588)	(229,250)
Occupancy Expenses		(56,185)	(25,003)
Share based payment expenses	3	(1,234,000)	(1,574,530)
Consulting expense		(226,288)	(187,713)
Travel expense		(61,907)	(78,466)
ASX listing and registry expenses		(58,100)	(70,075)
Corporate administration		(320,436)	(242,153)
Financial assets fair value adjustment		115,000	-
Take over defence costs – over accrued prior Year		61,381	-
Take over defence costs		-	(394,102)
Profit (Loss)			
before income tax expense		(3,760,356)	(1,954,089)
Income Tax		(17,995)	(18,000)
Profit (loss)			
after income tax expense		(3,778,351)	(1,972,089)
Net Profit (Loss) attributable to the members of Marathon Resources Ltd		(3,778,351)	(1,972,089)
Earnings per share			
Basic (cents per share)		(7.1)	(4.5)
Diluted (cents per share)		(7.1)	(4.5)

The Accompanying notes form part of these financial statements

MARATHON RESOURCES LIMITED  
ACN 107 531 822  
CONSOLIDATED INTERIM BALANCE SHEET  
AS AT 31<sup>ST</sup> DECEMBER 2007

	<i>Notes</i>	<i>Consolidated Entity</i> <i>31 December</i> <i>2007</i> <i>\$</i>	<i>30 June</i> <i>2007</i> <i>\$</i>
<b>CURRENT ASSETS</b>			
Cash and cash Equivalents		11,586,228	2,140,972
Trade and Other Receivables		243,894	425,397
Financial Assets		460,000	345,000
Total Current Assets		<u>12,290,122</u>	<u>2,911,369</u>
<b>NON-CURRENT ASSETS</b>			
Property, Plant & Equipment		422,150	268,783
Financial Assets		746,874	1,069,403
Exploration & Evaluation expenditure	7	11,298,087	8,072,858
Total Non-Current Assets		<u>12,467,111</u>	<u>9,411,044</u>
<b>TOTAL ASSETS</b>		<u>24,757,233</u>	<u>12,322,413</u>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables		1,285,722	2,573,821
Short Term Provisions	5	624,363	30,947
Total Current Liabilities		<u>1,910,085</u>	<u>2,604,768</u>
<b>NET ASSETS</b>		<u>22,847,148</u>	<u>9,717,645</u>
<b>EQUITY</b>			
Issued Capital	4	31,824,688	15,828,305
Reserves		2,737,992	1,826,521
Retained Losses		(11,715,532)	(7,937,181)
<b>TOTAL EQUITY</b>		<u>22,847,148</u>	<u>9,717,645</u>

The accompanying notes form part of these financial statements

MARATHON RESOURCES LIMITED  
ACN 107 531 822  
CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR 31<sup>ST</sup> DECEMBER 2007

	Note s	Issued Capital	Retained Losses	Share Option Reserve	Financial Asset Revaluat'n Reserve	Total
Balance at 01/07/2006		8,344,585	(2,101,840)	77400	-	6,320,145
Share Issues net of transaction costs		7,116,000				7,116,000
Option Issued				1,574,530		1,574,530
Financial Assets Revaluation					556,057	556,057
Loss attributable to members of parent Company			(1,972,089)			(1,972,089)
Balance at 31/12/2006		15,460,585	(4,073,929)	1,651,930	556,057	13,594,643
Balance at 01/07/2007		15,828,305	(7,937,181)	1,631,130	195,391	9,717,645
Share Issues net of transaction costs		15,996,383				15,996,383
Option Issued				1,234,000		1,234,000
Financial assets revaluation					(322,529)	(322,529)
Loss attributable to members of parent Company			(3,778,351)			(3,778,351)
Balance at 31/12/2007		31,824,688	(11,715,532)	2,865,130	(127,138)	22,847,148

The accompanying notes form part of these financial statements

MARATHON RESOURCES LIMITED  
ACN 107 531 822  
CONSOLIDATED INTERIM CASH FLOW STATEMENT  
AS AT 31<sup>ST</sup> DECEMBER 2007

<i>Notes</i>	<i>Consolidated Entity</i>	
	<i>31 December 2007</i>	<i>31 December 2006</i>
<b>Cash flows from operating activities</b>		
Interest and Sundry Income Received	120,856	103,235
Payments to suppliers & employees	(2,481,555)	(1,282,586)
Net cash provided by (used in) operating activities	<u>(2,360,699)</u>	<u>(1,179,351)</u>
<b>Cash flows from investing activities</b>		
Purchase of plant & equipment	(202,573)	(24,563)
Payment for exploration activities	(3,969,860)	(1,520,434)
Net cash provided by (used in) investing activities	<u>(4,172,433)</u>	<u>(1,544,997)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	16,038,371	7,158,000
Payment of expenses of the issue of shares	(59,983)	(60,000)
Net cash provided by (used in) financing activities	<u>15,978,388</u>	<u>7,098,000</u>
Net (decrease) / increase in cash held	9,445,256	4,373,652
Cash at the beginning of the half year	<u>2,140,972</u>	<u>4,200,484</u>
Cash at the end of the half year	<u>11,586,228</u>	<u>8,574,136</u>

The accompanying notes form part of these financial statements

**MARATHON RESOURCES LIMITED**  
**ACN 107 531 822**  
**NOTES TO THE INTERIM FINANCIAL REPORT**

**NOTE 1 – SUMMARY OF ACCOUNTING POLICIES**

**Reporting entity**

Marathon Resources Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2007 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2007 is available upon request from the Company's registered office at 235 Port Road Hindmarsh SA.

Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report as at and for the year ended 30 June 2007.

**Accounting policies**

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30<sup>th</sup> June 2007.

**NOTE 2 – COMPARATIVES AND NOTES**

The following notes cover only events or transactions that are material to an understanding of the current interim period.

**NOTE 3 – SHARE-BASED PAYMENTS**

On 7 August 2007, 500,000 share options were granted to the CEO under the Marathon Resources Limited employee option plan to take up ordinary shares at an exercise price of \$4.36 each. The options are exercisable on or before 6 August 2010.

The fair value of \$2.47 per option has been calculated using a Black Scholes option pricing model applying the following inputs:

Exercise price	\$4.36
Life of the option	3 years
Underlying share price	\$4.18
Share price volatility	88.33%
Risk free interest rate	6.75%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future trends, which may not eventuate.

**MARATHON RESOURCES LIMITED**  
**ACN 107 531 822**  
**NOTES TO THE INTERIM FINANCIAL REPORT**

**NOTE 4 - ISSUED CAPITAL**

	<i>Consolidated Entity</i>	
	<i>31 December</i> 2007 \$	<i>30 June</i> 2007 \$
Fully paid ordinary shares	31,824,688	15,828,305

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

**Movements in ordinary share capital**

	31 December 2007		30 June 2007	
	Number	\$	Number	\$
Balance at beginning of period	51,723,995	15,828,305	43,345,395	8,344,585
Issued at 110 cents Placements			6,500,000	7,150,000
Issued at 20 cents Options exercised			1,808,600	361,720
Issued at 20 cents Employee Options Exercised			70,000	14,000
Issued at 20 cents Options Exercised	2,650,700	530,141		
Issued at 45 cents Employee Options Exercise	15,000	6,750		
Issued at 250 cents Rights Issue Allotment	6,200,592	15,501,480		
	60,590,287	31,866,676	51,723,995	15,870,305
Less share issue and capital raising expenses (net of tax \$17,995 / \$18,000 06/07)	-	(41,988)	-	(42,000)
Balance at period end	60,590,287	31,824,688	51,723,995	15,828,305

**MARATHON RESOURCES LIMITED**  
**ACN 107 531 822**  
**NOTES TO THE INTERIM FINANCIAL REPORT**

**NOTE 5 – SHORT TERM PROVISIONS**

	<i>Consolidated</i> <i>31 December</i> <i>2007</i> \$	<i>Consolidated</i> <i>30 June</i> <i>2007</i> \$
<b>Employee Benefits</b>		
Number of Employees	8	8
Annual leave provision:		
Balance at beginning of period	30,947	15,277
Additional provisions	4,832	15,670
Amounts paid out	(11,416)	-
Balance at end of period	24,363	30,947
Provision in respect of legal action by ex employee for breach of contract	600,000	-
	<u>624,363</u>	<u>30,947</u>

The provision for legal action is an estimate of likely costs. The actual cost of resolving this claim is contingent on future resolution of this action.

**NOTE 6 – SEGMENT INFORMATION**

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

**NOTE 7 – MATTERS SUBSEQUENT TO END OF THE HALF YEAR**

On 8 January 2008, PIRSA advised the Company to suspend drilling operations at Mt Gee pending an investigation being performed by them jointly with the EPA into refuse burial at Mt Gee.

Marathon Resources Limited recognised the concerns expressed by the State Government and others into the manner in which the Company disposed of the materials. The Company has agreed to remediate the site, to consult with all stakeholders and to review environmental management systems and procedures prior to consideration of further drilling programs at Mt Gee.

At the date of this report, all exploration costs associated with the Mt Gee drilling program have been capitalized and are carried forward at cost (\$9.4m). At this time there has been no impairment of the Mt Gee exploration and development asset.